



**CHINA MERCHANTS PORT GROUP CO., LTD.**

**INTERIM REPORT 2020**

**Date of Disclosure: 29 August 2020**

## Part I Important Notes, Table of Contents and Definitions

**The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of China Merchants Port Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.**

**Bai Jingtao, the Company’s legal representative, Lu Yongxin, the Company’s Acting Chief Financial Officer, and Sun Ligan, the person-in-charge of the accounting organ hereby guarantee that the financial statements carried in this Report are factual, accurate and complete.**

**All the Company’s directors have attended the Board meeting for the review of this Report and its summary.**

**Any forward-looking statements such as future plans or development strategies mentioned herein shall not be considered as the Company’s promises to investors. And investors are reminded to exercise caution when making investment decisions.**

**Possible risks faced by the Company and countermeasures have been explained in “Part IV Operating Performance Discussion and Analysis” herein, which investors are kindly reminded to pay attention to.**

***Securities Times, Shanghai Securities News, Ta Kung Pao (HK) and www.cninfo.com.cn* have been designated by the Company for information disclosure. And all information about the Company shall be subject to what’s disclosed on the aforesaid media.**

**The Company is not subject to any industry-specific disclosure requirements.**

**The Company has no interim dividend plan, either in the form of cash or stock.**

**This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.**

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## Definitions

Term	Definition
The “Company”, “CMPort” or “we”	China Merchants Port Group Co., Ltd., formerly known as “Shenzhen Chiwan Wharf Holdings Limited”
CMG	China Merchants Group Co., Limited
CMG Hong Kong	China Merchants Group (H.K.) Limited, a CMG wholly-owned subsidiary in Hong Kong
CMPID	China Merchants Port Investment Development Company Limited (CMID), renamed as “China Merchants Investment Development Company Limited” on 8 July 2020
CMPort Holdings	China Merchants Port Holdings Company Limited (00144.HK)
CWH (H.K.)	Chiwan Wharf Holdings (Hong Kong) Limited
Zhanjiang Port	Zhanjiang Port (Group) Co., Ltd.
Sinotrans Guangdong	Sinotrans Guangdong Co., Ltd.
Zhanjiang Infrastructure Investment	Zhanjiang Infrastructure Construction Investment Group Co., Ltd.
Broadford Global	Broadford Global Limited, a wholly-owned subsidiary of CMG Hong Kong
CMGD	China Merchants Gangtong Development (Shenzhen) Co., Ltd., a Broadford Global wholly-owned subsidiary in Shenzhen
CND Group	China Nanshan Development (Group) Inc.
CMB	China Merchants Bank Co., Ltd.
CMSK	China Merchants Shekou Industrial Zone Holdings Co., Ltd.
CM Qianhai Industrial	Shenzhen China Merchants Qianhai Industrial Development Co., Ltd.
SIPG	Shanghai International Port (Group) Co., Ltd.
Zhangzhou Port)	Zhangzhou China Merchants Port Co., Ltd.
Xiamen Port	Zhangzhou China Merchants Xiamen Port Affairs Co., Ltd.
Haixing Harbor	Shenzhen Haixing Harbor Development Co., Ltd.
Shantou Port	Shantou CMPort Group Co., Ltd.
Dalian Port	Dalian Port (PDA) Company Limited
Tianjin Port Container Terminal	Tianjin Port Container Terminal Co., Ltd.
CCT	Chiwan Container Terminal Co., Ltd., a majority-owned subsidiary of the Company
TCP	TCP Participações S.A.
CICT	Colombo International Container Terminals Ltd.
HIPG	Hambantota International Port Group
TICT	Tin-Can Island Container Terminal Ltd.
PDSA	Port de Djibouti S.A.
TL	Terminal Link S.A.S.
Kumport	Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Sirketi
Port of Newcastle	Port of Newcastle
SASAC of the State Council	State-Owned Assets Supervision and Administration Commission of the State Council

CSRC	China Securities Regulation Commission
SZSE	Shenzhen Stock Exchange
CMG Finance	China Merchants Group Finance Co., Ltd.
The “Articles of Association”	The Articles of Association of China Merchants Port Group Co., Ltd.
The “Stock Listing Rules”	The Stock Listing Rules of the Shenzhen Stock Exchange
The cninfo website	www.cninfo.com.cn
RTG	Rubber Tyre Gantry
CM ePort	The wharf e-commerce platform, i.e. the unified customer service platform
TEU	Twenty Foot Equivalent Unit
RMB	Expressed in the Chinese currency of Renminbi
RMB’0,000	Expressed in tens of thousands of Renminbi
RMB’00,000,000	Expressed in hundreds of millions of Renminbi
	(unless otherwise specified)

## Part II Corporate Information and Key Financial Information

### I Corporate Information

Stock name	CM Port Group/ CM Port Group B	Stock code	001872/201872
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	招商局港口集团股份有限公司		
Abbr. (if any)	招商港口		
Company name in English (if any)	China Merchants Port Group Co., Ltd.		
Abbr. (if any)	CMPort		
Legal representative	Bai Jingtao		

### II Contact Information

	Board Secretary	Securities Representative
Name	Huang Chuanjing	Hu Jingjing
Address	24/F, China Merchants Port Plaza, 1 Gongye 3rd Road, Zhaoshang Street, Nanshan, Shenzhen, PRC	24/F, China Merchants Port Plaza, 1 Gongye 3rd Road, Zhaoshang Street, Nanshan, Shenzhen, PRC
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Email address	Cmpir@cmhk.com	Cmpir@cmhk.com

### III Other Information

#### 1. Contact Information of the Company

Indicate by tick mark whether any change occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period.

Applicable  Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2019 Annual Report.

#### 2. Media for Information Disclosure and Place where this Report is Lodged

Indicate by tick mark whether any change occurred to the information disclosure media and the place for lodging the Company's periodic reports in the Reporting Period.

Applicable  Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for

disclosing the Company's periodic reports and the place for lodging such reports did not change in the Reporting Period. The said information can be found in the 2019 Annual Report.

#### IV Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes  No

	H1 2020	H1 2019	Change (%)
Operating revenue (RMB)	5,922,497,158.48	5,834,353,421.33	1.51%
Net profit attributable to the listed company's shareholders (RMB)	632,798,585.83	2,299,181,330.61	-72.48%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	544,591,914.54	569,405,330.09	-4.36%
Net cash generated from/used in operating activities (RMB)	2,071,426,144.92	2,556,861,915.52	-18.99%
Basic earnings per share (RMB/share)	0.33	1.28	-74.22%
Diluted earnings per share (RMB/share)	0.33	1.28	-74.22%
Weighted average return on equity (%)	1.77%	7.24%	-5.47%
	30 June 2020	31 December 2019	Change (%)
Total assets (RMB)	163,011,419,765.59	156,696,917,845.87	4.03%
Equity attributable to the listed company's shareholders (RMB)	35,116,599,672.07	35,972,804,419.42	-2.38%

The total share capital at the end of the last trading session before the disclosure of this Report:

Total share capital at the end of the last trading session before the disclosure of this Report (share)	1,922,365,124
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Fully diluted earnings per share based on the latest total share capital above:

Fully diluted earnings per share based on the latest total share capital above (RMB/share)	0.3292
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#### V Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

##### 1. Net Profit and Equity under CAS and IFRS

Applicable  Not applicable

No difference for the Reporting Period.

##### 2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable  Not applicable

No difference for the Reporting Period.

## VI Exceptional Gains and Losses

Applicable  Not applicable

Unit: RMB

Item	Amount	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	560,256,383.38	-
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	62,719,385.14	-
Capital occupation charges on non-financial enterprises that are charged to current profit or loss	105,824,679.53	-
Gain or loss on fair-value changes in held-for-trading and derivative financial assets and liabilities & income from disposal of held-for-trading and derivative financial assets and liabilities and other investments in debt obligations (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	-295,735,653.30	-
Non-operating income and expense other than the above	-11,781,919.34	-
Less: Income tax effects	90,479,697.15	-
Non-controlling interests effects (net of tax)	242,596,506.97	-
Total	88,206,671.29	--

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable  Not applicable

No such cases for the Reporting Period.



## Part III Business Summary

### I Principal Activity of the Company in the Reporting Period

#### 1. Main business scope and business models

The Company is principally engaged in the handling, warehousing and transportation of containers and bulk cargoes, as well as the provision of other ancillary services. It principally operates 24 container berths and 18 bulk cargo berths in the ports in West Shenzhen and Dongguan Machong, 9 container berths, 2 bulk cargo berths, 10 general cargo berths and 1 berth dedicated to handling coal in Shantou Port, 2 container berths and 33 bulk cargo berths in Zhanjiang Port, 4 multi-purpose berths in Shunde Port, 2 container berths and 6 bulk cargo berths in Zhangzhou Port, 4 container berths in CICT, Sri Lanka, 4 multi-purpose berths, 2 oil berths and 4 container berths in HIPG, 3 container berths in LCT, Togo, and 4 container berths in TCP, Brazil. Moreover, the Company invests in container hubs in Shanghai, Ningbo and Tianjin and expands its layout to ports in Asia, Africa, Europe, Oceania, South America and North America.

The major business segments of China Merchants Port Group Co., Ltd. are as follow:

Business Segments	Applications
Cargo handling and warehousing	<p>Container handling and warehousing: the Company provides ship berthing, loading and unloading services to ship companies, offers container storage service to ship companies and cargo owners and provides overhead box services to tractor companies. The Company also engages in the businesses of division or merger of cargoes in containers, container leasing and container maintenance;</p> <p>Bulk cargo handling and warehousing: the Company is engaged in bulk cargo handling and transportation in port zones, as well as storage services in yards. The major types of cargoes handled include food, steel, woods and sandstones.</p>
Ancillary port-related services	The ancillary port-related services of the Company mainly include tugboat berthing assistance and barge services at the arrival of ships to the ports, tallying

	in the course of cargo handling, and supply of shore power and freshwater for vessels.
Bonded logistics operations	The Company provides various services for clients (including logistics companies, trading companies or cargo owners), for example, warehouse/yard leasing, loading and unloading in warehouses/yards, customs clearance and division or merger of cargoes at terminals. It also provides documentation services for tractors arriving or leaving the bonded logistics parks.

## **2. Development stage and cyclical characteristic of the industry in which the Company operates and its industry position during the reporting period**

The port industry is a crucial cornerstone industry for national economic and social progress, and is closely linked to global economic and trade development. Since 2020, given the continuous wide spread of COVID-19 pandemic in the world, as well as the anti-globalization and rising geopolitical risks, the risk of global economic and trade recession has increased, and the seaborne freight volume of global container throughput has shrunk that poses challenges to the development of our industry. In addition, consolidation of the port industry and its upstream and downstream industry will create opportunities, and digitization and technological innovation will also bring opportunities for industrial development.

With the long-standing imbalance between supply and demand in the shipping market, shipping companies has promptly reduced shipping capacity and cancelled certain routes to promote a better supply and demand relationship in the shipping market and raise the freight rates against the trend. According to the national port throughput data released by the Ministry of Transport of PRC in July, the national port throughput in the first half of 2020 amounted to 6.75 billion tonnes, representing a year-on-year increase of 0.6%. The container throughput was 120.19 million TEUs, representing a year-on-year decrease of 5.4%. The data also shows that the national port throughput has achieved positive growth for three consecutive months since April, which shows an upward month-on-month growth trend.

The Company is the largest global leading port developer, investor and operator in the PRC, with a comprehensive port network at major hub locations along coastal China. It has also successfully established presence in Asia, Africa, Europe, Mediterranean, Oceania, South America and North America. Adhering to its proactive, sound and efficient operating style, the Company provided its customers with timely and efficient port and maritime logistics services along with comprehensive and modern integrated logistics solutions by leveraging its global port portfolio, professional management experience, the self-developed state-of-the-art terminal operation system and integrated logistics management platform for exports and imports. In addition, the Company also invests in bonded logistics operation and launches integrated park development business to facilitate the transformation and upgrade of port industry, develop port-related industries and increase industry efficiencies, which allows it to create greater value through the synergies of the existing terminal network.

## II Significant Changes in Major Assets

### 1. Significant Changes in Major Assets

Major assets	Main reason for significant changes
Equity assets	No significant change
Fixed assets	No significant change
Intangible assets	No significant change
Construction in progress	No significant change

### 2. Major Assets Overseas

Applicable  Not applicable

Asset	Source	Asset value (RMB'0,000)	Location	Operations	Control measures to protect asset safety	Return generated (RMB'0,000)	As % of the Company's net asset value	Material impairment risk (yes/no)
Equity assets	Acquired via share offering	13,512,483.99	Hong Kong	Port investment and operations	Appointing director and senior management	159,292.10	86.07%	No
Other information	N/A							

### **III Core competitiveness analysis**

#### **1. Effectively strengthening its ability to resist against industry fluctuations and trade friction risks as well as to balance the hedging of uneven regional development risks taking advantages of its global port network**

Currently, CMPort's global port network covers 50 ports in 26 countries and regions over 6 continents, enabling the Company to hedge the risk of regional development imbalance, resist industry fluctuations, ensure the Company's sustainable development and create long-term and stable returns for shareholders under the general environment of normalized development uncertainty.

The Company aims at increasing its global presence with shipping routes across five continents. As both the shipping and port sectors gradually shifted to forming alliances, the Company actively integrated its domestic and overseas port assets and capitalised on its relatively complete global port network to provide customers with comprehensive port logistics service solutions, which created its unique competitive strength.

International economic and trade frictions disturb the global industrial chain and value chain which intensified the risks of unbalanced development in various regions. Populism has further facilitated the self-circulating development model in various regions by virtue of COVID-19 pandemic, which posed greater challenges to certain port enterprises with traditional single-regional layout or serving single hinterland. CMPort has implemented extensive port investment layout around the world in advance which helps hedging the risks of uneven development among various regions as well as plays an active role in continuously and effectively alleviating the fluctuation impact on the industry during the several stages of the COVID-19 outbreak.

#### **2. Providing more competitive comprehensive services for import trade and domestic North-South trade leveraging on the port network development at major hubs along coastal China**

Ultra-large-scale market edges have facilitated China in gradually establishing a new "dual

circulation” development pattern in which domestic and international economic cycles can promote growth of each other, with the domestic economic cycle as the mainstay. CMPort has achieved effective breakthroughs in exploring domestic multi-point coordination and business model innovation that will demonstrate strengthened market competitiveness.

Demographic advantages and increasing income level in China has vigorously promoted the upgrading of consumption and industrial structures. In the future, the structure of China’s import and export sources will tend to be balanced which offers import consumer market potentials in supporting China’s port industries. The business model of certain domestic ports will be shifted from “port of departure” to “port of destination” which may increase the exposure to abundant consumer-end customers and thereby deeply exploring the comprehensive service values. Most of CMPort’s major domestic terminals or ports are mainly located to the south of the Yangtze River Delta region. With the acquisition and integration of Liaoning Port, CMG also entrusted CMPort with port management while CMPort increased its share capital in Zhanjiang Port which has initially established synergic conditions for the North-South passage serving domestic trade. The port synergy system of China’s North-South trade layout and continuous service system enhancement of the North-South passage taking advantages of “CM ePort” platform serving the port ecology offers abundant growth potentials and values.

### **3. Investing in terminals of emerging markets with growth potentials and exploring depressions with more values by leveraging the significant strategical policy opportunities of the key “Belt and Road” initiative and building the Guangdong-Hong Kong-Macau Greater Bay Area on the premise of effective risk control**

As an important carrier for domestic and overseas port investment and operation of CMG, the Company actively responded to the significant national policy opportunities of the key “Belt and Road” initiative. Capitalizing on the close tracking of industries migration pattern, in-depth analysis

and exploring the growth potentials of port sources in emerging markets, the Company has possessed the world's leading competitive capabilities regarding port selection and investment and also actively implemented a series of major national strategies such as building the Guangdong-Hong Kong-Macau Greater Bay Area to grasp the development opportunities and growth points.

In recent years, the Company has been actively seized the policy opportunities of the national and overseas emerging markets and made investment in the allocation of national and overseas port resources to continuously optimize the global network layout and thereby strivingly building a mutually-beneficial port ecosystem. Through mergers, acquisitions and restructuring, along with the renovation of old ports and building of new ports, the Company has been actively constructing modern port chain with global coverage, enhancing value of the port industry and pushing forward balanced regional development.

In realizing the global port network layout strategies, the Company has taken both risk controllability and commercial feasibility into account, ensuring the Company's sustainable profitability. At the same time, adhering to the principle of "extensive consultation, joint development and shared benefits", CMPort will form a community of shared future with stakeholders from countries and regions along the "Belt and Road" initiative to realize mutually-beneficial achievement.

#### **4. Cultivating the innovation and development capabilities for technology and business models driven by innovative reform**

"Ports are fundamental and pivotal facilities which provide important support for economic development." Global shipping enterprises and port operators as well as domestic and overseas major ports have actively pushed forward the digital transformation, symbolizing the clear establishment trend of intelligent port development. Based on the abundant innovative application resources possessed by the ports, port enterprises may share the benefits from new business models and the iterative changes and development of the industry ecology.

In terms of business model, the Company has promoted the business model based on “Port+” and “Internet+” to create new profits. At the same time, taking port business as the core and leveraging the synergy of different port zones as well as city-industry integration, the Company is also actively exploring and facilitating the comprehensive port development model of “Port-Park-City”. Based on the traditional loading and unloading and ancillary services for ports, the Company further expanded various value-added port services to the ports and port cities in which it operates. By gathering talents, information, funds and commodities, the Company provided economic support for urban development, continued to innovate industry development model and expand regional coverage and influence, thereby driving urban upgrade and development. Currently, the Company has participated in promoting the regional comprehensive development and construction with the port-oriented approach in various overseas regions, and the innovative business development model introduces CMPort elements to urban development that helps foster new profit growth points for the Company.

In terms of technological innovation, driven by the innovation policies regarding new infrastructure construction, the Company has deeply realized potential benefits from innovative policies and seized the opportunities of technology reform. Leveraging on the self-developed technology platform with “CMCore” as the core, leading products for the three major industries will be mainly developed, including CTOS (Container Terminal Operation System), BTOS (Bulk Cargo Terminal Operation System) and LPOS (Logistic Park Operation System). The “CM ePort” platform will innovate the service models through improvement of the information service system of port zones and the “Port+Internet” approach, with an aim to develop competitive customer services for ports and terminals. Intelligent product portfolios cover various production and operation elements of terminals and logistics parks such as human resources, finance, resources and industries in a comprehensive approach. Through continuous iterative innovation, realizing the optimal operation management of business units as well as the advanced artificial intelligence and optimization of software technologies,

the Company has upgraded, transformed and built new and optimized intelligent terminals and parks. In addition, the comprehensive solutions for the CMPort-featured intelligent ports based on semi- or fully-automated terminals integrate advanced intelligent technologies and intelligent elements so as to transform and build new intelligent ports in the future. Such solution achieved seamless linkage with intelligent logistics, shipping and affairs and enhanced comprehensive competitiveness through technological empowerment and enhancement.

## **5. Sound shareholder background supported by the platform of central state-owned enterprises**

CMG is a key state-owned enterprise under the direct administration of the PRC central government. Headquartered in Hong Kong, it is an integrated enterprise with diversified businesses and one of the four major Chinese enterprises in Hong Kong. Currently, CMG is mainly engaged in three core industries namely transportation, finance and real estate, while focusing on four key sectors including infrastructure and equipment manufacturing, logistics and shipping, integrated finance and comprehensive development of cities and parks. CMG has been rated as a Grade A enterprise in the Operating Results Assessment of the State-owned Assets Supervision and Administration Commission of the State Council for 16 consecutive years and is a central state-owned enterprise that owns two Fortune 500 companies. As of the end of 2019, CMG's total assets amounted to RMB9.1 trillion, representing a year-on-year increase of 14.6%. Among the central state-owned enterprises, CMG ranked first in terms of total profits, net profits and total assets.

Being a crucial player and facilitator of the national "Belt and Road" initiative, CMG has accelerated its international development and preliminarily formed a relatively complete network of overseas port, logistics, finance and park business. The sound shareholder background and ample domestic and overseas resources of CMG have provided strong support to CMPort for creating a global port cooperation platform with international vision and global expansion capabilities and ultimately becoming a world-class comprehensive port service provider.



## **6. Extensive experience in professional port management with sound and efficient operating style**

By adhering to the proactive, sound and efficient operating style and capitalising on its global port asset and resource portfolio, the Company is committed to provide customers with timely and efficient port and maritime logistics services as well as professional and first-class solutions, and has become preferred partners for customers and an important gateway for the country's foreign trade, thereby making due contributions to the country's foreign trade development. At the same time, the Company also made an extensive investment in bonded logistics business to expand its port value chain and enhance industrial value. Taking advantages of the synergies of its existing terminal network, the Company created values for both its customers and shareholders.

The Company has earned itself good reputation across the industry by leveraging the professional management experience accumulated for years, its self-developed global leading terminal operating system and integrated logistics management platform for import and export, its extensive maritime logistics support system with all-rounded modern integrated logistics solutions and its high-quality engineering management and reliable service offerings.

## Part IV Operating Performance Discussion and Analysis

### I Overview

#### 1. External Environment Analysis

##### (1) Macroeconomic environment

During the first half of 2020, as a result of the global public hygiene crisis due to the continuous spread of the sudden COVID-19 pandemic across the world, various economies showed significant declines. According to the “World Economic Outlook” report published by the International Monetary Fund (“IMF”) in June, the economic forecast for 2020 was further downgraded. The expected global economic growth for the year was downgraded to -4.9%, representing a year-on-year decrease of 7.8 percentage points. Among them, developed economies contracted by 8%, a year-on-year decrease of 9.7 percentage points; emerging markets and developing economies contracted by 3%, a year-on-year decrease of 6.7 percentage points. Besides, impacted by suspension of factories around the world and reduction in market orders, the volume of global merchandise trade in 2020 will fall by 13% in an optimistic scenario or plummet by 32% in a worse scenario according the forecast of the World Trade Organization (“WTO”) in April.

Facing the complex and challenging internal and external environment, the Chinese government coordinated the promotion of pandemic prevention and control measures as well as economic and social development, and the economy has shown great resilience and potential. During the first half of 2020, the Gross Domestic Product in China amounted to RMB 45,661.4 billion, representing a year-on-year decrease of 1.6% based on comparable prices. On a quarter-to-quarter basis, the first quarter recorded a year-on-year decrease of 6.8%, while the second quarter recorded an increase of 3.2%. Commodity trading experienced stagnancy as affected by the spread of pandemic overseas.

According to the statistics published by the General Administration of Customs of China, China's total value of import and export of merchandise trade amounted to RMB14.24 trillion during the first half of 2020, representing a year-on-year decrease of 3.2%, among which the export value was RMB7.71 trillion, representing a decrease of 3%; while the import value totalled RMB6.53 trillion, representing a decrease of 3.3%. Under the premise of normalized prevention and control of the pandemic, the Chinese government coordinated the promotion of economic and social development, and pragmatically and comprehensively implemented works in relation to the "Six Stabilization" and "Six Guarantee". With the government's all-out effort in promoting the resumption of work and production of enterprises, the economy is picking up gradually with many positive signs.

## **(2) Market environment of the port and shipping industry**

In response to the spread of the COVID-19 pandemic across the world since 2020, various countries have implemented trade-restrictive measures. As a result, the demand for services and trade has declined and global trade activities have slowed down. Global demand for shipping was also impacted by the pandemic and the trade volume of container shipping has decreased. Meanwhile, trade tensions, geopolitical conflicts, debt crisis of emerging markets, rise of populism and other risks have upset the global trade order. The combined effect of the aforementioned factors impacted the global industry and value chain, nurtured new consumption patterns and business models, and accelerated the technological innovation of the port and shipping industry.

Despite the imbalance supply and demand of the shipping market, the continuous trend of forming shipping alliances and deploying mega-vessels, and against the backdrop of greater uncertainties in relation to the pandemic and macro demand, shipping companies took advantage of the increased information transparency, market concentration and reliance on alliances to lower effective market supply through reduction of number of shipping or the proportion of chartered vessels, thereby avoiding risks relating to uncertainties of the global supply chain .

During the first half of 2020, the port industry was affected by external environment factors to a certain extent as evidenced by the year-on-year decrease in container business volume. From the nationwide perspective, according to the statistics published by the Ministry of Transport, the container throughput handled by Chinese ports during January to June 2020 totalled 120.19 million TEUs, representing a decrease of 5.4% year-on-year. Furthermore, as shown by the results of monitoring of and analysis on production and operation of the port industry conducted by the China Ports and Harbours Association, container throughput of hub ports in China recorded a year-on-year increase of 0.57% in June, returning to same level as that of the corresponding period last year, among which foreign trade decreased by 0.85% year-on-year, while domestic trade grew by 4.85% year-on-year.

## 2. Port Business Review

### (1) Overview of port business

In the first half of 2020, the Company's ports handled a total container throughput of 55.50 million TEUs, up by 0.7% year-on-year. Bulk cargo volume handled by the Company's ports decreased by 9.5% year-on-year to 220 million tonnes. During the Reporting Period, operating revenue of the Company amounted to RMB 5,922 million, representing a year-on-year increase of 1.51%.

**Table 4-1 Throughput of the Company and changes in the first half of 2020**

Item	For the first half of 2020	For the first half of 2019	Changes
Container throughput ('0,000 TEU)	5,550	5,510	0.7%
Among which: Mainland China	3,984	4,106	-3.0%
Hong Kong and Taiwan	341	355	-3.8%
Overseas	1,224	1,049	16.6%
Bulk cargo throughput (hundred million tonnes)	2.20	2.43	-9.5%
Among which: Mainland China	2.17	2.40	-9.5%
Overseas	0.03	0.03	0%

Note: 1. The statistics represented the total throughput of the holding subsidiaries, associates and joint ventures of the Company. 2. Discrepancies between totals and sums of sub-items listed are due to rounding.

For container business, the Company's ports in China handled container throughput of 39.84 million TEUs, representing a year-on-year decrease of 3.0%, which was mainly due to the decline of import and export trade as affected by the outbreak of pandemic worldwide during the first half of the year. Ports in Hong Kong and Taiwan regions contributed total container throughput of 3.41 million TEUs, indicating a decrease of 3.8% year-on-year. The total container throughput handled by the Company's overseas ports grew by 16.6% year-on-year to 12.24 million TEUs, which was mainly benefitted from the inclusion of the eight terminals newly acquired by TL and the business growth of LCT and TCP. In terms of bulk cargo business, the Company's ports in Mainland China handled a bulk cargo volume of 217 million tonnes, down 9.5% year-on-year, which was mainly attributable to the influence of the outbreak of pandemic worldwide during the first half of the year.

## (2) Operation condition of port business by region

**Table 4-2 Container throughput of the Company and changes in first half of 2020**

(in '0,000 TEU)

Region and port company			For the first half of 2020	For the first half of 2019	Changes
Pearl River Delta	Holding company	West Shenzhen Port Zone	517	568	-9.0%
		Shunde New Port	18	13	37.8%
	Joint stock company	Chu Kong River Trade Terminal	48	54	-11.6%
Yangtze River Delta	Joint stock company	SIPG Group	2,006	2,154	-6.8%
		Ningbo Daxie	148	164	-10.0%
Bohai Rim	Joint stock company	Tianjin Port Container Terminal	367	138	166.5%
		QQCTU	381	379	0.6%
		Dalian Port	360	507	-28.9%
South-East region of Mainland China	Holding company	Zhangzhou Port	16	19	-16.4%
		Shantou Port	62	59	4.7%

South-West region of Mainland China	Holding company	Zhanjiang Port	61	52	15.6%
Hong Kong and Taiwan	Holding company/ Joint stock company	CMCS/ Modern Terminals	263	273	-3.6%
	Joint stock company	Taiwan Kao Ming Container	78	82	-4.4%
Overseas	Holding company	CICT	138	137	0.3%
		TCP	48	44	7.5%
		LCT	61	54	12.7%
	Joint stock company	TL	860	684	25.8%
		Kumport	60	62	-2.1%
		PDSA	42	45	-6.7%
		TICT	16	24	-33.6%
<b>Total</b>			<b>5,550</b>	<b>5,510</b>	<b>0.7%</b>

Note: 1. Due to the restructuring of former Tianjin Five Continents Company, a subsidiary of the Company, the Company has adjusted the statistical caliber of Tianjin Port Container Terminal since September 2019; 2. Since April 2020, the Company has newly included the business volume of eight new ports acquired by TL, a joint stock company of the Company; 3. Discrepancies between totals and sums of sub-items listed are due to rounding.

**Table 4-3 Bulk cargo volume handled by the Company and changes in the first half of 2020**

(in '0,000 tonnes)

Region and port company		For the first half of 2020	For the first half of 2019	Changes	
Pearl River Delta	Holding company	West Shenzhen Port Zone	746	648	15.2%
		Dongguan Machong	770	614	25.4%
	Shunde New Port	154	99	55.4%	
	Joint stock company	Chu Kong Trade Terminal	121	154	-21.1%
Yangtze River Delta	Joint stock company	SIPG Group	3,473	6,175	-43.8%
Bohai Rim	Joint stock company	QQTU	788	764	3.1%
		Qingdao Port Dongjiakou	3,038	2,816	7.9%
		Dalian Port	6,794	6,304	7.8%
		Laizhou Harbour Affairs	978	1,119	-12.6%
South-East region of Mainland China	Holding company	Zhangzhou Port	252	457	-44.9%
		Xia Men Bay Terminals	10	8	21.7%

		Shantou Port	160	392	-59.1%
South-West region of Mainland China	Holding company	Zhanjiang Port	4,425	4,431	-0.1%
Overseas	Holding company	HIPG	18	46	-60.2%
	Joint stock company	Kumport	2	6	-60.7%
		PDSA	285	287	-0.7%
<b>Total</b>			<b>22,014</b>	<b>24,320</b>	<b>-9.5%</b>

Note: 1. HIPG has included liquid bulk cargo in the statistics of its business volume since 2020; 2. Discrepancies between totals and sums of sub-items listed are due to rounding.

### **Pearl River Delta region**

The Group's terminals in West Shenzhen Port Zone handled a total container throughput of 5.17 million TEUs, down by 9.0% year-on-year, which was mainly due to the overall downturn of the foreign trade market in the region under the influence of the pandemic. Shenzhen Port handled a total container throughput of 11.07 million TEUs, down by 10.8% year-on-year. Slightly outperforming the overall Shenzhen market, West Shenzhen Port Zone handled a bulk cargo volume 7.46 million tonnes, up by 15.2% year-on-year, mainly due to the growth in imported grain products and the broadening of construction material sources. Chu Kong River Trade Terminal handled a total container throughput of 0.48 million TEUs and a bulk cargo volume of 1.21 million tonnes, down by 11.6% and 21.1% year-on-year respectively, mainly due to the suspension of certain foreign trade routes as affected by the pandemic. Dongguan Machong Terminal handled bulk cargo volume of 7.70 million tonnes, up by 25.4% year-on-year, mainly due to the significant increase in imported grains within the region. Guangdong Yide Port Limited handled a container throughput of 0.18 million TEUs, up by 37.8% year-on-year, mainly due to the steady increase in foreign trade volume with the commencement of foreign trade business since July 2019. It also handled a bulk cargo volume of 1.54 million tonnes, up by 55.4% year-on-year, mainly due to the increase in number of new customers.

### **Yangtze River Delta region**

SIPG Group handled a container throughput of 20.06 million TEUs, down by 6.8% year-on-year. Bulk cargo volume handled declined by 43.8% year-on-year to 34.73 million tonnes, mainly due to the impact of the pandemic and adjustment of business structure. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 1.48 million TEUs, representing a decrease of 10.0% year-on-year.

### **Bohai Rim region**

Qingdao Qianwan United Container Terminal Co., Ltd. (QQCTU) handled a container throughput of 3.81 million TEUs, representing an increase of 0.6% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. (QQTU) handled bulk cargo volume of 7.88 million tonnes, representing an increase of 3.1% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 30.38 million tonnes, indicating an increase of 7.9% year-on-year. Dalian Port (PDA) Company Limited handled a container throughput of 3.60 million TEUs, representing a decrease of 28.9% year-on-year, mainly due to the impact of the pandemic and adjustment of business structure. Bulk cargo volume handled increased by 7.8% year-on-year to 67.94 million tonnes. Laizhou Harbour Affairs handled a container throughput of 9.78 million tonnes, representing a year-on-year decrease of 12.6%. Since the Group has participated in the merger of container terminals in Tianjin which was completed in August 2019, Tianjin Port Container Terminal Co., Ltd. (“Tianjin Port Container Terminal”) contributed a container throughput of 3.67 million TEUs, representing a year-on-year increase of 166.5% as compared to 1.38 million TEUs handed by Tianjin Five Continents International Container Terminals Co., Ltd. before the merger in the corresponding period last year.

### **South-East region of Mainland China**

Zhangzhou China Merchants Port Co., Ltd. (“Zhangzhou Port”), located in Xiamen Bay Economic Zone, handled a container throughput of 0.16 million TEUs, decreased by 16.4% year-on-



year, while its bulk cargo volume handled decreased by 44.9% year-on-year to 2.52 million tonnes, which is attributable to the significant decrease in the production volume of sandstone, a major cargo type, as affected by the environmental policies in the hinterland. Since May 2019, Xia Men Bay China Merchants Terminals Co., Ltd. officially commenced operation and handled a bulk cargo volume of 0.10 million tonnes, up by 21.7% year-on-year. Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 0.62 million TEUs, up by 4.7% year-on-year, which was mainly due to the growth in the volume of domestic transshipment containers, and a bulk cargo volume of 1.60 million tonnes, down by 59.1% year-on-year, dragged down by impact of the pandemic and the environmental policies.

### **South-West region of Mainland China**

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 0.61 million TEUs, up by 15.6% year-on-year, mainly attributable to the expansion of new shipping routes and the domestic seaborne transshipment business. It also handled a bulk cargo volume of 44.25 million tonnes, down by 0.1% year-on-year.

### **Hong Kong and Taiwan regions**

Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered an aggregate container throughput of 2.63 million TEUs, down by 3.6% year-on-year. Kao Ming Container Terminal Corp. in Kaohsiung, Taiwan handled a total container throughput of 0.78 million TEUs, representing a decrease of 4.4% year-on-year.

### **Overseas operation**

In Sri Lanka, CICT handled a container throughput of 1.38 million TEUs, up by 0.3% year-on-year; and the bulk cargo volume handled by HIPG was 0.18 million tonnes, declined by 60.2% year-on-year, which was mainly due to the impact of the pandemic on the business needs in the hinterland.

Its RORO volume was 0.17 million vehicles, grew by 1.4% year-on-year. Container throughput handled by LCT in Togo increased by 12.7% year-on-year to 0.61 million TEUs, which was mainly due to the transfer of some transshipment routes from regions seriously impacted by the pandemic to LCT by shipping companies. Container throughput handled by TICT in Nigeria was 0.16 million TEUs, representing a decrease of 33.6% year-on-year, mainly due to the decrease in import demand as affected by the pandemic and the drop of oil prices. PDSA in Djibouti handled a container throughput of 0.42 million TEUs, down by 6.7% year-on-year, and a bulk cargo volume of 2.85 million tonnes, down by 0.7% year-on-year. TL handled a container throughput of 8.60 million TEUs, up by 25.8% year-on-year, which was mainly benefitted from the container throughput handled by the new eight ports whose acquisition was completed in March this year. Container throughput handled by Kumport in Turkey was 0.60 million TEUs, representing a decrease of 2.1% year-on-year; while bulk cargo volume handled was 20,000 tonnes, down by 60.7% year-on-year, which was mainly due to the decline of marble exports as affected by the pandemic. Benefitted from the increase in import and export container volume driven by the growth in the trade of agricultural and meat products, TCP in Brazil handled a container throughput of 0.48 million TEUs, up by 7.5% year-on-year.

### **3. Implementation of business plan during the reporting period**

Regarding the development of homebase ports, adhering to the strategic goal of “building world-class leading ports”, the Company further advanced the building of West Shenzhen homebase port into a world-class leading port and CICT and HIPG overseas into regional leading ports in South Asia. West Shenzhen Port Zone has closely followed the national development strategy of Guangdong-Hong Kong-Macao Greater Bay Area and continued to enhance its comprehensive competitiveness. Through strengthening infrastructure construction, the Port Zone has increased its navigation capacity and further improved the customs efficiency to create a good customs environment. Further, it

actively expanded the value-added services including imported fruits and strived to develop into the largest shipping portal for fruits in Southern China. Also, it pushed forward the construction of the Mawan Smart Port steadily. In terms of the overseas homebase ports such as CICT and HIPG, the layout plan of regional development was coordinated and considered, as market-oriented, to actively expand the business presence, enhance service capability and develop value-added services.

As for the business expansion, the Group completed the acquisition of equity interest in eight out of ten target terminals through TL, its associated company. Upon completion of this acquisition, the Group's port operations can be expanded to cover regions such as Southeast Asia, South Asia, Europe, Middle East and the Caribbean Sea Region whereas the terminal layout of the Company has a global coverage of 26 countries or regions, thereby further optimising its layout of global ports network through this deal.

With regard to innovative development, the Group proactively pushed forward the “digitalisation strategy”. As of the end of June 2020, the technological practice regarding product launch and product integration under the “CM ePort” project was completed at Zhangzhou port, Zhanjiang port and other ports. Besides, the Group signed the contract for CTOS project with the Thessaloniki Port Authority SA of Greece in early July, thereby taking this opportunity to promote extensive application of the “CMCore” platform in European ports and the logistics industry. Leveraging the “Guangdong-Hong Kong-Macao Greater Bay Area Port Logistics and Trade Facilitation Blockchain Platform”, the Company has promoted the innovative business model of complex port in the Pearl River Delta by facilitating the saving of logistics and customs data on the blockchain, thereby enhancing the convenience of trade and logistics. In the future, the operation of the blockchain platform will be included in the “CM ePort” platform in general and promoted and replicated this model in other ports gradually. Moreover, construction of the Mawan Smart Port Project, which is oriented with nine intelligent factors, namely “CMCore”, “CM ePort”, artificial

intelligence, the application of 5G network, Beidou high-precision positioning, automation, smart ports, blockchain, as well as green and low-carbon development, has been in steady progress. The Zhanjiang Port Smart Bulk Cargo Terminal Project was also in progress as planned, which aims at establishing a system and solution for the transformation towards automation of traditional bulk cargo terminals vigorously. Furthermore, the Group initiated the “Smart Management Platform (SMP)” overall planning and consultation project, which will provide all-rounded empowerment of intelligence in terms of operation, management and control, monitoring and inspection, decision-making and service provision, with a view to enhancing the Group’s intelligent management comprehensively. The Group has entered into the strategic cooperation framework agreement with leading enterprises in the Internet sector like Alibaba and Tencent with a view to developing a digitalised ecosystem of ports and logistics in concerted efforts.

With respect to comprehensive development, the Group actively implemented the comprehensive development model of “Port-Park-City”. During the first half of 2020, HIPG continued to promote the efforts in soliciting business and attracting investment while Djibouti International Free Trade Zone constantly enhanced its capability in provision of added-value service. As at the end of June, a total of 83 enterprises from different countries and regions was attracted and registered in the zone.

Regarding operation management, the Group continued to optimise and refine the current management mechanisms and systems by pursuing the goal of developing a world-class operation management system consistently. By way of optimising the general management systems with reference to the respective strategic position of its subsidiaries, the Group has facilitated the coordination between the operating mechanisms and project operations so as to strengthen the operation management of each project. Adhering to the principle of differentiation and manageable risks, the Group continued to promote sound development of its subsidiaries by further enhancing the

management of investment plans through efforts put in optimising the internal control and management. Moreover, the Group has organized an expert team to conduct studies on those focused tasks of more professional in nature, and to establish a multi-channel exchange platform for all sectors, with a view to enhancing the professional service of the Group. Besides, focusing on main businesses and the quality of initiatives, the Group further pushed forward the tasks on improving quality and efficiency and explored any potential. The Group strived to implement the related measures in order to achieving in-depth integration of quality and efficiency improvement and strategic objectives.

In respect of capital operation, the Group has promoted the regularized dual-platform capital operation and adhered to the working concept of revitalising the existing assets and optimising asset structure. Following the introduction of strategic investors to TCP in Brazil at the end of 2019, the Group continued to introduce the strategic investor, Fujian Transportation Maritime Silk Road Investment and Management Co. Limited (福建省交通海丝投资管理有限公司), to HIPG this year, with a view to optimising asset portfolio and the Company's governance structure while maintaining the Group's control over Hambantota Port. Unleashing the advantage of resources both at home and abroad of its shareholders, the synergy with HIPG was created, thereby achieving the sustainable development of HIPG in the long run.

## II Core Business Analysis

See "I Overview" above.

Year-on-year changes in key financial data:

Unit: RMB

	H1 2020	H1 2019	Change (%)	Main reason for change
Operating revenue	5,922,497,158.48	5,834,353,421.33	1.51%	-
Operating costs	3,716,083,705.90	3,608,020,695.91	3.00%	-
Administrative expense	737,700,277.37	647,244,718.36	13.98%	-
Finance costs	841,659,933.37	873,109,624.88	-3.60%	-
Income tax expense	513,256,488.88	2,017,970,750.16	-74.57%	Income tax on the compensation income from the transfer of land in Qianhai for readjustment in 2019, with no comparable income tax in the current period
R&D expense	66,130,284.81	60,018,835.29	10.18%	-

Net cash generated from/used in operating activities	2,071,426,144.92	2,556,861,915.52	-18.99%	-
Net cash generated from/used in investing activities	-7,869,580,476.91	73,786,701.24	-10,765.31%	Subscription for compulsory convertible bonds issued by TL and provision of shareholder loan for TL, as well as investment in Northeast Asia Development and Investment Co., Ltd.
Net cash generated from/used in financing activities	5,356,254,138.54	-2,366,244,781.51	326.36%	Exercise of put options for 10% of TCP by non-controlling interests and the share offering for raising the matching funds
Net increase in cash and cash equivalents	-473,798,039.82	244,903,144.44	-293.46%	Increase in net cash used in investing activities

Significant changes to the profit structure or sources of the Company in the Reporting Period:

Applicable  Not applicable

No such changes in the Reporting Period.

Breakdown of operating revenue:

Unit: RMB

	H1 2020		H1 2019		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	5,922,497,158.48	100%	5,834,353,421.33	100%	1.51%
By operating division					
Port operations	5,658,802,385.35	95.55%	5,558,945,151.95	95.28%	1.80%
Bonded logistics service	191,942,345.76	3.24%	198,548,490.32	3.40%	-3.33%
Property development and investment	71,752,427.37	1.21%	76,859,779.06	1.32%	-6.65%
By operating segment					
Mainland China, Hong Kong and Taiwan	4,215,085,950.68	71.17%	4,260,737,809.93	73.03%	-1.07%
Other countries and regions	1,707,411,207.80	28.83%	1,573,615,611.40	26.97%	8.50%

Operating division, product category or operating segment contributing over 10% of operating revenue or operating profit:

Applicable  Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Port operations	5,658,802,385.35	3,489,416,067.87	38.34%	1.80%	2.95%	-0.69%

By operating segment						
Mainland China, Hong Kong and Taiwan	4,215,085,950.68	2,847,703,993.02	32.44%	-1.07%	1.75%	-1.87%
Other countries and regions	1,707,411,207.80	868,379,712.88	49.14%	8.50%	7.32%	0.56%

Core business data restated according to the changed methods of measurement that occurred in the Reporting Period:

Applicable  Not applicable

Any over 30% YoY movements in the data above and why:

Applicable  Not applicable

### III Analysis of Non-Core Businesses

Applicable  Not applicable

Unit: RMB

	Amount	As % of profit before tax	Source/Reason	Recurrent or not
Return on investment	1,505,341,388.78	65.14%	Share of profits of joint ventures and associates, mainly share of the net profit of SIPG	Yes
Gain/loss on changes in fair value	-295,735,653.30	-12.80%	Loss on changes in the fair value of other non-current financial assets	No
Asset disposal income	560,256,383.38	24.24%	Compensation from the government for transferring the land in Zhuchi District of Shantou Port to the government as its reserve	No

### IV Analysis of Assets and Liabilities

#### 1. Significant Changes in Asset Composition

Unit: RMB

	30 June 2020		30 June 2019		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	7,262,584,582.86	4.46%	7,055,470,795.98	4.65%	-0.19%	-
Accounts receivable	1,690,223,255.75	1.04%	1,826,407,082.63	1.20%	-0.16%	-
Inventories	190,316,341.50	0.12%	177,691,083.71	0.12%	0.00%	-
Investment property	5,664,897,398.20	3.48%	5,860,454,152.44	3.86%	-0.38%	-
Long-term equity investments	62,036,426,397.29	38.06%	49,101,264,546.66	32.36%	5.70%	-

Fixed assets	26,460,710,461.56	16.23%	25,605,443,597.36	16.87%	-0.64%	-
Construction in progress	6,927,623,556.76	4.25%	7,255,432,536.56	4.78%	-0.53%	-
Short-term borrowings	15,663,707,514.47	9.61%	7,566,020,460.46	4.99%	4.62%	Issuance of short-term commercial papers for raising matching funds
Long-term borrowings	5,921,573,954.17	3.63%	7,456,687,214.19	4.91%	-1.28%	-
Other receivables	3,632,734,940.15	2.23%	8,060,039,732.79	5.31%	-3.08%	Compensation from the government for transferring land to it as its reserve and dividends receivable from associate
Other current assets	2,800,948,596.59	1.72%	251,682,098.85	0.17%	1.55%	New structured deposit
Long-term receivables	4,550,524,916.21	2.79%	940,430,346.97	0.62%	2.17%	New loan financing for project
Taxes payable	2,084,976,755.33	1.28%	1,530,590,561.50	1.01%	0.27%	Change in business
Other current liabilities	3,190,011,929.49	1.96%	1,456,067,284.82	0.96%	1.00%	New issue of super short-term commercial papers
Long-term payables	1,931,590,951.83	1.18%	1,269,553,048.04	0.84%	0.34%	Increase in lease assets sold under leaseback agreements
Deferred income	1,128,510,809.76	0.69%	2,161,007,055.37	1.42%	-0.73%	Transfer to other income over time
Other non-current liabilities	2,661,536,365.95	1.63%	3,978,432,377.93	2.62%	-0.99%	Exercise of put options for an interest in TCP by non-controlling interests

## 2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes through equity	Impairment allowance made in the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other changes	Ending amount
Financial assets								
Held-for-trading financial assets (exclusive of derivative financial assets)	2,385,363,537.39	-138,571,248.16	-	-	359,178,988.47	-	27,686,221.11	2,633,657,498.81
Investments in other equity instruments	163,561,272.00	-	-112,500.00	-	-	-	-37,500.00	163,411,272.00
Subtotal of	2,548,924,809.39	-138,571,248.16	-112,500.00	-	359,178,988.47	-	27,648,721.11	2,797,068,770.81



financial assets									
Accounts receivable financing	260,760,537.45	-	-	-	-	-	-9,447,749.96	251,312,787.49	
Subtotal of the above	2,809,685,346.84	-138,571,248.16	-112,500.00	-	359,178,988.47	-	18,200,971.15	3,048,381,558.30	
Financial liabilities	4,059,686,208.87	-157,164,405.14	-	-	-	755,393,933.51	-744,697,868.17	2,716,758,812.33	

Significant changes to the measurement attributes of the major assets in the Reporting Period:

Yes  No

### 3. Restricted Asset Rights as at the Period-End

Restricted monetary assets were security deposits of RMB16,456,386.94.

The carrying amount of fixed assets as bank loan mortgages was RMB339,337,781.70.

The carrying amount of construction in progress as bank loan mortgages was RMB37,219,474.00.

The carrying amount of intangible assets as bank loan mortgages was RMB341,849,222.50.

The carrying amount of equities and interests as bank loan mortgages was RMB2,617,579,657.47.

## V Investments Made

### 1. Total Investment Amount

Applicable  Not applicable

Total investment amount in the Reporting Period (RMB)	Total investment amount in the same period of last year (RMB)	Change (%)
5,230,130,246.69	5,253,873,831.22	-0.45%

### 2. Major Equity Investments Made in the Reporting Period

Applicable  Not applicable

### 3. Major Non-Equity Investments Ongoing in the Reporting Period

Applicable  Not applicable

Unit: RMB

Item	Way of investment	Fixed assets investment or not	Industry involved	Input amount in the Reporting Period	Accumulative actual input amount as of the period-end	Funding source	Progress	Expected return	Accumulative realized return as of the period-end	Reason for failing to reach the scheduled progress and expected return

Transformation project of Mawan Smart Port	Self-built	Yes	Support activities for water transportation	139,286,182.07	1,198,275,941.06	Self-funded and loan-funded	42.74%	0.00	0.00	N/A
Shantou Port Guangdong-Macau Area Phase II project	Self-built	Yes	Support activities for water transportation	176,979,681.55	1,549,125,340.11	Self-funded and loan-funded	88.00%	0.00	0.00	N/A
Zhanjiang Port Xiashan Port General Wharf	Self-built	Yes	Support activities of water transportation	25,510,948.79	259,819,857.81	Self-funded and loan-funded	35.22%	0.00	0.00	N/A
General Cargo project of Zhanjiang Port Donghai Island	Self-built	Yes	Support activities of water transportation	-	338,959,000.00	Self-funded and loan-funded	34.04%	0.00	0.00	N/A
Project of berth in Xiamen Port Houshi Port	Self-built	Yes	Support activities of water transportation	11,337,473.41	982,408,653.24	Self-funded and loan-funded	98.00%	0.00	0.00	N/A
<b>Total</b>	--	--	--	353,114,285.82	4,328,588,792.22	--	--	0.00	0.00	--

#### 4. Financial Assets at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Type of assets	Initial investment cost	Gain/loss on fair value changes in the Reporting Period	Accumulated fair value changes recorded in equity	Purchased in the Reporting Period	Sold in the Reporting Period	Accumulated return on investment	Ending amount	Funding source
Stock	1,411,818,972.71	-138,571,248.16	-112,500.00	359,178,988.47	-	71,163,762.03	2,628,941,749.73	Self-funded
Other	40,770,893.95	-	-	-	-	131.33	168,127,021.08	Self-funded
<b>Total</b>	1,452,589,866.66	-138,571,248.16	-112,500.00	359,178,988.47	-	71,163,893.36	2,797,068,770.81	--

#### 5. Financial Investments

##### (1) Securities Investments

√ Applicable □ Not applicable

Unit: RMB

Variety of security	Code of security	Name of security	Initial investment cost	Accounting measurement method	Beginning carrying amount	Gain/loss on fair value changes in the Reporting Period	Accumulated fair value changes recorded in equity	Purchased in the Reporting Period	Sold in the Reporting Period	Gain/loss in the Reporting Period	Ending carrying amount	Accounting title	Funding source
Stock	601018	Ningbo Port	951,362,083.61	Fair value method	1,548,914,671.20	-106,073,904.50	-	359,178,988.47	-	40,087,733.67	1,826,650,083.29	Held-for-trading financial assets	Self-funded
Stock	6198	Qingdao Port	124,405,138.80	Fair value method	204,263,917.11	-52,657,343.66	-	-	-	8,182,428.37	154,662,466.44	Held-for-trading financial assets	Self-funded
Stock	601298	Qingdao Port	331,404,250.30	Fair value method	616,000,000.00	20,160,000.00	-	-	-	22,433,600.00	636,160,000.00	Held-for-trading financial assets	Self-funded
Stock	600377	Jiangsu Expressway	1,120,000.00	Fair value method	11,220,000.00	-	-112,500.00	-	-	460,000.00	11,070,000.00	Investment in other equity instruments	Self-funded

Stock	400032	Petrochemical AI	3,500,000.00	Fair value method	382,200.00	-	-	-	-	382,200.00	Investment in other equity instruments	Self-funded	
Stock	400009	Guang Jian 1	27,500.00	Fair value method	17,000.00	-	-	-	-	17,000.00	Investment in other equity instruments	Self-funded	
Total			1,411,818,972.71	--	2,380,797,788.31	-138,571,248.16	-112,500.00	359,178,988.47	-	71,163,762.04	2,628,941,749.73	--	--

## (2) Investments in Derivative Financial Instruments

Applicable  Not applicable

No such cases in the Reporting Period.

## VI Sale of Major Assets and Equity Investments

### 1. Sale of Major Assets

Applicable  Not applicable

No such cases in the Reporting Period.

### 2. Sale of Major Equity Investments

Applicable  Not applicable

## VII Principal Subsidiaries and Joint Stock Companies

Applicable  Not applicable

Principal subsidiaries and joint stock companies with an over 10% effect on the Company's net profit:

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
China Merchants Port Holdings Company Limited	Subsidiary	Port operations, bonded logistics and property investment	HK\$40,614,228,170.92	135,124,839,887.28	80,406,895,397.95	3,692,963,958.88	1,957,266,280.02	1,592,920,984.37
Shanghai International Port (Group) Co., Ltd.	Joint stock company	Port and container terminal operations	23,173,674,650.00	159,502,438,035.66	91,183,089,439.88	12,038,672,650.45	5,106,991,318.27	4,328,854,036.44

Subsidiaries obtained or disposed of in the Reporting Period:

Applicable  Not applicable

Other information on principal subsidiaries and joint stock companies:

There is no other information on the Company's principal subsidiaries and joint stock companies in the Reporting Period that is required to be disclosed.

## **VIII Structured Bodies Controlled by the Company**

Applicable  Not applicable

## **IX Operating Performance Forecast for January-September 2020**

Warning of a forecast negative net profit for the January-September period of the current year or a considerable YoY change therein, as well as the reasons:

Applicable  Not applicable

## **X Risks Facing the Company and Countermeasures**

### **1. Risk of macroeconomic fluctuations**

Internationally, global economic and trade frictions, political unrest and the global COVID-19 pandemic have cast uncertainties over the market environment. These frictions as well as trade protectionism may dampen global business sentiment and result in a slowdown in economic recovery. Geopolitical tension may undermine the confidence of exploratory commercial trade investment and the trend of global intra-regional economic and trade recirculation was strengthened. The continued spreading global COVID-19 pandemic has further worsened the weak global economy, with the extent of the impact depending on the duration and the scope of the pandemic. Such risks of uncertainties will significantly shock the global trade, container shipping market and bulk cargo demand and will hugely affect export business as well as posing greater challenges to the Company's overseas operation. Meanwhile, uncertain international environment has also resulted in uncontrollable risks in overseas investment, which impose more stringent demands on the Company's overseas operation capability.

Domestically, the COVID-19 pandemic has impacted the economy of China to a certain extent. However, as the pandemic in China was brought under steady control, the ports operation in China for the second half of the year will outperform that for the first half of the year. In addition, the domestic economic environment will still be subject to unstable factors such as Sino-US economic and trade frictions, subdued investment in manufacturing industry and intensified inflation pressure. The relevant business operation and revenue of the Company will be subject to uncertainties to some extent accordingly. Industrial transfer and upgrade may lead to a decline in the generation rate of port containers and structural overcapacity in certain regions, thereby continuously exerting pressure on the profitability of traditional port operations.

Facing the risk of macroeconomic fluctuations, in particular the risk of uncertainties on foreign trade, import and export caused by Sino-US trade frictions and COVID-19 pandemic, the Company will take the initiative to respond in a proactive manner. Firstly, the Company will work in full swing to fight and overcome the pandemic and well prepare for the normalized pandemic control and prevention in the post-pandemic era, striving to minimize its negative impact. Secondly, the Company will seize the opportunities arising from a new round of high-level opening up policies to drive the enhancement of quality and efficiency in port related business and balance the risks of unbalanced regional and structural business development. Thirdly, the Company will continue to strengthen the capacity building of risk identification, warning and elimination, continue to follow up on the upstream and downstream industrial development and trade movements to adjust business operation strategies when appropriate with an aim to effectively prevent, control and reduce the risk of the fluctuation of the external macroeconomic environment.

## **2. Policy risks**

The policy risks in the port industry can be both positive and negative. On one hand, national strategies such as the key “Belt and Road” initiative and the development of the Guangdong-Hong

Kong-Macao Greater Bay Area will introduce favorable policies to the industrial development; on the other hand, policies and initiatives of the government on pushing forward reducing costs and improving efficiency in logistics, anti-monopoly and environmental protection may exert pressure on the profitability of the port industry.

In terms of policy risks, on one hand, the Company will proactively practice the key “Belt and Road” initiative and a series of national strategies to seize the opportunities arising from the policies; on the other hand, in response to the negative risks, the Company will improve its operation management capability by continuously enhancing quality and efficiency and strengthening resource allocation, and will constantly optimize strategic initiatives to actively seek new profit growth driver and improve the sustainable profitability.

### **3. Operation management risks**

Amidst the current favorable environment of domestic and overseas regional port integration, the Company swiftly strengthened its main port business and successfully made investment, mergers and acquisitions of a number of domestic and overseas ports. At the same time, the Company faced unfavorable conditions of ports in certain regions such as large asset volume, overcapacity, relatively low operation efficiency and investment returns. The major risks include: (1) investment decision-making will be riskier and more difficult due to the current complicated external environment; (2) the Company’s internationalized operation management system still needs to be improved and the Company shall strengthen the benefits of integration through management output and other ways so as to accommodate with its own rapid development and expansion; (3) the risk control system shall be consistently established and optimized to constantly improve management efficiency.

In terms of the Company’s internal operational management risks, the Company will: (1) commence various work regarding fighting against the pandemic and resumption of work under the centralised deployment to ensure the realization of the work objective for the year; (2) increase

customer stickiness and seize market opportunities based on three improvement elements, namely “market, resources, services”; (3) improve internal control system to take further precautions in risk control and reinforce the stringent restrictions on internal control with a view to ensuring effective risk identification and control and consolidating the foundation of risk control; and (4) optimize risk warning system to precisely keep abreast of the new developments with an aim to seize the prime opportunities for risk control.

## Part V Significant Events

### I Annual and Extraordinary General Meetings Convened during the Reporting Period

#### 1. General Meetings Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Index to disclosed information
The 1 <sup>st</sup> Extraordinary General Meeting of 2020	Extraordinary General Meeting	88.69%	3 February 2020	4 February 2020	See the resolution announcement (No. 2020-011) on www.cninfo.com.cn
The 2019 Annual General Meeting	Annual General Meeting	90.18%	22 May 2020	23 May 2020	See the resolution announcement (No. 2020-050) on www.cninfo.com.cn

#### 2. Extraordinary General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable  Not applicable

### II Interim Dividend Plan

Applicable  Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

### III Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and Other Entities Fulfilled in the Reporting Period or Overdue at the Period-End

Applicable  Not applicable

No such cases in the Reporting Period.

### IV Engagement and Disengagement of Independent Auditor

Are the interim financial statements audited?

Yes  No

The interim financial statements are unaudited.



## V Explanations Given by the Board of Directors and the Supervisory Committee Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

Applicable  Not applicable

## VI Explanations Given by the Board of Directors Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of Last Year

Applicable  Not applicable

## VII Insolvency and Reorganization

Applicable  Not applicable

No such cases in the Reporting Period.

## VIII Legal Matters

Major lawsuits and arbitrations:

Applicable  Not applicable

No such cases in the Reporting Period.

Other legal matters:

Applicable  Not applicable

Basic information	Amount involved (RMB'0,000)	Whether formed expected liabilities	Progress	The results and influence of lawsuits (arbitrations)	Execution of judgment	Disclosure date	Index to disclosed information
The summary of Brazil TCP cases (note)	2,200.90	Yes	Partially unsettled	Low risk	-	-	-
The summary of other matters not met disclosure standards of major lawsuits (arbitrations)	5,079.06	No	Partially settled, partially unsettled	Low risk	-	-	-

Note: refer to Notes to Financial Statements-Commitments or Contingency for details of Brazil TCP cases.

## IX Media Query

Applicable  Not applicable

No such cases in the Reporting Period.

## X Punishments and Rectifications

Applicable  Not applicable

No such cases in the Reporting Period.

**XI Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller**

Applicable  Not applicable

**XII Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees**

Applicable  Not applicable

The Company is implementing the stock option incentive plan, and has completed registration for the grant of stock option (the first grant) under the Stock Option Incentive Plan (Phase I) as at 13 March 2020. Refer to the Announcement of Grant Completion (the First Grant) of Stock Option Incentive Plan of CMPort (Phase I) (Announcement No. 2020-020) disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) for details. The review and approval procedures carried out in connection with the Stock Option Incentive Plan are as follows:

(1) At the 2nd Meeting of the Nomination, Remuneration and Appraisal Committee of the 9th Board of Directors in 2019 held on 10 October 2019, the following proposals were considered and approved, including Stock Option Incentive Plan of CMPort (Draft) (hereinafter referred to as the “Stock Option Incentive Plan (Draft)”) and its summary, Stock Option Incentive Plan of CMPort (Phase I) (Draft) (hereinafter referred to as the “Stock Option Incentive Plan (Phase I) (Draft)”) and its summary, Management Measures for the Stock Option Incentive Plan of CMPort (hereinafter referred to as the “Management Measures for the Stock Option Incentive Plan”), Appraisal Measures for Implementing the Stock Option Incentive Plan and Implementation Appraisal Measures of Stock Option Incentive Plan by China Merchants Port Group Co., Ltd. (hereinafter referred to as “Implementation Appraisal Measures of Stock Option Incentive Plan”).

(2) At the 9th Extraordinary Meeting of the 9th Board of Directors in 2019 held on 11 October 2019, the following proposals were reviewed and approved, including Stock Option Incentive Plan (Draft) and its summary, Stock Option Incentive Plan (Phase I) (Draft) and its summary, Management Measures for the Stock Option Incentive Plan, Appraisal Measures for Implementing the Stock

Option Incentive Plan and Proposal on Requesting the General Meeting to Authorize the Board of Directors to Go Through Share Incentive Procedures, and independent directors expressed independent opinions. At the 2nd Extraordinary Meeting of the 9th Supervisory Committee in 2019 held on the same day, the following proposals were reviewed and approved, including Stock Option Incentive Plan (Draft) and its summary, Stock Option Incentive Plan (Phase I) (Draft) and its summary, Management Measures for the Stock Option Incentive Plan and Appraisal Measures for Implementing the Stock Option Incentive Plan, and List of Incentive Objects under the Stock Option Incentive Plan (Phase I) was reviewed with opinions expressed. Refer to the relevant announcements (Announcement No. 2019-069, No. 2019-070) disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) for details.

(3) On 3 January 2020, the Company received Approval on the Implementation of Stock Incentive Plan of CMPort (GZKF [2019] No. 748) issued by the State-owned Assets Supervision and Administration Commission of the State Council from China Merchants Group, the actual controller of the Company. In principle, approval was given to the Company for its implementation of the Stock Option Incentive Plan and performance appraisal goals under the Plan. Refer to the relevant announcement (Announcement No. 2020-001) disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) for details.

(4) At the 1st Extraordinary Meeting of the 9th Board of Directors in 2020 held on 9 January 2020, Stock Option Incentive Plan (Phase I) (Revised Draft) and its summary were reviewed and approved and independent directors expressed independent opinions. At the 1st Extraordinary Meeting of the 9th Supervisory Committee in 2020 held on the same day, Stock Option Incentive Plan (Phase I) (Revised Draft) and its summary were reviewed and approved and List of Incentive objects under the Stock Option Incentive Plan (Phase I) (After Adjustment) was reviewed with opinions expressed. Refer to the relevant announcements (Announcement No. 2020-002, No. 2020-003, No. 2020-004) disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) for details.

(5) On 20 January 2020, the Company disclosed the List of Incentive Objects of Stock Option

Incentive Plan (Phase I) China Merchants Port Group Co., Ltd. The Company published the names and positions of the incentive objects for the first grant of the stock option in its internal OA system from 10 January to 19 January 2020. By the end of the publicity, the Company's Supervisory Committee had not received any objection against the incentive objects for the first grant. The Supervisory Committee reviewed the list of incentive objects for the first grant, and disclosed Notes of the Supervisory Committee on the Review and Publicity of the List of Incentive Objects under the Stock Option Plan (Phase I) (Announcement No. 2020-009) on 20 January 2020.

(6) At the 1st Extraordinary General Meeting of 2020 held on 3 February 2020, the following proposals were considered and approved, including Stock Option Incentive Plan (Draft) and its summary, Stock Option Incentive Plan (Phase I) (Revised Draft) and its summary, Management Measures for the Stock Option Incentive Plan, Appraisal Measures for Implementing the Stock Option Incentive Plan and Proposal on Requesting the General Meeting to Authorize the Board of Directors to Go Through Share Incentive Procedures. The Company's Stock Option Incentive Plan was approved and the Board of Directors was authorized to determine the grant date, grant stock option to the incentive objects when they meet the conditions and go through all procedures required for the grant. On the same day, the Company disclosed Self-inspection Report on the Trading of the Company's Shares by Insiders and Incentive Objects of the Stock Option Incentive Plan (Phase I) according to its verification of the trading engaged by the insiders and incentive objects. Refer to the relevant announcement (Announcement No. 2020-011) disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) for details.

(7) At the 2nd Extraordinary Meeting of the 9th Board of Directors in 2020 and the 2nd Extraordinary Meeting of the 9th Supervisory Committee in 2020 held on 3 February 2020, the Proposal on the Grant of Stock Option (the First Grant) to Incentive Objects of the Stock Option Incentive Plan of the Company (Announcement No. 2020-014) was considered and approved respectively. The Company's Board of Supervisors reviewed the list of incentive objects under the

Stock Option Incentive Plan (Phase I) on the grant date and expressed opinions, and independent directors expressed independent opinions. Refer to the relevant announcement (Announcement No. 2020-012, No. 2020-013, No. 2020-014) disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) for details.

### XIII Major Related-Party Transactions

#### 1. Continuing Related-Party Transactions

Applicable  Not applicable

Related party	Relationship with the Company	Type of transaction	Specific transaction	Pricing principle	Transaction price	Total value (RMB'0,000)	As % of the total value of all the same-type transactions	Approved transaction line (RMB'0,000)	Over the approved line or not	Way of settlement	Obtainable market price for same-type transactions	Disclosure date	Index to disclosed information
CHINA COSCO SHIPPING GROUP and its subsidiaries	Affiliated legal person	Render service	Lease, labor service, testing fee, etc.	Market price	25,775.39	25,775.39	56.50%	37,799.33	No	Settled monthly	25,775.39		
China Merchants Shekou Industrial Zone Holdings Co., Ltd. and its subsidiaries	Under the control of ultimate shareholder	Render service to related party and lease land to related party	Labor cost, lease expense of land and houses	Market price	2,287.35	2,287.35	13.84%	16,127.05	No	Settled monthly	2,287.35	16 April 2020	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> (Announcement No.2020-031)
Antong Holdings Co., Ltd. and its subsidiaries	Affiliated legal person	Render service to related party and receive service	Labor cost, freight forwarding agent, Port service charge	Market price	6,174.01	6,174.01	13.53%	9,154.3	No	Settled monthly	6,174.01		
Total				--	--	34,236.75	--	63,080.68	--	--	--	--	--
Large-amount sales return in detail				None									
Give the actual situation in the Reporting Period (if any) where an estimate had been made for the total value of continuing related-party transactions by type to occur in the Reporting Period				The Proposal on Recognition of 2019 Daily Related-party Transaction and the Forecast of 2020 Daily Related-party Transaction was reviewed and approved on the 7 <sup>th</sup> Meeting of the 9 <sup>th</sup> Board of Directors on 14 April 2020, which allowed the Company and subsidiaries to conduct daily business transaction including office leasing, software procurement and labor coast. The amount of daily related-party transactions in 2020 is estimated to be RMB975 million. The actual amount of the above related-parties daily transactions was RMB342 million. Due to the requirements of actual market and business development, there was difference existed which belonged to the normal management adjustment, without major influences to the daily operation and performance of the Company. Refer to Announcement on Recognition of Daily Related-party Transactions in 2019 and the Forecast of Daily Related-party Transactions in 2020 disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> dated 16 April 2020.									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				N/A									

#### 2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Interests

Applicable  Not applicable

### 3. Related Transactions Regarding Joint Investments in Third Parties

√Applicable □ Not applicable

Co-investor	Related relationship	Name of investees	Main business of investees	Registered capital of investees (RMB'0,000)	Total assets of investees (RMB'0,000)	Net assets of investees (RMB'0,000)	Net profit of investees (RMB'0,000)
Liaoning Port Group Co., Ltd.	Under the control of ultimate shareholder	China Merchants Northeast Asia Development Investment Co., Ltd.	Investment and assets management; land development services; park management service; electricity, heat power and water supply; engineering management service; property management; plant leasing; meetings, exhibitions and relevant services; management consulting services. (for project subject to approval of laws, business activities are allowed to carry out with the approval of relevant departments)	450,000	450,276.51	450,207.39	207.39
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Under the control of ultimate shareholder	China Merchants Northeast Asia Development Investment Co., Ltd.	Investment and assets management; land development services; park management service; electricity, heat power and water supply; engineering management service; property management; plant leasing; meetings, exhibitions and relevant services; management consulting services. (for project subject to approval of laws, business activities are allowed to carry out with the approval of relevant departments)	450,000	450,276.51	450,207.39	207.39

### 4. Credits and Liabilities with Related Parties

√Applicable □ Not applicable

Whether there are credits and liabilities with non-operating related parties

√Yes □ No

Credits receivable with related parties

Related party	Related relationship	Forming reason	Whether there is occupation on non-operating capital or not	Beginning balance (RMB'0,000)	Increased in the Reporting Period (RMB'0,000)	Recovered in the Reporting Period (RMB'0,000)	Interest rate	Interest in the Reporting Period (RMB'0,000)	Ending balance (RMB'0,000)
China Merchants Group Finance Co., Ltd.	Other company under the same control of controlling shareholder	Bank deposits	No	89,006.52	207,825.16	193,202.86	2.02%	484.06	103,628.82
China Merchants Bank	The ultimate controlling shareholder has major influence on it	Bank deposits	No	298,084.80	1,055,354.33	1,204,796.13	1.91%	1,416.18	148,643.00

Effects of credits with related parties on the Company's operating results and financial conditions	The above credits receivable with related parties were mainly deposits in financial institutions which has no major influence on the Company's operating results and financial conditions.
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Liabilities payable with related parties:

Related party	Related relationship	Forming reason	Beginning balance (RMB'0,000)	Increased in the Reporting Period (RMB'0,000)	Recovered in the Reporting Period (RMB'0,000)	Interest rate	Interest in the Reporting Period (RMB'0,000)	Ending balance (RMB'0,000)
China Merchants Group Finance Co., Ltd.	Other company under the same control of controlling shareholder	Borrowing	121,756.34	44,361	100,171.3	4.25%	1,705.49	65,945.67
China Merchants Bank	The ultimate controlling shareholder has major influence on it	Borrowing	9,009.3	0	3,709.3	3.41%	151.05	5,300
Effects of liabilities with related parties on the Company's operating results and financial conditions		The above liabilities payable with related parties were mainly financial institution loans which had no major influence on the Company's operating results and financial conditions.						

## 5. Other Major Related-Party Transactions

Applicable  Not applicable

## XIV Occupation of the Company's Capital by the Controlling Shareholder or any of Its Related Parties for Non-Operating Purposes

Applicable  Not applicable

No such cases in the Reporting Period.

## XV Major Contracts and Execution thereof

### 1. Entrustment, Contracting and Leases

#### (1) Entrustment

Applicable  Not applicable

Details:

On 13 December 2018, the Proposal on the Company and China Merchants (Liaoning) Port Development Co., Ltd. Signing the Custody Agreement Regarding Equity Interests in Liaoning Port Group Co., Ltd. was approved at the 10<sup>th</sup> Extraordinary Meeting of the 9<sup>th</sup> Board of Directors of 2018 of the Company. As such, the Company was agreed to sign the said agreement with China Merchants (Liaoning) Port Development Co., Ltd., an indirectly wholly-owned subsidiary of CMG. According to the agreement, the Company will manage, in the trust of China Merchants (Liaoning) Port Development Co., Ltd., the 49.9% interest in Liaoning Port Group Co., Ltd. that China Merchants (Liaoning) Port Development Co., Ltd. is currently holding.

**(2) Contracting**

Applicable  Not applicable

No such cases in the Reporting Period.

**(3) Leases**

Applicable  Not applicable

No such cases in the Reporting Period.

**2. Major Guarantees**

Applicable  Not applicable

**(1) Guarantees**

Unit: RMB'0,000

Guarantees provided by the Company for external parties (exclusive of those for subsidiaries)								
Guarantee-receiving entity	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Terminal Link SAS	N/A	8,062.21	11 June 2013	8,062.21	General guarantee	About 20 years	Not	Not
KHOR AMBADO FZCO	30 March 2019	20,319.84	24 May 2019	12,232.46	Joint-liability	About 13 years	Not	Yes
Total approved line for such guarantees in the Reporting Period (A1)				Total actual amount of such guarantees in the Reporting Period (A2)				
Total approved line for such guarantees at the end of the Reporting Period (A3)		28,382.05		Total actual balance of such guarantees at the end of the Reporting Period (A4)		20,294.67		
Guarantees provided by the Company as the parent for its subsidiaries								
Guarantee-receiving entity	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Chiwan Wharf Holdings (Hong Kong) Limited	30 March 2019	400,000	31 July 2019	300,000	Joint-liability	About 1 year	Not	Not
Chiwan Wharf Holdings (Hong Kong) Limited	16 April 2020	400,000	-	-	-	-	-	-
Zhanjiang Port (Group) Co., Ltd.	16 April 2020	200,000	-	-	-	-	-	-
China Merchants Port (Zhoushan)	30 March 2019	12,800	-	-	-	-	-	-



RoRo Logistics Co., Ltd.								
Total approved line for such guarantees in the Reporting Period (B1)		600,000	Total actual amount of such guarantees in the Reporting Period (B2)					-
Total approved line for such guarantees at the end of the Reporting Period (B3)		1,012,800	Total actual balance of such guarantees at the end of the Reporting Period (B4)					300,000
Guarantees provided between subsidiaries								
Guarantee-receiving entity	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
China Merchants International Terminal (Qingdao) Co., Ltd.	16 April 2020	59,010	-	-	-	-	-	-
China Merchants International Terminal (Qingdao) Co., Ltd.*	30 March 2019	70,000	-	-	-	-	-	-
China Merchants International Terminal (Qingdao) Co., Ltd.*	30 March 2019	10,000	-	-	-	-	-	-
Shenzhen Jinyu Rongtai Investment Development Co., Ltd.	N/A	80,000	12 January 2017	74,000	Joint-liability	About 10 years	Not	Not
Shenzhen Jinyu Rongtai Investment Development Co., Ltd.	30 March 2019	100,000	-	-	-	-	-	-
China Merchants International (China) Investment Co., Ltd.	N/A	2,500	30 June 2016	2,500	Joint-liability	About 10 years	Not	Not
China Merchants Finance Company Limited	4 May 2012	352,775	4 May 2012	352,775	General guarantee	About 10 years	Not	Not
China Merchants Finance Company Limited	3 August 2015	352,775	3 August 2015	352,775	General guarantee	About 10 years	Not	Not
China Merchants Finance Company Limited	3 August 2015	141,110	3 August 2015	141,110	General guarantee	About 5 years	Not	Not
CMHI Finance (BVI) Co., Ltd	6 August 2018	634,995	6 August 2018	634,995	General guarantee	About 5 years	Not	Not
CMHI Finance (BVI) Co., Ltd	6 August 2018	423,330	6 August 2018	423,330	General guarantee	About 10 years	Not	Not

COLOMBO INTERNATIONAL CONTAINER TERMINALS LIMITED*	30 March 2019	200,000	-	-	-	-	-	-
COLOMBO INTERNATIONAL CONTAINER TERMINALS LIMITED	N/A	246,871.95	16 September 2012	7,955.05	General guarantee	About 13 years	Not	Not
COLOMBO INTERNATIONAL CONTAINER TERMINALS LIMITED	N/A	10,583.25	16 September 2012	10,583.25	General guarantee	Infinite	Not	Not
COLOMBO INTERNATIONAL CONTAINER TERMINALS LIMITED	N/A	17,638.75	16 September 2012	17,638.75	General guarantee	Infinite	Not	Not
Lome Container Terminal Co., Ltd.	N/A	7,983.2	June 2015	1,550.74	General guarantee	About 9 years	Not	Not
Lome Container Terminal Co., Ltd.	N/A	7,983.2	June 2015	1,550.74	General guarantee	About 9 years	Not	Not
Lome Container Terminal Co., Ltd.	N/A	7,983.2	June 2015	1,550.74	General guarantee	About 9 years	Not	Not
China Merchants Port Development (Shenzhen) Co., Ltd.	N/A	320,000	31 July 2017	106,000	Joint-liability	About 5 years	Not	Not
China Merchants Port Development (Shenzhen) Co., Ltd.*	30 March 2019	100,000	-	-	-	-	-	-
TCP - TERMINAL DE CONTEINERES DE PARANAGUA S/A.	N/A	41,184	19 April 2018	37,065.6	General guarantee	About 6 years	Not	Not
TCP - TERMINAL DE CONTEINERES DE PARANAGUA S/A.	N/A	58,762.29	7 November 2016	58,762.29	General guarantee	About 6 years	Not	Not
Shenzhen Haixing Harbor Development Co., Ltd. *	30 March 2019	219,090	26 June 2019	16,150.08	Joint-liability	About 18 years	Not	Not
HIPG, etc.*	30 March 2019	419,500	-	-	-	-	-	-
Zhanjiang Port (Group) Co., Ltd.*	30 March 2019	80,000	-	-	-	-	-	-
Zhanjiang Port (Group) Co., Ltd.	16 April 2020	80,000	-	-	-	-	-	-
Hambantota International Port Group (Pvt) Ltd.	16 April 2020	250,000	-	-	-	-	-	-
CMHI Finance	16 April	500,000	-	-	-	-	-	-

(BVI) Co., Ltd	2020							
TCP - TERMINAL DE CONTEINERES DE PARANAGUA S/A.	16 April 2020	90,000				-		
Kong Rise Development Limited	16 April 2020	110,000				-		
Total approved line for such guarantees in the Reporting Period (C1)			1,089,010	Total actual amount of such guarantees in the Reporting Period (C2)				
Total approved line for such guarantees at the end of the Reporting Period (C3)			4,994,074.84	Total actual balance of such guarantees at the end of the Reporting Period (C4)			2,240,292.24	
Total guarantee amount (total of the three kinds of guarantees above)								
Total guarantee line approved in the Reporting Period (A1+B1+C1)			1,689,010	Total actual guarantee amount in the Reporting Period (A2+B2+C2)				-
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)			6,035,256.89	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)			2,560,586.91	
Total actual guarantee amount (A4+B4+C4) as % of the Company's net asset value				72.92%				
Of which:								
Balance of guarantees provided for shareholders, actual controller and their related parties (D)				12,232.46				
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)				2,121,545.35				
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)				804,756.93				
Total of the three amounts above (D+E+F)				2,938,534.74				
Joint responsibilities possibly borne in the Reporting Period for undue guarantees (if any)				N/A				
Provision of external guarantees in breach of the prescribed procedures (if any)				N/A				

\*Relevant guarantee credit was disclosed on 30 March 2019, and was approved by the General Meeting on 21 May 2019. The period of validity is 12 months from the approval of General Meeting.

## (2) Irregularities in the Provision of Guarantees

Applicable  Not applicable

No such cases in the Reporting Period.

## 3. Cash Entrusted for Wealth Management

Applicable  Not applicable

No such cases in the Reporting Period.

#### 4. Other Major Contracts

Applicable  Not applicable

No such cases in the Reporting Period.

### XVI Corporate Social Responsibility (CSR)

#### 1. Major Environmental Issues

Is the Company or any of its subsidiaries identified as a key polluter by the environment watchdog?

Yes  No

The Company and its subsidiaries are not identified as the key polluter by the environment watchdog.

The Company attaches great importance to its corporate social responsibility and takes active steps to perform it. While enhancing business performance and generating returns to shareholders, it makes tangible effort to fulfill its social responsibility as an enterprise for its employees, society and environment to promote the sustainable development of itself and society.

Aimed at building a green port company, in the first half year of 2020, the Company developed the management measures for the performance appraisal on the management over energy conservation and environmental protection. The purpose was to further promote effective implementation of the management over energy conservation and environmental protection, identify and address risks brought by climate change, and strengthen environmental risk assessment and management. In the Reporting Period, while ensuring regular epidemic prevention and control, the Company organized its subsidiaries to carry out the activities National Energy Conservation Promotion Week themed “Lucid Waters and Lush Mountains with Energy Conservation and Efficacy Enhancement” and National Low Carbon Day themed “Green and Low Carbon Lifestyle as Part of a Moderately Prosperous Society in All Respects”, mainly in the online form according to the actual situation. Through the effort, the Company further promoted publicity and education on energy conservation and a low carbon lifestyle among all its employees, vigorously raised the environmental

awareness of saving resources and protecting the environment, and created a strong atmosphere for energy conservation and emission reduction. By conducting publicity, training, lectures and other activities on energy saving and environmental protection, the Company has fully integrated the concept into routine work; by stepping up effort in the recycling of waste batteries and other waste, it has continued to improve its energy conservation, emission reduction and environmental management.

Based on ensuring the effective execution of relevant national laws and regulations, the Company has proactively developed and applied new energy conservation technologies and products, abandoned backward products and processes with high energy consumption to reduce energy loss, and replaced fuel oil with clean and low-carbon electric power to achieve the low-carbon transformation. It has continued to promote the application of new energy saving technologies and products such as “ship shore-based power supply” and “RTG power supply driver”, effectively improved the efficiency of energy utilization, and driven the development of green shipping. It has persisted in implementing relevant national and local policies on energy conservation, stopped purchasing and using low-efficiency and abandoned equipment, and introduced international advanced technologies to upgrade its existing technologies and equipment as part of the effort to improve its overall capacity in technology and equipment. It has adopted the energy saving and technological improvement principle that combines internal independent upgrading of equipment and assisted upgrading by external professional organizations of energy conservation. In the container port business, the RTG power supply driver upgrading project has been advanced smoothly; in the bulk cargo business, the Company has ensured the input of facilities and reduced the emission of dust; in the petrochemical business, the Company has exercised optimal management over the oil leaking from the cleaning of pipelines, storage tanks and repair works.

## 2. Fulfillment of Epidemic Prevention Responsibility

Since the outbreak of COVID-19, the Company has taken effective prevention and control measures to ensure normal port production. At the same time, it has actively coordinated with all relevant parties to assist in the prevention and battle against the epidemic. It has opened up a green channel for ships carrying anti-epidemic supplies by giving them the priority to berth and depart, operate, and perform collection and distribution, so as to ensure fast collection and transportation of anti-epidemic supplies. By wielding the network advantages as a global port, the Company has played an active role in the transportation of anti-epidemic supplies. For regular loaded containers arriving at the port for domestic and foreign trade involving anti-epidemic supplies, the Company's member enterprises have adopted preferential policies, such as exempting the warehouse and yard charges, to jointly tackle the difficulties with customers. During the intense pandemic overseas, the Company donated anti-epidemic supplies or daily necessities to government authorities, hospitals, nursing homes, communities and impoverished regions of Sri Lanka, Djibouti and Bangladesh to tide over the difficulties together with them and strengthen connections with the local people. CMPort has proactively fulfilled its corporate social responsibility in the epidemic prevention and control as part of the contribution towards building a community of shared future for mankind.

## 3. Measures Taken for Targeted Poverty Alleviation

The Company has put in place poverty alleviation programs with Guizhou Province, Yunnan Province, Xinjiang Autonomous Region, Hubei Province, etc. According to its poverty alleviation plan for 2020, the Company will input a total of RMB3.5 million to the relevant programs during the year. As of the End of the Reporting Period, a cumulative amount of RMB1.1 million has been input to purchase food, beverage, health products and other supplies for the said regions, promote sales of the local products, and support the development of the local industries. By doing so, the Company aims to help achieve poverty alleviation in its true sense.

## XVII Other Significant Events

Applicable  Not applicable

## 1. Index to Disclosed Information

The significant events disclosed by the Company on Securities Times, Ta Kung Pao and [www.cninfo.com.cn](http://www.cninfo.com.cn) during the Reporting Period are as follows:

Announcement No.	Date of the announcement	Title of the announcement
2020-001	3 January 2020	Announcement on Approval of Stock Option Incentive Plan by State-owned Assets Supervision and Administration Commission of the State Council
2020-002	10 January 2020	Announcement on Resolutions of the 1 <sup>st</sup> Special Meeting of the 9 <sup>th</sup> Board of Directors in 2020
2020-003	10 January 2020	Announcement on Resolutions of the 1 <sup>st</sup> Special Meeting of the 9 <sup>th</sup> Supervisory Committee in 2020
2020-004	10 January 2020	Announcement on Notes and Revision of Stock Options Incentive Plan of China Merchants Port Group Co., Ltd. (Phase I) (Revised Draft) and its Abstract
2020-005	10 January 2020	Reminder of Convening the 1 <sup>st</sup> Extraordinary General Meeting of 2020
2020-006	10 January 2020	Report of the Public Call for Proxy Voting Rights of Independent Directors
2020-007	16 January 2020	Announcement on Voluntary Information Disclosure of Business Volume Data of December 2019
2020-008	20 January 2020	Announcement on an Estimated Growth in 2019 Annual Results
2020-009	21 January 2020	Announcement on Notes of the Supervisory Committee on the Review and Publicity of the List of Incentive Objects under the Stock Option Plan (Phase I)
2020-010	22 January 2020	Announcement on the Change of the Company's Registered Information with the Industrial and Commercial Administration
2020-011	4 February 2020	Announcement on Resolutions of the 1 <sup>st</sup> Extraordinary General Meeting of 2020
2020-012	4 February 2020	Announcement on Resolutions of the 2 <sup>nd</sup> Special Meeting of the 9 <sup>th</sup> Board of Directors in 2020
2020-013	4 February 2020	Announcement on Resolutions of the 2 <sup>nd</sup> Special Meeting of the 9 <sup>th</sup> Supervisory Committee in 2020
2020-014	4 February 2020	Announcement on the Grant of Stock Option (the First Grant) to Incentive Objects of the Stock Option Incentive Plan of the Company
2020-015	4 February 2020	Self-inspection Report on the Trading of the Company's Shares by Insiders and Incentive Objects of the Stock Option Incentive Plan (Phase I)
2020-016	4 February 2020	Announcement on Resignation of Chairman of the Board and Election of New Chairman of the Board
2020-017	14 February 2020	Announcement on Voluntary Information Disclosure of Business Volume Data of January 2020
2020-018	21 February 2020	Reminder of the Issuance of 2020 Phase I Super-short-term Financing Bonds (Epidemic Prevention Bond)
2020-019	27 February 2020	Announcement on Issued Result of 2020 Phase I Super-short-term Financing Bonds (Epidemic Prevention Bond)
2020-020	14 March 2020	Announcement on Completion of the Grant of Stock Option (the First Grant) under the Stock Option Incentive Plan (Phase I) of the Company
2020-021	14 March 2020	Announcement on Voluntary Information Disclosure of Business Volume Data of February 2020
2020-022	30 March 2020	2019 Annual Results Preview

2020-023	30 March 2020	Announcement on the Disclosure of the 2019 Annual Results by the Majority-Owned Subsidiary (Unaudited)
2020-024	7 April 2020	Announcement on Resolutions of the 3 <sup>rd</sup> Special Meeting of the 9 <sup>th</sup> Board of Directors in 2020
2020-025	7 April 2020	Announcement on Establishment Joint Ventures by Joint Investment with Related Party and Related-party Transactions
2020-026	8 April 2020	Announcement on Retirement and Application of Resignation of Employee Supervisor
2020-027	11 April 2020	2020 First Quarter Performance Forecast
2020-028	16 April 2020	Announcement on Resolutions of the 7 <sup>th</sup> Meeting of the 9 <sup>th</sup> Board of Directors
2020-029	16 April 2020	Announcement on Resolutions of the 7 <sup>th</sup> Special Meeting of the 9 <sup>th</sup> Supervisory Committee
2020-030	16 April 2020	Abstract of 2019 Annual Report (Chinese Version) Abstract of 2019 Annual Report (English Version)
2020-031	16 April 2020	Announcement on the Confirmation of the Continuing Related-Party Transactions in 2019 and the Estimation of Such Transactions in 2020
2020-032	16 April 2020	Announcement on the Related-Party Transaction Regarding Making Deposits in and Obtaining Loans from China Merchants Bank in 2020
2020-033	16 April 2020	Announcement on the External Guarantee Progress of a Majority-Owned Subsidiary of the Company in 2019 and the Expected New External Guarantee Line in the Next 12 Months
2020-034	16 April 2020	Announcement on 2019 Profit Distribution Plan
2020-035	16 April 2020	Special Report on Deposit and Usage of Raised Fund in 2019
2020-036	16 April 2020	Announcement on Reappointment of Accounting Firm in 2020
2020-037	16 April 2020	Announcement on Changes in Accounting Estimates of Depreciation Period of Partial Fixed Assets
2020-038	16 April 2020	Announcement on Providing Financial Aid by Majority-owned Subsidiaries
2020-039	16 April 2020	Announcement on the Disclosure of the 2019 Annual Results by a Majority-Owned Subsidiary
2020-040	16 April 2020	Announcement on the Online Investor Communication on the 2019 Annual Results to Be Held
2020-041	16 April 2020	Announcement on Voluntary Information Disclosure of Business Volume Data of March 2020
2020-042	24 April 2020	Reminder of the Issuance of 2020 Phase II Super-short-term Financing Bonds
2020-043	30 April 2020	Announcement on the Resolutions of the 4 <sup>th</sup> Extraordinary Meeting of the 9 <sup>th</sup> Board of Directors of 2020
2020-044	30 April 2020	The Text of the First Quarter Report 2020 (Chinese Version) The Text of the First Quarter Report 2020 (English Version)
2020-045	30 April 2020	Announcement on Providing Financial Aid for Subsidiaries and Related-party Transactions
2020-046	30 April 2020	Reminder of Convening the 2019 Annual General Meeting
2020-047	30 April 2020	Announcement on Resignation of Chief Financial Officer
2020-048	6 May 2020	Announcement on Issue Results of 2020 Phase II Super-short-term Financing Bonds
2020-049	16 May 2020	Announcement on Voluntary Information Disclosure of Business Volume Data of April 2020
2020-050	23 May 2020	Announcement on Resolutions of the 2019 Annual General Meeting
2020-051	23 May 2020	Announcement on Resolutions of the 1 <sup>st</sup> Meeting of the 10 <sup>th</sup> Board of Directors
2020-052	23 May 2020	Announcement on Resolutions of the 1 <sup>st</sup> Meeting of the 10 <sup>th</sup> Supervisory Committee



2020-053	23 May 2020	Announcement on Completion of General Election of the Board of Directors and Supervisory Committee and Appointment of Senior Executives and Securities Affairs Representatives
2020-054	2 June 2020	Reminder of the Issuance of 2020 Phase III Super-short-term Financing Bonds
2020-055	8 June 2020	Announcement on Issue Results of 2020 Phase III Super-short-term Financing Bonds
2020-056	12 June 2020	Announcement on Voluntary Information Disclosure of Business Volume Data of May 2020

## 2. Progress of the Internal Control Work

### (1) Internal audit and inspection

The Company planned to implement 13 internal audit projects in 2020, but with the impact of COVID-19 epidemic, five audit projects have been launched in the Reporting Period, which involved in 5 audited entities. Three audit projects have been finished, including operating management and performance audit of Guangdong Yide Port Co., Ltd, economic responsibility audit during the term of original general manager Zheng Yanrong of Chiwan Port Development Co., Ltd. and special audit of deposit and usage of raised funds of China Merchants Port Group Co., Ltd. during the Reporting Period.

### (2) Post project evaluation

There are two post evaluations of investment launched as planned during the Reporting Period, including Dongjiakou ore terminal project and KMCT equity acquisition project of Taiwan Gaoming Port, and now the projects are under implementation.

### (3) Self evaluation of risk management and internal control system

In the Reporting Period, the Company has finished 3 risk control tasks according to annual plan. The key task is as follows:

In terms of construction and evaluation of internal control system, the Company has renewed the staff list of risk control framework, issued the risk control work plan of 2020, and launched the combing of management cycle of three core businesses (investment, sales and purchase), and normalized and promoted the construction and evaluation of internal control system among each units. In addition, the supervision and inspection of internal control system has been completed regarding Shunde project and the defect list of internal control assessment has been

issued.

In terms of risk management, the Company continued to track the top 10 risks in 2020, and followed up the risk prevention and control of COVID-19 epidemic, and consistently improved the construction of customer credit ratings and risk pre-warning system regarding accounts receivable. Meanwhile, the Company has carried out the construction of quantitative management system of overseas risks according to annual plan.

### 3. Communications with the Investment Community such as Researches, Inquiries and Interviews

#### (1) During the Reporting Period

Date	Place	Way of communication	Type of communication party	Object of communication	Index to basic information of researches
16 April 2020	China Merchants Port Building	Teleconferencing	Institution	Industrial Securities, Changjiang Securities, UBS, Shanghai Life Insurance, Oriental Alpha Fund, China Securities, China COSCO, CICC, Ever Bloom, Xingyin Fund, Huaxi Securities, Huashang Fund, Hua'an Fund, Huatai Securities, Sichuan Development Fund, Guotai Junan, GTS Fund, TF Fund, CPIC, Pacific Securities, Pacific Assets, Ping'an Securities, China Merchants Securities, Zheshang Securities, Haitong Securities, Shenwan Hongyuan Securities, Green Court Capital, Juli Investment, Western Securities	Main discussions: the basic condition of operations, investments made and the financial condition of the Company; Materials provided: None Index: SZSE EasyIR ( <a href="http://irm.cninfo.com.cn/ircs/index">http://irm.cninfo.com.cn/ircs/index</a> )
29 May 2020	China Merchants Port Building	One-on-one meeting	Institution	Golden Eagle Fund Baoying Fund	
1 January 2020 to 30 June 2020	China Merchants Port Building	By phone, or written inquiry (the EasyIR platform of SZSE	Individual		

	or email)		
Times of communications		74	
Number of institutions communicated with		32	
Number of individuals communicated with		72	
Number of other communication parties		0	
Tip-offs or leakages of substantial confidential information during the communications		No	

## (2) From the End of the Reporting Period to the Disclosure Date of this Report

Date	Place	Way of communication	Type of the communication party	Communication party	Main discussions, materials provided and index to the relevant information
9 July 2020	China Merchants Port Plaza	One-on-one meeting	Institution	Haitong Securities, Golden Eagle	Main discussions: the basic condition of operations, investments made and the financial condition of the Company; Materials provided: None Index: SZSE EasyIR ( <a href="http://irm.cninfo.com.cn/ircs/index">http://irm.cninfo.com.cn/ircs/index</a> )
1 July 2020 to 28 August 2020	China Merchants Port Plaza	By phone or written inquiry (the EasyIR platform of SZSE or email)	Individual	-	
Times of communications				18	
Number of institutions communicated with				2	
Number of individuals communicated with				17	
Number of other communication parties				0	
Tip-offs or leakages of substantial confidential information during the communications				No	

**4. Deposits in and Loans Provided by a Finance Company**

The 2<sup>nd</sup> Meeting of the 9<sup>th</sup> Board of Directors held on 23 August 2017 reviewed and approved the Proposal on Signature of Financial Service Agreement with Sinotrans & CSC Finance Co., Ltd., which agreed to sign the Financial Service Agreement with Sinotrans & CSC Finance Co., Ltd. (former name, and renamed China Merchants Group Finance Co., Ltd. in August 2017). The Term of Agreement is three years.

The 5<sup>th</sup> Meeting of the 9<sup>th</sup> Board of Directors held on 28 March 2019 reviewed and approved the Proposal on Adjustment of Deposit and Loan Limits with the China Merchants Group Finance Co., Ltd. and Signature of the

Supplemental Agreement of Financial Service Agreement and Related-party Transaction, which agreed the Company to sign the Supplemental Agreement of Financial Service Agreement with China Merchants Group Finance Co., Ltd.

The 4th Extraordinary General Meeting of 2019 held on 11 December 2019 reviewed and approved the Proposal on Adjustment of Deposit and Loan Limits with China Merchants Group Finance Co., Ltd. and Signature of the Supplemental Agreement (II) of Financial Service Agreement and Related-party Transaction, which allowed the Company to sign the Supplemental Agreement (II) of Financial Service Agreement with China Merchants Group Finance Co., Ltd.

At the end of the Reporting Period, deposits in and loans provided by China Merchants Group Finance Co., Ltd. were as follows:

Unit: RMB'0,000

Item	Beginning balance	Increase	Decrease	Ending balance
I. Deposits in China Merchants Group Finance Co., Ltd.	89,006.52	207,825.16	193,202.86	103,628.82
II. Loans provided by China Merchants Group Finance Co., Ltd.	121,756.34	44,361.00	100,171.30	65,945.67

## 5. YoY Changes to Accounting Policies, Estimates and Methods

On 14 April 2020, the Company held the 7<sup>th</sup> Meeting of the 9<sup>th</sup> Board of Directors and the 7<sup>th</sup> Meeting of the 9<sup>th</sup> Supervisory Committee, where the Proposal on Changes in Accounting Estimation of the Depreciable Life of Some Fixed Assets was considered and approved. In accordance with the Accounting Standards for Business Enterprises No. 4 - Fixed Assets and the Company's related regulations, the Company reviewed the expected service life of its fixed assets based on their performance and use conditions, and decided to make adjustment to the depreciable life of some fixed assets to make it more reasonable, thus reflecting the Company's financial conditions and operating results in a more objective and fair manner. For the specific content, please refer to the Announcement on Changes in Accounting Estimates of Depreciation Period of Partial Fixed Assets (Announcement No.: 2020-037) published on [www.cninfo.com.cn](http://www.cninfo.com.cn) on 16 April 2020.

For further information, please refer to (III) Changes in Significant Accounting Policies and Accounting Estimates in Part XI Financial Statements for details.

## **XVIII Significant Events of Subsidiaries**

Applicable  Not applicable

1. On 15 April 2020, the Company's holding subsidiary CMPort Holdings (00144.HK) announced that it would distribute in the form of scrip dividend the closing stock dividend as at 31 December 2019, equivalent to HKD0.58 per ordinary share of CMPort Holdings, to the shareholders of record on 19 June 2020. The shareholders may choose otherwise to receive the closing stock dividend in cash in lieu of all or parts of the equity in scrip dividend. The Company held 1,411,014,033 ordinary shares of CMPort Holdings, accounting for 40.91% of its total shares. The Company has chosen to collect the stock dividend in the form of scrip dividend. Thus, it has acquired 88,916,573 ordinary shares of CMPort Holdings, increasing to 1,499,930,606 shares with a rise in the shareholding proportion to 41.58%.

2. On 22 December 2019, according to the announcement of CMPort Holdings, it had signed a master agreement with CMA CGM SA and TL on 20 December 2019. According to the master agreement, TL intended to acquire 10 of the equities of CMA CGM SA in Asia, Europe, Middle East and the Caribbean region with a maximum total price of USD955 million. CMPort Holdings would subscribe the mandatory convertibles issued by TL evaluated in US dollar according to its 49% equity in Terminal Link, with a maximum amount of USD468 million.

On 26 March 2020, according to the announcement of China Merchants Port Holdings Co., Ltd., the first batch of acquisition had been completed, involving eight target ports respectively in Ukraine, Singapore, Jamaica, the Netherlands, China, Vietnam, Thailand and Iraq.

For further information, please login the website of The Stock Exchange of Hong Kong Ltd. or China Merchants Port Group Co., Ltd..

## Part VI Share Changes and Shareholder Information

### I Share Changes

#### 1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
I. Restricted shares	1,277,770,996	66.47%	0	0	0	10,812	10,812	1,277,781,808	66.47%
1. Shares held by state	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal person	128,952,746	6.71%	0	0	0	0	0	128,952,746	6.71%
3. Shares held by other domestic investors	169,602	0.01%	0	0	0	10,812	10,812	180,414	0.01%
Including: Shares held by domestic legal person	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural person	169,602	0.01%	0	0	0	10,812	10,812	180,414	0.01%
4. Shares held by foreign investors	1,148,648,648	59.75%	0	0	0	0	0	1,148,648,648	59.75%
Including: Shares held by foreign legal person	1,148,648,648	59.75%	0	0	0	0	0	1,148,648,648	59.75%
Shares held by foreign natural person	0	0.00%	0	0	0	0	0	0	0.00%
II. Unrestricted shares	644,594,128	33.53%	0	0	0	-10,812	-10,812	644,583,316	33.53%
1. RMB ordinary shares	464,858,324	24.18%	0	0	0	0	0	464,858,324	24.18%
2. Domestically listed foreign shares	179,735,804	9.35%	0	0	0	-10,812	-10,812	179,724,992	9.35%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Other	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	1,922,365,124	100.00%	0	0	0	0	0	1,922,365,124	100.00%

Reasons for the share changes:

√ Applicable □ Not applicable

On the 22 May 2020, the Company held the Annual General Meeting of 2019 on which the 10<sup>th</sup> Board of Directors and the 10<sup>th</sup> Supervisory Committee were constituted by election. The independent directors of the 9<sup>th</sup> Board of Directors and the employee supervisors of the 9<sup>th</sup> Supervisory Committee holding shares of the Company left for the expiration of their term of office. Thus, the restricted shares increased in accordance with governing laws and regulations and provisions of Articles of Association. For more details, please refer to relevant announcements disclosed on Cninfo by the Company (Announcement No.: 2020-050, 2020-053).

Approval of the share changes:

Applicable  Not applicable

Transfer of share ownership:

Applicable  Not applicable

Progress on any share repurchase:

Applicable  Not applicable

Progress on reducing the repurchased shares by means of centralized bidding:

Applicable  Not applicable

Effects of the share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable  Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable  Not applicable

## 2. Changes in Restricted Shares

Applicable  Not applicable

Unit: share

Name of shareholders	Number of restricted shares at the period-begin	Number of released restricted shares	Number of increased restricted shares	Number of restricted shares at the period-end	Reason for restriction	Date of restriction release
China Merchants Port Investment Development Company Limited	1,148,648,648	0	0	1,148,648,648	According to relevant laws and regulations and the shareholder commitment	June 2022
SHENZHEN INFRASTRUCTURE INVESTMENT FUND-SHENZHEN INFRASTRUCTURE INVESTMENT FUND PARTNERSHIP (LIMITED PARTNERSHIP)	64,850,182	0	0	64,850,182	According to relevant laws and regulations and the shareholder commitment	November 2020
CHINA-AFRICA DEVELOPMENT FUND	64,102,564	0	0	64,102,564	According to relevant laws and regulations and the shareholder commitment	November 2020
Zheng Shaoping	9,496	0	0	9,496	According to the Articles of Association and the relevant laws and regulations	-
Yuan Yuhui	10,530	0	3,510	14,040	According to the Articles of Association and the relevant laws	December 2020

					and regulations	
Ni Keqin	21,909	0	7,302	29,211	According to the Articles of Association and the relevant laws and regulations	December 2020
Zhang Jianguo	55,712	0	0	55,712	According to the Articles of Association and the relevant laws and regulations	December 2020
Zhao Chaoxiong	48,716	0	0	48,716	According to the Articles of Association and the relevant laws and regulations	December 2020
Wang Yongli	3,739	0	0	3,739	According to the Articles of Association and the relevant laws and regulations	December 2020
Yao Shenglan	19,500	0	0	19,500	According to the Articles of Association and the relevant laws and regulations	December 2020
Total	1,277,770,996	0	10,812	1,277,781,808	--	--

Note: China Merchants Investment Development Company Limited (CMID) (Chinese name: 招商局投资发展有限公司) was renamed China Merchants Port Investment Development Company Limited (CMPID) (Chinese name: 招商局港口投资发展有限公司) on 8 July 2020.

## II Issuance and Listing of Securities

Applicable  Not applicable

## III Shareholders and Their Holdings as at the Period-End

Unit: share

Number of ordinary shareholders at the period-end		34,601		Number of preferred shareholders with resumed voting rights at the period-end (if any)		0	
5% or greater ordinary shareholders or top 10 ordinary shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Total ordinary shares held at the period-end	Increase/decrease in the Reporting Period	Restricted ordinary shares held	Unrestricted ordinary shares held	Shares in pledge or frozen
China Merchants Port Investment Development Company Limited	Foreign legal person	59.75%	1,148,648,648	0	1,148,648,648	0	0



CHINA MERCHANTS GANGTONG DEVELOPMENT (SHENZHEN) CO., LTD.	State-owned legal person	19.29%	370,878,000	0	0	370,878,000	0
SHENZHEN INFRASTRUCTURE INVESTMENT FUND-SHENZHEN INFRASTRUCTURE INVESTMENT FUND PARTNERSHIP (LIMITED PARTNERSHIP)	Domestic non-state-owned legal person	3.37%	64,850,182	0	64,850,182	0	0
CHINA-AFRICA DEVELOPMENT FUND	State-owned legal person	3.33%	64,102,564	0	64,102,564	0	0
BROADFORD GLOBAL LIMITED	State-owned legal person	2.88%	55,314,208	0	0	55,314,208	0
CMBSA REFTIF TEMPLETON ASIAN GROWTH FUND GTI 5496	Foreign legal person	1.17%	22,425,289	-7,551,307	0	22,425,289	Unknown
NORGES BANK	Foreign legal person	0.15%	2,802,863	0	0	2,802,863	Unknown
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	State-owned legal person	0.13%	2,507,373	-5,982	0	2,507,373	Unknown
MAI SHUQING	Domestic natural person	0.12%	2,376,747	0	0	2,376,747	Unknown
ICBC- Fullgoal China Securities Dividend Index Strengthen Securities Investment Fund	Domestic non-state-owned legal person	0.08%	1,581,401	321,300	0	1,581,401	Unknown
Strategic investors or general legal person becoming top-ten ordinary shareholders due to placing of new shares (if any)	N/A						
Related or acting-in-concert parties among the shareholders above	China Merchants Gangtong Development (Shenzhen) Co., Ltd. is a majority-owned subsidiary of Broadford Global Limited, and Broadford Global Limited is the controlling shareholder of China Merchants Port Investment Development Company Limited. The Company does not know whether the other unrestricted shareholders are related parties or not.						

Top 10 unrestricted ordinary shareholders				
Name of shareholder	Unrestricted ordinary shares held at the period-end	Shares by type		
		Type	Shares	
CHINA MERCHANTS GANGTONG DEVELOPMENT (SHENZHEN) CO., LTD.	370,878,000	RMB ordinary share		370,878,000
BROADFORD GLOBAL LIMITED	55,314,208	Domestically listed foreign share		55,314,208
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	22,425,289	Domestically listed foreign share		22,425,289
NORGES BANK	2,802,863	Domestically listed foreign share		2,802,863
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	2,507,373	Domestically listed foreign share		2,507,373
MAI SHUQING	2,376,747	RMB ordinary share		2,376,747
ICBC- Fullgoal China Securities Dividend Index Strengthen Securities Investment Fund	1,581,401	RMB ordinary share		1,581,401
SHEN HUAILING	1,519,849	Domestically listed foreign share		1,519,849
Hong Kong Securities Clearing Company Ltd.	1,238,979	RMB ordinary share		1,238,979
LIN JIANJUAN	1,212,700	RMB ordinary share		1,212,700
Related or acting-in-concert parties among top 10 unrestricted ordinary shareholders, as well as between top 10 unrestricted ordinary shareholders and top 10 ordinary shareholders	China Merchants Gangtong Development (Shenzhen) Co., Ltd. is a majority-owned subsidiary of Broadford Global Limited. The Company does not know whether the other unrestricted shareholders are related parties or not.			
Top 10 ordinary shareholders involved in securities margin trading (if any)	N/A			

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yes  No

No such cases in the Reporting Period.

#### IV Change of the Controlling Shareholder or the De Facto Controller

Change of the controlling shareholder in the Reporting Period

Applicable  Not applicable

No such cases in the Reporting Period.

Change of the de facto controller in the Reporting Period

Applicable  Not applicable

No such cases in the Reporting Period.

## Part VII Preference Shares

Applicable  Not applicable

No preference shares in the Reporting Period.

## **Part VIII Convertible Corporate Bonds**

Applicable  Not applicable

No convertible corporate bonds in the Reporting Period.

## Part IX Directors, Supervisors and Senior Management

### I Change in Shareholdings of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Incumbent/ Former	Beginning shareholdin g (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Ending shareholdin g (share)	Restricted shares granted at the period- begin (share)	Restricted shares granted in the Reporting Period (share)	Restricted shares granted at the period- end (share)
Deng Renjie	Chairman of the Board	Incumbent	0	0	0	0	0	0	0
Bai Jingtao	Vice Chairman of the Board and CEO	Incumbent	0	0	0	0	0	0	0
Yan Shuai	Director	Incumbent	0	0	0	0	0	0	0
Su Jian	Director	Incumbent	0	0	0	0	0	0	0
Song Dexing	Director	Incumbent	0	0	0	0	0	0	0
Zhang Yi	Director, COO and GM	Incumbent	0	0	0	0	0	0	0
Gao Ping	Independent director	Incumbent	0	0	0	0	0	0	0
Wang Zhenmin	Independent director	Incumbent	0	0	0	0	0	0	0
Li Qi	Independent director	Incumbent	0	0	0	0	0	0	0
Liu Yingjie	Chairman of the Supervisory Committee	Incumbent	0	0	0	0	0	0	0
Hu Qin	Supervisor	Incumbent	0	0	0	0	0	0	0
Yang Yuntao	Supervisor	Incumbent	0	0	0	0	0	0	0
Gong Man	Supervisor	Incumbent	0	0	0	0	0	0	0
Xu Jia	Supervisor	Incumbent	0	0	0	0	0	0	0
Zheng Shaoping	Vice GM	Incumbent	12,661	0	0	12,661	0	0	0
Huang Chuanjing	Vice GM and Secretary of the Board	Incumbent	0	0	0	0	0	0	0
Lu Yongxin	Vice GM and Acting CFO	Incumbent	0	0	0	0	0	0	0
Li Yubin	Vice GM	Incumbent	0	0	0	0	0	0	0

Fu Gangfeng	Chairman of the Board	Former	0	0	0	0	0	0	0
Yuan Yuhui	Independent director	Former	14,040	0	0	14,040	0	0	0
Su Qiyun	Independent director	Former	0	0	0	0	0	0	0
Li Changqing	Independent director	Former	0	0	0	0	0	0	0
Ni Keqin	Supervisor	Former	29,211	0	0	29,211	0	0	0
Zheng Linwei	Supervisor	Former	0	0	0	0	0	0	0
Wen Ling	CFO	Former	0	0	0	0	0	0	0
Total	--	--	55,912	0	0	55,912	0	0	0

## II Change of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Deng Renjie	Chairman of the Board	Elected	3 February 2020	-
Bai Jingtao	Vice Chairman of the Board	Elected	14 April 2020	-
Zhang Yi	Director	Elected	22 May 2020	-
Gao Ping	Independent director	Elected	22 May 2020	-
Wang Zhenmin	Independent director	Elected	22 May 2020	-
Li Qi	Independent director	Elected	22 May 2020	-
Gong Man	Supervisor	Elected	22 May 2020	-
Xu Jia	Supervisor	Elected	22 May 2020	-
Fu Gangfeng	Chairman of the Board	Left	31 January 2020	Job change
Yuan Yuhui	Independent director	Left for expiration of the term	22 May 2020	Change of the Board
Su Qiyun	Independent director	Left for expiration of the term	22 May 2020	Change of the Board
Li Changqing	Independent director	Left for expiration of the term	22 May 2020	Change of the Board
Ni Keqin	Supervisor	Left for expiration of the term	22 May 2020	Change of the Supervisory Committee
Zheng Linwei	Supervisor	Left for expiration of the term	22 May 2020	Change of the Supervisory Committee
Wen Ling	CFO	Left	29 April 2020	Retirement

## Part X Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

Yes

### I. Basic Information of the Corporate Bonds

Name	Abbr.	Code	Release date	Maturity date	Bonds balance (RMB'0,000)	Interest rate	Way of redemption
2020 Public Offering of Corporate Bonds of China Merchants Port Group Co., Ltd. (for qualified investors) (Phase I)	20 CMPort 01	149170	7 July 2020	8 July 2023	200,000	3.36%	Simple interest is adopted and calculated by year. No compound interest is calculated. Interests are paid once every year and principals paid in lump sum at maturity. In the last installment, the interests are paid together with principal repayment.
Listed or transferred trading place of the Company bonds	List on the SZSE.						
Appropriate arrangement of the investors	The Company's bonds are publicly issued to eligible investors who comply with the Measures for Issuance and Trading of Corporate Bonds and have opened an eligible A-share securities account with Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. (CSDC).						
Interest payment during the Reporting Period	During the Reporting Period, "20 CMPort 01" did not enter the payment period.						
Execution of the relevant regulations during the Reporting Period such as the affiliated option clause of the issuers or investors, special clauses such as the exchangeable regulations of the Company bonds (if applicable)	Not applicable						

### II. List of the Bond Trustee and the Rating Organization

Bond trustee:							
Name	CITIC Securities Co., Ltd.	Office address	18F CITIC Securities Tower, No.8 Zhongxin 3rd Road, Futian District, Shenzhen	Contact person	Chen Tianya and Feng Yuan	Contact number	0755-23835062
Rating organization executed the tracking rating of the corporate bonds of the Reporting Period:							
Name	China Chengxin International Credit Rating Co., Ltd.	Office address	60101, Building 1, No.2 Nanzhugan hutong, Dongcheng District, Beijing				
Alternation reasons, execution process and influences on the investors' interests etc. if	Not applicable						

there was alternation of the bond trustees and the credit rating agencies engaged by the Company during the Reporting Period (if applicable)	
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### III. List of the Usage of the Raised Funds of the Corporate Bonds

List of the usage of the raised funds and the execution process of the Company bonds	The Company has used the raised funds strictly in accordance with the terms in the prospectus for current bonds, related provisions and requirements in the Measures for Issuance and Trading of Corporate Bonds and the Bonds Listing Rules of the Shenzhen Stock Exchange. It has not engaged in any violations in respect of the use and management of the raised funds.
Ending balance (RMB'0,000)	0
Operating situation of the raised funds special account	The Company deposits raised funds in a dedicated account and strictly performs internal approval procedures for the use of raised funds to ensure designated use of designated money.
Whether the usage of the raised funds met with the usage, using plan and other agreements committed on the prospectus	Yes

### IV. Rating Situation of the Corporate Bonds Information

On 24 June 2020, China Chengxin International Credit Rating Co., Ltd. (CCXI) issued a credit rating notice (XPWHZ [2019] No. G564). CCXI granted the corporate credit rating of AAA to the Company with a rating outlook of Stable, and the credit rating of AAA to the “2020 Public Offering of Corporate Bonds of China Merchants Port Group Co., Ltd. (for qualified investors) (Phase I)”.

During the Reporting Period, there was no rating difference in the corporate credit ratings of other bonds and debt financing instruments issued by the Company in China.

### V. Credit-adding Mechanism, Repayment Plan and Other Repayment Guarantee Measures of the Corporate Bonds

(I) Changes in the credit enhancement mechanism, debt repayment plans and other debt repayment guarantee measures

During the Reporting Period, there was no significant change in the credit mechanism, debt repayment plans and other debt repayment guarantee measures for the Company’s bonds.

(II) Regarding the credit enhancement mechanism

During the Reporting Period, the Company’s bonds had no surety bond, mortgage or pledge and no other method of credit enhancement.

(III) Debt repayment plans or other debt repayment guarantee measures taken

To fully and effectively safeguard the rights and interests of bond holders, the Company has developed a series of work plans for the timely and full repayment of its bonds, including designating dedicated departments and personnel, arranging funds for debt repayment, developing and strictly executing fund management plans, properly organizing and coordinating, fully exerting the role of the bond trustee, and strictly performing the information disclosure obligation. These plans have formed a set of guarantee measures for the safe payment of interests and repayment for the bonds.

(IV) Dedicated debt repayment account

The Company has set up a dedicated corporate bond account for its bonds. It has signed a tripartite fund regulation



agreement with the trustee and the fund custodian bank to guarantee the full and timely payment of interests and repayment of principals for its bonds.

## VI. Convene Situation of the Bonds Holders Meeting during the Reporting Period

During the Reporting Period, no bonds holders meeting was convened.

## VII. List of the Duty Execution of the Bonds Trustee during the Reporting Period

The bond trustee of “20 CMPort 01” is CITIC Securities. As at the issue date of this Report since the issue of “20 CMPort 01”, the trustee CITIC Securities had performed continuous tracking and supervision on the Company’s credit status, the use of the funds raised under the Company’s bonds, and the implementation of the debt repayment guarantee measures strictly in accordance with relevant laws, regulations and the provisions of the *Bond Trusteeship Agreement*. It had reminded the Company to fulfill its obligations specified in the prospectus, proactively performed its duties as the bond trustee, and safeguarded the legitimate rights and interests of the bond holders.

As at the issue date of this Report, there had been no conflict of interests in the trustee’s performance of duties. The trustee had yet issued the report on the trusteeship affairs.

## VIII. The Major Accounting Data and the Financial Indicators of the Company up the Period-end of the Year and the Period-end of Last Year (or the Reporting Period and the Same Period of Last Year)

Unit: RMB’0,000

Item	30 June 2020	30 June 2019	Increase/decrease
Current ratio	0.51%	0.68%	-0.17%
Asset-liability ratio	42.69%	39.38%	3.31%
Quick ratio	0.51%	0.68%	-0.17%
	H1 2020	H1 2019	Increase/decrease
Times interest earned of EBITDA	4.70	10.38	-54.72%
Loan repayment rate	100.00%	100.00%	-
Interest coverage	100.00%	100.00%	-

Main reason of the above accounting data and the financial indicators with the YoY change exceeded 30%

Applicable  Not applicable

The times interest earned of the Company declined 54.70% compared with that of the same period of last year due to the increase of interest expense caused by the increase of borrowings of the Company.

## IX. Overdue Debts of the Company

Applicable  Not applicable

No such cases in the Reporting Period.

**X. List of the Interest Payment of Other Bonds and Debt Financing Instruments during the Reporting Period**

During the Reporting Period, the Company paid interests in due course for other bonds and debt financing instruments without any delay or failure in the payment of interests and repayment of principals.

**XI. List of the Acquired Bank Credit Lines, Usage and the Repayment of the Bank Loans**

The Company had maintained good credit records with different banks and other financial institutions. As at the end of June 2020, the Company had been granted a credit of RMB58.00 billion by banks, of which RMB28.18 billion had been used. During the Reporting Period, the Company had used the funds strictly according to the banks' loan requirements and fully repaid bank loans in due course.

**XII. List of the Execution of the Agreements or the Commitments Related to the Company Bonds Raising Specification during the Reporting Period**

The Company had strictly carried out the content specified in the prospectus of its bonds, with no incident of harming the rights and interests of the bond investors.

**XIII. Significant Events Occurring during the Reporting Period**

Refer to Part V Significant Events of this Report.

**XIV. Whether there Was Guarantor of the Corporate Bonds**

Yes  No

## **Part XI Financial Statements**

### **I Independent Auditor's Report**

These interim financial statements have not been audited by an independent auditor.

### **II Financial Statements**

See attached.

## **Part XII Documents Available for Reference**

- I. Financial Statements carrying the signatures and stamps of the Company Principal, the Chief Financial Officer and the person in charge of accounting firm;**
- II. Interim Report 2020 carrying the signature of the Company Principal;**
- III. Original copies of all documents and the announcements thereof disclosed in the reporting period on “Securities Times” and “Ta Kung Pao”.**

For and on behalf of the Board

Bai Jingtao

Legal representative of

China Merchants Port Group Co., Ltd.

Dated 29 August 2020

CHINA MERCHANTS PORT GROUP CO., LTD.

FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

CHINA MERCHANTS PORT GROUP CO., LTD.

FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

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AT 30 JUNE 2020

## Consolidated Balance Sheet

Unit: RMB

Item	Notes	Closing Balance	Opening Balance
Current assets:			
Cash and bank balances	(V)1	7,262,584,582.86	7,734,948,210.26
Notes receivable	(V)2	21,961,548.98	38,192,250.02
Accounts receivable	(V)3	1,690,223,255.75	1,356,460,129.90
Accounts receivable financing	(V)4	251,312,787.49	260,760,537.45
Prepayments	(V)5	67,773,767.82	55,034,019.81
Other receivables	(V)6	3,632,734,940.15	2,129,378,252.50
Inventories	(V)7	190,316,341.50	163,980,192.08
Assets held for sale		-	188,404,228.34
Non-current assets due within one year	(V)8	73,093,385.73	808,893,013.06
Other current assets	(V)9	2,800,948,596.59	2,298,792,661.70
Total current assets		15,990,949,206.87	15,034,843,495.12
Non-current Assets:			
Long-term receivables	(V)10	4,550,524,916.21	1,098,831,799.90
Long-term equity investments	(V)11	62,036,426,397.29	57,916,539,383.26
Other investments in equity instruments	(V)12	163,411,272.00	163,561,272.00
Other non-current financial assets	(V)13	2,633,657,498.81	2,385,363,537.39
Investment properties	(V)14	5,664,897,398.20	5,760,262,674.40
Fixed assets	(V)15	26,460,710,461.56	27,519,962,529.29
Construction in progress	(V)16	6,927,623,556.76	6,334,141,441.88
Right-of-use assets	(V)17	9,525,713,677.15	9,633,325,390.46
Intangible assets	(V)18	18,562,439,995.06	19,693,715,554.10
Development Expenditure	(V)19	45,349,256.38	37,399,092.28
Goodwill	(V)20	7,279,415,071.72	8,023,659,694.81
Long-term prepaid expenses	(V)21	697,616,595.63	711,911,011.67
Deferred tax assets	(V)22	316,597,018.94	300,435,502.27
Other non-current assets	(V)23	2,156,087,443.01	2,082,965,467.04
Total non-current assets		147,020,470,558.72	141,662,074,350.75
TOTAL ASSETS		163,011,419,765.59	156,696,917,845.87

AT 30 JUNE 2020

## Consolidated Balance Sheet - continued

Unit: RMB

Item	Notes	Closing Balance	Opening Balance
<b>Current liabilities:</b>			
Short-term borrowings	(V)24	15,663,707,514.47	9,439,099,793.47
Notes payable	(V)25	15,959,326.09	76,455,949.01
Accounts payable	(V)26	552,729,739.72	591,112,466.39
Receipts in advance	(V)27	37,353,091.96	28,826,687.37
Contract liabilities	(V)28	89,261,875.74	85,831,002.52
Employee benefits payable	(V)29	584,728,559.73	634,718,784.64
Taxes payable	(V)30	2,084,976,755.33	1,898,076,342.74
Other payables	(V)31	4,373,981,275.11	2,223,754,677.96
Non-current liabilities due within one year	(V)32	4,534,549,437.65	6,104,339,856.79
Other current liabilities	(V)33	3,190,011,929.49	885,956,581.63
<b>Total current liabilities</b>		<b>31,127,259,505.29</b>	<b>21,968,172,142.52</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings	(V)34	5,921,573,954.17	6,313,735,540.33
Bonds payable	(V)35	20,995,346,998.44	20,930,681,967.19
Including: Preferred shares		-	-
Perpetual bonds		-	-
Lease liabilities	(V)36	1,538,184,794.37	1,647,129,968.61
Long-term payables	(V)37	1,931,590,951.83	1,935,245,003.21
Projected benefits obligation	(V)38	466,832,544.96	471,482,138.63
Provisions	(V)39	70,999,744.39	76,242,559.95
Deferred income	(V)40	1,128,510,809.76	1,147,752,857.17
Deferred tax liabilities	(V)22	3,748,455,818.41	3,961,752,749.17
Other non-current liabilities	(V)41	2,661,536,365.95	3,254,515,306.85
<b>Total non-current liabilities</b>		<b>38,463,031,982.28</b>	<b>39,738,538,091.11</b>
<b>TOTAL LIABILITIES</b>		<b>69,590,291,487.57</b>	<b>61,706,710,233.63</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	(V)42	1,922,365,124.00	1,922,365,124.00
Capital reserve	(V)43	22,061,293,835.79	22,296,485,467.35
Other comprehensive income	(V)44	(735,673,853.20)	(355,944,565.91)
Special reserve	(V)45	22,592,277.41	12,386,734.70
Surplus reserve	(V)46	630,345,307.43	630,345,307.43
Unappropriated profit	(V)47	11,215,676,980.64	11,467,166,351.85
<b>Total shareholders' equity attributable to equity holders of the parent</b>		<b>35,116,599,672.07</b>	<b>35,972,804,419.42</b>
<b>Total minority interests</b>		<b>58,304,528,605.95</b>	<b>59,017,403,192.82</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>93,421,128,278.02</b>	<b>94,990,207,612.24</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>163,011,419,765.59</b>	<b>156,696,917,845.87</b>

The accompanying notes form part of the financial statements.

The financial statements on pages 1 to 148 were signed by the following:

Legal Representative: Bai Jingtao

Chief Financial Officer: Lu Yongxin

Head of Accounting Department: Sun Ligan



CHINA MERCHANTS PORT GROUP CO., LTD.

AT 30 JUNE 2020

Balance Sheet of the Company

Unit: RMB

Item	Notes	Closing Balance	Opening Balance
<b>Current Assets:</b>			
Cash and bank balances		1,826,905,879.02	690,685,211.42
Prepayments		40,000.00	-
Other receivables	(XV)1	1,524,145,895.31	805,534,763.27
Other current assets		753,882,089.03	1,107,292,458.33
Total current assets		4,104,973,863.36	2,603,512,433.02
<b>Non-current Assets:</b>			
Long-term receivables		62,622,307.86	61,004,284.75
Long-term equity investments	(XV)2	34,312,223,874.06	30,266,376,582.23
Other investments in equity instruments		155,538,635.00	155,688,635.00
Other non-current financial assets		371,485,510.62	-
Fixed assets		577,618.61	672,842.27
Construction in progress		6,369,207.09	5,803,169.37
Intangible assets		53,481,617.92	54,692,581.18
Deferred tax assets		928,465.21	928,465.21
Total non-current assets		34,963,227,236.37	30,545,166,560.01
<b>TOTAL ASSETS</b>		<b>39,068,201,099.73</b>	<b>33,148,678,993.03</b>

CHINA MERCHANTS PORT GROUP CO., LTD.

AT 30 JUNE 2020

Balance Sheet of the Company - continued

Unit: RMB

Item	Notes	Closing Balance	Opening Balance
<b>Current Liabilities:</b>			
Short-term borrowings		-	300,378,812.50
Employee benefits payable		18,344,520.71	6,000,000.00
Taxes payable		175,025,582.59	209,282,889.78
Other payables		4,341,552,750.94	628,013,119.77
Non-current liabilities due within one year		36,416,000.00	35,832,000.00
Other current liabilities		3,013,285,383.88	715,766,708.20
<b>Total current liabilities</b>		<b>7,584,624,238.12</b>	<b>1,895,273,530.25</b>
<b>Non-current Liabilities:</b>			
Deferred tax liabilities		35,127,358.75	35,164,858.75
<b>Total non-current liabilities</b>		<b>35,127,358.75</b>	<b>35,164,858.75</b>
<b>TOTAL LIABILITIES</b>		<b>7,619,751,596.87</b>	<b>1,930,438,389.00</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		1,922,365,124.00	1,922,365,124.00
Capital reserve		27,584,975,709.56	27,576,242,527.73
Other comprehensive income		105,482,076.25	105,594,576.25
Surplus reserve		630,345,307.43	630,345,307.43
Unappropriated profit		1,205,281,285.62	983,693,068.62
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>31,448,449,502.86</b>	<b>31,218,240,604.03</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>39,068,201,099.73</b>	<b>33,148,678,993.03</b>

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

Consolidated Income Statement

Unit: RMB

Item	Notes	Amount incurred in the current period	Amount incurred in the previous period
I. Operating income	(V)48	5,922,497,158.48	5,834,353,421.33
Less: Operating costs	(V)48	3,716,083,705.90	3,608,020,695.91
Business taxes and levies	(V)49	77,378,079.15	96,475,511.42
Administrative expenses	(V)50	737,700,277.37	647,244,718.36
Research and development expenses		66,130,284.81	60,018,835.29
Financial expenses	(V)51	841,659,933.37	873,109,624.88
Including: Interest expenses		997,950,589.71	1,037,955,298.30
Interest income		142,415,864.44	139,353,821.46
Add: Other income	(V)52	55,597,275.39	73,092,505.76
Investment income	(V)53	1,505,341,388.78	2,625,049,484.56
Including: Income from investments in associates and joint ventures	(V)53	1,394,604,771.65	1,795,952,978.08
Gains (losses) from changes in fair value	(V)54	(295,735,653.30)	643,627,313.01
Impairment gains (losses) of credit	(V)55	(3,636,037.50)	7,699,134.78
Impairment gains of assets	(V)56	947,693.77	25,051.16
Gains on disposal of assets	(V)57	560,256,383.38	4,169,857,166.53
II. Operating profit		2,306,315,928.40	8,068,834,691.27
Add: Non-operating income	(V)58	27,745,365.39	14,379,618.34
Less: Non-operating expenses	(V)59	23,110,322.51	7,506,374.29
III. Gross profit		2,310,950,971.28	8,075,707,935.32
Less: Income tax expenses	(V)60	513,256,488.88	2,017,970,750.16
IV. Net profit		1,797,694,482.40	6,057,737,185.16
(I) Categorization by continuity of operation			
1. Net profit of continued operation		1,797,694,482.40	6,057,737,185.16
2. Net profit of discontinued operation		-	-
(II) Categorization by attribution of ownership			
1. Net profit attributable to shareholders of the parent		632,798,585.83	2,299,181,330.61
2. Profit or loss attributable to minority shareholder		1,164,895,896.57	3,758,555,854.55
V. Amount of other comprehensive net income after tax	(V)62	(1,105,459,189.10)	(916,016,194.57)
Amount of other comprehensive net income after tax attributable to equity holders of the parent		(379,729,287.29)	(332,612,543.08)
(I) Other comprehensive income that will not be reclassified to profit or loss		(1,463,343.44)	15,630,350.48
1. Changes as a result of remeasurement of the net defined benefit plan		-	-
2. Other comprehensive income under the equity method that will not be reclassified to profit or loss		(1,350,843.44)	14,925,350.48
3. Fair value changes of other investments in equity instruments		(112,500.00)	705,000.00
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		(378,265,943.85)	(348,242,893.56)
1. Other comprehensive income under the equity method that will be reclassified to profit or loss		12,154,545.52	(25,779,604.80)
2. Translation differences of financial statements denominated in foreign currencies		(390,420,489.37)	(322,463,288.76)
Amount of other comprehensive net income after tax attributable to minority shareholders		(725,729,901.81)	(583,403,651.49)
VI. Total comprehensive income attributable to:		692,235,293.30	5,141,720,990.59
Shareholders of the parent		253,069,298.54	1,966,568,787.53
Minority shareholders		439,165,994.76	3,175,152,203.06
VII. Earnings per share			
(I) Basic earnings per share		0.33	1.28
(II) Diluted earnings per share		0.33	1.28

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

Income Statement of the Company

Unit: RMB

Item	Notes	Amount incurred in the current period	Amount incurred in the previous period
I. Operating income	(XV)3	94,339.62	89,776,788.29
Less: Operating costs	(XV)3	1,132,979.82	72,138,491.00
Business taxes and levies		-	1,386,897.46
Administrative expenses		56,541,697.34	37,458,257.94
Financial expenses		1,306,524.34	28,123,295.64
Including: Interest expenses		15,828,399.34	22,334,322.60
Interest income		17,871,242.91	6,848,157.41
Add: Other income		355,292.70	211,721.77
Investment income	(XV)4	1,326,631,915.23	986,513,980.21
Including: Income from investments in associates and joint ventures	(XV)4	28,229,153.26	37,846,506.83
Gains from changes in fair value		12,306,522.15	-
II. Operating profit		1,280,406,868.20	937,395,548.23
Add: Non-operating income		5,000.00	35,710.26
Less: Non-operating expenses		-	68,028.29
III. Gross profit		1,280,411,868.20	937,363,230.20
Less: Income tax expenses		174,535,694.16	148,004,636.57
IV. Net profit		1,105,876,174.04	789,358,593.63
V. Amount of other comprehensive net income after tax		(112,500.00)	705,000.00
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		(112,500.00)	705,000.00
1. Changes as a result of remeasurement of the net defined benefit plan		-	-
2. Other comprehensive income under the equity method that will not be reclassified to profit or loss		-	-
3. Fair value changes of other investments in equity instruments		(112,500.00)	705,000.00
(II) Other comprehensive income that will be reclassified to profit or loss		-	-
1. Other comprehensive income under the equity method that will be reclassified to profit or loss		-	-
2. Translation differences of financial statements denominated in foreign currencies		-	-
VI. Total comprehensive income		1,105,763,674.04	790,063,593.63

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

Consolidated Cash Flow Statement

Unit: RMB

Item	Notes	Amount incurred in the current period	Amount incurred in the previous period
<b>I. Cash Flows from Operating Activities:</b>			
Cash received from sales of goods and rendering of services		5,630,074,541.82	5,754,573,111.14
Refunds of taxes		13,596,456.12	1,028,913.99
Cash received relating to other operating activities	(V) 63 (1)	383,674,545.69	628,327,662.03
Sub-total of cash inflows		6,027,345,543.63	6,383,929,687.16
Cash paid for goods purchased or services received		1,615,486,122.15	1,686,739,386.99
Cash paid to and on behalf of employees		1,443,033,749.90	1,289,823,173.43
Tax payments		561,104,526.78	472,544,903.05
Cash paid relating to other operating activities	(V) 63 (2)	336,294,999.88	377,960,308.17
Sub-total of cash outflows		3,955,919,398.71	3,827,067,771.64
Net Cash Flows from Operating Activities	(V) 64 (1)	2,071,426,144.92	2,556,861,915.52
<b>II. Cash Flows from Investing Activities:</b>			
Cash received from disposal and recovery of investments		2,541,647,276.82	-
Cash received from investment income		243,248,600.44	255,735,654.65
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		109,636,776.06	28,746,274.62
Cash received relating to other investing activities	(V) 63 (3)	509,787,186.59	2,641,747,342.20
Sub-total of cash inflows		3,404,319,839.91	2,926,229,271.47
Cash paid to acquire or construct fixed assets, intangible assets and other long-term assets		1,082,224,237.89	1,557,516,143.20
Cash paid to acquire investments		7,181,906,008.80	321,023,297.25
Cash paid relating to other investing activities	(V) 63 (4)	3,009,770,070.13	973,903,129.78
Sub-total of cash outflows		11,273,900,316.82	2,852,442,570.23
Net Cash Flows from Investing Activities		(7,869,580,476.91)	73,786,701.24
<b>III. Cash Flows from Financing Activities:</b>			
Cash received from capital contributions		-	27,255,000.00
Including: cash received from capital contributions from minority owners of subsidiary		-	27,255,000.00
Cash received from borrowings		13,998,279,106.51	8,519,572,630.94
Cash received from issue of bonds		-	1,000,000,000.00
Sub-total of cash inflows		13,998,279,106.51	9,546,827,630.94
Repayments of borrowings		6,724,017,083.73	10,576,686,264.69
Dividends paid, profit distributed or interest paid		1,161,435,086.07	1,120,395,167.09
Including: Dividends paid, profit distributed to minority shareholders.		162,311,700.49	150,969,238.87
Cash paid relating to other financing activities	(V) 63 (5)	756,572,798.17	215,990,980.67
Sub-total of cash outflows		8,642,024,967.97	11,913,072,412.45
Net Cash Flows from Financing Activities		5,356,254,138.54	(2,366,244,781.51)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		(31,897,846.37)	(19,500,690.81)
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>		(473,798,039.82)	244,903,144.44
Add: Opening Balance of Cash and Cash Equivalents	(V) 64 (2)	7,714,157,995.87	5,373,281,504.75
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	(V) 64 (2)	7,240,359,956.05	5,618,184,649.19

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

Cash Flow Statement of the Company

Unit: RMB

Item	Notes	Amount incurred in the current period	Amount incurred in the previous period
I. Cash Flows from Operating Activities:			
Cash received from sales of goods or rendering of services		-	90,193,645.46
Cash received relating to other operating activities		23,510,809.16	2,827,290.04
Sub-total of cash inflows		23,510,809.16	93,020,935.50
Cash paid for goods purchased and services received		-	30,749,568.38
Cash paid to and on behalf of employees		25,483,852.31	64,417,358.35
Tax payments		208,942,631.96	19,019,323.75
Cash paid relating to other operating activities		17,929,140.00	245,001,703.97
Sub-total of cash outflows		252,355,624.27	359,187,954.45
Net Cash Flows from Operating Activities		(228,844,815.11)	(266,167,018.95)
II. Cash Flows from Investing Activities:			
Cash received from disposals and recovery of investments		1,400,000,000.00	-
Cash received from investments income		184,352,981.91	273,935,026.51
Cash received relating to investing activities		222,500,000.00	228,867,355.24
Sub-total of cash inflows		1,806,852,981.91	502,802,381.75
Cash paid to acquire or construct fixed assets, intangible assets and other long-term assets		600,000.00	1,916,637.68
Cash paid for investments		2,409,178,988.47	375,334,390.00
Net cash paid for acquisition of subsidiaries and other business entities		-	10,825,000.00
Cash paid relating to other investing activities		137,944,110.77	185,800,000.00
Sub-total of cash outflows		2,547,723,099.24	573,876,027.68
Net Cash Flows from Investing Activities		(740,870,117.33)	(71,073,645.93)
III. Cash Flows from Financing Activities:			
Cash received from borrowings		2,999,433,243.33	660,000,000.00
Cash received from issue of bonds		-	1,000,000,000.00
Cash received relating to other financing activities		544,400,000.00	-
Sub-total of cash inflows		3,543,833,243.33	1,660,000,000.00
Repayments of borrowings		715,904,918.03	1,361,616,000.00
Dividends paid, profit distributed or interest paid		619,875.00	19,237,193.99
Cash paid relating to other financing activities		721,400,000.00	4,033,208.78
Sub-total of cash outflows		1,437,924,793.03	1,384,886,402.77
Net Cash Flows from Financing Activities		2,105,908,450.30	275,113,597.23
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		27,149.74	(3,440,024.23)
V. Net Increase in Cash and Cash Equivalents		1,136,220,667.60	(65,567,091.88)
Add: Opening balance of Cash and Cash Equivalents		690,685,211.42	389,841,854.93
VI. Closing Balance of Cash and Cash Equivalents		1,826,905,879.02	324,274,763.05

The accompanying notes form part of the financial statements.

## CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

## Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

Item	Current Period							
	Attributable to shareholders of the parent						Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Unappropriated profit		
I. Closing balance of the preceding year	1,922,365,124.00	22,296,485,467.35	(355,944,565.91)	12,386,734.70	630,345,307.43	11,467,166,351.85	59,017,403,192.82	94,990,207,612.24
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-
Business combination involving enterprises under common control	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Opening balance of the period	1,922,365,124.00	22,296,485,467.35	(355,944,565.91)	12,386,734.70	630,345,307.43	11,467,166,351.85	59,017,403,192.82	94,990,207,612.24
III. Changes for the period	-	(235,191,631.56)	(379,729,287.29)	10,205,542.71	-	(251,489,371.21)	(712,874,586.87)	(1,569,079,334.22)
(I) Total comprehensive income	-	-	(379,729,287.29)	-	-	632,798,585.83	439,165,994.91	692,235,293.45
(II) Owners' contributions and reduction in capital	-	(235,191,631.56)	-	-	-	-	195,733,139.46	(39,458,492.10)
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-
2. Capital contribution from other equity investment holder	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	4,385,994.73	-	-	-	-	4,298,990.17	8,684,984.90
4. Business combination involving enterprises under common control	-	-	-	-	-	-	-	-
5. Others	-	(239,577,626.29)	-	-	-	-	191,434,149.29	(48,143,477.00)
(III) Profit distribution	-	-	-	-	-	(884,287,957.04)	(1,358,489,636.85)	(2,242,777,593.89)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Transfer to general reserve	-	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	(884,287,957.04)	(1,358,489,636.85)	(2,242,777,593.89)
4. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss made up by surplus reserve	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	10,205,542.71	-	-	10,715,915.61	20,921,458.32
1. Withdrawn in the period	-	-	-	26,720,701.58	-	-	28,574,355.01	55,295,056.59
2. Utilized in the period	-	-	-	(16,515,158.87)	-	-	(17,858,439.40)	(34,373,598.27)
(VI) Others	-	-	-	-	-	-	-	-
IV. Closing balance of the period	1,922,365,124.00	22,061,293,835.79	(735,673,853.20)	22,592,277.41	630,345,307.43	11,215,676,980.64	58,304,528,605.95	93,421,128,278.02

## Consolidated Statement of Changes in Shareholders' Equity - continued

Unit: RMB

Item	Prior Period							Minority interests	Total shareholders' equity
	Attributable to shareholders of the parent								
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Unappropriated profit			
I. Closing balance of the preceding year	1,793,412,378.00	19,426,912,957.05	88,925,978.57	8,231,080.43	527,175,908.67	8,915,817,110.21	49,656,450,459.88	80,416,925,872.81	
Add: Changes in accounting policies	-	-	-	-	-	(37,858,457.43)	(74,479,917.38)	(112,338,374.81)	
Corrections of prior period errors	-	-	-	-	-	-	-	-	
Business combination involving enterprises under common control	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	
II. Opening balance of the period	1,793,412,378.00	19,426,912,957.05	88,925,978.57	8,231,080.43	527,175,908.67	8,877,958,652.78	49,581,970,542.50	80,304,587,498.00	
III. Changes for the period	-	121,909,842.81	(332,612,543.08)	12,223,115.96	-	2,094,732,319.52	7,072,308,894.22	8,968,561,629.43	
(I) Total comprehensive income	-	-	(332,612,543.08)	-	-	2,299,181,330.61	3,175,152,203.06	5,141,720,990.59	
(II) Owners' contributions and reduction in capital	-	121,909,842.81	-	-	-	-	5,326,157,828.33	5,448,067,671.14	
1. Capital contribution from shareholders	-	-	-	-	-	-	27,255,000.00	27,255,000.00	
2. Capital contribution from other equity investment holder	-	-	-	-	-	-	-	-	
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-	
4. Business combination involving enterprises under common control	-	-	-	-	-	-	-	-	
5. Others	-	121,909,842.81	-	-	-	-	5,298,902,828.33	5,420,812,671.14	
(III) Profit distribution	-	-	-	-	-	(204,449,011.09)	(1,442,989,873.79)	(1,647,438,884.88)	
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	
2. Transfer to general reserve	-	-	-	-	-	-	-	-	
3. Distributions to shareholders	-	-	-	-	-	(204,449,011.09)	(1,442,989,873.79)	(1,647,438,884.88)	
4. Others	-	-	-	-	-	-	-	-	
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	
3. Loss made up by surplus reserve	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	
(V) Special reserve	-	-	-	12,223,115.96	-	-	13,988,736.62	26,211,852.58	
1. Withdrawn in the period	-	-	-	66,424,472.16	-	-	85,077,415.64	151,501,887.80	
2. Utilized in the period	-	-	-	(54,201,356.20)	-	-	(71,088,679.02)	(125,290,035.22)	
(VI) Others	-	-	-	-	-	-	-	-	
IV. Closing balance of the period	1,793,412,378.00	19,548,822,799.86	(243,686,564.51)	20,454,196.39	527,175,908.67	10,972,690,972.30	56,654,279,436.72	89,273,149,127.43	

The accompanying notes form part of the financial statements.



## CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

## Statement of Changes in Shareholders' Equity of the Company

Unit: RMB

Item	Current Period						Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Unappropriated profit	
I. Closing balance of the preceding year	1,922,365,124.00	27,576,242,527.73	105,594,576.25	-	630,345,307.43	983,693,068.62	31,218,240,604.03
Add: Changes in accounting policies	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Opening balance of the period	1,922,365,124.00	27,576,242,527.73	105,594,576.25	-	630,345,307.43	983,693,068.62	31,218,240,604.03
III. Changes for the period	-	8,733,181.83	(112,500.00)	-	-	221,588,217.00	230,208,898.83
(I) Total comprehensive income	-	-	(112,500.00)	-	-	1,105,876,174.04	1,105,763,674.04
(II) Owners' contributions and reduction in capital	-	8,733,181.83	-	-	-	-	8,733,181.83
1. Capital contribution from shareholders	-	-	-	-	-	-	-
2. Share-based payment recognized in shareholders' equity	-	8,733,181.83	-	-	-	-	8,733,181.83
3. Others	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	(884,287,957.04)	(884,287,957.04)
1. Transfer to surplus reserve	-	-	-	-	-	-	-
2. Transfer to general reserve	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	(884,287,957.04)	(884,287,957.04)
4. Others	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-
3. Loss made up by surplus reserve	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-
1. Withdrawn in the period	-	-	-	-	-	-	-
2. Utilized in the period	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-
IV. Closing balance of the period	1,922,365,124.00	27,584,975,709.56	105,482,076.25	-	630,345,307.43	1,205,281,285.62	31,448,449,502.86

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

Statement of Changes in Shareholders' Equity of the Company - continued

Unit: RMB

Item	Prior Period						Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Unappropriated profit	
I. Closing balance of the preceding year	1,793,412,378.00	25,517,647,180.04	102,638,125.00	470,465.59	527,175,908.67	259,943,085.16	28,201,287,142.46
Add: Changes in accounting policies	-	-	-	-	-	(325,594.23)	(325,594.23)
Corrections of prior period errors	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Opening balance of the period	1,793,412,378.00	25,517,647,180.04	102,638,125.00	470,465.59	527,175,908.67	259,617,490.93	28,200,961,548.23
III. Changes for the period	-	31,973.48	705,000.00	8,009.26	-	584,909,582.54	585,654,565.28
(I) Total comprehensive income	-	-	705,000.00	-	-	789,358,593.63	790,063,593.63
(II) Owners' contributions and reduction in capital	-	31,973.48	-	-	-	-	31,973.48
1. Capital contribution from shareholders	-	-	-	-	-	-	-
2. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-
3. Others	-	31,973.48	-	-	-	-	31,973.48
(III) Profit distribution	-	-	-	-	-	(204,449,011.09)	(204,449,011.09)
1. Transfer to surplus reserve	-	-	-	-	-	-	-
2. Transfer to general reserve	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	(204,449,011.09)	(204,449,011.09)
4. Others	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-
3. Loss made up by surplus reserve	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	8,009.26	-	-	8,009.26
1. Withdrawn in the period	-	-	-	1,219,496.28	-	-	1,219,496.28
2. Utilized in the period	-	-	-	(1,211,487.02)	-	-	(1,211,487.02)
(VI) Others	-	-	-	-	-	-	-
IV. Closing balance of the period	1,793,412,378.00	25,517,679,153.52	103,343,125.00	478,474.85	527,175,908.67	844,527,073.47	28,786,616,113.51

The accompanying notes form part of the financial statements.

## **I. GENERAL INFORMATION OF THE COMPANY**

China Merchants Port Group Company Limited was a stock limited company incorporated in Shenzhen, Guangdong Province, on 16 January 1993.

The headquarters of the Company is located in Shenzhen, Guangdong Province. The Company and its subsidiaries (collectively the "Group") are principally engaged in the rendering of port service, bonded logistics services and other businesses such as property development and investment.

The Company's and consolidated financial statements have been approved by the Board of Directors on 27/08/2020.

See Note (VII) "Equity in other entities" for details of the scope of consolidated financial statements in the current period. See Note (VI) "Changes in scope of consolidation" for details of changes in the scope of consolidated financial statements in the current period.

## **II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

### Basis of preparation of financial statements

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MoF"). In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reporting (Revised in 2014).

### Going concern

As at 30 June 2020, the Group had total current liabilities in excess of total current assets of RMB 15,136,310,298.42. On 30 June 2020, the Group had available and unused line of credit amounting to RMB 44,991,647,898.21, which is greater than the balance of the net current liabilities. The Group can obtain financial support from the available line of credit when needed. Therefore, the financial statements have been prepared on a going concern basis.

### Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement of the financial statements. Upon being restructured into a stock company, the fixed assets and intangible assets initially contributed by the state-owned shareholders are recognized based on the valuation amounts confirmed by the state-owned assets administration department. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued

### Basis of accounting and principle of measurement - continued

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

All the following significant accounting policies and accounting estimates are based on Accounting Standards for Business Enterprises ("ASBE").

### 1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with the ASBE, and present truly and completely, the Company's and consolidated financial position as of 30 June 2020, and the Company's and consolidated results of operations, the Company's and consolidated shareholders' equity and cash flows for the period from 1 January 2020 to 30 June 2020.

### 2. Accounting period

The Group has adopted the calendar year as its accounting year, e.g. from 1 January to 31 December.

### 3. Operating cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. The Group are principally engaged in the rendering of port service, bonded logistics service and other business such as property development and investment with an operating cycle of one year.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**4. Functional currency**

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's subsidiaries choose their functional currency on the basis of the primary economic environment in which they operate. The Company adopts RMB to prepare its financial statements.

**5. The accounting treatment of business combinations involving or not involving enterprises under common control**

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

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquire. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses (fees in respect of auditing, legal services, valuation and consultancy services, etc.) and other administrative expenses attributable to the business combination are recognized in profit or loss in the periods when they are incurred.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**5. The accounting treatment of business combinations involving or not involving enterprises under common control** - continued

*5.2 Business combinations not involving enterprises under common control and goodwill* - continued

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria shall be measured at fair value at the acquisition date.

When a business combination contract provides for the acquirer's recovery of consideration previously paid contingent on one or multiple future event(s), the Group recognises the contingent consideration provided in the contract as an asset, as part of the consideration transferred in the business combination, and includes it in the cost of business combination at the fair value at the acquisition date. Within 12 months after the acquisition, where the contingent consideration needs to be adjusted as new or further evidences are obtained in respect of the circumstances existed at the acquisition date, the adjustment shall be recognised and the amount originally recognised in goodwill or non-operating income shall be adjusted. A change in or adjustment to the contingent consideration under other circumstances shall be accounted for in accordance with Accounting Standard for Business Enterprise No. 22 – Financial Instruments: Recognition and Measurement and Accounting Standard for Business Enterprises No. 13 – Contingencies. Any change or adjustment is included in profit or loss for the current period.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

If either the fair values of identifiable assets, liabilities and contingent liabilities acquired in a combination or the cost of business combination can be determined only provisionally by the end of the period in which the business combination was effected, the acquirer recognises and measures the combination using those provisional values. Any adjustments to those provisional values within twelve months after the acquisition date are treated as if they had been recognised and measured on the acquisition date.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**6. Preparation of consolidated financial statements**

*6.1 Preparation of consolidated financial statements*

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiary.

For a subsidiary already disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For subsidiaries acquired through a business combination involving enterprises not under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

Where the accounting policies / accounting periods adopted by subsidiaries are inconsistent with those of the Company, appropriate adjustments are made to the subsidiaries' financial statements in accordance with the accounting policies of the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**6. Preparation of consolidated financial statements** - continued

*6.1 Preparation of consolidated financial statements* - continued

The portion of subsidiaries' equity that is not attributable to the parent is treated as minority interests and presented as "minority interests" in the consolidated balance sheet under shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement under the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is still allocated against minority interests.

Acquisition of minority interests or disposals of interests in a subsidiary that do not result in the loss of control over the subsidiary are accounted for as equity transactions. The carrying amounts of the parent's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of the current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

When the Group loses control over a subsidiary due to disposal of equity investment or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interests is recognized as investment income in the period in which control is lost, and the goodwill is offset accordingly. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.



**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**6. Preparation of consolidated financial statements - continued**

*6.1 Preparation of consolidated financial statements - continued*

When the Group loses control of a subsidiary in two or more arrangements (transactions), terms and conditions of the arrangements (transactions) and their economic effects are considered. One or more of the following indicate that the Group shall account for the multiple arrangements as a 'package deal': (i) they are entered into at the same time or in contemplation of each other; (ii) they form a complete transaction designed to achieve an overall commercial effect; (iii) the occurrence of one transaction is dependent on the occurrence of at least one other transaction; (iv) one transaction alone is not economically justified, but it is economically justified when considered together with other transactions. Where the transactions of disposal of equity investments in a subsidiary until the loss of control are assessed as a package deal, these transactions are accounted for as one transaction of disposal of a subsidiary with loss of control. Before losing control, the difference of consideration received on disposal and the share of net assets of the subsidiary continuously calculated from acquisition date is recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period of losing control. If the transactions of disposal of equity investments in a subsidiary are not assessed as a package deal, these transactions are accounted for as unrelated transactions.

**7. Types of joint arrangements and the accounting treatment of joint operation**

There are two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in joint ventures are accounted for using the equity method by the Group, which is detailed in Notes (III) 16.3.2, a long-term equity investment is subject to for using the equity method.

The Group as a joint operator recognizes the following items in relation to its interest in a joint operation: (1) its solely-held assets, including its share of any assets held jointly; (2) its solely-assumed liabilities, including its share of any liabilities incurred jointly; (3) its revenue from the sale of its share of the output arising from the joint operation; (4) its share of the revenue from the sale of the output by the joint operation; and (5) its solely-incurred expenses, including its share of any expenses incurred jointly. The Group accounts for the recognized assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the requirements applicable to the particular assets, liabilities, revenues and expenses.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**8. Recognition criteria of cash and cash equivalents**

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term (generally due within 3 months since the acquisition date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**9. Foreign currency transactions**

*9.1 Transactions denominated in foreign currencies*

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the carrying amounts (other than the amortised cost) of monetary items at fair value through other comprehensive income are recognised as other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies" in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions; the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**9. Foreign currency transactions** - continued

*9.2 Translation of financial statements denominated in foreign currencies*

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for unappropriated profit are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the average exchange rates of the accounting period of the consolidated financial statements; the opening balance of unappropriated profit is the translated closing balance of the previous year's unappropriated profit; the closing balance of unappropriated profit is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at average exchange rate during the accounting period of consolidated financial statements. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The closing balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under owners' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal of part equity investments or other reason leading to lower interest percentage in foreign operations but does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

### III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 10. Financial instruments

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

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss; transaction costs relating to other categories of financial assets and financial liabilities are included in the value initially recognized. For accounts receivable recognized that do not contain a significant financing component or a financing component included in the contracts less than one year which are not considered by the Group, which are within the scope of *Accounting Standard for Business Enterprises No.14 - Revenue* (hereinafter referred to as "revenue standards"), transaction prices defined in the standards shall be adopted on initial recognition.

The effective interest method is a method that is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation of the interest income or interest expense in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the effective interest rate, the Group estimates future cash flows by considering all the contractual terms of the financial asset or financial liability (for example, prepayment, extension, call option or similar options) but shall not consider the expected credit losses.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognized net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative credit loss allowance (only applicable to financial assets).

#### 10.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial assets measured at amortized cost, which include cash and bank balances, notes receivable, accounts receivable, other receivables, debt investments, and long-term receivables and etc..

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.1 Classification, recognition and measurement of financial assets* - continued

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"): the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at FVTOCI are presented as other debt investments. Other debt investments due within one year (inclusive) since the balance sheet date are presented as non-current assets due within one year. Other debt investments due within one year (inclusive) upon acquisition are presented as other current assets.

On initial recognition, the Group may irrevocably designate non-trading equity instruments, other than contingent consideration recognized through business combination not involving enterprises under common control, as financial assets at FVTOCI on an individual basis. Such financial assets at FVTOCI are presented as other equity instrument.

A financial asset is classified as held for trading if one of the following conditions is satisfied:

- It has been acquired principally for the purpose of selling in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not a financial guarantee contract or designated and effective as a hedging instrument.

Financial assets measured at fair value through profit or loss ("FVTPL") include those classified as financial assets at FVTPL and those designated as financial assets at FVTPL.

- Any financial assets that does not qualify for amortized cost measurement or measurement at FVTOCI or designated at FVTOCI are classified into financial assets at FVTPL.
- Upon initial recognition, in order to eliminate or significantly reduce accounting mismatch and qualified hybrid financial instrument combines financial asset with embedded derivatives, the Group will irrevocably designated it as financial liabilities at FVTPL.

Financial assets at FVTPL assets other than derivative financial assets are presented as "held-for-trading financial assets". Such financial assets at FVTPL which may fall due more than one year (or without fixed term) since the balance sheet date and will be held more than one year are presented as other non-current financial assets.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

10.1 Classification, recognition and measurement of financial assets - continued

10.1.1 Financial assets measured at amortized cost

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognized in profit or loss.

For financial assets measured at amortized cost, the Group recognizes interest income using effective interest method. The Group calculates and recognizes interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- For purchased or originated credit-impaired financial assets with credit impairment, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest through credit adjustment since initial recognition.

10.1.2 Financial assets at FVTOCI

Impairment losses or gains related to financial assets at FVTOCI, interest income measured using effective interest method and exchange gains or losses are recognized into profit or loss for the current period, except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. Amounts charged to profit or loss for every period equal to the amount charged to profit or loss as it is measured at amortized costs. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss.

Changes in fair value of non-trading equity instrument investments designated as financial assets at FVTOCI are recognized in other comprehensive income, and the cumulative gains or losses previously recognized in other comprehensive income allocated to the part derecognized are transferred and included in retained earnings. During the period in which the Group holds the non-trading equity instrument, revenue from dividends is recognized in profit or loss for the current period when (1) the Group has established the right of collecting dividends; (2) it is probable that the associated economic benefits will flow to the Group; and (3) the amount of dividends can be measured reliably.

10.1.3 Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value. Gain or loss arising from changes in fair values and dividends and interests related to the financial assets are recognized in profit or loss.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.2 Impairment of financial instruments*

The Group makes accounting treatment on impairment and recognizes loss allowance for expected credit losses ("ECL") on financial assets measured at amortized cost, financial assets classified as at FVTOCI, lease receivables, contract assets, loan commitments that are not financial liabilities at FVTPL, financial liabilities not measured at FVTPL, financial guarantee contracts arising from transfer of financial assets which does not satisfy derecognition criteria or continuing involvement of transferred financial assets.

The Group makes a loss allowance against amount of lifetime ECL of the contract assets, notes receivable and accounts receivable arising from transactions adopting the Revenue Standard as well as lease receivables arising from transactions adopting *ASBE No. 21- Leases*.

For other financial instrument, other than purchased or originated credit-impaired financial assets, the Group assesses changes in credit risks of the relevant financial asset since initial recognition at each balance sheet date. If the credit loss of the financial instrument has been significantly increased since initial recognition, the Group will make a loss allowance at an amount of expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instrument at an amount in the future 12-month expected credit losses. Except for the financial assets classified as at FVTOCI, increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. For the financial assets classified as at FVTOCI, the Group recognizes credit loss allowance in other comprehensive income and recognizes the loss/gain on impairment in profit or loss, while the Group does not decrease the carrying amount of such financial assets in the balance sheet.

The Group has makes a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

*10.2.1 Significant increase of credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.2 Impairment of financial instruments* - continued

*10.2.1 Significant increase of credit risk* - continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- (1) Significant changes in internal price indicators of credit risk as a result of a change in credit risk;
- (2) Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage).
- (3) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. These indicators include the credit spread, the credit swap prices for the borrower, the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost and other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.
- (4) Significant changes in actual or expected external credit rating for the financial instruments;
- (5) An actual or expected internal credit rating downgrade for the borrower
- (6) Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations;
- (7) An actual or expected significant change in the operating results of the debtor;
- (8) Significant increases in credit risk on other financial instruments of the same borrower;
- (9) Significant adverse change in the regulatory, economic, or technological environment of the debtor;
- (10) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the debtor's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
- (11) Significant changes in circumstances expected to reduce the debtor's economic incentive to make scheduled contractual payments;
- (12) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the financial instrument;
- (13) Significant changes in the expected performance and behavior of the debtor;
- (14) Changes in the entity's credit management approach in relation to the financial instrument;
- (15) Past due of contract payment.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have lower credit risk at the balance sheet date. A financial instrument is determined to have lower credit risk if: i) it has a lower risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.



**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.2 Impairment of financial instruments* - continued

*10.2.2 Credit-impaired financial assets*

When the Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial assets. Objective evidence that a financial asset is impaired includes but not limited to the following observable events:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- (6) Purchase or originate a financial asset with a large scale of discount, which reflects facts of credit loss incurred.

*10.2.3 Determination of expected credit loss*

Lease receivables are assessed for ECL individually by the Group. In addition, the Group uses provision matrix to calculate ECL for notes receivable, accounts receivable, other receivables, contract assets, debt investments and other debt investments based on a portfolio basis. The Group classifies financial instruments into different groups based on common risk characteristics. Common credit risk characteristics include credit risk rating, the date of initial recognition, remaining contractual maturity, industry of borrower and geographical location of the borrower etc.

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a lease receivable, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.2 Impairment of financial instruments* - continued

*10.2.3 Determination of expected credit loss* - continued

- For undrawn loan commitments (refer to Note III, 10.4.1.3 for the detail of accounting policies), the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down. The Group's estimation of the ECL for loan commitments is consistent with its expectation of the loan commitments drawn down.
- For a financial guarantee contract (refer to Note III, 10.4.1.3 for the detail of accounting policies), the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- For a financial asset with credit-impaired at the balance sheet date, but not purchased or originated credit-impaired, a credit losses is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

*10.2.4 Write-down of financial assets*

When the Group will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Group will directly write down the carrying amount of the financial asset, which constitutes derecognition of relevant financial assets.

*10.3 Transfer of financial assets*

The Group will derecognize a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (iii) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.3 Transfer of financial assets* - continued

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability. The Group will measure relevant liabilities as follows:

- For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred and (2) the sum of the consideration received from the transfer and accumulated changes in fair value initially recorded in other comprehensive income is recognized in profit or loss. For the non-tradable equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognized in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income; and (2) the carrying amount allocated to the part derecognized on derecognition date; is recognized in profit or loss. For the non-tradable equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognized in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognize the transferred financial asset in its entirety. Considerations received due to transfer of assets should be recognized as a liability upon receipts.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.4 Classification of financial liabilities equity instruments*

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

*10.4.1 Classification, recognition and measurement of financial liabilities*

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

*10.4.1.1 Financial liabilities at FVTPL*

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivatives classified as financial liabilities) and those designated as at FVTPL. Except for derivative financial liabilities presented separately, the financial liabilities at FVTPL are presented as held-for-trading financial liabilities.

A financial liability is classified as held for trading if one of the following conditions is satisfied:

- It has been acquired principally for the purpose of repurchasing in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not a financial guarantee contract or designated and effective as a hedging instrument.

A financial liability may be designated as at FVTPL on initial recognition when one of the following conditions is satisfied: (i) Such designation eliminates or significantly reduces accounting mismatch; or (ii) The Group makes management and performance evaluation on a fair value basis, in accordance with the Group's formally documented risk management or investment strategy, and reports to key management personnel on that basis. (iii) The qualified hybrid financial instrument combines financial asset with embedded derivatives.

Transaction financial liabilities are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest expenses paid on the financial liabilities are recognized in profit or loss.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.4 Classification of financial liabilities equity instruments* - continued

*10.4.1 Classification, recognition and measurement of financial liabilities* - continued

*10.4.1.1 Financial liabilities at FVTPL* - continued

The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, other changes in fair values are included in profit or loss for the current period. Upon the derecognition of such liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognized in other comprehensive income, is transferred to retained earnings. Any dividend or interest income earned on the financial liabilities are recognized in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

Financial liabilities are measured at FVTPL when the financial liabilities is arising from contingent consideration recognized by the Group as an acquirer in a business combination not involving enterprises under common control.

*10.4.1.2 Other financial liabilities*

Except for financial liabilities, financial guarantee contracts and loan commitments arising from transfer of financial assets that do not meet the derecognition criteria or those arising from continuing involvement in the transferred financial assets, other financial liabilities are subsequently measured at amortized cost, with gain or loss arising from derecognition or amortization recognized in profit or loss.

That the Group and its counterparty modify or renegotiate the contract does not result in derecognition of a financial liability subsequently measured at amortized cost but result in changes in contractual cash flows, the Group will recalculate the carrying amount of the financial liability, with relevant gain or loss recognized in profit or loss. The Group will determine carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the financial liability's original effective interest rate. For all costs or expenses arising from modification or renegotiation of the contract, the Group will adjust the modified carrying amount of the financial liability and make amortization during the remaining term of the modified financial liability.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.4 Classification of financial liabilities equity instruments* - continued

*10.4.1 Classification, recognition and measurement of financial liabilities* - continued

*10.4.1.3 Financial guarantee contracts and loan commitments*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss or financial liabilities arising from transfer of financial assets that do not meet the derecognition criteria or those arising from continuing involvement in the transferred financial assets, and loan commitments to provide a loan at a below-market interest rate, which are not designated at fair value through profit or loss, are measured at the higher of: (1) amount of loss provision; and (2) the amount initially recognized less cumulative amortization amount determined based on the revenue standard.

*10.4.2 Derecognition of financial liabilities*

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (the debtor) and the creditor to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

*10.4.3 Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Changes of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, dividends paid do not affect total amount of shareholders' equity.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.5 Derivatives and embedded derivatives*

Derivatives include forward exchange contracts, currency swaps, interest rate swaps and foreign exchange options, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

Derivatives embedded in hybrid contracts with a financial asset host are not separated by the Group. The hybrid contract shall apply to the relevant accounting standards regarding the classification of financial assets as a whole.

Derivatives embedded in hybrid contracts with hosts that are not financial assets are separated and treated as separate derivatives by the Group when they meet the following conditions:

- (1) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- (2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- (3) the hybrid contracts are not measured at fair value through profit or loss.

For the embedded derivative separated from the host contracts, the Group accounts for the host contracts in the hybrid contracts with applicable accounting standards. When the embedded derivatives whose fair value cannot be measured reliably by the Group according to the terms and conditions of the embedded derivatives, the fair value of such derivatives are measured at the difference between the fair value of the hybrid contracts and the fair value of the host contracts. By adopting the above method, if the embedded derivative cannot be measured on a stand-alone basis at the time when acquired or at subsequent balance sheet dates, the hybrid instrument is designated as financial instruments at fair value through profit or loss as a whole.

*10.6 Offsetting financial assets and financial liabilities*

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**10. Financial instruments** - continued

*10.7 Reclassification of financial instruments*

When the Group changes the business model to manage the financial assets, the financial assets affected will be reclassified and no financial liabilities will be reclassified.

The financial assets are reclassified by the Group and are accounted for prospectively since the date of reclassification (i.e. the first date of the initial reporting period after the business model of which the financial assets are reclassified by the enterprise is changed).

Where a financial asset at amortised cost is reclassified as a financial assets at fair value through profit or loss ("FVTPL") by the Group, such financial asset is measured at fair value at the date of reclassification and the difference between the original carrying amount and the fair value is recognized in profit or loss for the period.

Where a financial asset at amortised cost is reclassified as a financial asset at fair value through other comprehensive income ("FVTOCI") by the Group, such financial asset is measured at the fair value at the date of reclassification, and the difference between the original amount and the fair value is recognized in other comprehensive income.

Where a financial asset at FVTOCI is reclassified as a financial asset at amortised cost by the Group, the accumulated gains or losses previously recognized in other comprehensive income are transferred out and the fair value is adjusted as the fair value at the date of reclassification. The adjusted fair value is recognized as the new carrying amount, as if the financial asset had been measured at amortised cost.

Where a financial asset at FVTOCI is reclassified as a financial asset at FVTPL by the Group, such financial asset continues to be accounted for at fair value. At the same time, the accumulated gains or losses previously recognized in other comprehensive income are transferred to profit or loss for the period.

Where a financial asset at FVTPL is reclassified as a financial asset at amortised cost by the Group, the fair value at the date of reclassification is recognized as the new account balance.

Where a financial asset at FVTPL is reclassified as a financial asset at FVTOCI by the Group, such financial asset continues to be measured at fair value.

Where a financial asset at FVTPL is reclassified, the effective interest rate is determined on the basis of the fair value of the financial asset at the date of reclassification.



**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**11. Accounts receivable**

The Group makes internal credit ratings on customers and determines expected losses rate of notes receivable, accounts receivable and other receivables. Basis for determining ratings and the expected losses rates are as follows:

Internal credit rating	Basis for determining portfolio	Average expected loss rate (%)
A	Customers can make repayments within credit term and have good credit records based on historical experience. The probability of unpayment of due amount are extremely low in the foreseeable future.	0.00-0.10
B	The customer may have overdue payment based on historical experience but they can make repayments.	0.10-0.30
C	The evidences indicate that the overdue credit risks of the customer are significantly increased and there is probability of unpayment and default.	0.30-50.00
D	The evidences indicate that the accounts receivable are impaired or the customer has significant financial difficulty. The amounts cannot be recovered in the foreseeable future.	50.00-100.00

**12. Accounts receivable financing**

Notes receivable classified to hedging instruments for the purpose of hedging, should be listed as accounts receivable financing within one year (including one year). If the term above one year, it should be listed as other investment on bonds. Related accounting policies refer to Note 10.

**13. Inventories***13.1 Categories of inventories*

Inventories include raw materials, merchandise and others. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

*13.2 Valuation method of inventories upon delivery*

The actual cost of inventories upon delivery is calculated using the weighted average method.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**13. Inventories** - continued

13.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, after taking into consideration the purposes of inventories being held and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

13.4 Inventory count system

The perpetual inventory system is maintained for stock system.

13.5 Amortization methods for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

**14. Contract assets**

14.1 Recognition and criteria of contract assets

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and such right depends on factors other than the passage of time. The Group's unconditional right (only the passage of time is required) to consideration from the customer is separately presented as "accounts receivable".

14.2 Determination and accounting treatments of expected credit losses ("ECL") for contract assets

Refer to Note 3, 10.2 "Impairment of financial instruments" for determination and accounting treatments of expected credit losses for contract assets.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**15. Assets held for sale**

When the Group withdraw the book value of certain assets or disposal group mainly through disposal instead of continual application, the assets should be classified as held-for-sale assets.

Assets or disposal group classified as held-for-sale assets should meet following conditions: (1) The current status is available for immediate distribution according to similar transactions of this category of assets or disposal group; (2) The transaction is likely to occur, i.e. the Group has made its resolution over the distribution arrangements and acquired purchase commitment. Also the distribution is going to be fulfilled within a year.

If the holding company loses control of its subsidiary for reasons like subsidiary disposal, in regardless of whether the holding company still keeps part of equity investment, once the proposed investment disposal meets the requirements of being classified as available for sale assets in the holding company's individual statement, all assets and liabilities of the subsidiary should be classified as held-for-sale in consolidated financial statement.

The group's non-current assets and disposal group are measured at the lower of book value and the net value of fair value less costs to sell. Once the book value is higher than the net value of fair value less costs to sell, the book value should be adjusted to the net value and the excess should be recognized as impairment losses and provision for held-for-sale assets impairment should be made. A gain and a reverse in the previous provision for held-for-sale assets impairment can be recognized for any increase in fair value less costs to sell at subsequent balance sheet dates, to the extent that it is not in excess of the cumulative impairment loss that has been recognized. Asset impairment losses recognized before such assets are classified as held for sale will not be reversed.

Non-current held-for-sale assets is not subject to depreciation and amortization. The creditor interest and other expenses of disposal group classified as held-for-sale asset should still be recognized.

Once the associate or joint venture equity investment is completely or partly classified as held-for-sale assets, the classified part of the investment is not subject to equity method measurement.

If an asset or a disposal group has been classified as held for sale but the recognition criteria for non-current assets held for sale are no longer met, the Group shall cease to classify the asset or disposal group as held for sale. It shall be measured at the lower of (1) the carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or impairment that would have been recognised had the asset or disposal group not been classified as held for sale; and (2) the recoverable amount at the date of the decision not to sell.

For equity investments in associates or joint ventures that are classified as held for sale but the recognition for non-current assets held for sale are no longer met, such investments are accounted for retrospectively using the equity method from the date when they classified as held for sale. The financial statements for the held-for-sale period are adjusted accordingly.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**16. Long-term equity investments**

*16.1 Basis for determining joint control and significant influence over investee*

Control is achieved when the Group has the power over the investee and has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

*16.2 Determination of investment cost*

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the share of party being absorbed of the owners' equity in the consolidated financial statements of the ultimate controlling party at the date of combination. The aggregate face value of the shares issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination involving entities under common control, the acquirer shall determine if these transactions are considered to be a "package deal". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The difference between the initial investment cost and the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. Other comprehensive income recognized for the previously held equity investments by accounting treatment of equity method or available-for-sale financial assets is not subject to accounting treatment temporarily.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment acquired is the cost of acquisition.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**16. Long-term equity investments** - continued

*16.2 Determination of investment cost* - continued

The absorbing party's or purchaser's intermediary expenses (fees in respect of auditing, legal services, valuation and consultancy services, etc.) and other administrative expenses attributable to the business combination are recognized in profit or loss in the periods when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No.22 - Financial Instruments: Recognition and Measurement (ASBE No. 22) and the additional investment cost.

*16.3 Subsequent measurement and recognition of profit or loss*

*16.3.1 A long-term equity investment accounted for using the cost method*

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Additional or withdrawing investment would affect the cost of long-term equity investment. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

*16.3.2 A long-term equity investment accounted for using the equity method*

Except associate and joint venture investment completely or partly classified as available for sale, and The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

Under 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 time of acquisition, no adjustment is made to 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 time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**16. Long-term equity investments - continued**

*16.3 Subsequent measurement and recognition of profit or loss - continued*

*16.3.2 A long-term equity investment accounted for using the equity method - continued*

Under the equity method, the Group recognizes its share of the other comprehensive income and net profit or loss of the investee for the period as other comprehensive income and investment income or loss respectively for the period, and the carrying amount of the long-term equity investment is adjusted accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the investing enterprise. The investing enterprise shall adjust the carrying amount of the long-term equity investment for other changes in owners' equity of the investee (other than net profits or losses, other comprehensive income and profit distribution), and include the corresponding adjustment in capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individually identifiable assets at the acquisition date after making appropriate adjustments. Where the accounting policies and accounting period adopted by the investee are different from those of the investing enterprise, the investing enterprise shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognize other comprehensive income and investment income or losses based on the adjusted financial statements. Unrealized profits or losses resulting from the Group's transactions and assets invested or sold that are not recognized as business transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's, equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee are reduced to zero. Except that if the Group has incurred obligations to assume additional losses, a provision is recognized according to the obligation expected, and recorded in the investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

*16.4 Disposal of long-term equity investments*

On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period. For long-term equity investments accounted for using the equity method, if the remaining interest after disposal is still accounted for using the equity method, other comprehensive income previously recognized for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; owners' equity recognized due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**16. Long-term equity investments** - continued

*16.4 Disposal of long-term equity investments* - continued

For long-term equity investments accounted for using the cost method, if the remaining interest after disposal is still accounted for using the cost method, other comprehensive income previously recognized for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; changes in other owners' equity in the investee's net assets recognized under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis.

**17. Investment properties**

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably, other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

**18. Fixed assets**

*18.1 Recognition criteria for fixed assets*

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost. Upon being restructured into a stock company, the fixed assets initially contributed by the state-owned shareholders are recognized based on the valuation amounts confirmed by the state-owned assets administration department.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**18. Fixed assets** - continued*18.1 Recognition criteria for fixed assets* - continued

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

*18.2 Depreciation of each category of fixed assets*

A fixed asset is depreciated over its useful life using the straight-line method starting from the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Estimated useful lives	Estimated residual value (%)	Annual depreciation rate (%)
Port and terminal facilities	5-50 years	5.00	1.90-19.00
Buildings	10-50 years	5.00	1.90-9.50
Machinery and equipment, furniture and fixture and other equipment	3-20 years	5.00	4.75-31.67
Motor vehicles and cargo ships	5-25 years	5.00	3.80-19.00

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

*18.3 Other explanations*

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

**19. Construction in progress**

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.



**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued**20. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

**21. Intangible assets***21.1 Valuation method and useful life of intangible assets*

An intangible asset is measured initially at cost. Upon being restructured into a stock company, the intangible assets initially contributed by the state-owned shareholders are recognized based on the valuation amounts confirmed by the state-owned assets administration department. When an intangible asset with a finite useful life is available for use, its original cost is amortized over its estimated useful life. Intangible assets with uncertain service life will not be amortize. The terminal operating rights are amortized using the output method, that is, amortized through periods according to the ratio of the estimated minimum guaranteed throughput to the estimated minimum guaranteed total throughput during the operation period. When the estimated minimum guaranteed throughput cannot be measured reliably, the straight-line method will be used for amortization. An intangible asset with uncertain useful life will not be amortized. The amortization method, useful life and estimated net residual value of various intangible assets are as follows:

Category	Amortization Method	Useful Life (year)	Residual value (%)
Land use rights	Straight-line method	40-50	-
Port operating right	Output method/Straight-line method	30-35	-
Others	Straight-line method	5-50	-

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**21. Intangible assets - continued**

*21.1 Valuation method and useful life of intangible assets - continued*

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the year, and makes adjustments when necessary.

*21.2 Research and development expenditure*

Expenditure during the research phase is recognised as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period.

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Group has the intention to complete the intangible asset and use or sell it;
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period. The costs of intangible assets generated by the internal research only include the total expenditure incurred for the period from the time point of capitalization to the intangible assets are ready for intended use. For the identical intangible asset, the expenditures recorded as expenses before they qualify for capitalization during the development process are not adjusted.

**22. Impairment of long-term assets**

The Group assesses at the balance sheet date whether there is any indication that the long-term equity investments, investment properties measured at cost method, construction in progress, fixed assets, right-of-use assets and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**22. Impairment of long-term assets - continued**

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets groups, i.e., goodwill is reasonably allocated to the related assets groups or each of assets groups expected to benefit from the synergies of the combination. In testing an assets group with goodwill for impairment, an impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata basis on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the impairment loss of above-mentioned asset is recognized, it shall not be reversed in any subsequent period.

**23. Long-term prepaid expenses**

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

**24. Contract liabilities**

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

**25. Employee benefits**

***25.1 The accounting treatment of short-term employee benefits***

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**25. Employee benefits** - continued

*25.1 The accounting treatment of short-term employee benefits* - continued

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

*25.2 The accounting treatment of post-employment benefits*

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

For defined benefit plans, the Group calculates defined benefit plan obligations using projected unit credit method and the service cost resulting from employee service in the current period is recorded in profit or loss or the cost of related assets. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on settlements);
- Net interest of net liabilities or assets of defined benefit plan (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling); and
- Changes arising from remeasurement of net liabilities or net assets of defined benefit plans.

Service costs and net interest of net liabilities and net assets of defined benefit plans are recognized in profit or loss of current period or costs of related assets. Remeasurement of the net defined benefit liability (asset) (including actuarial gains and losses, the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)) are recognized in other comprehensive income.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**25. Employee benefits** - continued

*25.3 The accounting treatment of termination benefits*

When the Group provides termination benefits to employees, employee benefit liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

**26. Provisions**

Provisions are recognized when the Group has a present obligation related with contingencies, it is probable that the Group will be required to settle that obligation causing an outflow of economic benefits, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at balance sheet date, taking into account the risks, uncertainties and time value of money surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows where the effect of the time value of money is material.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable should not exceed the carrying amount of provisions.

**27. Revenue**

The Group's revenue is mainly from the following business types:

- (1) Port service;
- (2) Bonded logistics service
- (3) Other business such as property development and investment.

The Group recognizes revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**27. Revenue - continued**

If one of the following criteria is met and it is a performance obligation performed over time, the Group recognizes the revenue within a certain period of time according to the progress of the performance: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the customer is able to control the goods under construction in the course of the Group's performance; (3) the goods produced by the Group during the performance of the contract are irreplaceable and the Group has the right to charge for the accumulated part of the contract that has been performed so far during the whole contract period. Otherwise, the Group recognizes revenue at a certain point in time when "control" of the goods or services is transferred to the customer.

The Group adopts output method, i.e. the value of goods or services transferred to customers to determine the appropriate progress of performance. Where the progress cannot be determined reasonably, the revenue is recognized based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimates methods consistently in similar circumstances.

For contracts that contain variable consideration (e.g. sales discount), the Group estimates the amount of consideration using either the expected value or the most likely amount. The transaction price that includes variable consideration is only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty is subsequently resolved. At the end of each reporting period, the Group reevaluates the variable consideration included in the transaction price.

For non-cash consideration from customer, the Group recognizes the transaction price based on the fair value of the non-cash consideration. Where the fair value of the non-cash consideration cannot be reasonably estimated, the Group recognizes the transaction price indirectly by reference to the stand-alone price of the promised goods or services promised transferred to the customer.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**27. Revenue - continued**

If the contract includes significant financing component, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when "control" of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortized within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the "control" of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognized based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognized based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

Where payment is received in advance, the advance payment received shall be recorded as a liability and recognized as revenue when the relevant performance obligation is satisfied. The above amount will be recognized as revenue proportionately in accordance with the model of contractual rights exercised by the customer if (1) the Group's advance payment does not need to be returned, (2) the customer may waive all or part of its contractual rights, and (3) the Group expects to be entitled to the amount related to the contractual rights waived by the customer. Otherwise, the balance of the liabilities is recognized as revenue by the Group only when the possibility of the customer requesting the satisfaction of the remaining performance obligations is extremely remote.

**28. Contract costs**

*28.1 Costs to fulfill a contract*

If the costs incurred in fulfilling a contract are not within the scope of other standard other than the revenue standard, the Group shall recognized an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered. The asset mentioned above shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognized in profit or loss for the period.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**28. Contract costs - continued**

28.2 Impairment of contract costs

In determination of impairment losses of assets related to contract costs, firstly impairment losses of other assets related to the contract recognized based on other relevant accounting standards; secondly, the Group shall recognized an impairment loss to the extent that the carrying amount of an asset exceeds: (1) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; (2) the estimated costs that relate to providing those goods or services.

The Group shall, after the impairment has been provided, recognized in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognized previously.

**29. Types and accounting methods of government grants**

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attached to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

29.1 The accounting treatment of government grants related to assets

Government grants, such as special funds for modern logistics project and special funds for energy-saving and emission reduction of transportation, are government grants related to assets as they are all related to the construction and use of assets.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

29.2 The accounting treatment of government grants related to income

The Group's government grant, such as financial support funds of business tax converted to VAT and reward for energy saving, if used to compensate the related expenses or losses to be incurred in subsequent periods, is determined to be government grant relating to income.

A government grant relating to income, if used to compensate the related cost, expenses or losses to be incurred in subsequent periods, is determined as deferred income and recognized in profit or loss over the periods in which the related costs are recognized; if used to compensate the related cost, expenses or losses already incurred, is recognized immediately in profit or loss for the period.

A government grant relating to the Group's daily activities, is recognized in other income in line with the nature of economic transaction. A government grant not relating to the Group's daily activities, is recognized in non-operating income.



**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**30. Deferred tax assets/ deferred tax liabilities**

The income tax expenses include current income tax and deferred income tax.

*30.1 Current income tax*

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

*30.2 Deferred tax assets and deferred tax liabilities*

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates applicable in the period in which the asset is realized or the liability is settled according to tax laws.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in equity, in which case they are recognized in other comprehensive income or in equity, and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**30. Deferred tax assets/ deferred tax liabilities** - continued

*30.2 Deferred tax assets and deferred tax liabilities* - continued

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

*30.3 Offset of income tax*

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

**31. Leases**

Lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

For contracts that are signed or modified after the date of initial application, at inception/modification of the contracts, the Group assesses whether the contract is, or contains, a lease. Unless the terms and conditions of the contract are changed, the Group does not reassess whether a contract is, or contains, a lease.

*31.1 The Group as Lessee*

*31.1.1 Separating components of a lease*

If a contract contains a lease component and one or more non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease components and the aggregate stand-alone price of the non-lease components.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**31. Leases** - continued

*31.1 The Group as Lessee* - continued

*31.1.2 Right-of-use assets*

Except for short-term leases and leases for which the underlying asset is of low value, at the commencement date of the lease, the Group recognises a right-of-use assets. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use by the Group. The Group measures the right-of-use assets at cost. The cost of the right-of-use assets comprises:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated by the Group in accordance with the ASBE No.4 Fixed Assets. If the Group is reasonably certain, that the lease will transfer ownership of the underlying asset to the Group by the end of the lease term, the right-of-use assets is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use assets is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

The Group applies ASBE No. 8 Impairment of Assets, to determine whether the right-of-use assets are impaired and to account for any impairment loss identified.

*31.1.3 Lease liabilities*

Except for short-term leases and leases for which the underlying asset is of low value, at the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. If the interest rate implicit in the lease cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lease payments comprise the following payments by the Group for the right to use the underlying asset during the lease term:

- (1) fixed payments (including in-substance fixed payments), less any lease incentives;
- (2) variable lease payments that depend on an index or a rate;
- (3) the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- (4) payments for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease;
- (5) amounts expected to be payable by the Group under residual value guarantees.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**31. Leases** - continued

*31.1 The Group as Lessee* - continued

*31.1.3 Lease liabilities* - continued

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate as at the commencement date. Variable lease payments not included in the measurement of the lease liabilities, are recognised in profit or loss, or in the cost of relevant assets, in the period of those payments.

Interest on the lease liabilities in each period during the lease term is calculated by a constant periodic rate of interest on the remaining balance of the lease liabilities.

After the commencement date, if one of the following occurs, the lease liability is remeasured by the Group with the adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the remaining remeasurement should be recognized in profit or loss.

- there is a change in the lease term, or in the assessment of an option to purchase the underlying asset, the Group remeasures the lease liabilities, on the basis of the revised lease term and the revised discount rate;
- there is a change in the amounts expected to be payable under a residual value guarantee, or in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities, on the basis of the revised lease payments and the unchanged discount rate, unless the change in the lease payments results from a change in floating interest rates, in which case a revised discount is applied to the present value.

*31.1.4 Short-term leases and leases for which the underlying asset is of low value*

The Group elects not to recognise right-of-use assets or lease liabilities for short-term leases and leases for which the underlying asset is of low value, i.e. port and terminal facilities, buildings, machinery and equipment, furniture and fixture and other equipment, motor vehicles and cargo ships, other short-term leases and leases for which the underlying asset is of low value. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease for which the underlying asset is of low value is that, the value of the underlying asset is low when it is new. For short-term leases and leases for which the underlying asset is of low value, the Group recognises the lease payments associated with those leases as an expense or cost of relevant asset on a straight-line basis over the lease term.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**31. Leases** - continued

*31.1 The Group as Lessee* - continued

*31.1.5 Lease modifications*

A lease modification should be accounted for as a separate lease if both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price according to the circumstances of the particular contract

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group should allocate the consideration in the modified contract, determine the lease term of the modified lease and remeasure the lease liability by discounting the revised payments using a revised discount rate.

For lease modifications that decrease the scope of the lease or narrow the term of the lease, the Group should decrease the carrying amount of the right-of-use asset with any gain or loss relating to the partial or full termination of the lease should be recognized in profit or loss. For remeasurement of lease liabilities from all other lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

*31.2 The Group as Lessor*

*31.2.1 Separating components of a lease*

For a contract that contains lease and non-lease components, the Group shall allocate the consideration in the contract in accordance with the allocation of the transaction price under the revenue standard, on the basis of the relative stand-alone price of the lease components and the aggregate stand-alone price of the non-lease components.

*31.2.2 Classification of leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

*31.2.2.1 The Group as lessor under operating leases*

The Group recognises lease payments from operating leases as income on a straight-line basis. The Group capitalises initial direct costs incurred in obtaining an operating lease and recognises those costs as an expense over the lease term on the same basis as the lease income.

Variable lease receipts relating to an operating lease not included in the lease receipts are recognized in profit or loss by the Group when incurred.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**31. Leases** - continued

*31.2 The Group as Lessor* - continued

*31.2.2 Classification of leases* - continued

*31.2.2.2 The Group as lessor under finance leases*

At the commencement date, the Group recognizes a finance lease receivable at the amount equal to the net investment in the lease with finance lease assets derecognized. The net investment in the lease is the sum of any unguaranteed residual value and lease payments receivable from the commencement date, discounted at the interest rate implicit in the lease.

The amount of the lease payments receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- fixed payments (including in-substance fixed payments) paid by the lessee, less any lease incentives;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option, provided that it is reasonably determined that the lessee will exercise the option;
- the lessee exercises the amount to be paid for the termination of the lease option, provided that the lease term reflects the lessee's exercise of the option to terminate the lease;
- the residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

Variable payments receivable not included in the net investment in the lease are recognized in profit or loss when they arise.

Interest income for each period over the lease term is recognized by the Group at the fixed periodic rate.

*31.2.3 Subleases*

As a lessor of the sublease, the Group accounts for the original lease contract and the sublease contract as two separate contracts. The Group classifies the subleases based on the right-of-use assets generating from the original lease rather than the underlying assets of the original lease.

*31.2.4 Lease modifications*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any lease advances or receivables relating to the original lease as the lease receipts for the new lease.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**31. Leases** - continued

31.2 The Group as Lessor - continued

31.2.4 Lease modifications - continued

The Group should account for a modification to a finance lease as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope with any appropriate adjustment to that stand-alone price

For a modification to a finance lease that is not accounted for as a separate lease, the Group should account for the modification as follows:

- if the lease would have been classified as an operating lease had the modification been effect at the inception date, the Group should account for the lease modification as a new lease from the effective date of the modification, and measure the carrying amount of the underlying asset as the net investment in the lease before the effective date of the lease modification.
- If the lease would have been classified as an operating lease if the modification had been in effect at the inception date, the Group should apply the requirements of contract modification and renegotiation under the *ASBE No. 22 Financial Instruments: Recognition and Measurement*.

31.2.5 Sale and leaseback transactions

31.2.5.1 The Group as the seller-lessee

The Group applies the requirements of the revenue standard to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset does not constitute a sale, the Group should continue to recognize the transferred assets and should recognize a financial liability equal to the transfer proceeds applying *ASBE No. 22 Financial Instruments: Recognition and Measurement*. If the transfer of an asset is a sale, the Group should measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use, and recognize only the amount of any gain or loss that relates to the rights transferred to the lessor.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**32. Exchange of Non-Monetary Assets**

Where a non-monetary assets transaction satisfies the following conditions at the same time, it should be calculated based on fair value. The transaction is commercial in nature and the fair value of the assets received or surrendered can be measured reliably. The fair value of the assets surrendered and relevant payable taxes shall be regarded as the transaction cost of the assets received. For assets surrendered, the difference between the fair value and the carrying value of the asset surrendered shall be recorded into the profit or loss of the current period. If any exact evidence showing that the fair value of the assets received is more reliable, the cost of assets received and surrendered shall be calculated as a different way. For assets received, its cost shall be calculated based on fair value of assets received and relevant payable taxes. For the assets surrendered, the difference between the fair value of the assets received and the carrying value of the asset surrendered shall be recorded into the profit or loss of the current period.

Where a non-monetary assets transaction does not meet the conditions as prescribed, the carrying value and relevant payable taxes of the assets surrendered shall be the cost of the assets received and no profit or loss is recognized.

**33. Discontinued Operation**

Discontinued operation refers to the separately identifiable components that have been disposed of or classified as held for sale and meet one of the following conditions:

- (1) The component represents an independent main business or a major business area;
- (2) This component is a part of a related plan that intends to dispose an independent main business or a separate main operating area;
- (3) This component is a subsidiary acquired exclusively for resale.

Profits or losses from discontinued operations are presented separately in the income statement from continuing operations. Profits and losses from operations or disposals (e.g. impairment losses and reversals of discontinued operations) are presented under discontinued operations. For discontinued operations presented in the current period, the information previously under continuing operations is presented under discontinued operations by the Group in the financial statements for the comparable accounting period.

**34. Safety Production Cost**

According to the *Administrative Rules on Provision and Use of Enterprise Safety Production Cost* jointly issued by the Ministry of Finance and the State Administration of Work Safety on 14 February 2012 (filed as Cai Qi [2012] No. 16), safety production cost set aside by the Group is directly included in the cost of relevant products or recognized in profit or loss for the period, as well as the special reserve. When safety production cost set aside is utilized, if the costs incurred can be categorized as expenditure, the costs incurred should be charged against the special reserve. If the costs set aside are used to build up fixed assets, the costs should be charged to construction in progress, and reclassified to fixed assets when the safety projects are ready for intended use. Meantime, expenditures in building up fixed assets are directly charged against the special reserve with the accumulated depreciation recognized at the same amount. Depreciation will not be made in the future period on such fixed assets.



**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** - continued

**35. Critical judgments in applying accounting policies and key assumptions and uncertainties in accounting estimates**

In the application of accounting policies as set out in Note (III), the Company is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Company's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company regularly reviews the judgments, estimates and assumptions on a going concern basis. Changes in accounting estimates which only affect the current period should be recognized in current period; changes which not only affect the current but the future periods should be recognized in current and future periods. At the balance sheet date, key assumptions and uncertainties that are likely to lead to significant adjustments to the book values of assets and liabilities in the future are:

Goodwill impairment

For the purpose of impairment testing, the present value of the expected future cash flows of the assets group or portfolio including goodwill shall be calculated, and such expected future cash flows shall be estimated. Meantime, a pre-tax rate shall be determined that should reflect the time value of money on the current market and the specific interest risks.

Recognition of deferred tax

The Group calculates and makes provision for deferred income tax liabilities according to the profit distribution plan of subsidiaries, associates and the joint ventures subject to the related law. For retained earnings which are not allocated by the investment company, since the profits will be used to invest the company's daily operation and future development, no deferred income tax liabilities are recognized. If the actually distributed profits in the future are more or less than those expected, corresponding deferred tax liabilities will be recognized or reversed at the earlier of profits distribution date and the declaration date, in the profit and loss of the current period.

Deferred tax assets are recognized based on the deductible temporary difference and the corresponding tax rate, to the extent that it has become probable that future taxable profit will be available for the deductible temporary difference. If in the future the actual taxable income does not coincide with the amount currently expected, the deferred tax assets resulting will be recognized or reversed in the period when actually incurred, in profit or loss.

**III. THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**36. Changes in significant accounting policies and accounting estimates**

(1) Contents and reasons of changes in accounting estimates

On 14<sup>th</sup> April 2020, the Company convened the seventh meeting of the Ninth Board of Directors and the seventh meeting of the Ninth Board of Supervisors, at which the "Proposal on Changes in Accounting Estimates of Depreciation Life of Certain Fixed Assets" was approved. The Company reviewed the estimated useful life of fixed assets based on the current performance and usage of fixed assets. In order to reflect the financial position and operating results of the Group more objectively and fairly, it decided to change the accounting estimates for the depreciation life of certain fixed assets. The specific adjustments are as follows:

- 1) The depreciation period of port and terminal facilities has been changed from 40 years to 40-50 years while the depreciation period of railway lines has been changed from 50 years to 40 years.
- 2) The depreciation period of buildings has been changed from 10 years to 25 years.
- 3) The depreciation period of machinery and equipment, furniture and fixture and other equipment has been changed from 5 years to 5 years, 8 years, and 10 years.
- 4) The depreciation period of special workboat included in the category of motor vehicles and cargo ships has been changed from 20 years to 18 years. The depreciation period of auxiliary vessel included in the category of motor vehicles and cargo ships has been changed from 20 years to 25 years.

The changes in the depreciation period of the above fixed assets are all within the allowable range of the Group's accounting policy on fixed assets depreciation.

(2) Financial impact of changes in accounting estimates

The adjustments in the depreciation period of the fixed assets mentioned above will be implemented from 1 April 2020.

According to the "Accounting Standards for Business Enterprises No. 28- Changes in Accounting Policies, Estimates and Corrections of Errors", the adjustment of the depreciation period of fixed assets is a change in accounting estimates, which shall be accounted for on a prospective basis, without retrospective adjustments. There is no impact on the Group's financial positions and operating results for the prior years.

Due to the above changes in accounting estimates, the Group increased the depreciation expenses of fixed assets in the first half of 2020 by RMB 42.22 million, decreased net profit attributable to the parent company by RMB 11.69 million, and decreased owner's equity attributable to the parent company by RMB 11.69 million.

## IV. TAXES

## 1. Major taxes and tax rates

Taxes	Tax basis	Tax rate
Enterprise income tax	Taxable income	16.5%-34% (Note 1)
	Dividend income tax	5%、10%、25% (Note 2)
Value-added Tax ("VAT") (Note 3)	Income from sale of goods (Note 4)	9%-16%
	Income from transportation, loading and unloading business and part of modern service industries	6%
	Income from sale of real estate, property management, real estate lease, etc.	5%
Social contribution tax (Note 5)	Income	0.65%-7.6%
Deed tax	Land use right and property transfer amount	3%-5%
Property tax	70% of cost of property or rental income	1.2% or 12%
City maintenance and construction tax	VAT paid	1%-7%
Education surtax	VAT paid	3%

Note 1: The Group's enterprise income tax is calculated based on the current tax rate stipulated by local tax laws. Among them, the Company are subject to an enterprise income tax rate of 25%, the subsidiaries set up in Hong Kong are subject to an enterprise income tax rate of 16.5%, the majority of subsidiaries set up in China are subject to an enterprise income tax rate of 25% and certain others are subject to the preferential tax rate for small and micro enterprises of 20%, and the other overseas subsidiaries are subject to enterprise income tax rates between 28% and 34%.

Note 2: Foreign investors who receive dividends of profits from Chinese subsidiaries in 2008 and thereafter generally shall pay withholding income tax at a rate of 10% in accordance with the relevant provisions of the PRC enterprise income tax. For companies incorporated in certain regions (including Hong Kong and Singapore), if the companies are actual owners holding more than 25% interest in the subsidiaries in China, they will enjoy a preferential tax rate of 5%.

The Company obtains dividends distributed by overseas subsidiaries and should pay enterprise income tax at a rate of 25% in accordance with relevant Chinese tax laws. The Company obtains taxable income outside of China, and the amount of income tax that has been paid abroad can be offset with the current taxable amount. The credit limit is the taxable amount calculated in accordance with the provisions of the Enterprise Income Tax Law.

Note 3: The VAT amount is the balance of the output tax less the deductible input tax, and the output tax is calculated in accordance with the sales income and the corresponding tax rate stipulated in the relevant tax laws of China.

Note 4: Pursuant to *Announcement of Customs on Relevant Policies for Deepening the Value-Added Tax Reform issued by the Ministry of Finance, the State Taxation Administration and the General Administration* (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), from 1 April 2019, the tax rate of 16% and 10% applicable to the VAT taxable sale or import of goods are adjusted to 13% and 9%, respectively.

## CHINA MERCHANTS PORT GROUP CO., LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

#### IV. TAXES - continued

##### 1. Major taxes and tax rates - continued

Note 5: The social contribution tax is the tax paid by the overseas subsidiaries of the Group to the local government.

##### 2. Tax preference

Some subsidiaries of the Group in China are recognized as high-tech enterprises or encouraged industrial enterprises in the region and are subject to an enterprise income tax rate of 15%. The Group's subsidiaries outside China may be subject to enterprise income tax preference in accordance with relevant local tax policies.

The company and some of its subsidiaries are exempted from the real estate tax, urban land use tax etc. in the first quarter of 2020 in accordance with the provisions of the "Notice on Printing and Distributing Several Measures to Support Enterprises in Responding to the Covid-19" and other documents issued by the local government.

#### V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

##### 1. Cash and bank balances

	Unit: RMB	
Item	Closing balance	Opening balance
Cash	277,419.74	331,305.65
RMB	56,778.45	122,990.39
USD	129,084.96	55,429.82
HKD	30,264.43	28,354.40
BRL	6,764.36	8,872.81
Others	54,527.54	115,658.23
Bank deposit	6,730,200,970.96	7,423,112,193.18
RMB	5,094,867,161.20	4,868,888,181.56
USD	629,351,129.01	1,597,545,919.28
EUR	536,891,846.05	528,103,576.51
BRL	309,172,759.58	310,275,686.79
HKD	86,062,209.87	76,041,665.91
Others	73,855,865.25	42,257,163.13
Other cash and bank balances (Note 1)	532,106,192.16	311,504,711.43
RMB	532,106,192.16	311,504,711.43
Total	7,262,584,582.86	7,734,948,210.26
Including: Total amount of funds deposited overseas	2,124,935,280.43	3,511,266,717.03

Note 1: The structured deposits that can be readily withdrawn on demand in the other cash and bank balances of the Group totaled RMB 473,580,346.66, the deposit totaled RMB 16,456,386.94, and the balance of the margin maintenance account was RMB 42,069,458.56.

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 2. Notes receivable

## (1) Classification of notes receivable

Category	RMB	
	Closing balance	Opening balance
Bank acceptance	13,328,347.78	13,290,478.02
Commercial acceptance	8,633,201.20	24,901,772.00
Total	21,961,548.98	38,192,250.02
Less: Provision for credit losses (Note)	-	-
Carrying amount	21,961,548.98	38,192,250.02

Note: The Group believes that the acceptor of its bank acceptance and commercial acceptance have high credit ratings with no significant credit risks; therefore, no provision for credit loss is made.

(2) As at 30 June 2020, there are no notes receivable pledged.

(3) As at 30 June 2020, notes receivable endorsed or discounted which are not yet due at the balance sheet date are as follows:

Item	Unit: RMB	
	Amount derecognized at the end of the period	Amount recognized at the end of the period
Bank acceptance	269,200.00	-

(4) As at 30 June 2020, there are no notes reclassified to accounts receivable due to the drawers' inability to settle the note.

(5) The Group has no notes receivable written off for the period from 1 January to 30 June 2020.

## 3. Account receivables

## (1) Account receivables disclosed by aging

Aging	Unit: RMB		
	Accounts receivable	Provision for credit loss	Proportion (%)
Within 1 year	1,673,793,760.00	47,179,141.12	2.82
More than 1 year but not exceeding 2 years	70,326,394.90	7,929,284.40	11.27
More than 2 years but not exceeding 3 years	1,129,795.78	516,300.94	45.70
More than 3 years	43,029,849.87	42,431,818.34	98.61
Total	1,788,279,800.55	98,056,544.80	

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 3. Account receivables - continued

## (2) Disclosure of account receivables by categories

Unit: RMB

Credit rating	Expected credit loss rate (%)	Closing balance			Opening balance		
		Carrying amount	Provision for credit loss	Book value	Carrying amount	Provision for credit loss	Book value
A	0.00-0.10	867,111,693.14	101,223.56	867,010,469.58	552,947,162.60	236,251.00	552,710,911.60
B	0.10-0.30	578,029,026.67	1,470,835.71	576,558,190.96	730,397,420.98	2,106,455.92	728,290,965.06
C	0.30-50.00	231,930,017.20	4,351,187.56	227,578,829.64	70,292,155.38	1,703,501.79	68,588,653.59
D	50.00-100.00	111,209,063.54	92,133,297.97	19,075,765.57	101,658,746.76	94,789,147.11	6,869,599.65
Total		1,788,279,800.55	98,056,544.80	1,690,223,255.75	1,455,295,485.72	98,835,355.82	1,356,460,129.90

## (3) Changes in provision for credit loss of account receivables

Unit: RMB

Item	Lifetime expected credit loss (not credit-impaired)	Lifetime expected credit loss (credit-impaired)	Total
At 1 January 2020	4,046,208.71	94,789,147.11	98,835,355.82
Carrying amount of accounts receivable at 1 January 2020			
-- Transferred to credit-impaired accounts receivables	-	-	-
-- Reversed to not credit-impaired accounts receivable	-	-	-
Provision for the period	3,347,210.97	586,074.18	3,933,285.15
Reversal for the period	(1,333,037.82)	(2,708,034.93)	(4,041,072.75)
Transfer-out from derecognition of financial assets (including direct write-down)	-	(289,193.50)	(289,193.50)
Other changes	(137,132.00)	(244,697.92)	(381,829.92)
At 30 June 2020	5,923,249.86	92,133,294.94	98,056,544.80

## (4) Account receivables written off during the period

Unit: RMB

Item	Amount
Yantai Jinquan International Shipping Agency Co., Ltd. Shenzhen Branch	289,193.50

## (5) The top five balances of account receivables classified by debtor

Unit: RMB

Name of entity	Closing balance	Aging	Proportion of the amount to the total account receivables (%)	Closing balance of provision for credit loss
Client A	282,210,584.12	Within 1 year, more than 1 year but not exceeding 2 years, more than 2 year but not exceeding 3 years, more than 3 years	15.77	142,050.98
Client B	76,111,433.00	Within 1 year, more than 1 year but not exceeding 2 years	4.26	1,705,643.77
Client C	60,901,975.35	Within 1 year, more than 1 year but not exceeding 2 years	3.41	146,173.05
Client D	57,813,455.40	Within 1 year	3.23	39,928.09
Client E	39,673,364.92	Within 1 year	2.22	-
Total	516,710,812.79		28.89	2,033,795.89

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 4. Accounts receivable financing

## (1) Accounts receivable financing classification

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance measured at fair value	251,312,787.49	260,760,537.45

(2) On 30 June 2020, the Group has no pledged account receivables financing.

(3) As at 30 June 2020, account receivables financing endorsed or discounted which are not yet due at the balance sheet date are as follows

Unit: RMB

Items	Closing balance		Opening balance	
	Derecognized	Recognized	Derecognized	Recognized
Bank acceptance measured at fair value	73,189,070.26	-	129,391,886.08	-

## 5. Prepayments

## (1) Aging analysis of prepayment

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Aging	Proportion (%)
Within 1 year	66,350,135.06	97.90	50,341,341.46	91.47
More than 1 year but not exceeding 2 years	1,264,551.40	1.87	4,533,596.99	8.24
More than 2 years but not exceeding 3 years	-	-	-	-
More than 3 years	159,081.36	0.23	159,081.36	0.29
Total	67,773,767.82	100.00	55,034,019.81	100.00

(2) As at 30 June 2020, the Group has no significant prepayments aged more than one year.

(3) The top five balances of prepayments classified by entities

Unit: RMB

Name of entity	Relationship with the Company	30 June 2020	Proportion of the closing balance to the total prepayments (%)
Saham Assurance Togo S.A.	Non-related party	6,916,043.89	10.21
Fairfax Brasil Seguros Corporativos S.A.	Non-related party	6,620,743.19	9.77
China Life Insurance Co., Ltd	Non-related party	3,755,669.72	5.54
Chubb Seguros Brasil S.A.	Non-related party	3,622,070.20	5.34
Uptime Group	Non-related party	2,074,114.37	3.06
Total		22,988,641.37	33.92

## 6. Other receivables

## 6.1 Summary of other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	-	159,794.48
Dividend receivable	1,303,565,544.25	459,352,522.24
Other receivables	2,329,169,395.90	1,669,865,935.78
Total	3,632,734,940.15	2,129,378,252.50

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 6. Other receivables - continued

## 6.2 Interest receivables

## (1) Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable from related parties	-	159,954.43
Total	-	159,954.43
Less: Provision for credit loss	-	159.95
Book value	-	159,794.48

(2) As at 30 June 2020, the Group has no significant overdue interest.

## 6.3 Dividend receivables

## (1) Presentation of dividend receivables

Unit: RMB

Name of investee	Closing balance	Opening balance
Shanghai International Port (Group) Co., Ltd.	857,120,854.56	-
China Nanshan Development (Group) Incorporation ("Nanshan Group")	316,246,500.00	313,435,420.00
Dalian Port Co., Ltd.	51,137,716.59	-
Qingdao Port International Co., Ltd.	29,836,000.91	-
Tin-Can Island Container Terminal Ltd	-	82,625,546.31
Qingdao Qianwan United Container Terminal Co., Lt.	-	50,000,000.00
Others	50,529,342.73	13,751,368.26
Total	1,304,870,414.79	459,812,334.57
Less: Provision for credit loss	1,304,870.54	459,812.33
Book value	1,303,565,544.25	459,352,522.24

## (2) Significant dividend receivable aged more than 1 year

Unit: RMB

Name of investee	Closing balance	Aging	Why unrecovered	Closing balance of provision for credit losses
Nanshan Group	245,969,500.00	More than 1 year but not exceeding 2 years	Undergoing relevant formalities and expected to be recovered at the end of 2020	245,969.50



## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 6. Other receivables - continued

## 6.3 Dividend receivable - continued

## (3) Changes in provision for credit loss of dividend receivables

Unit: RMB

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in 12 months	Lifetime expected credit loss (not credit-impaired)	Lifetime expected credit loss (credit-impaired)	
At 1 January 2020	459,812.33	-	-	459,812.33
Carrying amount of dividend receivables at 1 January 2020				
-- Transfer to Stage 2	-	-	-	-
-- Transfer to Stage 3	-	-	-	-
-- Reverse to Stage 2	-	-	-	-
-- Reverse to Stage 1	-	-	-	-
Provision for the period	1,304,870.54	-	-	1,304,870.54
Reversal for the period	(459,812.33)	-	-	(459,812.33)
Transfer-out on derecognition of financial assets(including direct write-down)	-	-	-	-
Other changes	-	-	-	-
At 30 June 2020	1,304,870.54	-	-	1,304,870.54

## 6.4 Other receivables

## (1) Other receivables disclosed by aging

Unit: RMB

Aging	Closing balance		
	Other receivables	Provision for credit loss	Proportion (%)
Within 1 year	1,992,779,541.04	6,451.56	-
More than 1 year but not exceeding 2 years	15,081,852.60	50,013.27	0.33
More than 2 years but not exceeding 3 years	3,916,417.43	230,493.37	5.89
More than 3 years	353,954,897.69	36,276,354.66	10.25
Total	2,365,732,708.76	36,563,312.86	

## (2) Disclosure of other receivables by nature

Unit: RMB

Item	Closing balance	Opening balance
Land compensation (Note 1)	1,208,032,000.00	521,246,000.00
Operation compensation(Note 2)	683,479,121.36	669,121,539.36
Temporary payments	299,718,996.63	334,617,193.32
Compensation for profit or loss on transition( Note 3)	31,513,558.59	35,317,035.66
Deposits	23,778,389.76	21,309,320.77
Others	119,210,642.42	124,618,962.15
Total	2,365,732,708.76	1,706,230,051.26
Less: Provision for credit loss	36,563,312.86	36,364,115.48
Book value	2,329,169,395.90	1,669,865,935.78

**V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**6. Other receivables - continued**

6.4 Other receivables - continued

(2) Disclosure of other receivables by nature - continued

Note 1: On 5 November 2019, Shantou China Merchants Port Group Co., Ltd. (hereinafter referred to as "Shantou Port") entered into the Contract for the Acquisition of State-Owned Land Use Rights in Shantou with Shantou Land Reserve Center. Pursuant to the contract, the land and attached buildings of approximately 370.96 mu located in Zhuchi deepwater port on the south of Zhongshan East Road of Shantou will be returned to Shantou Land Reserve Center by Shantou Port, amounting to RMB 1,558,032,000.00. 183.63 mu of land and attached buildings have been transferred before 31 December 2019, and remaining 187.73 mu of land and attached buildings have been transferred before 30 June 2020 with the carrying amount of RMB 188,404,228.34 and the consideration of land compensation is RMB 786,786,000.00. The compensation income recognized after deducting transaction expenses is approximately RMB 557,187,829.97. As of 30 June 2020, the land compensation of RMB 1,208,032,000.00 is not yet recovered.

Note 2: In August 2012, the Group acquired a 50% equity in LCT held by Mediterranean Shipping Company S.A. (hereinafter referred to as "MSC") through its subsidiary Global Terminal Limited at EUR 150 million. According to the equity acquisition agreement, from 2014 to 2028, MSC committed the LCT terminal to guarantee the minimum container volume through Global Terminal Limited, assessing the realization of the container volume guarantee every three years, and agreeing on the compensation mechanism when the guaranteed container volume is not reached. In 2019, the Group confirmed that the compensation from 2017 to 2019 amounted to RMB 488,492,798.26. As of 30 June 2020, the compensation not received that by the Group had amounted to RMB 683,479,121.36.

Note 3: The Company acquired Zhanjiang Port (Group) Co., Ltd. ("Zhanjiang Port") in 2019. According to relevant contracts, Zhanjiang Infrastructure, the non-controlling shareholder of Zhanjiang Port, shall pay the compensation for profit or loss during transition of RMB 31,513,558.59 (calculated based on the original shareholding ratio) to the Company. As of 30 June 2020, the Company had not yet recovered the money.

NOTES TO FINANCIAL STATEMENTS  
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## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 6. Other receivables - continued

## 6.4 Other receivables - continued

## (3) Provision for credit loss on other receivables

As part of the Group's credit risk management, the Group conducts internal credit ratings for its customers and determines the expected loss rate for other receivables for each rating. Such expected average loss rates are based on actual historical impairments while taking account of the current and future economic conditions.

As at 30 June 2020, the credit risk and expected credit loss of other receivables of each category of customers are presented as below:

Unit: RMB

Credit rating	Expected credit loss rate (%)	Closing balance				Opening balance			
		Expected credit loss in 12 months	Lifetime expected credit loss (not credit-impaired)	Lifetime expected credit loss (credit-impaired)	Total	Expected credit loss in 12 months	Lifetime expected credit loss (not credit-impaired)	Lifetime expected credit loss (credit-impaired)	Total
A	0.00-0.10	2,329,455,470.90	-	-	2,329,455,470.90	1,669,968,696.05	-	-	1,669,968,696.05
B	0.10-0.30	-	-	-	-	-	-	-	-
C	0.30-50.00	-	-	-	-	-	-	-	-
D	50.00-100.00	-	-	36,277,237.86	36,277,237.86	-	-	36,261,355.21	36,261,355.21
Account balance		2,329,455,470.90	-	36,277,237.86	2,365,732,708.76	1,669,968,696.05	-	36,261,355.21	1,706,230,051.26
Provision for credit loss		286,075.00	-	36,277,237.86	36,563,312.86	102,760.27	-	36,261,355.21	36,364,115.48
Book value		2,329,169,395.90	-	-	2,329,169,395.90	1,669,865,935.78	-	-	1,669,865,935.78

## (4) Changes in provision for credit loss of other receivables

Unit: RMB

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in 12 months	Lifetime expected credit loss (not credit-impaired)	Lifetime expected credit loss (credit-impaired)	
At 1 January 2020	102,760.27	-	36,261,355.21	36,364,115.48
Carrying amount of other receivables at 1 January 2020				
--Transfer to Stage 2	-	-	-	-
--Transfer to Stage 3	-	-	-	-
--Reverse to Stage 2	-	-	-	-
--Reverse to Stage 1	-	-	-	-
Provision for the period	185,094.70	-	-	185,094.70
Reversal for the period	(1,779.97)	-	(2,999.99)	(4,779.96)
Transfer-out on derecognition of financial assets( including direct write-down)	-	-	-	-
Other changes	-	-	18,882.64	18,882.64
At 30 June 2020	286,075.00	-	36,277,237.86	36,563,312.86

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 6. Other receivables - continued

## 6.4 Other receivables - continued

(5) The Group has no other receivables written off for the period from 1 January to 30 June 2020.

(6) The top five balances of other receivables classified by debtor

Unit: RMB

Name of entity	Nature	Closing balance	Aging	Proportion of the amount to the other receivable (%)	Provision for credit loss at the end of the year
Shantou Land Reserve Center	Land compensation	1,208,032,000.00	Within 1 year	51.07	-
Global Terminal Limited	Operation compensation	683,479,121.36	Within 1 year, More than 3 years	28.89	17,904.57
Chu Kong River Trade Terminal Co., Ltd	Temporary payments	62,316,880.00	More than 3 years	2.63	6,231.69
Shenzhen Qianhaiwan Bonded Port Area Authority	Temporary payments	45,712,037.75	Within 1 year, More than 3 years	1.93	4,571.20
State-owned Assets Supervision and Administration Commission of Shantou Municipal People's Government	Temporary payments	43,326,181.06	Within 1 year	1.83	-
Total		2,042,866,220.17		86.35	28,707.46

## 7. Inventories

(1) Categories of inventories

Unit: RMB

Item	Closing balance			Opening Balance		
	Carrying amount	Provision for decline in value of inventories	Book value	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	165,249,746.72	971,196.56	164,278,550.16	147,548,980.01	1,918,890.33	145,630,089.68
Finished goods	11,277,389.98	-	11,277,389.98	4,944,593.66	-	4,944,593.66
Others	14,760,401.36	-	14,760,401.36	13,405,508.74	-	13,405,508.74
Total	191,287,538.06	971,196.56	190,316,341.50	165,899,082.41	1,918,890.33	163,980,192.08

(2) Provision for decline in value of inventories

Unit: RMB

Item	1 January 2020	Provision	Decrease		30 June 2020
			Reversal	Write-off	
Raw materials	1,918,890.33	-	947,693.77	-	971,196.56

(3) As at 30 June 2020, the Group has no capitalized borrowing cost in the balance of inventories.

## 8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	73,166,552.28	809,702,715.78
Less: Provision for credit loss	73,166.55	809,702.72
Book value	73,093,385.73	808,893,013.06

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Structural deposits	2,494,903,418.59	2,000,298,176.18
Including: Principal	2,485,000,000.00	1,991,000,000.00
Interest receivable	9,903,418.59	9,298,176.18
Prepaid taxes	43,015,982.74	31,612,381.68
Others (Note)	263,029,195.26	266,882,103.84
Total	2,800,948,596.59	2,298,792,661.70
Less: Provision for credit loss	-	-
Book value	2,800,948,596.59	2,298,792,661.70

Note: Refer to the VAT credits of domestic subsidiaries.

## 10. Long-term receivables

## (1) Details of long-term receivables

Unit: RMB

Item	Closing balance			Opening balance		
	Account balance	Provision for credit loss	Book value	Account balance	Provision for credit loss	Book value
Advances to shareholders (Note 1)	3,925,778,494.69	3,925,778.50	3,921,852,716.19	869,503,011.54	869,503.01	868,633,508.53
Principal and interest of receivables for cooperation (Note 2)	687,968,053.80	687,968.05	687,280,085.75	1,025,631,435.87	1,025,631.44	1,024,605,804.43
Financing lease deposits	14,500,000.00	14,500.00	14,485,500.00	14,500,000.00	14,500.00	14,485,500.00
Total	4,628,246,548.49	4,628,246.55	4,623,618,301.94	1,909,634,447.41	1,909,634.45	1,907,724,812.96
Less: Long-term receivables due within 1 year	73,166,552.28	73,166.55	73,093,385.73	809,702,715.78	809,702.72	808,893,013.06
Long-term receivables due over 1 year	4,555,079,996.21	4,555,080.00	4,550,524,916.21	1,099,931,731.63	1,099,931.73	1,098,831,799.90

Note 1: Refer to the terminal acquisition project funds advanced by the Company's subsidiary Direct Achieve Investments Limited to its associate Terminal Link SAS. Refer to Note (V) 11 for details.

Note 2: Refer to the land-transferring fees of cruise port project paid by Zhangjiang Port, subsidiary of the Company on behalf of its associate Zhanjiang China Merchants Harbor City Investment Co., Ltd. ("China Merchants Harbor City"); and the interest is paid by China Merchants Harbor City in accordance with the benchmark interest rate of the People's Bank of China for the same period with total principal and interest of RMB 687,968,053.80,

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 10. Long-term receivables - continued

## (2) Provision for credit loss on long-term receivables

Unit: RMB

Item	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in 12 months	Lifetime expected credit loss (not credit-impaired)	Lifetime expected credit loss (credit-impaired)	
At 1 January 2020	1,909,634.45	-	-	1,909,634.45
Carrying amount of long-term receivables at 1 January 2020				
-- Transfer to Stage 2	-	-	-	-
-- Transfer to Stage 3	-	-	-	-
-- Reverse to Stage 2	-	-	-	-
-- Reverse to Stage 1	-	-	-	-
Provision for the period	3,455,148.26	-	-	3,455,148.26
Reversal for the period	(736,536.16)	-	-	(736,536.16)
Transfer-out on derecognition of financial assets( including direct write-down)	-	-	-	-
Other changes	-	-	-	-
At 30 June 2020	4,628,246.55	-	-	4,628,246.55

- (3) As at 30 June 2020, there are no long-term receivables derecognized due to the transfer of financial assets.
- (4) There are no assets and liabilities arising from the transfer or continuing involvement of long-term receivables at 30 June 2020.

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS  
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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. Long-term investments

Unit: RMB

Investees	Accounting method	1 January 2020	Changes for the year								30 June 2020	Closing value of provision for impairment	
			Increase	Investment profit or loss under equity method	Reconciling items from other comprehensive income	Other equity movements	Cash dividends or profits announced of issuance	Others	Provision for impairment	Effect of translation of financial statements denominated in foreign currencies			
<b>I. Joint ventures</b>													
Euro-Asia Oceangate S.à r.l.	Equity method	2,635,767,875.28	-	32,577,150.24	-	-	-	-	-	-	30,075,311.72	2,698,420,337.24	-
Port of Newcastle	Equity method	2,199,996,246.66	-	6,806,114.31	-	-	-	(87,661,702.20)	-	-	4,800,751.43	2,123,941,410.20	-
Qingdao Qianwan United Container Terminal Co., Ltd.	Equity method	1,504,764,906.58	-	51,573,423.78	-	1,688,678.17	-	-	-	-	-	1,558,027,008.53	-
Ningbo Daxie Merchants International Terminals Co., Ltd.	Equity method	853,995,291.23	-	55,508,480.73	-	2,020,093.37	-	-	-	-	-	911,523,865.33	-
Laizhou Laiyin Port Business Co., Ltd.	Equity method	792,062,228.58	-	14,928,000.00	-	-	-	-	-	-	-	806,990,228.58	-
Others	Equity method	1,405,640,017.89	-	16,043,706.18	-	533,197.02	(818,258.44)	-	-	-	9,904,052.77	1,431,302,715.42	-
Subtotal		9,392,226,566.22	-	177,436,875.24	-	4,241,968.56	(88,479,960.64)	-	-	-	44,780,115.92	9,530,205,565.30	-
<b>II. Associates</b>													
Shanghai International Port (Group) Co., Ltd.(A Share)	Equity method	23,918,042,867.55	-	1,022,649,024.58	49,808,489.15	(43,006,751.08)	(899,371,516.97)	-	-	-	(567,182.64)	24,047,554,930.59	-
Nanshan Group	Equity method	5,090,137,515.66	-	(67,388,586.72)	6,298,721.30	(11,402,905.61)	(74,028,000.00)	-	-	-	172,880.00	4,943,789,624.63	-
Terminal Link SAS (Note 1)	Equity method	4,212,404,575.41	2,746,841,398.03	108,374,645.14	-	-	-	-	-	-	(33,398,905.37)	7,034,221,713.21	-
Dalian Port Co., Ltd.	Equity method	3,293,260,555.78	-	88,081,029.71	(1,403,661.37)	2,988,210.45	(57,009,456.00)	-	-	-	(10,787,253.80)	3,315,129,424.77	672,651,771.20
Shenzhen China Merchants Qianhai Industrial Development Co., Ltd.(	Equity method	6,841,066,224.12	-	12,188,400.29	-	-	-	-	-	-	-	6,853,254,624.41	-
China Merchants Northeast Asia Development Investment Co., Ltd.(Note 2)	Equity method	-	1,000,000,000.00	460,810.50	-	-	-	-	-	-	-	1,000,460,810.50	-
Others	Equity method	5,169,401,078.52	70,659,100.00	52,802,572.91	(28,295,086.39)	45,964.95	(15,772,759.37)	-	-	-	62,968,833.26	5,311,809,703.88	-
Subtotal		48,524,312,817.04	3,817,500,498.03	1,217,167,896.41	26,408,462.69	(51,375,481.29)	(1,046,181,732.34)	-	-	-	18,388,371.45	52,506,220,831.99	672,651,771.20
Total		57,916,539,383.26	3,817,500,498.03	1,394,604,771.65	26,408,462.69	(47,133,512.73)	(1,134,661,692.98)	-	-	-	63,168,487.37	62,036,426,397.29	672,651,771.20

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 11. Long-term investments - continued

Note 1: As at 25 November 2019, CMPort Co., Ltd. (hereinafter referred to as "CMPort"), a subsidiary of the Company, entered into a comprehensive Memorandum Of Agreement with Terminal Link and CMA CGM S.A., the controlling shareholder of Terminal Link, pursuant to which the Company proposes to subscribe for the US\$468 million Mandatory Convertible Bonds issued by, and to grant the US\$500 million Loan to, Terminal Link, an associate of CMPort acquired in 2013 to finance the proposed acquisition by Terminal Link of interests in a portfolio of 10 terminals currently owned by CMA CGM and its affiliates. Due to the subscription of mandatory convertible bonds, the Company made additional investment in Terminal Link SAS on 26 March 2020, equivalent to RMB 2,746,841,398.03. Direct Achieve Investments Limited, a subsidiary of the Company has offered Terminal Link SAS a loan to support the proposed acquisition of the terminals. Terminal Link SAS paid interest at a coupon rate of 6%. As of 30 June 2020, the total Company's long-term principal and interest due from Terminal Link SAS are equivalent to RMB 3,016,715,205.48 yuan.

Note 2: As at 3 April 2020, the Company signed a shareholder agreement with Liaoning Port Group and China Merchants Shekou Industrial Zone Holdings Co., Ltd., according to which the Company invested RMB 1 billion to incorporate China Merchants Northeast Asia Development Investment Co., Ltd., with a shareholding ratio of 22.22%. The Board shall consist of 5 members of which 1 will be appointed by the company.

## 12. Other investments in equity instruments

## (1) Details of other investments in equity instruments

Unit: RMB

Investees	Closing balance	Opening balance
China Ocean Shipping Agency (Shenzhen) Co., Ltd.	144,069,435.00	144,069,435.00
Others	19,341,837.00	19,491,837.00
Total	163,411,272.00	163,561,272.00

## (2) Details of non-trading equity instruments

Unit: RMB

Item	Dividends income recognized for the year	Accumulated gains/losses	Amounts transferred to retained earnings from other comprehensive income	Why designated as FVTOIC	Why transferred to retained earnings from other comprehensive income
China Ocean Shipping Agency (Shenzhen) Co., Ltd.	-	130,559,435.00	-	The intention of holding is neither for sale nor profits in short-term	N/A
Others	460,131.33	9,188,500.00	-	The intention of holding is neither for sale nor profits in short-term	N/A
Total	460,131.33	139,747,935.00	-		



## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 13. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at FVTPL	2,633,657,498.81	2,385,363,537.39
Including: Investments in equity instruments	2,633,657,498.81	2,385,363,537.39
Including: Ningbo Zhoushan Port Co., Ltd.(A shares)	1,826,650,083.29	1,548,914,671.20
Qingdao Port International Co., Ltd.	790,822,466.44	820,263,917.11
Others	16,184,949.08	16,184,949.08

## 14. Investment properties

## (1) Investment properties measured under cost method

Unit: RMB

Item	Land use rights	Buildings	Total
I.Total original carrying amount			
1. Balance at 1 January 2020	105,727,492.82	6,291,738,452.02	6,397,465,944.84
2. Increase in the current period	-	206,063.00	206,063.00
3. Decrease in the current period	-	1,071,645.35	1,071,645.35
4. Balance at 30 June 2020	105,727,492.82	6,290,872,869.67	6,396,600,362.49
II. Accumulated depreciation and amortisation			
1. Balance at 1 January 2020	31,252,512.29	605,950,758.15	637,203,270.44
2. Increase in the current period	1,141,051.97	93,848,487.26	94,989,539.23
3. Decrease in the current period	-	489,845.38	489,845.38
4. Balance at 30 June 2020	32,393,564.26	699,309,400.03	731,702,964.29
III. Impairment provision			
1. Balance at 1 January 2020	-	-	-
2. Increase in the current period	-	-	-
3. Decrease in the current period	-	-	-
4. Balance at 30 June 2020	-	-	-
IV. Book value			
At 30 June 2020	73,333,928.56	5,591,563,469.64	5,664,897,398.20
At 1 January 2020	74,474,980.53	5,685,787,693.87	5,760,262,674.40

## (2) Investment properties without ownership certificates

Unit: RMB

Item	Closing balance	Opening balance
Buildings and land use rights	38,462,419.30	40,255,588.09

## 15. Fixed assets

## 15.1 Summary of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	26,459,531,040.89	27,519,109,906.41
Disposal of fixed assets	1,179,420.67	852,622.88
Total	26,460,710,461.56	27,519,962,529.29

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## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 15. Fixed assets - continued

## 15.2 Fixed assets

## (1) Details of fixed assets

Unit: RMB

Item	Port and terminal facilities	Buildings	Machinery and equipment, furniture and fixture and other equipment	Motor vehicles and cargo ships	Total
I. Total original carrying amount					
1. Balance at 1 January 2020	26,835,227,578.81	1,619,692,941.54	13,688,077,920.51	2,039,216,861.04	44,182,215,301.90
2. Increase for the period	46,311,782.70	1,395,117.06	343,276,555.27	40,521,655.10	431,505,110.13
(1) Purchase	18,735,215.46	-	29,895,501.94	1,582,672.80	50,213,390.20
(2) Transfer from construction in progress	27,576,567.24	1,395,117.06	266,068,397.19	588,982.30	295,629,063.79
(3) Transfer from right-of-use assets	-	-	47,312,656.14	38,350,000.00	85,662,656.14
3. Decrease for the period	66,021,806.65	31,645,188.99	196,098,293.29	11,675,300.90	305,440,589.83
(1) Disposal or retirement	15,399,349.98	-	196,098,293.29	11,675,300.90	223,172,944.17
(2) Transfer to construction in progress	50,622,456.67	31,645,188.99	-	-	82,267,645.66
4. Reclassification adjustment	(34,912,950.29)	(11,142,324.28)	40,057,476.84	5,997,797.73	-
5. Effect of changes in foreign exchange	(439,133,623.59)	(25,565.49)	(128,359,543.25)	7,625,629.76	(559,893,102.57)
6. Balance at 30 June 2020	26,341,470,980.98	1,578,274,979.84	13,746,954,116.08	2,081,686,642.73	43,748,386,719.63
II. Accumulated depreciation					
1. Balance at 1 January 2020	7,595,730,173.47	398,455,580.82	7,776,172,621.82	835,082,151.24	16,605,440,527.35
2. Increase for the period	429,081,276.99	32,378,051.68	438,930,958.85	85,271,570.08	985,661,857.60
(1) Provision	429,081,276.99	32,378,051.68	425,205,252.35	56,107,224.95	942,771,805.97
(2) Transfer from right-of-use assets	-	-	13,725,706.50	29,164,345.13	42,890,051.63
3. Decrease for the period	37,354,570.62	18,775,036.94	172,711,304.67	4,860,097.30	233,701,009.53
(1) Disposal or retirement	12,892,828.20	-	172,711,304.67	4,860,097.30	190,464,230.17
(2) Transfer to construction in progress	24,461,742.42	18,775,036.94	-	-	43,236,779.36
4. Reclassification adjustment	(13,423,041.72)	(4,488,281.70)	17,911,323.42	-	-
5. Effect of changes in foreign exchange	(63,617,591.00)	552,780.31	(64,406,705.32)	1,260,951.19	(126,210,564.82)
6. Balance at 30 June 2020	7,910,416,247.12	408,123,094.17	7,995,896,894.10	916,754,575.21	17,231,190,810.60
III. Impairment provision					
1. Balance at 1 January 2020	57,419,468.96	-	245,399.18	-	57,664,868.14
2. Increase for the period	-	-	-	-	-
3. Decrease for the period	-	-	-	-	-
4. Balance at 30 June 2020	57,419,468.96	-	245,399.18	-	57,664,868.14
IV. Book value					
1. Book value at 30 June 2020	18,373,635,264.90	1,170,151,885.67	5,750,811,822.80	1,164,932,067.52	26,459,531,040.89
2. Book value at 1 January 2020	19,182,077,936.38	1,221,237,360.72	5,911,659,899.51	1,204,134,709.80	27,519,109,906.41

(2) The Group has no fixed assets that are temporarily idle as at 30 June 2020.

(3) Fixed assets leased out under operating leases

Unit: RMB

Item	Book value at the closing date	Book value at the opening date
Buildings	200,383,012.44	312,602,129.37
Port and terminal facilities	71,046,887.47	12,233,139.52
Machinery and equipment, furniture and fixture and other equipment	10,842,002.86	63,964.98
Motor vehicles and cargo ships	-	17,754.72
Total	282,271,902.77	324,916,988.59

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15. Fixed assets - continued

15.2 Fixed assets - continued

(4) Fixed assets without ownership certificates

Unit: RMB

Item	Book value at the closing date	Book value at the opening date
Buildings, port and terminal facilities	1,587,752,574.27	1,652,483,135.07

(5) Other issues

Unit: RMB

Item	Amount	Remark
Cost of fixed assets fully depreciated but still in use as at 30 June 2020	2,757,823,365.20	
Cost of fixed assets temporarily idle as at 30 June 2020	-	
Fixed assets disposed and retired for the period:	-	
Cost of fixed assets disposed and retired	223,172,944.17	
Net value of fixed assets disposed and retired	32,708,714.00	
Profit or loss on disposal or retirement of fixed assets	(1,713,648.59)	

15.3 Disposal of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Machinery and equipment, furniture and fixture and other equipment	1,175,208.72	848,410.93
Motor vehicles and cargo ships	4,211.95	4,211.95
Total	1,179,420.67	852,622.88

16. Construction in progress

16.1 Summary of construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	6,913,185,555.95	6,318,389,715.70
Materials for construction of fixed assets	14,438,000.81	15,751,726.18
Total	6,927,623,556.76	6,334,141,441.88

16.2 Construction in progress

(1) Details of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Port and terminal facilities	6,172,642,257.97	787,181.96	6,171,855,076.01	5,713,564,853.28	787,181.96	5,712,777,671.32
Berths and yards	326,903,986.48	-	326,903,986.48	296,933,093.52	-	296,933,093.52
Infrastructure	190,699,708.35	-	190,699,708.35	175,423,610.37	-	175,423,610.37
Ship under construction	113,676,628.82	-	113,676,628.82	80,042,167.50	-	80,042,167.50
Others	110,050,156.29	-	110,050,156.29	53,213,172.99	-	53,213,172.99
Total	6,913,972,737.91	787,181.96	6,913,185,555.95	6,319,176,897.66	787,181.96	6,318,389,715.70

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 16. Construction in progress - continued

## 16.2 Construction in progress - continued

## (2) The top ten balances of construction in progress

Unit: RMB

Item	Budget amount	1 January 2020	Increase for the period	Transfer to fixed assets	Other decreases for the period	Effect of changes in foreign exchange	30 June 2020	Proportion of accumulated construction investment in budget (%)	Construction progress (%)	Amount of accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the current period (%)	Capital source
Guangao project Phase II, Shantou Port	2,200,000,000.00	1,404,239,786.63	176,979,681.55	32,094,128.07	-	-	1,549,125,340.11	88.00	88.00	13,447,553.66	-	-	Self-funding and loan
Reconstruction project of container, oil terminal and tank area, HIPG	2,854,258,290.12	1,407,055,802.30	-	-	-	15,994,312.82	1,423,050,115.12	49.86	49.86	-	-	-	Self-funding
Reconstruction project of Berth 1#-4#, Haixing Wharf	2,803,329,644.56	1,058,989,758.99	139,286,182.07	-	-	-	1,198,275,941.06	42.74	42.74	20,957,093.47	15,150,342.51	4.31	Self-funding and loan
Project of Grain Dispatch Warehouse at Berth2#,3# Phase III, Machong Port	620,000,000.00	321,198,858.46	22,489,737.47	-	-	-	343,688,595.93	55.43	55.43	934,421.10	917,465.54	4.40	Self-funding and loan
Donghaidao port wharf project for bulk grains, Zhanjiang Port	905,348,400.00	254,545,729.28	29,754,961.96	-	-	-	284,300,691.24	31.40	31.40	25,834,736.45	5,344,955.25	4.79	Self-funding and loan
Xiashan port general wharf project, Zhanjiang Port	737,792,300.00	234,308,909.02	25,510,948.79	-	-	-	259,819,857.81	35.22	35.22	8,072,472.88	5,206,999.65	4.79	Self-funding and loan
Petrifaction old tank area reconstruction, Phase I, Zhanjiang Port	218,378,500.00	178,983,632.92	2,249,413.00	-	-	-	181,233,045.92	82.99	82.99	5,024,262.73	-	-	Self-funding and loan
Baoman Port container wharf extension project, Phase I, Zhanjiang Port	2,412,810,000.00	155,695,498.79	316,981.13	-	-	-	156,012,479.92	6.47	6.47	964,740.46	-	-	Self-funding and loan
Baoman stuffing and destuffing service area, Phase I Project, Zhanjiang Port	606,521,505.83	134,029,761.00	3,045,453.56	-	-	-	137,075,214.56	22.60	22.60	16,689,500.56	-	-	Self-funding and loan
Donghaidao port wharf project, Zhanjiang Port	393,600,000.00	134,000,073.83	-	-	-	-	134,000,073.83	34.04	34.04	1,549,296.27	-	-	Self-funding and loan
Total	13,752,038,640.51	5,283,047,811.22	399,633,359.53	32,094,128.07	-	15,994,312.82	5,666,581,355.50			93,474,077.58	26,619,762.95		

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Construction in progress - continued

16.3 Materials for construction of fixed assets

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Materials for construction of fixed assets	14,438,000.81	-	14,438,000.81	15,751,726.18	-	15,751,726.18

17. Right-of-use assets

(1) Details of right-of-use assets

Unit: RMB

Item	Port and terminal facilities	Buildings	Machinery and equipment, furniture and fixture and other equipment	Motor vehicles and cargo ships	Others	Total
<b>I. Cost</b>						
1. Balance at 1 January 2020	6,689,402,526.61	186,206,419.22	767,725,299.95	45,970,740.24	2,846,079,467.20	10,535,384,453.22
2. Increase for the period	548,369.72	-	1,368,406.19	-	-	1,916,775.91
(1) Purchase	548,369.72	-	1,368,406.19	-	-	1,916,775.91
3. Decrease for the period	1,176,286.45	191,956.47	47,282,735.78	38,350,000.00	3,514,246.15	90,515,224.85
(1) Termination of lease	1,176,286.45	191,956.47	47,282,735.78	38,350,000.00	3,514,246.15	90,515,224.85
4. Effect of changes in foreign exchange	59,072,105.92	1,540,301.37	27,835.15	-	32,029,431.12	92,669,673.56
5. Balance at 30 June 2020	6,747,846,715.80	187,554,764.12	721,838,805.51	7,620,740.24	2,874,594,652.17	10,539,455,677.84
<b>II. Accumulated depreciation</b>						
1. Balance at 1 January 2020	378,840,364.32	36,980,701.14	231,571,742.64	30,948,956.19	223,717,298.47	902,059,062.76
2. Increase for the period	94,077,278.34	9,838,616.06	26,954,785.92	1,156,619.34	22,637,248.77	154,664,548.43
(1) Provision	94,077,278.34	9,838,616.06	26,954,785.92	1,156,619.34	22,637,248.77	154,664,548.43
3. Decrease for the period	-	-	13,725,706.50	29,164,345.13	2,965,876.41	45,855,928.04
(1) Termination of lease	-	-	13,725,706.50	29,164,345.13	2,965,876.41	45,855,928.04
4. Effect of changes in foreign exchange	269,067.87	149,766.11	7,811.48	-	2,447,672.08	2,874,317.54
5. Balance at 30 June 2020	473,186,710.53	46,969,083.31	244,808,633.54	2,941,230.40	245,836,342.91	1,013,742,000.69
<b>III. Impairment provision</b>						
1. Balance 1 January 2020	-	-	-	-	-	-
2. Increase for the period	-	-	-	-	-	-
3. Decrease for the period	-	-	-	-	-	-
4. Balance at 30 June 2020	-	-	-	-	-	-
<b>IV. Book value</b>						
1. Book value at 30 June 2020	6,274,660,005.27	140,585,680.81	477,030,171.97	4,679,509.84	2,628,758,309.26	9,525,713,677.15
2. Book value at 1 January 2020	6,310,562,162.29	149,225,718.08	536,153,557.31	15,021,784.05	2,622,362,168.73	9,633,325,390.46

(2) Amount recognized in profit or loss

Unit: RMB

Category	Amount incurred in the current period	Amount incurred in the previous period
Depreciation expenses of right-of-use assets(Note 1)	154,664,548.43	152,337,348.71
Interest expenses on lease liabilities (Note 2)	50,304,972.45	51,328,052.46
Expenses for short-term leases	55,517,780.26	69,047,828.93
Expenses for leases of low value assets	869,547.70	1,474,971.38
Variable lease payments not included in the measurement of lease liabilities (Note 3)	-	-
Revenue from sublease of right-of-use assets	9,246,780.38	-

**V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**17. Right-of-use assets - continued**

(2) Amount recognized in profit or loss - continued

Note 1: No depreciation expenses of right-of-use assets are capitalized in the period from 1 January to 30 June 2020.

Note 2: No interest expenses of lease liabilities are capitalized in the period from 1 January to 30 June 2020.

Note 3: No variable lease payments were included in the measurement of lease liabilities in the period from 1 January to 30 June 2020.

(3) The total cash outflows in relation to leases for the period from 1 January to 30 June 2020 amounting to RMB 211,988,699.50.

(4) Lease assets of the Group with the lease term as follows:

Category	Lease term
Port and terminal facilities	1-99 years
Buildings	1-5 years
Machinery and equipment, furniture and fixture and other equipment	1-6 years
Motor vehicles and cargo ships	5 years
Others	1-35years

(5) The Group has an option to purchase port and terminal facilities, machinery and equipment at the end of the extension period at a rate that is below market rates.

(6) As at 19 June 2020, the Ministry of Finance issued the "Regulations on the Accounting Treatment of Rental Concessions Related to the Covid-19" (Cai Kuai [2020] No. 10), which allows lessee and lessors to adopt simplified accounting treatment in rental concession directly related to the Covid-19 pandemic, which will be implemented from 19 June 2020, allowing enterprises to adjust the relevant rental concessions that occur between 1 January 2020 and the effective date of such regulations. The Group adopted simplified approach for all rental concessions within the applicable scope, and the effect on the current profit and loss during the reporting period was RMB 179,431.04.

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Intangible assets

(1) Summary of intangible assets

Unit: RMB

Items	Land use rights	Terminal management rights	Others	Total
<b>I. Total original carrying amount</b>				
1. Balance at 1 January 2020	13,324,673,654.68	10,223,755,868.87	1,148,257,126.44	24,696,686,649.99
2. Increase for the year	-	4,852,956.34	20,419,972.49	25,272,928.83
(1) Purchase	-	4,852,956.34	19,389,506.75	24,242,463.09
(2) Other increase	-	-	1,030,465.74	1,030,465.74
3. Decrease for the period	-	7,149,531.69	1,985,603.23	9,135,134.92
(1) Disposal	-	-	1,985,603.23	1,985,603.23
(2) Other decrease	-	7,149,531.69	-	7,149,531.69
4. Effect of changes in foreign exchange	178,733.50	(933,358,319.26)	(123,578,372.20)	(1,056,757,957.96)
5. Balance at 30 June 2020	13,324,852,388.18	9,288,100,974.26	1,043,113,123.50	23,656,066,485.94
<b>II. Accumulated depreciation</b>				
1. Balance at 1 January 2020	3,161,151,683.32	1,481,484,521.65	360,334,890.92	5,002,971,095.89
2. Increase for the period	161,377,038.66	115,228,361.81	34,390,352.05	310,995,752.52
(1) Provision	161,377,038.66	115,228,361.81	34,390,352.05	310,995,752.52
3. Decrease for the period	-	-	1,985,603.23	1,985,603.23
(1) Disposal	-	-	1,985,603.23	1,985,603.23
4. Effect of changes in foreign exchange	(1,055,263.91)	(189,456,458.07)	(27,843,032.32)	(218,354,754.30)
5. Balance at 30 June 2020	3,321,473,458.07	1,407,256,425.39	364,896,607.42	5,093,626,490.88
<b>III. Impairment provision</b>				
1. Balance at 1 January 2020	-	-	-	-
2. Increase for the period	-	-	-	-
3. Decrease for the period	-	-	-	-
4. Balance at 30 June 2020	-	-	-	-
<b>IV. Book value</b>				
1. Book value at 30 June 2020	10,003,378,930.11	7,880,844,548.87	678,216,516.08	18,562,439,995.06
2. Book value at 1 January 2020	10,163,521,971.36	8,742,271,347.22	787,922,235.52	19,693,715,554.10

(2) Land use rights without ownership certificates on 30 June 2020:

Unit: RMB

Item	Book value at the closing date	Book value at the opening date
Land use rights	1,130,005,349.98	1,163,098,978.96

19. Development expenses

Unit: RMB

Item	1/1/2020	Increase in the current period	Decrease in the current period				30/6/2020
			Transfer to intangible assets	Transfer to construction in progress	Transfer to fixed assets	Transfer to profit or loss for the period	
CTOS upgrading	-	41,398,244.85	-	-	-	41,398,244.85	-
China Merchants Core automation, semi-automated container terminal ICT integration research and development	-	6,378,920.96	-	-	-	6,378,920.96	-
Mazut, diesel, petrol, methanol process automatic control system development and application	4,834,850.03	3,977,826.66	-	-	-	-	8,812,676.69
China Merchants Core Cloud Smart Platform V1.0 (Bulk cargo) R&D implementation project	-	2,678,391.33	-	-	-	2,678,391.33	-
Crude oil unit train loading equipment key technology research	15,830,956.74	2,675,450.96	-	-	-	-	18,506,407.70
Automation intelligent bucket wheel stacker and reclaimer transformation technical service purchase project	-	2,417,256.59	-	2,417,256.59	-	-	-
Intelligent bulk cargo terminal centralized control room	-	1,756,529.98	-	1,756,529.98	-	-	-
The first phase of the global container intelligent project	-	1,468,500.00	-	-	-	1,468,500.00	-
Bulk grain dust suppression device	-	1,384,347.72	-	-	-	1,384,347.72	-
Safety device for loading and unloading operations	-	1,226,741.54	-	-	-	1,226,741.54	-
Others	16,733,285.51	14,640,162.72	-	1,748,136.88	-	11,595,139.36	18,030,171.99
Total	37,399,092.28	80,002,373.31	-	5,921,923.45	-	66,130,285.76	45,349,256.38

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 20. Goodwill

Unit: RMB

Investee	1/1/2020	Increase	Decrease	Effect of changes in foreign exchange	30/6/2020
TCP Participações S.A. ("TCP")	3,546,466,476.18	-	-	(744,244,623.09)	2,802,221,853.09
Mega Shekou Container Terminals Limited	1,815,509,322.42	-	-	-	1,815,509,322.42
CMPort	993,992,000.00	-	-	-	993,992,000.00
Shantou Port	552,317,736.65	-	-	-	552,317,736.65
Zhanjiang Port	418,345,307.68	-	-	-	418,345,307.68
Shenzhen Mawan Project	408,773,001.00	-	-	-	408,773,001.00
Others	288,255,850.88	-	-	-	288,255,850.88
Total	8,023,659,694.81	-	-	(744,244,623.09)	7,279,415,071.72

## 21. Long-term prepaid expenses

Unit: RMB

Item	1/1/2020	Increase in the current period	Amortization in the current period	Other changes	30/6/2020
Tonggu channel widening project (Note 1)	525,516,089.84	-	12,317,440.98	(10,012,815.00)	503,185,833.86
Relocation project of Nanhai Rescue Bureau	39,049,767.97	-	528,890.76	-	38,520,877.21
Expenditures for the improvement of leased fixed assets	17,778,884.18	1,255,355.00	682,754.40	-	18,351,484.78
West port area public channel widening project (Note 2)	80,470,088.60	-	1,145,906.98	10,012,815.00	89,336,996.62
Others	49,096,181.08	5,061,937.84	5,936,715.76	-	48,221,403.16
Total	711,911,011.67	6,317,292.84	20,611,708.88	-	697,616,595.63

Note 1: This represents the Group's actual expenses on the Shenzhen West Port Area Tonggu Channel 240-270 Meters Widening Project. According to relevant resolutions of Shenzhen municipal government, the expenses incurred for the project are borne by the enterprise and government on a 50% to 50% principle. The Company's subsidiary has included the expenses on deepening the channel in the item of "long-term prepaid expenses", and amortized such expenses over the expected useful life of 40 years using straight-line method since the completion of the channel widening project on 27 February 2019.

Note 2: This represents the Group's actual expenses on the first section of Shenzhen West Port Area Public Channel 240-270 Meters Widening Project. According to relevant resolutions of Shenzhen municipal government, the expenses incurred for the project are borne by the enterprise and government on a 50% to 50% principle. The Company's subsidiary has included the expenses on deepening the channel in the item of "long-term prepaid expenses", and amortized such expenses over the expected useful life of 40 years using straight-line method since the completion of the channel widening project on 1 June 2019.



NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Unrealized profit	802,582,460.43	195,887,032.87	805,528,482.59	196,545,362.77
Depreciation of fixed assets	108,244,052.41	27,227,981.18	108,244,052.41	27,227,981.18
Deductible losses	128,032,222.98	36,417,871.73	79,034,267.56	19,758,566.89
Provision for credit loss	71,379,636.33	17,907,355.62	71,636,378.50	17,881,386.96
Provisions	52,743,830.87	14,731,088.87	60,976,862.88	16,601,394.38
Deferred income	39,639,517.72	9,642,713.49	40,272,757.15	9,737,699.40
Amortization of computer	13,630,227.66	3,407,556.91	13,630,227.66	3,407,556.91
Organization costs	10,905,997.08	2,726,499.27	10,905,997.08	2,726,499.27
Provision for impairment losses of assets	1,918,890.31	479,722.58	1,918,890.31	479,722.58
Others	37,735,867.95	8,169,196.42	29,120,031.36	6,069,331.93
Total	1,266,812,703.74	316,597,018.94	1,221,267,947.50	300,435,502.27

(2) Deferred tax liabilities without offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Withholding dividend income tax	24,357,504,256.52	1,648,491,011.97	24,219,415,080.67	1,735,339,232.65
Fair value adjustment of assets acquired by business combination	7,462,694,301.42	1,651,871,416.14	7,989,044,772.81	1,812,240,254.17
Changes in fair value of other non-current financial assets	1,299,422,442.00	175,655,606.66	1,434,338,833.65	186,123,245.82
Depreciation of fixed assets	1,110,116,081.52	216,045,341.28	731,584,120.16	166,830,773.03
Changes in fair value of other equity investments	140,509,435.00	35,127,358.75	140,659,435.00	35,164,858.75
Others	98,387,743.88	21,265,083.61	110,838,382.96	26,054,384.75
Total	34,468,634,260.34	3,748,455,818.41	34,625,880,625.25	3,961,752,749.17

(3) Deferred tax assets or liabilities presented at the net amount after offsetting

Unit: RMB

Item	Offset amount of deferred tax assets and liabilities in the current period	Deferred tax assets or liabilities after offsetting in the current period	Offset amount of deferred tax assets and liabilities in the prior period	Deferred tax assets or liabilities after offsetting in the prior period
Deferred tax assets	-	316,597,018.94	-	300,435,502.27
Deferred tax liabilities	-	3,748,455,818.41	-	3,961,752,749.17

(4) Details of unrecognized deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	473,942,471.23	503,037,805.60
Deductible losses	2,188,304,273.29	2,289,500,649.57
Total	2,662,246,744.52	2,792,538,455.17

The Group recognizes deferred income tax assets to the extent of future taxable income that is likely to be obtained to offset the deductible temporary differences and deductible losses. For the excess of deductible temporary differences and deductible losses over future taxable income, no deferred tax assets is recognized.

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 22. Deferred tax assets and deferred tax liabilities - continued

- (5) Deductible losses for unrecognized deferred tax assets will be expired in the following years:

Unit: RMB

Year	Closing balance	Opening balance
2020	5,879,004.08	182,809,604.33
2021	244,394,853.17	244,394,853.17
2022	615,440,669.35	615,440,669.35
2023	745,889,729.49	745,889,729.49
2024	500,294,154.82	500,926,253.51
2025	76,365,678.23	-
No expiration date	40,184.15	39,539.72
Total	2,188,304,273.29	2,289,500,649.57

## 23. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Dachanwan port area Phase II land replacement payment (Note 1)	916,884,222.49	916,884,222.49
Advances of channel project (Note 2)	934,573,716.27	896,848,920.76
Prepayments of land use rights	132,334,704.86	132,334,704.86
Prepayments of fixed assets	130,173,116.98	90,186,071.12
Prepayments of terminal franchise	30,964,981.51	30,356,842.78
Others	11,156,700.90	16,354,705.03
Total	2,156,087,443.01	2,082,965,467.04

Note 1: Primarily the lands located in Shenzhen Qianhaiwan Logistics Park has been returned to government in 2019 by the Company's subsidiaries Antongjie Terminal Services (Shenzhen) Co., Ltd. ("ATJ") and Ansuji Terminal Services (Shenzhen) Co., Ltd., in which Qianhai Administration replaced 55% of the total land area of T102-0166 and T102-0167 held by ATJ and ASJ and the corresponding shoreline (the land area is approximately 531,300 square meters) to the Phase II of Dachan Bay Port Area. As of 30 June 2020, the change procedures have not yet been completed for the land use right of Phase II of Dachan Bay Port.

Note 2: This represent that the Company's subsidiary Zhanjiang Port, upon its reorganization into a joint stock company in 2007, signed the Channel Arrangement Agreement with State-owned Assets Supervision and Administration Commission of Zhanjiang ("Zhanjiang SASAC") and China Merchants International Terminal (Zhanjiang) Co., Ltd. According to the agreement, the channel belongs to Zhanjiang SASAC, therefore the Company included the advances of channel project that should be repaid by Zhanjiang SASAC in other non-current assets.

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 24. Short-term borrowings

## (1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Credit loan	12,620,640,847.81	9,439,099,793.47
Guaranteed loan (Note)	3,043,066,666.66	-
Total	15,663,707,514.47	9,439,099,793.47

Note: The loan is guaranteed by the Company

## (2) At 30 June 2020, the Group has no short-term borrowings that were overdue.

## 25. Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance	2,658,732.14	2,529,389.61
Commercial acceptance	13,300,593.95	73,926,559.40
Total	15,959,326.09	76,455,949.01

## 26. Accounts payable

## (1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Service fee	163,068,156.90	133,134,547.67
Construction fee	156,630,940.66	173,811,112.97
Material purchase	117,483,891.74	146,969,853.48
Rental fee	15,574,314.52	13,897,329.66
Equipment payments	12,996,882.55	15,947,499.80
Others	86,975,553.35	107,352,122.81
Total	552,729,739.72	591,112,466.39

## (2) Significant accounts payable aged more than one year

Unit: RMB

Item	Amount	Reason for outstanding
Nanshan Administration Bureau of Shenzhen Land and Resources and Planning Bureau	21,642,795.50	The government planning project has not been completed, and the certificates of property rights has not been processed.

**V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****27. Receipts in advance**

## (1) Summary of receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Service fee receipt in advance	27,666,629.01	10,500,836.06
Rental fee receipt in advance	2,621,573.40	13,409,679.80
Others	7,064,889.55	4,916,171.51
Total	37,353,091.96	28,826,687.37

(2) There is no significant receipts in advance aged more than one year at the end of the period.

**28. Contract liabilities**

## (1) Summary of contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Port charges received in advance	66,331,771.54	63,954,147.44
Warehousing fee received in advance	17,957,528.35	-
Service fee received in advance	828,349.43	17,396,130.82
Others	4,144,226.42	4,480,724.26
Total	89,261,875.74	85,831,002.52

(2) There is no significant contract liabilities aged more than one year at the end of the period.

## (3) Qualitative and quantitative analysis of contract liabilities

The contract liability mainly represents the amount received by the Group to provide port services to customers. The payment is collected according to the contractual payment time. The Group recognizes contract revenue based on the progress of the contract. The contract liabilities will be recognized as income after the Group fulfills its performance obligations.

## (4) Revenue recognized in the current period and included in the opening carrying amount of contract liabilities

An amount of RMB 83,517,482.54 included in the book value of contract liabilities at the beginning of 2020 has been recognized as revenue in the current period, including contract liabilities arising from settled but unfinished construction resulting from the contract of receipt of service fee in advance amounting to RMB 16,178,593.85, contract liabilities arising from settled but unfinished construction resulting from the contract of receipt of port charges in advance amounting to RMB 63,490,239.45, as well as contract liabilities arising from settled but unfinished construction resulting from other contracts amounting to RMB 3,848,649.24.

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

29. Employee benefits payable

(1) Details of employee benefits payable are as follows

Unit: RMB

Item	1/1/2020	Increase in the current period	Decrease in the current period	30/6/2020
1. Short-term benefits	630,356,614.44	1,269,381,171.02	1,391,931,615.22	507,806,170.24
2. Post-employment benefits - defined contribution plan	5,015,323.78	60,675,189.62	60,519,628.54	5,170,884.86
3. Termination benefits	-	11,431,756.87	11,431,756.87	-
4. Other benefits due within one year	-	1,735,965.85	1,735,965.85	-
5. Others	(653,153.58)	78,759,160.02	6,354,501.81	71,751,504.63
Total	634,718,784.64	1,421,983,243.38	1,471,973,468.29	584,728,559.73

(2) Short-term benefits

Unit: RMB

Item	1/1/2020	Increase in the current period	Decrease in the current period	30/6/2020
I. Wages and salaries, bonuses, allowances and subsidies	604,864,369.83	1,055,896,210.88	1,186,294,025.21	474,466,555.50
II. Staff welfare	-	65,664,187.90	63,834,128.15	1,830,059.75
III. Social insurance charges	9,636,773.03	51,122,956.91	46,780,549.16	13,979,180.78
Including: Medical insurance	8,317,044.95	38,712,985.42	34,150,400.37	12,879,630.00
Work injury insurance	-	4,513,110.23	4,513,139.70	(29.47)
Maternity insurance	-	2,933,732.82	2,912,623.09	21,109.73
Others	1,319,728.08	4,963,128.44	5,204,386.00	1,078,470.52
IV. Housing funds	-	74,718,354.36	74,422,486.44	295,867.92
V. Labor union and employee education funds	15,855,471.56	18,414,294.37	17,035,259.65	17,234,506.28
VI. Other short-term benefits	0.02	3,565,166.60	3,565,166.61	0.01
Total	630,356,614.44	1,269,381,171.02	1,391,931,615.22	507,806,170.24

(3) Defined contribution plan

Unit: RMB

Item	1/1/2020	Increase in the current period	Decrease in the current period	30/6/2020
I. Basic pension	4,900,268.87	40,266,494.88	40,155,204.11	5,011,559.64
II. Unemployment insurance	0.01	397,129.15	396,978.85	150.31
III. Enterprise annuity plan	115,054.90	20,011,565.59	19,967,445.58	159,174.91
Total	5,015,323.78	60,675,189.62	60,519,628.54	5,170,884.86

The Company and its subsidiaries participates in the social security contributions and the unemployment insurance plan established by government institutions as required. According to such plans, the Group contributes in proportion to the local government. Except for the above-mentioned deposit fees, the Group have no outstanding contributions to be paid to the social security contributions and the unemployment insurance plan. The corresponding expenses are included in the current profit and loss or the cost of related assets when incurred.

30. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	1,974,092,354.46	1,843,381,355.01
VAT	16,270,770.08	11,377,223.08
Others	94,613,630.79	43,317,764.65
Total	2,084,976,755.33	1,898,076,342.74

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 31. Other payables

## (1) Summary of other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	-	-
Dividends payable	2,200,213,637.76	150,286,550.81
Other payables	2,173,767,637.35	2,073,468,127.15
Total	4,373,981,275.11	2,223,754,677.96

## (2) Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Ordinary share dividends	2,200,213,637.76	150,286,550.81
Including: China Merchants Port Investment Development Co., Ltd	475,540,540.27	-
China Merchants Union Development Co., Ltd.	398,027,221.93	-
China Merchants Gangtong Development (Shenzhen) Co., Ltd.	170,603,880.00	-
Hong Kong International Enterprise Limited	128,209,921.43	-
Public B shares	82,751,897.80	-
Public A shares	72,722,717.44	-
Yihai Kerry Arawana Cereals, Oils and Foodstuffs Co. Ltd.	59,200,114.42	37,402,426.09
Economic and Trade Guande Development Co., Ltd.	53,750,000.00	-
Sri Lanka Ports Authority	31,749,790.32	31,392,997.47
Shenzhen Infrastructure Investment Fund Partnership (LLP)	29,831,083.72	-
Sinotrans Shipping Co., Ltd	12,463,667.33	-
Soifer Participações Societárias S.A.	11,173,505.06	14,141,088.03
Pattac Empreendimentos e Participações S.A.	3,632,311.49	4,597,020.40
Tuc Participacoes Portuarias S.A.	3,632,311.49	4,597,018.82
Orienture Holdings Co. Ltd.	1,584,096.00	-
Baosteel Zhanjiang Iron and Steel Co., Ltd.	1,321,337.30	-
Modern Terminals Limited	-	58,156,000.00

As at 30 June 2020, the dividend payable aging over one year amounts to RMB 37,402,426.09, representing the dividends not yet received by the investor.

## (3) Other payables

## (a) Disclosure of other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Amount payable for construction and quality warranty	1,119,343,201.58	1,053,340,753.66
Deposits	161,230,619.57	162,460,889.01
Customer discount	129,384,672.82	117,736,418.62
Accrued expenses	84,554,024.47	110,741,377.48
Port construction and security fee	54,647,055.14	58,732,330.62
Withholding dividend income tax	52,837,837.81	-
Balance of land use rights transfer	11,295,700.00	14,538,738.00
Others	560,474,525.96	555,917,619.76
Total	2,173,767,637.35	2,073,468,127.15

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31. Other payables - continued

(3) Other payables - continued

(b) Significant other payables with aging over 1 year

Unit: RMB

Company name	Closing balance	Reason for being outstanding or carried forward
CCCC Fourth Harbor Engineering Co., Ltd.	50,196,213.85	Project not yet checked by a third party
CCCC Third Harbor Engineering Co., Ltd.	42,001,830.34	Project not yet checked by a third party
Shanghai Zhenhua Heavy Industries Co., Ltd.	41,555,527.06	Equipment failed to meet the acceptance standards
Shantou Transportation Bureau	31,358,355.47	To be paid after confirmation by mutual parties
CCCC-FHDI Engineering Co., Ltd.	24,501,586.59	Performance of contract not yet completed
Zhanjiang Transportation Bureau	20,902,814.93	To be paid after confirmation by mutual parties
Qingdao Maritime Bureau	20,713,982.12	Port construction fee not yet settled
China Merchants Real Estate (Shenzhen) Co., Ltd.	18,311,444.99	Quality warranty, the contracted settlement condition has not been reached
Shenzhen Municipal Special Fund for Development of Bulk Cement	12,238,226.14	To be paid after confirmation by mutual parties
China Merchants Finance Lease (Tianjin) Co., Ltd.	11,250,000.00	Performance of contract not yet completed
Shantou Finance Bureau	10,000,000.00	To be paid after confirmation by mutual parties
Guangdong Hengtai Tong Industrial Co., Ltd.	10,000,000.00	Quality warranty, the contracted settlement condition has not been reached
Shenzhen Dongpeng Construction Supervision Co., Ltd.	9,906,473.62	Not yet applied or processed by the counterparty
China First Metallurgical Group Co., Ltd.	7,653,479.34	Performance of contract not yet completed
Harman Technology (Shenzhen) Co., Ltd.	5,884,632.48	The contracted settlement condition has not been reached
Total	316,474,566.93	

32. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term loans due within one year	2,216,715,105.84	2,954,701,198.90
Including: Credit loan	582,840,627.88	1,294,054,756.85
Guaranteed loan	1,055,090,118.80	1,119,153,332.94
Mortgage loan	578,784,359.16	541,493,109.11
Bonds payable due within one year	1,865,612,405.64	1,889,505,167.46
Long-term payable due within one year	35,168,270.05	61,107,722.82
Long-term employee benefits payable due within one year	31,950,000.00	31,950,000.00
Lease liabilities due within one year	311,539,529.97	341,240,327.95
Other non-current liabilities due within one year	73,564,126.15	825,835,439.66
Total	4,534,549,437.65	6,104,339,856.79

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 33. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable	3,010,838,383.88	712,345,315.07
Accrued professional agency fee	152,814,329.20	143,346,356.53
Others	26,359,216.41	30,264,910.03
Total	3,190,011,929.49	885,956,581.63

Changes of short-term bonds payable:

Unit: RMB

Name of bond	Face value	Date of issue	Term of the bond	Amount of issue	1/1/2020	Amount issued in the current period	Interest accrued based on par value	Discount or premium amortization	Repayment in the current period	30/6/2020
1.50%, RMB 1.3 billion, Super & Short-term Commercial Paper	1,300,000,000.00	29/04/2020	180 days	1,300,000,000.00	-	1,300,000,000.00	3,356,557.38	-	-	1,303,356,557.38
1.99%, RMB 1 billion, Super & Short-term Commercial Paper	1,000,000,000.00	05/06/2020	270 days	1,000,000,000.00	-	1,000,000,000.00	1,413,661.20	-	-	1,001,413,661.20
2.50%, RMB 700 million, Super & Short-term Commercial Paper	700,000,000.00	26/02/2020	266 days	700,000,000.00	-	700,000,000.00	6,068,165.30	-	-	706,068,165.30
3.80%, RMB 300 million, Super & Short-term Commercial Paper	700,000,000.00	04/06/2019	270 days	700,000,000.00	712,345,315.07	-	3,559,602.96	-	715,904,918.03	-
Total	3,700,000,000.00			3,700,000,000.00	712,345,315.07	3,000,000,000.00	14,397,986.84	-	715,904,918.03	3,010,838,383.88

## 34. Long-term borrowings

## (1) Classification of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Credit borrowings	3,093,027,953.77	3,368,772,302.71
Guaranteed borrowings (Note 1)	2,158,406,589.91	2,857,916,427.61
Mortgage borrowings (Note 2)	2,886,854,516.33	3,041,748,008.91
Total	8,138,289,060.01	9,268,436,739.23
Less: Long-term borrowings due within one year	2,216,715,105.84	2,954,701,198.90
Including: Credit borrowings	582,840,627.88	1,294,054,756.85
Guaranteed borrowings	1,055,090,118.80	1,119,153,332.94
Mortgage borrowings	578,784,359.16	541,493,109.11
Long-term borrowings due after one year	5,921,573,954.17	6,313,735,540.33

During the period, the annual interest rate of the borrowing ranges from 1.20% to 5.78%.

Note 1: The loan was guaranteed by Shenzhen Magang Cangma Co., Ltd, China Merchants Port Services (Shenzhen) Co., Ltd, CMPort.

Note 2: As at 30 June 2020, the Group obtained the long-term loan of RMB 2,886,854,516.33 (31 December 2019: RMB 3,041,748,008.91) with its entire equity in Colombo International Container Terminals Limited and the entire equity in Thesar Maritime Limited, and the land with ownership, fixed assets and construction in progress held by Guangdong Yide Port Co., Ltd. (hereinafter referred to as "Yide Port"), the land use rights of Shenzhen Haixing Harbor Development Co., Ltd. as well as the sea area use rights of Dongguan Chiwan Port Service Co., Ltd. mortgaged as collaterals.



NOTES TO FINANCIAL STATEMENTS  
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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

34. Long-term borrowings - continued

(1) Classification of long-term borrowings - continued

Details of mortgage borrowings are as follows:

Unit: RMB

Company name	Closing balance	Opening balance	Collateral
China Development Bank Corporation	1,245,653,597.74	1,358,129,654.07	The Group's entire equity in Colombo International Container Terminals Limited
International Finance Corporation	410,453,440.87	449,103,214.20	The Group's entire equity in Thesar Maritime Limited
African Development Bank	188,586,716.06	206,294,203.06	
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.	155,306,707.35	169,887,745.22	
The Opec Fund For International Development	133,120,034.88	145,656,886.91	
Societe de Promotion et de Participation pour la Cooperation Economique S.A.	133,120,034.86	145,613,216.49	
Deutsche Investitions-und Entwicklungsgesellschaft MBH	110,933,362.39	121,392,394.29	
Bank of China Qianhai Shekou Branch	241,357,698.45	241,388,867.03	Land use rights of Shenzhen Haixing Harbor Development Co., Ltd (see note (V) 61)
China Construction Bank Shunde Branch	215,259,318.17	184,264,872.07	Land use rights, fixed assets and construction in progress of Yide Port (see note (V) 61)
China Merchants Bank Dongguan Branch	53,063,605.56	20,016,955.57	Sea area use rights of Dongguan Chiwan Warf Co., Ltd. (see note (V) 61)
Total	2,886,854,516.33	3,041,748,008.91	

35. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
4.375%, USD 900 million corporate bond	6,426,278,478.93	6,349,018,876.27
5.000%, USD 600 million corporate bond	4,269,122,434.82	4,218,874,981.43
4.750%, USD 500 million corporate bond	3,582,571,449.98	3,541,255,065.51
5.000%, USD 500 million corporate bond	3,543,503,068.79	3,500,281,169.59
4.890%, USD 2,500 million corporate bond	2,523,780,136.99	2,585,072,602.74
3.500%, USD 200 million corporate bond	1,430,830,620.17	1,414,333,247.34
IPCA + 7.8164%, BRL 428 million corporate bond	673,739,844.54	810,150,534.24
4.980%, RMB 400 million corporate bond	411,133,369.86	401,200,657.53
Total	22,860,959,404.08	22,820,187,134.65
Less: Bonds payable due within one year	1,865,612,405.64	1,889,505,167.46
Bonds payable due after one year	20,995,346,998.44	20,930,681,967.19

NOTES TO FINANCIAL STATEMENTS  
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## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 35. Bonds payable - continued

## (2) Changes of bonds payable

Unit: RMB

Name of bonds	Face value	Date of issue	Term of the bond	Amount of issue	1/1/2020	Amount issued in the current period	Interest accrued based on par value	Discount or premium amortization	Repayment in the current period	Effect of changes in foreign exchange	30/06/2020
4.375%, USD 900 million corporate bond	USD 900,000,000.00	06/08/2018	5 years	USD 900,000,000.00	6,349,018,876.27	-	138,226,053.80	5,219,084.00	138,596,553.90	72,411,018.76	6,426,278,478.93
5.000%, USD 600 million corporate bond	USD 600,000,000.00	06/08/2018	10 years	USD 600,000,000.00	4,218,874,981.43	-	105,315,088.70	2,409,117.13	105,597,374.40	48,120,621.96	4,269,122,434.82
4.750%, USD 500 million corporate bond	USD 500,000,000.00	03/08/2015	10 years	USD 500,000,000.00	3,541,255,065.51	-	83,389,423.31	1,138,246.82	83,597,921.40	40,386,635.74	3,582,571,449.98
5.000%, USD 500 million corporate bond	USD 500,000,000.00	04/05/2012	10 years	USD 500,000,000.00	3,500,281,169.59	-	87,493,021.03	3,402,736.40	87,791,765.25	40,117,907.02	3,543,503,068.79
4.890%, RMB 2,500 million corporate bond	RMB 2,500,000,000.00	21/04/2017	5 years	RMB 2,500,000,000.00	2,585,072,602.74	-	60,957,534.25	-	122,250,000.00	-	2,523,780,136.99
3.500%, USD 200 million corporate bond	USD 200,000,000.00	03/08/2015	5 years	USD 200,000,000.00	1,414,333,247.34	-	24,467,817.42	939,644.61	24,639,387.36	15,729,298.16	1,430,830,620.17
IPCA+7.8164%, BRL 428 million corporate bond	BRL 428,047,000.00	07/11/2016	6 years	BRL 428,047,000.00	810,150,534.24	-	33,157,455.95	4,908,321.88	-	(174,476,467.53)	673,739,844.54
4.980%, RMB 400 million corporate bond	RMB 400,000,000.00	10/12/2018	3 years	RMB 400,000,000.00	401,200,657.53	-	9,932,712.33	-	-	-	411,133,369.86
Total					22,820,187,134.65	-	542,939,106.79	18,017,150.84	562,473,002.31	42,289,014.11	22,860,959,404.08
Less: Bonds payable due within one year					1,889,505,167.46						1,865,612,405.64
Bonds payable due after one year					20,930,681,967.19						20,995,346,998.44

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 36. Lease liabilities

Unit: RMB

Category	Closing balance	Opening balance
Lease payment	2,755,002,465.72	2,934,104,267.67
Unrecognized financing cost	(905,278,141.38)	(945,733,971.11)
Total	1,849,724,324.34	1,988,370,296.56
Less: Lease liabilities due within one year	311,539,529.97	341,240,327.95
Lease liabilities due after one year	1,538,184,794.37	1,647,129,968.61

## 37. Long-term payables

## (1) Summary of long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	1,418,026,539.69	1,447,802,228.74
Special payables	548,732,682.19	548,550,497.29
Total	1,966,759,221.88	1,996,352,726.03
Less: Long-term payables due within one year	35,168,270.05	61,107,722.82
Long-term payables due after one year	1,931,590,951.83	1,935,245,003.21

## (2) Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Terminal management rights (Note 1)	837,915,269.32	881,239,309.85
Payable to minority shareholders of subsidiaries (Note 2)	425,628,641.37	407,092,971.69
Borrowings from related parties (Note 3)	147,000,000.00	150,000,000.00
Others	7,482,629.00	9,469,947.20
Total	1,418,026,539.69	1,447,802,228.74
Less: Long-term payables due within one year	35,168,270.05	61,107,722.82
Long-term payables due after one year	1,382,858,269.64	1,386,694,505.92

Note 1: As at 12 August 2011, the Group reached a 35-year building, operation and transfer agreement through the subsidiary Colombo International Container Terminals Limited and the Sri Lanka Port Authority on the building, operation, management and development of the Colombo Port South Container Terminal (hereinafter referred to as for "BOT"). The above-mentioned terminal operating rights purchase amount is determined by discounting the amount to be paid in the future using the prevailing market interest rate according to the BOT agreement. As at 30 June 2020, the amount is RMB 837,915,269.32.

Note 2: It is an unsecured loan from minority shareholder of Thesar Maritime Limited, a subsidiary of the Company, with an annual interest rate of 4.65%.

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 37. Long-term payables - continued

## (2) Long-term payables - continued

Note 3: At 9 December 2019, ZCMG, a subsidiary of the Company, and China Merchants Finance Lease (Tianjin) Co., Ltd. entered into a 72-month sale-and-leaseback agreement in respect of the sale-and-leaseback assets, with a consideration of RMB 150,000,000.00. ZCMG is the saler and lessee of the leased assets. As China Merchants Finance Lease (Tianjin) Co., Ltd. has no control over the leased assets, the transfer of assets in the sale-and-leaseback transaction is not a sale and the cash receipts are accounted for as financial liabilities, i.e. borrowings from related parties. According to the agreement, the interest rate for the borrowings is 4.75% and the borrowing period is 72 months.

At 9 December 2019, ZCMG and China Merchants Finance Lease (Tianjin) Co., Ltd. as the beneficiary entered into a mortgage agreement with the land use rights of two plots of land for harbor and wharf with areas of 126,400 square meters and 172,700 square meters respectively as the collaterals. As of 30 June 2020, the carrying amount of the mortgaged land use rights is RMB 119,985,494.05.

## (3) Special payables

Unit: RMB

Item	1/1/2020	Increase in the current period	Decrease in the current period	30/6/2020	Reason
Refunds of Harbor Construction Fee	545,346,468.32	146.66	119,252.86	545,227,362.12	Note 1
Employee housing fund	3,204,028.97	301,291.10	-	3,505,320.07	Note 2
Total	548,550,497.29	301,437.76	119,252.86	548,732,682.19	

Note 1: This represents the refund of the construction fee received by the Group from the Ministry of Transport, Shenzhen Municipal Transportation Bureau. According to the "Port Construction Fee Management Measures" promulgated by the Ministry of Finance, this payment is dedicated to the construction of water transport infrastructure.

Note 2: This represent the repairing fund for public areas and public facilities and equipment established after the Group's selling the public-owned house on the collectively allocated land to employees. The fund is contributed by all the employees having ownership of the house according to the rules, and is specially managed and used for specific purpose.

## 38. Long-term employee benefits payable

## (1) Long-term employee benefits payable

Unit: RMB

Item	Closing balance	Opening balance
Post-employment benefits - net liabilities of defined benefits plan (note)	453,647,469.64	454,383,940.25
Termination benefits	45,135,075.32	49,048,198.38
Total	498,782,544.96	503,432,138.63
Less: Long-term employee benefits payable due within one year	31,950,000.00	31,950,000.00
Long-term employee benefits payable due after one year	466,832,544.96	471,482,138.63

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 38. Long-term employee benefits payable - continued

## (2) Changes of defined benefits plan

Present value of defined benefits plan obligation:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Opening balance	454,383,940.25	385,323,310.21
II. Defined benefits cost included in profit or loss for the period	12,830,961.87	9,122,011.37
1. Current service cost	5,200,965.85	2,448,000.00
2. Past service cost	-	(5,988.63)
3. Interest adjustment	7,629,996.02	6,680,000.00
III. Defined benefits cost included in other comprehensive income	84,448.42	(5,940.71)
1. Actuarial gains (losses)	-	-
2. Effect of exchange rate changes	84,448.42	(5,940.71)
IV. Other changes	(13,651,880.90)	307,676,956.40
1. Benefits paid	(13,651,880.90)	(9,963,043.60)
2. Changes in the scope of consolidation	-	317,640,000.00
V. Closing balance	453,647,469.64	702,116,337.27

The Company's subsidiaries provide the registered retirees and in-service staff with supplementary post-employment benefit plans.

The Group hired a third-party actuary to estimate the present value of its above-mentioned retirement benefit plan obligations in an actuarial manner based on the expected cumulative welfare unit method. The Group recognizes the Group's liabilities based on the actuarial results. The relevant actuarial gains or losses are included in other comprehensive income and cannot be reclassified into profit or loss in the future. Past service costs are recognized in profit or loss for the period in which the plan is revised. The net interest is determined by multiplying the defined benefit plan net debt or net assets by the appropriate discount rate.

## 39. Provisions

Unit: RMB

Item	Closing balance	Opening balance	Reason
Sales discount	48,941,620.46	15,265,697.07	
Pending litigation (Note)	17,168,123.93	15,079,762.88	Note
Estimated expenses on Shangtou Port land acquisition and reservation	4,890,000.00	45,897,100.00	
Total	70,999,744.39	76,242,559.95	

Note: This represent the estimated compensation amount that the Company's subsidiary TCP may need to pay due to the pending litigation.

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

40. Deferred income

Unit: RMB

Item	1/1/2020	Increase in the current period	Decrease in the current period	30/6/2020
Government grants	1,146,325,779.95	-	18,982,578.73	1,127,343,201.22
Unrealized sale-and-leaseback income	1,427,077.22	-	259,468.68	1,167,608.54
Total	1,147,752,857.17	-	19,242,047.41	1,128,510,809.76

Items involving government grants are as follows:

Unit: RMB

Liabilities	1/1/2020	Increase	Recognized in non-operating income	Recognized in Other comprehensive income	30/6/2020	Related to assets /related to income
Refund from marine reclamation land	375,169,820.39	-	-	9,674,583.96	365,495,236.43	Related to assets
Tonggu channel widening project	276,429,856.80	-	-	3,528,891.78	272,900,965.02	Related to assets
West port area public channel widening project	216,620,824.68	-	-	967,832.04	215,652,992.64	Related to assets
Modern logistics special funds	114,720,000.08	-	-	319,999.98	114,400,000.10	Related to assets
Terminal subsidy	46,550,000.04	-	-	612,499.98	45,937,500.06	Related to assets
Appropriation for harbor dues on cargo	22,315,395.09	-	-	274,933.02	22,040,462.07	Related to assets
Port construction subsidy	21,099,333.59	-	-	462,166.62	20,637,166.97	Related to assets
Qianwan Bonded Logistics Park Project	14,427,049.24	-	-	653,606.22	13,773,443.02	Related to assets
Subsidized grain transfer project subsidy	7,857,142.83	-	-	-	7,857,142.83	Related to assets
Central budgetary support for bulk grain transfer terminal projects	7,260,416.67	-	-	-	7,260,416.67	Related to assets
Refund of land transfer charges	6,680,000.00	-	-	-	6,680,000.00	Related to assets
AMP project	5,786,415.70	-	-	480,810.36	5,305,605.34	Related to assets
Oil to electricity project	5,232,251.75	-	-	392,418.96	4,839,832.79	Related to assets
War readiness tug special fund	4,218,750.00	-	-	112,500.00	4,106,250.00	Related to assets
Bonded logistics center industry informatization development special fund	2,580,000.00	-	-	60,000.00	2,520,000.00	Related to assets
Automated terminal operation and dispatching system special support project	2,246,961.57	-	-	456,572.64	1,790,388.93	Related to assets
War readiness portal crane subsidy	1,593,886.51	-	-	-	1,593,886.51	Related to assets
Bulk cargo production business management system	1,500,000.00	-	-	-	1,500,000.00	Related to assets
Research and development of fully automated intelligent terminal information investment based on cloud platform architecture	1,057,937.27	-	-	176,666.76	881,270.51	Related to assets
Green low carbon port project	982,730.02	-	-	210,585.00	772,145.02	Related to assets
Others	11,997,007.72	-	-	598,511.41	11,398,496.31	Related to assets
Total	1,146,325,779.95	-	-	18,982,578.73	1,127,343,201.22	

41. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
TCP operating rights liability (Note 1)	2,716,758,812.32	3,326,952,857.86
Berth priority call right (Note 2)	18,341,679.78	20,664,537.64
Obligation to minority shareholders due to acquisition (Note 3)	-	732,733,351.01
Total	2,735,100,492.10	4,080,350,746.51
Less: Other non-current liabilities due within one year	73,564,126.15	825,835,439.66
Including: TCP operating rights liability	73,564,126.15	93,102,088.65
Obligation to minority shareholders due to acquisition	-	732,733,351.01
Other non-current liabilities due after one year	2,661,536,365.95	3,254,515,306.85

Note 1: TCP has operation right the port of paranagua up to 2048. At 30 June 2020, the payment to acquire the port operation rights is calculated based on local comprehensive price index.

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

41. Other non-current liabilities - continued

Note 2: This represents the berth priority call right as agreed in the contract entered into with the clients in 2003, with total amount of USD 14 million. The Group must give priority to the berthing requirements of the contracted customers during the contract period. The Group amortized the berth priority right within 20 years using straight-line method. In the current period, the amount included in operating income is RMB 2,322,857.86.

Note 3: Details are set out in Note (VII) 2 (1).

42. Share capital

Unit: RMB

Item	Opening balance	Changes for the year					Closing balance
		New issue of share	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	
<b>For the period from 1 January to 30 June 2020</b>							
I. Restricted tradable shares							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	128,952,746.00	-	-	-	-	-	128,952,746.00
3. Other domestic shares	169,602.00	-	-	-	10,812.00	10,812.00	180,414.00
4. Foreign shares	1,148,648,648.00	-	-	-	-	-	1,148,648,648.00
Total restricted tradable shares	1,277,770,996.00	-	-	-	10,812.00	10,812.00	1,277,781,808.00
II. Non-restricted tradable shares							
1. Ordinary shares denominated in RMB	464,858,324.00	-	-	-	-	-	464,858,324.00
2. Foreign capital shares listed domestically	179,735,804.00	-	-	-	(10,812.00)	(10,812.00)	179,724,992.00
3. Foreign capital shares listed overseas	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total non-restricted tradable shares	644,594,128.00	-	-	-	(10,812.00)	(10,812.00)	644,583,316.00
III. Total shares	1,922,365,124.00	-	-	-	-	-	1,922,365,124.00

Unit: RMB

Item	Opening balance	Changes for the year					Closing balance
		New issue of share	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	
<b>For the period from 1 January to 30 June 2019</b>							
I. Restricted tradable shares							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-
3. Other domestic shares	212,156.00	-	-	-	(42,554.00)	(42,554.00)	169,602.00
4. Foreign shares	1,148,648,648.00	-	-	-	-	-	1,148,648,648.00
Total restricted tradable shares	1,148,860,804.00	-	-	-	(42,554.00)	(42,554.00)	1,148,818,250.00
II. Non-restricted tradable shares							
1. Ordinary shares denominated in RMB	464,855,324.00	-	-	-	3,000.00	3,000.00	464,858,324.00
2. Foreign capital shares listed domestically	179,696,250.00	-	-	-	39,554.00	39,554.00	179,735,804.00
3. Foreign capital shares listed overseas	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total non-restricted tradable shares	644,551,574.00	-	-	-	42,554.00	42,554.00	644,594,128.00
III. Total shares	1,793,412,378.00	-	-	-	-	-	1,793,412,378.00

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

43. Capital Reserve

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
<b>For the period from 1 January to 30 June 2020</b>				
Capital premium	22,183,597,895.33	1,154,889.03	218,667,827.13	21,966,084,957.23
Including: Capital contributed by investors	7,012,992,483.94	-	-	7,012,992,483.94
Differences arising from business combination involving enterprises under common control	13,311,099,845.41	-	-	13,311,099,845.41
Differences arising from acquisition of minority interests (Note)	419,130,116.03	-	218,667,827.13	200,462,288.90
Others	1,440,375,449.95	1,154,889.03	-	1,441,530,338.98
Other capital Reserve	112,887,572.02	4,385,994.73	22,064,688.19	95,208,878.56
Including: Transfer from capital reserve under the previous accounting system	(2,781,133.00)	-	-	(2,781,133.00)
Share based payment without exercise	-	4,385,994.73	-	4,385,994.73
Other changes of owners' equity of the investee under equity method other than changes in net profit or loss, profit distribution and other comprehensive income	115,668,705.02	-	22,064,688.19	93,604,016.83
Total	22,296,485,467.35	5,540,883.76	240,732,515.32	22,061,293,835.79

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
<b>For the period from 1 January to 30 June 2019</b>				
Capital premium	19,429,694,090.05	61,436,266.04	16,957,921.94	19,474,172,434.15
Including: Capital contributed by investors	4,954,397,136.25	-	-	4,954,397,136.25
Differences arising from business combination involving enterprises under common control	13,311,099,845.41	-	-	13,311,099,845.41
Others	1,164,197,108.39	61,436,266.04	16,957,921.94	1,208,675,452.49
Other capital Reserve	(2,781,133.00)	77,732,230.21	300,731.50	74,650,365.71
Including: Transfer from capital reserve under the previous accounting system	(2,781,133.00)	-	-	(2,781,133.00)
Other changes of owners' equity of the investee under equity method other than changes in net profit or loss, profit distribution and other comprehensive income	-	77,732,230.21	300,731.50	77,431,498.71
Total	19,426,912,957.05	139,168,496.25	17,258,653.44	19,548,822,799.86

Note: Please refer to Note (V) 41 for details.



NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 44. Other comprehensive income

Unit: RMB

Item	Opening balance	Amount incurred in the period			Closing balance		
		Pre-tax amount for the period	Less: Amount included in other comprehensive income in the prior periods transferred to profit or loss this period	Less: Income tax expense	Post-tax income attributable to the parent company owner	Post-tax income attributable to minority shareholders	
<b>For the period from 1 January to 30 June 2020:</b>							
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	82,969,758.27	(3,451,988.37)	-	(37,500.00)	(1,463,343.44)	(1,951,144.93)	81,506,414.83
Including: Changes arising from remeasurement of defined benefits plan	1,069,722.83	-	-	-	-	-	1,069,722.83
Other comprehensive income that can't be transferred to profit or loss under equity method	4,830,921.62	(3,301,988.37)	-	-	(1,350,843.44)	(1,951,144.93)	3,480,078.18
Changes in fair value of other equity instruments	77,069,113.82	(150,000.00)	-	(37,500.00)	(112,500.00)	-	76,956,613.82
II. Other comprehensive income that will be reclassified subsequently to profit or loss	(438,914,324.18)	(1,102,044,700.73)	-	-	(378,265,943.85)	(723,778,756.88)	(817,180,268.03)
Including: Other comprehensive income that may be transferred to profit or loss under equity method	(58,950,164.54)	29,710,451.06	-	-	12,154,545.52	17,555,905.54	(46,795,619.02)
Translation differences of financial statements denominated in foreign currencies	(379,964,159.64)	(1,131,755,151.79)	-	-	(390,420,489.37)	(741,334,662.42)	(770,384,649.01)
Total other comprehensive income	(355,944,565.91)	(1,105,496,689.10)	-	(37,500.00)	(379,729,287.29)	(725,729,901.81)	(735,673,853.20)
<b>For the period from 1 January to 30 June 2019:</b>							
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	75,673,134.08	38,773,588.04	-	235,000.00	15,630,350.48	22,908,237.56	91,303,484.56
Including: Changes arising from remeasurement of defined benefits plan	-	-	-	-	-	-	-
Other comprehensive income that can't be transferred to profit or loss under equity method	-	37,833,588.04	-	-	14,925,350.48	22,908,237.56	14,925,350.48
Changes in fair value of other equity instruments	75,673,134.08	940,000.00	-	235,000.00	705,000.00	-	76,378,134.08
II. Other comprehensive income that will be reclassified subsequently to profit or loss	13,252,844.49	(954,554,782.61)	-	-	(348,242,893.56)	(606,311,889.05)	(334,990,049.07)
Including: Other comprehensive income that may be transferred to profit or loss under equity method	100,000.00	(65,347,540.69)	-	-	(25,779,604.80)	(39,567,935.89)	(25,679,604.80)
Translation differences of financial statements denominated in foreign currencies	13,152,844.49	(889,207,241.92)	-	-	(322,463,288.76)	(566,743,953.16)	(309,310,444.27)
Total other comprehensive income	88,925,978.57	(915,781,194.57)	-	235,000.00	(332,612,543.08)	(583,403,651.49)	(243,686,564.51)

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Special reserve

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
<b>For the period from 1 January to 30 June 2020</b>				
Production safety reserve	12,386,734.70	26,720,701.58	16,515,158.87	22,592,277.41
Item	Opening balance	Increase	Decrease	Closing balance
<b>For the period from 1 January to 30 June 2019</b>				
Production safety reserve	8,231,080.43	66,424,472.16	54,201,356.20	20,454,196.39

46. Surplus reserve

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
<b>For the period from 1 January to 30 June 2020</b>				
Statutory surplus reserve	630,345,307.43	-	-	630,345,307.43
Item	Opening balance	Increase	Decrease	Closing balance
<b>For the period from 1 January to 30 June 2019</b>				
Statutory surplus reserve	527,175,908.67	-	-	527,175,908.67

In accordance with the Company Law of the PRC and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and may cease appropriation when the statutory surplus reserve accumulates 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.

The appropriation of discretionary surplus reserve is proposed by the board of directors and approved at the shareholders meeting. The discretionary surplus reserve can be used to make up for the loss or increase the share capital after approval.

47. Unappropriated profit

Unit: RMB

Item	Amount	Proportion of appropriation or allocation
<b>For the period from 1 January to 30 June 2020</b>		
Unappropriated profit at the end of prior year before adjustment	11,467,166,351.85	
Adjustment of total unappropriated profit at the beginning of period	-	
Unappropriated profit at the beginning of period after adjustment	11,467,166,351.85	
Add: Net profit attributable to shareholders of the Company for the period	632,798,585.83	
Others	-	
Less: Appropriation to statutory surplus reserve	-	
Appropriation to discretionary surplus reserve	-	
Appropriation to general risk reserve	-	
Ordinary shares' dividends payable	884,287,957.04	Note
Ordinary shares' dividends converted into share capital	-	
Unappropriated profit at the end of the period	11,215,676,980.64	

Note: According to the resolution of shareholders meeting on 22 May 2020, the Company distributes cash dividends of RMB 4.60 (inclusive of tax) for every 10 shares, totaling to RMB 884,287,957.04 on the basis of the total shares of 1,922,365,124 shares at the end of 2019.

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 47. Unappropriated profit - continued

Unit: RMB

Item	Amount	Proportion of appropriation or allocation
<b>For the period from 1 January to 30 June 2019</b>		
Unappropriated profit at the end of prior year before adjustment	8,915,817,110.21	
Adjustment of total unappropriated profit at the beginning of the period	(37,858,457.43)	
Unappropriated profit at the beginning of the period after adjustment	8,877,958,652.78	
Add: Net profit attributable to shareholders of the Company for the period	2,299,181,330.61	
Less: Appropriation to statutory surplus reserve	-	
Appropriation to discretionary surplus reserve	-	
Appropriation to general risk reserve	-	
Ordinary shares' dividends payable	204,449,011.09	
Ordinary shares' dividends converted into share capital	-	
Unappropriated profit at the end of the period	10,972,690,972.30	

## 48. Operating income and operating costs

## (1) Operating income and operating costs

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Income	Cost	Income	Cost
Principal operating	5,850,744,731.11	3,606,455,926.27	5,757,493,642.27	3,491,922,787.72
Other operating	71,752,427.37	109,627,779.63	76,859,779.06	116,097,908.19
Total	5,922,497,158.48	3,716,083,705.90	5,834,353,421.33	3,608,020,695.91

## (2) Revenue from contracts

Unit: RMB

Categories of contracts	Ports operation	Bonded logistics operation	Other operation	Total
Mainland China, Hong Kong and Taiwan area	3,957,372,355.89	185,961,167.42	71,752,427.37	4,215,085,950.68
- Pearl River Delta	2,376,811,691.68	127,771,606.01	71,752,427.37	2,576,335,725.06
- Yangtze River Delta	-	-	-	-
- Bohai Rim	28,650,483.01	58,189,561.41	-	86,840,044.42
- Other areas	1,551,910,181.20	-	-	1,551,910,181.20
Other countries	1,701,430,029.46	5,981,178.34	-	1,707,411,207.80
Total	5,658,802,385.35	191,942,345.76	71,752,427.37	5,922,497,158.48

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 48. Operating income and operating costs - continued

## (3) Description of performance obligations

The Group provides wharf service, bonded logistics service and other services. These services are obligations performed over a period of time. For wharf services, as the handling time for containers and bulk cargos is short, the management believes that it is not necessary to recognize revenue according to the progress towards the completion of contract and it is an appropriate method to recognize the fulfillment of performance obligation and revenue upon the completion of the service. For bonded logistics service and other services, the customers evenly obtains and consumes the economic benefits from the Group's performance of contract, meanwhile the charging rules as agreed in the contract terms usually adopt daily/month/yearly basis. During the process of rendering services, the Group recognizes revenue using straight-line method. Part of the Group's handling contracts are established with discount terms, i.e. the customers whose business volume reaches agreed level, are granted with preferential charge rate or discount. At the end of the year, as the business quantity finally realized within the contract period is uncertain, the contract consideration is subject to variable factors. The management included this part of discount in provisions. Details are set out in Note (V) 39. The Group's revenue contract does not have significant financing components.

- (4) At the end of the period, the variable consideration of RMB 48,941,620.46 (31 December 2019: RMB 15,265,697.07) arising from sales discount is not included in the transaction price due to the restriction requirements relating to variable considerations.

## 49. Taxes and levies

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Property tax	32,842,873.99	25,394,756.09
Land use tax	14,571,335.92	16,894,999.35
Stamp duty	4,361,690.39	2,444,903.78
City construction and maintenance tax	3,019,566.75	2,978,839.39
Education surcharges and local education surcharges	2,269,207.71	2,380,123.86
Others (Note)	20,313,404.39	46,381,888.95
Total	77,378,079.15	96,475,511.42

Note: Others are mainly: (1) 2 taxes, the Program of Social Integration and Contribution for the Financing of Social Security and Tax on Services, with total amount of BRL 11,260,834.48 (equivalent to RMB 17,511,629.69) assumed by Company's subsidiary TCP in the current period. The total amount is; and (2) the environmental protection tax of RMB 2,517,751.31 assumed by Zhanjiang Port, a subsidiary of the company, in the current period.

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

50. Administrative expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Employee's salary	501,741,930.77	426,442,977.75
Depreciation expenses	43,638,413.40	37,107,071.34
Amortization of intangible assets	32,102,518.54	25,695,054.54
Fees paid to agencies	32,392,185.46	22,272,821.00
Others	127,825,229.20	135,726,793.73
Total	737,700,277.37	647,244,718.36

51. Financial expenses

Unit: RMB

	Amount incurred in the current period	Amount incurred in the prior period
Interest expense	977,499,521.99	1,007,611,049.92
Less: Capitalized interest expenses	29,853,904.73	20,983,804.08
Less: Interest income	142,415,864.44	139,353,821.46
Interest expenses of lease liabilities	50,304,972.45	51,328,052.46
Handling fee	8,741,650.90	21,050,919.62
Exchange differences	(25,043,006.36)	(47,860,182.35)
Others	2,426,563.56	1,317,410.77
Total	841,659,933.37	873,109,624.88

52. Other income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Transferred from deferred income	18,982,578.73	20,048,198.10
Unemployment insurance reimbursement	15,044,277.64	-
Additional deduction of VAT	7,056,318.09	4,526,313.56
Financial subsidy of discount loan for key logistics enterprises	3,934,700.00	3,000,000.00
Enterprise R & D funding	2,377,400.00	4,241,000.00
Return of tax service charge	2,238,534.38	2,458,183.34
System operation and maintenance award of bonded company	1,000,000.00	-
Modern logistics project support fund	600,000.00	4,923,380.55
Reward and support fund	230,000.00	2,000,000.00
Electricity subsidy	79,147.10	1,288,071.18
Funding for steady growth projects	-	13,850,262.00
Prophase cost subsidy for Hambantota Port project	-	10,083,935.65
One-off reward and subsidy for key logistics enterprises	-	2,719,100.00
Subsidy for demonstration Logistics Park	-	1,000,000.00
Others	4,054,319.45	2,954,061.38
Total	55,597,275.39	73,092,505.76

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 53. Investment income

## (1) Details of investment income:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Long-term equity investments income under equity method	1,394,604,771.65	1,795,952,978.08
Investment income on other non-current financial assets	72,554,362.03	106,288,257.13
Interest income on debt investments	37,722,123.77	-
Dividend income on other equity instruments	460,131.33	120,000.00
Gains from remeasurement of previously held equity at fair value upon obtaining the control	-	835,434,368.51
Others	-	(112,746,119.16)
Total	1,505,341,388.78	2,625,049,484.56

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

## (2) Details of long-term equity investments income under equity method

Unit: RMB

Investee	Amount incurred in the current period	Amount incurred in the prior period	Reason for changes
Shanghai International Port (Group) Co., Ltd.	1,022,649,024.58	1,164,668,288.63	Changes in net profit of investee
Terminal Link SAS	108,374,645.14	152,192,824.94	Changes in net profit of investee
Dalian Port Co., Ltd.	88,081,029.71	59,283,560.53	Changes in net profit of investee
Ningbo Daxie Merchants International Wharf Co., Ltd.	55,508,480.73	63,060,915.99	Changes in net profit of investee
Qingdao Qianwan United Container Terminal Co., Lt.	51,573,423.78	69,739,231.62	Changes in net profit of investee
Euro-Asia Oceangate, S.a` r.l.	32,577,150.24	43,143,162.57	Changes in net profit of investee
Others	35,841,017.47	243,864,993.80	Changes in net profit of investee
Total	1,394,604,771.65	1,795,952,978.08	

## 54. Gains (losses) on changes in fair value

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Other non-current financial assets	(138,571,248.16)	836,888,566.32
Including: Financial assets at fair value through profit or loss	(138,571,248.16)	836,888,566.32
Other non-current liabilities	(157,164,405.14)	(193,261,253.31)
Including: Financial liabilities at fair value through profit or loss	(157,164,405.14)	(193,261,253.31)
Total	(295,735,653.30)	643,627,313.01

## 55. Gains (losses) on impairment of credit

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
I. Gains (losses) on impairment of credit of accounts receivable	107,787.60	5,181,091.87
II. Gains (losses) on impairment of credit of other receivables	(1,025,213.00)	2,406,993.51
III. Gains (losses) on impairment of credit of long-term receivables	(2,718,612.10)	(931,598.61)
IV. Others	-	1,042,648.01
Total	(3,636,037.50)	7,699,134.78

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 56. Gains from impairment of assets

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Gains from decline in value of inventories	947,693.77	25,051.16

## 57. Gains on disposal of assets

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period	Amount included in non-recurring profit or loss for the current period
Gains on disposal of non-current assets (Note)	560,256,383.38	4,169,857,166.53	560,256,383.38
Including: Gains (losses) on disposal of fixed assets	(17,221,138.93)	(13,060.65)	(17,221,138.93)
Gains on disposal of intangible assets	579,800,163.81	4,169,848,063.69	579,800,163.81
Others	(2,322,641.50)	22,163.49	(2,322,641.50)

Note: The Company's subsidiary Shantou Port obtained gains on compensation for RMB 557,187,829.97 by returning its land parcels of 187.33 mu and accompany buildings at Zhuchi deepwater port on the south of Zhongshan East Road of Shantou to government in the current period. Details are set out in Note (V) 6.

## 58. Non-operating income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period	Amount included in non-recurring profit or loss for the current period
Government grants (Note)	16,416,962.22	313,000.00	16,416,962.22
Insurance compensation received	3,485,302.26	-	3,485,302.26
Gains from scrapping of non current assets	2,026,187.96	-	2,026,187.96
Compensation received for contracts violation	864,126.63	602,937.10	864,126.63
Gains from inventory profit	541.89	-	541.89
Others	4,952,244.43	13,463,681.24	4,952,244.43
Total	27,745,365.39	14,379,618.34	27,745,365.39

Note: According to the "Notice of the Guangdong Department of Commerce on the Key Work of Special Funds for Promoting High-Quality Economic Development (Two-way Investment Cooperation) in 2020" (Yue Shangwu Zi Han [2019] No. 106) etc., the Company's subsidiary Zhanjiang Port has obtained a provincial-level special fund for promoting high-quality economic development (two-way investment direction) of RMB 16.06 million from the Zhanjiang Municipal Government. See Note (V) 66 for details.

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 59. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period	Amount included in non-recurring profit or loss for the current period
Compensation, liquidated damages and penalties	9,383,479.78	1,604,926.12	9,383,479.78
Litigation losses	6,107,367.67	446,626.81	6,107,367.67
Losses on retirement of non-current assets	4,646,632.04	2,315,206.28	4,646,632.04
Donations	433,214.18	2,639,889.06	433,214.18
Others	2,539,628.84	499,726.02	2,539,628.84
Total	23,110,322.51	7,506,374.29	23,110,322.51

## 60. Income tax expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Current tax expenses	643,503,058.23	1,523,523,436.98
Deferred tax expenses	(130,246,569.35)	494,447,313.18
Total	513,256,488.88	2,017,970,750.16

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

Item	Amount incurred in the current period
Accounting profit	2,310,950,971.28
Income tax expenses calculated at 25%	577,737,742.82
Effect of non-deductible cost, expenses and losses	140,552,914.76
Accrued income tax expenses	179,767,140.01
Effect of deductible temporary differences and deductible losses for which the deferred tax assets are not recognized in current period	46,354,897.88
Effect of tax-free income (Note)	(207,802,784.29)
Effect of tax incentives and changes of tax rate	(142,498,566.97)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(37,717,456.49)
Effect of utilizing deductible losses for which the deferred tax assets were not recognized in prior period	(7,438,269.70)
Effect of adjustments to prior-year income tax	(19,193,528.46)
Changes in the opening balance of deferred tax assets/ liabilities due to tax adjustments	(12,996,277.16)
Others	(3,509,323.52)
Income tax expenses	513,256,488.88

Note: This mainly represents the tax effect on investment income from joint venture and associates.



**V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****61. Assets with restricted ownership or use right**

Unit: RMB

Item	Closing balance	Opening balance
Equity investment in Colombo International Container Terminals Limited (Note 1)	1,791,333,094.59	1,591,452,920.23
Equity investment in Thesar Maritime Limited (Note 1)	826,246,562.88	799,684,707.77
Fixed assets (Note 2)	339,337,781.70	349,612,960.23
Intangible assets (Note 2)	341,849,222.50	345,131,760.52
Construction in progress (Note 2)	37,219,474.00	23,840,920.42
Cash and bank balances (Note 3)	16,456,386.94	15,648,978.15
Total	3,352,442,522.61	3,125,372,247.32

Note 1: Details of mortgaged equity and interests are set out in Note (V) 34.

Note 2: Yide Port mortgaged its land with property right, fixed assets and construction in progress to obtain bank borrowings; Shenzhen Haixing Harbor Development Co., Ltd. mortgaged its land with property right to obtain bank borrowings; Dongguan Chiwan Warf Co., Ltd. mortgaged its sea area use right with property right to obtain bank borrowings; ZCMG mortgaged its land with property right to obtain related party borrowings. Details of mortgage borrowings are set out in Note (V) 34 and Note (V) 37.

Note 3: Details of restricted cash and bank balances are set out in Note (V) 1.

**62. Other comprehensive income**

Details are set out in Note (V) 44.

**63. Items in cash flow statement**

(1) Other cash receipts relating to operating activities:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest income	88,947,079.19	111,184,074.51
Government grants	45,030,531.57	342,134,131.96
Guarantees and deposits	36,793,265.23	17,708,608.61
Insurance compensation	6,093,294.49	1,584,445.49
Rentals	3,840,803.19	6,130,365.04
Harbor construction fee and service charge refund	161,267.76	21,352.76
Others	202,808,304.26	149,564,683.66
Total	383,674,545.69	628,327,662.03

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 63. Items in cash flow statement - continued

## (2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Operating expenses such as operating costs and administration expense etc.	107,025,537.40	82,273,477.12
Advance payment	93,495,592.53	128,526,655.26
Guarantees and deposits	16,294,617.98	11,844,446.05
Rentals	9,220,211.56	26,768,612.20
Port construction fee	6,631,496.50	6,612,997.74
Port charges	2,933,172.39	10,694,022.45
Berth dredging fee	173,000.00	19,810,544.00
Harbour dues on cargo	-	1,647,007.40
Others	100,521,371.52	89,782,545.95
Total	336,294,999.88	377,960,308.17

## (3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Recovery of project advance principal	363,580,000.00	-
Recovery of loans	43,282,119.52	1,017,690,000.00
Profit and loss adjustment of Zhanjiang port in transition period	3,803,477.07	-
Recovery of principal of structured deposit that is not readily for withdrawal	-	775,000,000.00
Net cash receipts from acquisition of subsidiaries and other operating units	-	841,029,533.97
Others	99,121,590.00	8,027,808.23
Total	509,787,186.59	2,641,747,342.20

## (4) Other cash payments relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Related party borrowings	3,009,744,121.38	54,390,000.00
Structured deposit that is not readily for withdrawal	-	495,000,000.00
Debt transfer payment	-	356,137,574.00
Supplementary payment of tax on significant assets restructuring	-	51,269,104.33
Others	25,948.75	17,106,451.45
Total	3,009,770,070.13	973,903,129.78

## (5) Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Acquisition of minority shareholders' equity by CMPort	755,986,916.38	-
Lease payments	-	170,160,928.54
Others	585,881.79	45,830,052.13
Total	756,572,798.17	215,990,980.67

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 64. Supplementary information to the cash flow statement

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

Unit: RMB

Supplementary information	Amount incurred in the current period	Amount incurred in the prior period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	1,797,694,482.40	6,057,737,185.16
Add: Provision for impairment losses of assets	(947,693.77)	(25,051.16)
Provision for impairment losses of credit	3,636,037.50	(7,699,134.78)
Depreciation of fixed assets	942,771,805.97	817,471,364.36
Depreciation of investment property	94,989,539.23	95,124,919.10
Depreciation of right-of-use assets	154,664,548.43	152,337,348.71
Amortization of intangible assets	310,995,752.52	318,766,288.91
Amortization of long-term prepaid expenses	20,611,708.88	9,815,827.73
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(560,256,383.38)	(4,169,857,166.53)
Losses on retirement of fixed assets, intangible assets and other long-term assets	2,620,444.08	2,315,206.28
Losses (gains) on changes in fair value	295,735,653.30	(643,627,313.01)
Financial expenses	972,907,583.35	990,095,115.95
Investment loss (income)	(1,505,341,388.78)	(2,625,049,484.56)
Decrease (increase) in deferred tax assets	(16,161,516.67)	(7,751,337.66)
Increase in deferred tax liabilities	(114,085,052.68)	502,198,650.84
Decrease (increase) in inventories	(25,388,455.65)	(25,705,795.78)
Decrease (increase) in operating receivables	(1,410,403,810.97)	(221,499,911.06)
Increase in operating payables	1,107,382,891.16	1,312,215,203.02
Net cash flows from operating activities	2,071,426,144.92	2,556,861,915.52
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>		
Conversion of debt into capital	-	-
Convertible bonds due within one year	-	-
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	7,240,359,956.05	5,618,184,649.19
Less: Opening balance of cash	7,714,157,995.87	5,373,281,504.75
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(473,798,039.82)	244,903,144.44

## (2) Cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	7,240,359,956.05	7,714,157,995.87
Including: Cash on hand	277,419.74	331,305.65
Bank deposits	6,729,963,748.99	7,422,490,058.00
Other monetary funds	510,118,787.32	291,336,632.22
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	7,240,359,956.05	7,714,157,995.87

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 65. Foreign currency monetary items

Item	Closing balance of original currency	Exchange rate	Closing amount in RMB
Cash and bank balances			965,538,245.40
Including: HKD	11,233,024.50	0.9104	10,226,545.50
USD	29,902,942.13	7.0555	210,980,208.20
EUR	67,004,641.95	7.9832	534,911,457.62
RMB	209,420,034.08	1.0000	209,420,034.08
Accounts receivable			269,115,711.60
Including: HKD	7,098,263.59	0.9104	6,462,259.17
USD	4,280,591.86	7.0555	30,201,715.87
EUR	29,117,614.06	7.9832	232,451,736.56
Other receivables			2,081,176,222.45
Including: HKD	31,419,196.08	0.9104	28,604,036.11
USD	21,657,514.40	7.0555	152,804,592.85
EUR	101,744,535.37	7.9832	812,246,974.77
RMB	1,087,520,618.72	1.0000	1,087,520,618.72
Long-term receivables			3,000,329,210.04
Including: USD	420,858,089.63	7.0555	2,969,364,251.38
EUR	3,878,765.24	7.9832	30,964,958.66
Short-term borrowings			8,318,239,500.00
Including: HKD	605,000,000.00	0.9104	550,792,000.00
USD	945,000,000.00	7.0555	6,667,447,500.00
RMB	1,100,000,000.00	1.0000	1,100,000,000.00
Accounts payable			34,898,120.84
Including: HKD	2,526,082.61	0.9104	2,299,745.61
USD	73,748.22	7.0555	520,330.57
EUR	4,018,193.79	7.9832	32,078,044.66
Other payables			802,552,378.38
Including: HKD	17,899,444.61	0.9104	16,295,654.37
USD	87,784,885.06	7.0555	619,366,256.54
EUR	17,626,108.22	7.9832	140,712,747.14
RMB	26,177,720.33	1.0000	26,177,720.33
Non-current liabilities due within one year			2,031,848,117.45
Including: USD	248,308,010.41	7.0555	1,751,937,167.45
EUR	35,062,500.00	7.9832	279,910,950.00
Long-term borrowings			1,094,737,280.00
Including: USD	34,700,000.00	7.0555	244,825,850.00
EUR	106,462,500.00	7.9832	849,911,430.00
Bonds payable			19,713,613,689.34
Including: USD	2,439,743,985.45	7.0555	17,213,613,689.34
RMB	2,500,000,000.00	1.0000	2,500,000,000.00
Long-term payables			431,092,800.00
Including: EUR	54,000,000.00	7.9832	431,092,800.00

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 66. Government grants

Unit: RMB

Type	Amount	Item	Account	Amount included in profit or loss for the period
Related to income	16,060,000.00	Zhanjiang Municipal Government-Special Fund for Promoting High-quality Economic Development (Two-way Investment Direction)	Non operating income	16,060,000.00
Related to income	15,044,277.64	Unemployment insurance reimbursement	Other income	15,044,277.64
Related to income	3,934,700.00	Financial subsidy of discount loan for key logistics enterprises	Other income	3,934,700.00
Related to income	2,377,400.00	Enterprise R & D funding	Other income	2,377,400.00
Related to income	1,000,000.00	System operation and maintenance award of bonded company	Other income	1,000,000.00
Related to income	4,963,466.55	Others	Other income	4,963,466.55
Related to income	356,962.22	Others	Non operating income	356,962.22
Total	43,736,806.41			43,736,806.41

## 67. Lease

Undiscounted lease receipts subsequent to the balance sheet date are as follows:

Unit: RMB

Maturity analysis of undiscounted lease receipts	30/6/2020
1 <sup>st</sup> year subsequent to the balance sheet date	260,970,198.78
2 <sup>nd</sup> year subsequent to the balance sheet date	192,812,597.55
3 <sup>rd</sup> year subsequent to the balance sheet date	147,217,789.82
4 <sup>th</sup> year subsequent to the balance sheet date	118,968,080.57
5 <sup>th</sup> year subsequent to the balance sheet date	106,878,654.28
Subsequent years	470,866,322.86
Total	1,297,713,643.86

Note 1: The operating leases where the Group as the lessor are related to port and terminal facilities, machinery equipment, vehicles, land and buildings, with lease terms ranging from 1 month to 50 years and option to renew the lease of port and terminal facilities, machinery equipment, land and buildings. The Group considers that as the leased assets are properly used, the unguaranteed balance of such assets does not constitute material risk of the Group.

Note 2: For the period from 1 January to 30 June 2020, the revenue relating to operating lease amounts to RMB 338,739,983.17; there is no revenue relating to variable lease payment that is not included in lease receipts.

**VI. CHANGES IN SCOPE OF CONSOLIDATION**

**1. Business combination not involving enterprises under common control**

The Group has no business combination not involving enterprises under common control in the current period.

**2. Business combination involving enterprises under common control**

The Group has no business combination involving enterprises under common control in the current period.

**3. Reverse purchase**

The Group has no reverse purchase in the current period.

**4. Disposal of subsidiary**

There is no loss of control over the disposal of subsidiary investment in the Group in the current period.

**5. Scope of consolidation change for other reasons**

The Group has no scope of consolidation change for other reasons in the current period.

# CHINA MERCHANTS PORT GROUP CO., LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

### VII. EQUITY IN OTHER ENTITIES

#### 1. Interests in subsidiaries

##### (1) Composition of the Group

Name of the subsidiary	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB'0000, unless otherwise specified)	Proportion of ownership Interest(%)		Acquisition method
					Direct	Indirect	
Shenzhen Chiwan International Freight Agency Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	550.00	100.00	-	Established through investment
Chiwan Wharf (Hong Kong) Co., Ltd.	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD1,000,000	100.00	-	Established through investment
Dongguan Chiwan Warf Co., Ltd.	Dongguan, PRC	Dongguan, PRC	Logistics support services	45,000.00	85.00	-	Established through investment
Dongguan Chiwan Terminal Co., Ltd.	Dongguan, PRC	Dongguan, PRC	Logistics support services	40,000.00	100.00	-	Established through investment
Shenzhen Chiwan Harbor Container Co. Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	28,820.00	100.00	-	Business combination involving enterprises under common control
Shenzhen Chiwan Port Development Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	1,500.00	100.00	-	Business combination involving enterprises under common control
Chiwan Container Terminal Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	USD95,300,000	55.00	20.00	Business combination involving enterprises under common control
Shenzhen Chiwan Tugboat Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	2,400.00	100.00	-	Business combination involving enterprises under common control
Chiwan Shipping (Hong Kong) Limited	Hong Kong, PRC	Hong Kong, PRC	Logistics support services	HKD800,000	100.00	-	Business combination involving enterprises under common control
CMPort (Note 1)	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD40,614,228,200.00	40.91	-	Business combination involving enterprises under common control
China Merchants Bonded Logistics Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	70,000.00	40.00	60.00	Business combination involving enterprises under common control
China Merchants International Information Technology Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	IT service	5,000.00	23.16	76.84	Business combination involving enterprises under common control
China Merchants International (China) Investment Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Investment holding	USD30,000,000	-	100.00	Business combination involving enterprises under common control
CMT	Qingdao, PRC	Qingdao, PRC	Logistics support services	USD206,300,000	-	100.00	Business combination involving enterprises under common control
China Merchants Container Services Limited	Hong Kong, PRC	Hong Kong, PRC	Logistics support services	HKD500,000	-	100.00	Business combination involving enterprises under common control
China Merchants Port Services (Shenzhen) Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	55,000.00	-	100.00	Business combination involving enterprises under common control
Shenzhen Haiqin Project Management Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Engineering supervision	300.00	-	100.00	Business combination involving enterprises under common control
ATJ	Shenzhen, PRC	Shenzhen, PRC	Preparation for warehousing project	HKD100,000,000	-	100.00	Business combination involving enterprises under common control
ASJ	Shenzhen, PRC	Shenzhen, PRC	Preparation for warehousing project	HKD100,000,000	-	100.00	Business combination involving enterprises under common control
China Merchants International Terminal (Qingdao) Co., Ltd.	Qingdao, PRC	Qingdao, PRC	Logistics support services	USD44,000,000	-	90.10	Business combination involving enterprises under common control
Colombo International Container Terminals Limited	Sri Lanka	Sri Lanka	Logistics support services	USD150,000,100	-	85.00	Business combination involving enterprises under common control
Shenzhen Mawan Port Services Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	20,000.00	-	100.00	Business combination involving enterprises under common control
Shenzhen Magang Cangma Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	33,500.00	-	100.00	Business combination involving enterprises under common control
Shenzhen Mawan Port Service Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	20,000.00	-	100.00	Business combination involving enterprises under common control
Zhangzhou China Merchants Tugboat Co., Ltd.	Zhangzhou, PRC	Zhangzhou, PRC	Logistics support services	1,500.00	-	100.00	Business combination involving enterprises under common control

# CHINA MERCHANTS PORT GROUP CO., LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

### VII. EQUITY IN OTHER ENTITIES - continued

#### 1. Interests in subsidiaries - continued

##### (1) Composition of the Group - continued

Name of the subsidiary	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB'0000, unless otherwise specified)	Proportion of ownership Interest(%)		Acquisition method
					Direct	Indirect	
Zhangzhou China Merchants Port Co., Ltd.	Zhangzhou, PRC	Zhangzhou, PRC	Logistics support services	100,000.00	-	60.00	Business combination involving enterprises under common control
ZCMG (note 2)	Zhangzhou, PRC	Zhangzhou, PRC	Logistics support services	44,450.00	-	31.00	Business combination involving enterprises under common control
Shekou Container Terminals Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	HKD618,201,200	-	100.00	Business combination involving enterprises under common control
Shenzhen Lianyunjie Container Terminals Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	60,854.90	-	100.00	Business combination involving enterprises under common control
Anxunjie Container Terminals (Shenzhen) Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	127,600.00	-	100.00	Business combination involving enterprises under common control
Anyunjie Port Warehousing Service (Shenzhen) Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Preparation for warehousing project	6,060.00	-	100.00	Business combination involving enterprises under common control
Shenzhen Haixing Harbor Development Co., Ltd	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	USD15,151,500	-	67.00	Business combination involving enterprises under common control
Shenzhen Lianyongtong Terminal Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	USD7,000,000	-	100.00	Business combination involving enterprises under common control
Yide Port	Foshan, PRC	Foshan, PRC	Logistics support services	21,600.00	-	51.00	Business combination involving enterprises under common control
Mega Shekou Container Terminals Limited	British Virgin Islands	British Virgin Islands	Investment holding	USD120.00	-	80.00	Business combination involving enterprises under common control
Thesar Maritime Limited	Cyprus	Cyprus	Investment holding	EUR5,000.00	-	100.00	Business combination involving enterprises under common control
LCT	Republic of Togo	Republic of Togo	Logistics support services	XOF200,000,000	-	100.00	Business combination involving enterprises under common control
Gainpro Resources Limited	British Virgin Islands	British Virgin Islands	Investment holding	USD 1.00	-	100.00	Business combination involving enterprises under common control
Hambantota International Port Group (Private)Limited	Sri Lanka	Sri Lanka	Logistics support services	USD794,000,000	-	85.00	Business combination involving enterprises under common control
Shantou port	Shantou, PRC	Shantou, PRC	Logistics support services	12,500.00	-	60.00	Business combination involving enterprises under common control
JYRT	Shenzhen, PRC	Shenzhen, PRC	Property lease service etc.	80,000.00	-	100.00	Business combination involving enterprises under common control
QHW	Shenzhen, PRC	Shenzhen, PRC	Property lease service etc.	20,000.00	-	100.00	Business combination involving enterprises under common control
Juzhongzhi Investment (Shenzhen) Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Investment consulting	4,000.00	-	75.00	Business combination involving enterprises under common control
Shenzhen Lianda Tugboat Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	200.00	-	60.29	Business combination involving enterprises under common control
Zhangzhou Zhongli Outer Wheel Tally Co., Ltd	Zhangzhou, PRC	Zhangzhou, PRC	Logistics support services	200.00	-	84.00	Business combination involving enterprises under common control
China Merchants Holdings (Djibouti) FZE	Djibouti	Djibouti	Logistics support services	USD38,140,000	-	100.00	Business combination involving enterprises under common control
Xinda Resources Limited	British Virgin Islands	British Virgin Islands	Investment holding	USD 107,620,000	-	77.45	Business combination involving enterprises under common control
Kong Rise Development Limited	Hong Kong, PRC	Hong Kong, PRC	Investment holding	USD 107,620,000	-	100.00	Business combination involving enterprises under common control
TCP	Brazil	Brazil	Logistics support services	BRL 68,851,600	-	100.00	Business combination not involving enterprises under common control



**VII. EQUITY IN OTHER ENTITIES - continued****1. Interests in subsidiaries - continued****(1) Composition of the Group - continued**

Name of the subsidiary	Principal place of business	Place of incorporation	Nature of business	Registered capital (RMB'0000, unless otherwise specified)	Proportion of ownership Interest(%)		Acquisition method
					Direct	Indirect	
Direct Achieve Investments Limited	Hong Kong, PRC	Hong Kong, PRC	Investment holding	USD 814,781,300	-	100.00	Business combination not involving enterprises under common control
China Merchants Port (Zhoushan) RoRo Logistics Co., Ltd. ("RoRo Logistics")	Zhoushan, PRC	Zhoushan, PRC	Logistics support services	17,307.86	51.00	-	Assets acquisition
Shenzhen Haixing Logistics Development Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	7,066.79	-	100.00	Assets acquisition
Zhanjiang Port	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	587,420.91	3.42	54.93	Business combination not involving enterprises under common control
Zhanjiang Port International Container Terminal Co., Ltd.	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	60,000.00	-	80.00	Business combination not involving enterprises under common control
Zhanjiang Port Petrochemical Terminal Co., Ltd.	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	18,000.00	-	50.00	Business combination not involving enterprises under common control
China Ocean Shipping Tally Co., Ltd., Zhanjiang (Note 5)	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	300.00	-	84.00	Business combination not involving enterprises under common control
Zhanjiang Port Donghai dao Bulk Cargo Terminal Co., Ltd.	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	5,000.00	-	100.00	Business combination not involving enterprises under common control
Zhanjiang Port Bonded Service Co., Ltd., Guangdong	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	300.00	-	100.00	Business combination not involving enterprises under common control
Guangdong Zhanjiang Port Logistics Co., Ltd.	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	10,000.00	-	100.00	Business combination not involving enterprises under common control
Zhanjiang Port Haichuan Trading Co., Ltd.	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	200.00	-	100.00	Business combination not involving enterprises under common control
Guangdong Zhanjiang Port Longteng Shipping Co., Ltd.	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	9,000.00	-	70.00	Business combination not involving enterprises under common control

Note 1: On 19 June 2018, the Company and China Merchants Group (Hong Kong) Co., Ltd. ("CMHK") entered into "Agreement of Concerted Action on China Merchants Port Holdings Company Limited". According to the agreement, CMHK unconditionally keeps consistent with the Company when voting for the matters discussed at the general shareholders meeting of CMPort in respect of its 22.64% voting power of CMPort as entrusted, and performs the voting as per the Company's opinion. Therefore, the Company totally has 62.09% voting power of CMPort, and has control over CMPort.

For July and November 2019, CMPort respectively distributed 2018 dividends and 2019 interim dividends to shareholders. The shareholders may select to receive the interim dividends in cash as an alternative of entire or partial scrip dividends. The Company select to receive all its share of dividends from the shareholding in CMPort in the form of scrip dividends. Upon the completion of above distribution of CMPort, the Company's share in CMPort increased from 1,313,541,560 shares to 1,411,014,033 shares, accounting for 40.91% (previously 39.45%) of the total issued shares of CMPort. The proportion of shares held by CMHK changed from 22.64% to 21.86%. Therefore, the Company has total 62.77% voting power of CMPort and has control over CMPort.

Note 2: The Group and China Merchants Zhangzhou Development Zone Co., Ltd. entered into "Equity Custody Agreement", according to which China Merchants Zhangzhou Development Zone Co., Ltd. entrusted its 29% equity of ZCMG to the Group for operation and management. Therefore, the Group has 60% voting power of ZCMG and includes it in the scope of consolidated financial statements.

**VII. EQUITY IN OTHER ENTITIES - continued**

**1. Interests in subsidiaries - continued**

(2) Material non-wholly-owned subsidiaries

Unit: RMB

Name of the subsidiary	Proportion of ownership interest held by the minority shareholders (%)	Profit or loss attributable to minority shareholders in the current period	Dividends distributed to minority shareholders in the current period	Balance of minority interests at the end of the period
CMPort	59.09	1,105,672,520.19	91,061,700.49	53,033,521,500.73

**VII. EQUITY IN OTHER ENTITIES - continued**

**1. Interests in subsidiaries - continued**

(3) Significant financial information of material non-wholly-owned subsidiaries

Unit: RMB

Name of the subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
CMPort	11,091,093,281.75	124,033,746,605.53	135,124,839,887.28	21,024,836,572.24	33,693,107,917.09	54,717,944,489.33	11,159,452,476.24	119,576,502,129.38	130,735,954,605.62	13,858,924,526.23	35,059,524,441.90	48,918,448,968.13

Unit: RMB

Name of the subsidiary	Amount incurred in the current period				Amount incurred in the prior period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
CMPort	3,692,963,958.88	1,592,920,984.37	515,475,406.96	1,499,234,240.53	3,861,739,507.52	5,309,663,495.61	4,363,679,239.08	1,910,841,306.56

**VII. EQUITY IN OTHER ENTITIES - continued****2. Transactions resulting in changes in ownership interests in subsidiaries without losing control over the subsidiaries**

## (1) Description of changes in ownership interests in subsidiaries

In February 2018, CMPort, a subsidiary of the Company, acquired 90% stake in TCP. According to the agreement, minority shareholders of TCP can choose to sell their 10% stake in TCP to Kong Rise Development, a subsidiary of CMPort, at the market price or at BRL 320 million (whichever is higher) after two years. On February 23, 2020, the minority shareholders of TCP issued an exercise notice to Kong Rise Development Limited. As of June 30, 2020, Kong Rise Development Limited has paid the entire equity purchase of US\$107 million, which is approximately RMB 755,398,999.97, and the relevant equity transaction has been completed. After the completion of this transaction, Kong Rise Development Limited's shareholding in TCP was changed from 90% to 100%, and the group's shareholding in TCP was changed from 67.45% to 77.45%. The differences between the amounts paid for equity acquisition and net assets of the subsidiary calculated at equity percentage are accounted as capital reserve. This matter reduced the group's capital reserve by a total of RMB 218,667,827.13 yuan.

**3. Interests in joint ventures and associates**

## (1) Material joint ventures or associates

Unit: RMB

Investee	Principal place of business	Place of registration	Nature of business	Proportion of ownership interests held by the Group (%)		Accounting method of investments in associates
				Direct	Indirect	
Associates						
Shanghai International Port (Group) Co., Ltd.	Shanghai, PRC	Shanghai, PRC	Port and container terminal business	-	26.77	Equity method

**VII. EQUITY IN OTHER ENTITIES - continued****4. Key financial information of material associates**

Unit: RMB

Item	Shanghai International Port (Group) Co., Ltd.	
	Closing balance / Amount incurred in the current period	Opening balance/ Amount incurred in the prior period
Current assets	53,021,178,713.65	40,399,631,516.67
Including: Cash and cash equivalents	28,832,799,623.74	17,900,365,675.69
Non-current assets	106,481,259,322.01	101,777,664,401.29
Total assets	159,502,438,035.66	142,177,295,917.96
Current liabilities	38,814,601,901.88	19,339,272,490.14
Non-current liabilities	29,504,746,693.90	32,049,165,771.78
Total liabilities	68,319,348,595.78	51,388,438,261.92
Minority interests	8,618,031,046.19	8,732,108,869.09
Equity attributable to shareholders of the parent company	82,565,058,393.69	82,056,748,786.95
Share of net assets calculated based on the proportion of ownership interests	22,102,666,131.99	21,966,591,650.27
Adjustments		
-Goodwill	2,076,585,747.12	2,076,585,747.12
-Others	(131,696,948.52)	(125,134,529.84)
Carrying amounts of equity investments in associates	24,047,554,930.59	23,918,042,867.55
Fair value of publicly quoted equity investments in associates	26,050,761,181.20	35,788,783,813.22
Operating income	12,038,672,650.45	17,198,832,228.65
Net profit	4,328,854,036.44	4,880,941,188.89
Other comprehensive income	195,337,471.93	(20,755,561.56)
Total comprehensive income	4,524,191,508.37	4,860,185,627.33
Dividends received from associates in the current year	899,371,516.97	955,194,576.56

**5. Summarized financial information of immaterial associates and joint ventures**

Unit: RMB

	Closing balance / Amount incurred in the current period	Opening balance/ Amount incurred in the prior period
<b>Joint ventures:</b>		
Total carrying amount of investments	9,530,205,565.30	9,392,226,566.22
Aggregate of following items calculated based on the proportion of ownership interest		
- Net profit	177,436,875.24	254,349,467.45
- Other comprehensive income	-	-
- Total comprehensive income	177,436,875.24	254,349,467.45
<b>Associates:</b>		
Total carrying amount of investments	28,458,665,901.40	24,606,269,949.49
Aggregate of following items calculated based on the proportion of ownership interest		
- Net profit	194,518,871.83	376,935,222.00
- Other comprehensive income	(23,400,026.46)	(51,009,353.70)
- Total comprehensive income	171,118,845.37	325,925,868.30

**6. The investees where the Group holds long-term equity investments are not restricted to transfer funds to the Group.**

**VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS**

The Group's major financial instruments include cash and bank balances, notes receivable, account receivables, other receivables, long-term receivables, other equity instrument investments, other non-current financial assets, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable, long-term payables etc. Details of these financial instruments are disclosed in Notes (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis techniques to analyze how the entity's profit or loss and for the period and shareholders' equity would have been affected by changes in the relevant risk variables that were reasonably possible. As it is unlikely that risk variables will change in an isolated manner, and the interdependence between risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following items are based on the assumption that each risk variable has changes on a stand-alone basis.

**1. Risk management objectives and policies**

The Group's risk management objectives are to achieve proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the industry's exposure to various risks, establish appropriate bottom line for risk tolerance, implement risk management, and monitors these exposures to ensure the risks are monitored at a certain level.

**1.1 Market risk****1.1.1 Currency risk**

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with HKD, USD and FCFA. Except for part of the purchases and sales, the Group's other principal activities are denominated and settled in RMB. As at 30 June 2020, the balance of the Group's assets and liabilities are both denominated in functional currency, except that the assets and liabilities set out below are recorded using foreign currency. Currency risk arising from the foreign currency balance of assets and liabilities may have impact on the Group's performance.

Unit: RMB

Item	Closing balance	Opening balance
Cash and bank balances	794,814,449.74	829,827,620.81
Accounts receivable	269,115,711.60	134,801,300.52
Other receivables	2,032,171,711.19	558,948,223.20
Long-term receivables	3,000,329,210.04	9,800,295.76
Short-term borrowings	1,650,792,000.00	1,304,398,148.00
Accounts payable	34,898,120.84	30,431,392.31
Other payables	283,742,226.21	261,684,252.87
Non-current liabilities due within one year	279,910,950.00	261,401,461.04
Long-term borrowings	849,911,430.00	976,546,725.00
Bonds payable	2,500,000,000.00	2,500,000,000.00
Long-term payables	431,092,800.00	431,361,402.17

**VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued****1. Risk management objectives and policies - continued****1.1 Market risk - continued*****1.1.1 Currency risk - continued***

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. According to the current risk exposure and judgment of the exchange rate movements, management considers it is unlikely that the exchange rate changes in the future one year will result in significant loss to the Group.

**Sensitivity analysis on currency risk**

The assumption for the sensitivity analysis on currency risk is that all the cash flow hedges and hedges of a net investment in a foreign operation are highly effective. On the basis of the above assumption, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

Unit: RMB

Item	Changes in exchange rate	Closing balance		Opening balance	
		Effect on profits	Effect on shareholders' equity	Effect on profits	Effect on shareholders' equity
All foreign currencies	5% increase against RMB	(21,788,739.77)	(21,788,739.77)	(13,659,249.98)	(13,659,249.98)
All foreign currencies	5% decrease against RMB	21,788,739.77	21,788,739.77	13,659,249.98	13,659,249.98
All foreign currencies	5% increase against USD	1,832,900.68	1,832,900.68	62,242.42	62,242.42
All foreign currencies	5% decrease against USD	(1,832,900.68)	(1,832,900.68)	(62,242.42)	(62,242.42)
All foreign currencies	5% increase against HKD	(247,590,042.34)	(247,590,042.34)	(1,142,869,420.70)	(1,142,869,420.70)
All foreign currencies	5% decrease against HKD	247,590,042.34	247,590,042.34	1,142,869,420.70	1,142,869,420.70
All foreign currencies	5% increase against FCFA	(59,525,285.86)	(59,525,285.86)	(52,662,699.84)	(52,662,699.84)
All foreign currencies	5% decrease against FCFA	59,525,285.86	59,525,285.86	52,662,699.84	52,662,699.84

***1.1.2 Interest rate risk - changes in cash flows***

Risk of changes in cash flows of financial instruments arising from interest rate changes is mainly related to bank loans with floating interest rate. (See Note (V) 24 and Note (V) 34). The Group continuously and closely monitors the impact of interest rate changes on the Group's interest rate risk. The Group's policy is to maintain these borrowings at floating rates. Presently, the Group has no arrangement such as interest rate swaps etc.

**Sensitivity analysis of interest rate risk**

**VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS** - continued**1. Risk management objectives and policies** - continued1.1 Market risk - continued1.1.2 Interest rate risk - changes in cash flows - continued

Sensitivity analysis of interest rate risk is based on the following assumptions:

- Fluctuations of market interest rate can affect the interest income or expense of a financial instrument with floating interest rate;
- For a financial instrument at fair value with fixed interest rate, the fluctuations of market interest rate can only affect its interest income or expense;
- For a derivative financial instrument designated as hedging instrument, the fluctuations of market interest rate affects its fair value, and all interest rate hedging are expected to be highly effective;
- The changes in fair value of derivative financial instruments and other financial assets and liabilities are calculated using cash flow discounting method by applying the market interest rate at balance sheet date.

On the basis of above assumptions, where the other variables held constant, the pre-tax effect of possible and reasonable changes in interest rate on the profit or loss for the period and shareholders' equity are as follows:

Unit: RMB

Item	Changes in interest rate	Closing balance		Opening balance	
		Effect on profits	Effect on shareholders' equity	Effect on profits	Effect on shareholders' equity
Short-term borrowings and long-term borrowings	1% increase	(145,999,335.58)	(145,999,335.58)	(118,576,065.38)	(118,576,065.38)
Short-term borrowings and long-term borrowings	1% decrease	145,999,335.58	145,999,335.58	118,576,065.38	118,576,065.38

1.1.3 Other price risk

The Group's price risk is mainly arising from held-for-trading equity instrument investments and other equity instrument investments. The Group reduces the price risk of equity instrument investments by holding portfolio of multiple equity securities.

1.2 Credit risk

As at 30 June 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective financial assets recognized in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks; the maximum exposure to risks would vary according to the future changes in fair value.



**VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued****1. Risk management objectives and policies - continued****1.2 Credit risk - continued**

In order to minimize the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of financial assets at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

The Group has adopted a policy to ensure that all sales customers have good credit records.

The Group's risk exposure spreads over a number of counterparties and customers, therefore the Group has no significant concentration of credit risk. At 30 June 2020, the balance of accounts receivable from top five entities is RMB 516,710,812.79 (31 December 2019: RMB 368,100,117.85), accounting for 28.89% (31 December 2019: 25.29%) of the Group's accounts receivable. In addition, the Group has no other significant credit risk exposure concentrated on single financial asset or portfolio of financial assets with similar characteristics.

**1.3 Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

For the period from 1 January to 30 June 2020, the Group had total current liabilities in excess of total current assets of RMB 15,136,310,298.42. As at 30 June 2020, the Group has available unutilized loan facility of RMB 44,991,647,898.21 which is more than current liabilities. Therefore, the Group's management believes that the Group has no significant liquidity risk.

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Unit: RMB

Item	Carrying amount	Gross amount	Within 1 year	1 to 5 years	Over 5 years
Short-term borrowings	15,663,707,514.47	15,744,098,724.62	15,744,098,724.62	-	-
Notes payable	15,959,326.09	15,959,326.09	15,959,326.09	-	-
Accounts payable	552,729,739.72	552,729,739.72	552,729,739.72	-	-
Other payables	4,373,981,275.11	4,373,981,275.11	4,373,981,275.11	-	-
Non-current liabilities due within one year	4,502,599,437.65	5,920,351,050.49	5,920,351,050.49	-	-
Other current liabilities	3,190,011,929.49	3,216,433,847.30	3,216,433,847.30	-	-
Long-term borrowings	5,921,573,954.17	6,706,654,539.87	-	5,075,256,963.02	1,631,397,576.85
Bonds payable	20,995,346,998.44	24,066,002,677.83	-	15,696,447,664.09	8,369,555,013.74
Lease liabilities	1,538,184,794.37	2,360,879,098.91	-	913,128,190.99	1,447,750,907.92
Long-term payables	1,382,858,269.64	1,401,314,459.71	-	196,065,960.27	1,205,248,499.44
Other non-current liabilities	2,661,536,365.95	2,661,536,365.95	-	287,410,821.48	2,374,125,544.47

**IX. DISCLOSURE OF FAIR VALUE****1. Closing balance of assets and liabilities measured at fair value**

Unit: RMB

Item	Fair value at closing balance			
	Level 1	Level 2	Level 3	Total
<b>Measurements at fair value continuously</b>				
Accounts receivable financing	-	251,312,787.49	-	251,312,787.49
Other equity instrument investments	11,070,000.00	-	152,341,272.00	163,411,272.00
Other non-current financial assets	2,617,472,549.73	-	16,184,949.08	2,633,657,498.81
<b>Total assets measured at fair value continuously</b>	<b>2,628,542,549.73</b>	<b>251,312,787.49</b>	<b>168,526,221.08</b>	<b>3,048,381,558.30</b>
Other non-current liabilities	-	-	2,716,758,812.32	2,716,758,812.32
<b>Total liabilities measured at fair value continuously</b>	<b>-</b>	<b>-</b>	<b>2,716,758,812.32</b>	<b>2,716,758,812.32</b>

**2. Basis for determining the market price of items continuously measured at level 1 fair value**

The market prices of other equity instrument investments and other non-current financial assets are determined at the closing price of the equity instrument at Shanghai Stock Exchange and Hong Kong Stock Exchange at 30 June 2020.

**3. Qualitative and quantitative information of valuation techniques and key parameters adopted for items continuously measured at level 2 fair value**

Unit: RMB

Item	Fair value in the current period	Fair value in the prior period	Valuation techniques	Inputs
Accounts receivable financing	251,312,787.49	260,760,537.45	Cash flow discounting	Discount rate
Other non-current financial assets	-	616,000,000.00	Listed company comparison approach	Share price

The fair value of non-listed equity instruments included in equity instruments at fair value through profit or loss is determined using the valuation techniques such as listed company comparison approach etc. During the valuation, the Group needs to make estimates in respect of market volatility and relevance etc., select appropriate discount rate and take into consideration of adjustment of discount and premium.

**4. Qualitative and quantitative information of valuation techniques and key parameters adopted for items continuously measured at level 3 fair value**

Unit: RMB

Item	Fair value in the current period	Fair value in the prior period	Valuation techniques	Inputs
Other equity instrument investments	152,341,272.00	152,341,272.00	Net worth method	Carrying amount
Other non-current financial assets	2,000,000.00	2,000,000.00	Cash flow discounting	Discount rate
Other non-current financial assets	700,834.13	700,834.13	Net worth method	Carrying amount
Other non-current financial assets	13,484,114.95	13,484,114.95	Listed company comparison approach	Share price
Other non-current liabilities	2,706,295,317.44	3,326,952,857.86	Cash flow discounting	Discount rate
Other non-current liabilities	-	732,733,351.01	Option Pricing method	Exercising price, expected volatility etc.

**IX. DISCLOSURE OF FAIR VALUE - continued****4. Qualitative and quantitative information of valuation techniques and key parameters adopted for items continuously measured at level 3 fair value - continued**

The fair value of non-listed equity instruments included in equity instruments at fair value through profit or loss or other comprehensive income is determined using the valuation techniques such as cash flow discounting method, net worth method, listed company comparison approach etc. During the valuation, the Group needs to make estimates in respect of the future cash flows, credit risk, market volatility and relevance etc., select appropriate discount rate and take into consideration of adjustment of discount and premium.

**5. Fair value of financial assets and financial liabilities not measured at fair value**

The financial assets and liabilities not measured at fair value mainly include: notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables etc.

The Group's management believes that the carrying amounts of financial assets and financial liabilities at amortized cost in the financial statements approximate their fair values.

The fair value of bonds payable traded in active market is determined at the quoted price in the active market. The fair values of long-term borrowings, long-term payables and bonds payable not traded in active market are determined at the present value of contractual future cash flows discounted using the interest rate for providing nearly the same cash flows to entity with comparable credit rating under the same conditions.

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS****1. Parent of the Company**

Name of the parent	Related party relationship	Type of the entity	Place of registration	Legal representative	Nature of business	Issued share capital	Proportion of the Company's ownership interests held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
Broadford Global Limited	Parent company	Private limited company (share limited)	Hong Kong	Deng Weidong	Investment holding	HKD 21,120,986,262	2.88	81.92 (Note)

Note: Broadford Global Limited directly holds 2.88% equity of the Company, and indirectly holds 19.29% and 59.75% equity of the Company through the subsidiaries China Merchants Gangtong Development (Shenzhen) Co., Ltd. and China Merchants Investment Development Co., Ltd. respectively.

The ultimate controlling shareholder of the Company is China Merchants Group.

**2. Subsidiaries of the Company**

Details of the subsidiaries of the Company are set out in Note (VII) 1.

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****3. Associates and joint ventures of the Company**

Details of the Company's significant joint ventures and associates are set out in Note (VII) 3.

Other joint ventures or joint ventures that occurred related party transactions and formed balances with the Group this year are as follows:

<b>Name of joint venture or associate</b>	<b>Relationship with the Company</b>
Port of Newcastle and its subsidiaries	Joint venture
Guizhou East Land Port Operation Co., Ltd.	Joint venture
Guangdong Zhanjiang Port Longteng Shipping Co., Ltd.	Former joint venture
Ningbo Daxie Merchants International Wharf Co., Ltd.	Joint venture
Qingdao Qianwan United Container Terminal Co., Lt.	Joint venture
Qingdao Qianwan West Port United Wharf Co., Ltd.	Joint venture
Qingdao Qianwan New United Container Terminal Co., Ltd.	Joint venture
COSCO Logistics (Zhanjiang) Co., Ltd.	Joint venture
China Merchants Antong Logistics Management Company	Joint venture
China Ocean Shipping Agency (Zhanjiang) Co., Ltd	Joint venture
China Overseas Harbour Affaris (Laizhou) Co., Ltd.	Joint venture
Doraleh Multi-purpose Port	Associate
Great Horn Development Company FZCO	Associate
International Djibouti Industrial Parks Operation FZCO	Associate
Port de Djibouti S.A.	Associate
Terminal Link SAS	Associate
Tin-Can Island Container Terminal Ltd	Associate
Dalian Port Co., Ltd.	Associate
Guizhou Qiongnan Continental Land Port Operation Co., Ltd.	Associate
Nanshan Group and its subsidiaries	Associate
Shanghai International Port (Group) Co., Ltd.	Associate
Shenzhen Baohong E-Commerce Integrated Services Co., Ltd.	Associate
Tianjin Haitian Bonded Logistics Co., Ltd.	Associate
Modern Terminals Limited	Associate
China Merchants Harbor City	Associate
Zhanjiang Xiagang United Development Co., Ltd.	Associate
Zhangzhou COSCO Shipping Agency Co., Ltd.	Associate
Chu Kong River Trade Terminal Co. Ltd.	Associate

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**

**4. Other related parties of the Company**

<b>Name of other related parties</b>	<b>Relationship with the Company</b>
Yihai Kerry Arawana Cereals, Oils and Foodstuffs Co. Ltd.	Minority shareholders of subsidiaries
Zhanjiang Infrastructure	Minority shareholders of subsidiaries
Antong Holdings and its subsidiaries (Note)	Connected person
China COSCO Shipping Group and its subsidiaries (Note)	Connected person
CMHK	Controlled by the same ultimate controlling shareholder
Orienture Holdings Co. Ltd.	Controlled by the same ultimate controlling shareholder
Sinotrans (NZ) Limited	Controlled by the same ultimate controlling shareholder
Guangdong Sinotrans Co., Ltd.	Controlled by the same ultimate controlling shareholder
Guangdong Sinotrans Shipping Agency Co., Ltd.	Controlled by the same ultimate controlling shareholder
Hoi Tung Innotek (Shenzhen) Company Limited	Controlled by the same ultimate controlling shareholder
Hoi Tung (Shanghai) Company Limited	Controlled by the same ultimate controlling shareholder
South China Sinotrans Supply Chain Management Co., Ltd.	Controlled by the same ultimate controlling shareholder
EuroAsia Dockyard Enterprise and development Ltd.	Controlled by the same ultimate controlling shareholder
Qingdao Bonded Logistics Park Sino-foreign Transport Warehousing Logistics Co., Ltd.	Controlled by the same ultimate controlling shareholder
Qingdao Sinotrans Supply Chain Management Co., Ltd.	Controlled by the same ultimate controlling shareholder
Shantou International Container Terminal Co., Ltd.	Controlled by the same ultimate controlling shareholder
Shenzhen Penavico Warehousing Co., Ltd	Controlled by the same ultimate controlling shareholder
Shenzhen Penavico International Freight Co., Ltd	Controlled by the same ultimate controlling shareholder
Shenzhen Nanyou (Holdings) Ltd.	Controlled by the same ultimate controlling shareholder
Shenzhen Qianhai Sinotrans Supply Chain Management Co., Ltd.	Controlled by the same ultimate controlling shareholder
Shenzhen Qianhai Shekou Free Trade Investment Development Co., Ltd	Controlled by the same ultimate controlling shareholder
Shenzhen West Port Security Service Company	Controlled by the same ultimate controlling shareholder
China Merchants Landmark (Shenzhen) Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants International Shipping Agency (Shenzhen) Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Real Estate (Shenzhen) Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants (Shenzhen) Power Supply., Ltd.	Controlled by the same ultimate controlling shareholder

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**

**4. Other related parties of the Company - continued**

<b>Name of other related parties</b>	<b>Relationship with the Company</b>
Csc Roro Logistics Co., Ltd.	Controlled by the same ultimate controlling shareholder
Shenzhen Merchants Commercial Property Investment Co., Ltd.	Controlled by the same ultimate controlling shareholder
Shenzhen China Merchants Property Management Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Marine Shipping Agency Shenzhen Co., Ltd.	Controlled by the same ultimate controlling shareholder
Yiu Lian Dockyards (Shekou) Limited	Controlled by the same ultimate controlling shareholder
Yiu Lian Dockyards Limited	Controlled by the same ultimate controlling shareholder
CM Houlder Insurance Brokers Limited	Controlled by the same ultimate controlling shareholder
China Merchants International Cold-Chain (Shenzhen) Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Investment Development Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Group Finance Company Limited	Controlled by the same ultimate controlling shareholder
China Merchants Port Investment Development Co., Ltd	Controlled by the same ultimate controlling shareholder
China Merchants Gangtong Development (Shenzhen) Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Life Insurance Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Finance Lease (Tianjin) Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Food (China) Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Tongshang Finance Lease Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Bureau Logistics Group Qingdao Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Zhangzhou Development Zone Power Supply Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Securities Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Communications Import & Export Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Ocean Shipping Agency Shenzhen	Controlled by the same ultimate controlling shareholder
Sinotrans South China Co., Ltd.	Controlled by the same ultimate controlling shareholder
Sinotrans Shipping Co., Ltd	Controlled by the same ultimate controlling shareholder
Sinotrans Container Lines Co., Ltd.	Controlled by the same ultimate controlling shareholder
Shenzhen Science and Technology University Phase II Real Estate Management Co., Ltd.	Where the former ultimate controlling shareholder has significant influence
Khor Ambado FZCo	Where the ultimate controlling shareholder has significant influence
Djibouti International Hotel Company	Where the ultimate controlling shareholder has significant influence
China Merchant Bank Co., Ltd.	Where the ultimate controlling shareholder has significant influence

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****4. Other related parties of the Company - continued**

Note: From 1 January 2020 to 3 February 2020, the Company's Chairman Fu Gangfeng work as the key management personnel of both the Company and China COSCO Shipping Corporation Limited; from 1 January 2020 to 30 June 2020, the Company's deputy general manager Zheng Shaoping work as the senior management personnel of both the Company and Antong Holdings Co., Ltd. Therefore, the related party transactions and balances for the period and within 12 months after the period in which the aforesaid two persons were the director, senior management personnel of China COSCO Shipping Corporation Limited and Antong Holdings Co., Ltd. are disclosed.

**5. Related party transactions**

## (1) Rendering and receipt of service

Unit: RMB

Related party	Content of transaction	Pricing method and decision procedures of related transactions	Amount incurred in the current period	Amount incurred in the prior period
<b>Receipt of service:</b>				
Nanshan Group and its subsidiaries	Service expenditure	Negotiation	21,754,790.42	20,811,589.38
Qingdao Qianwan West Port United Wharf Co., Ltd.	Service expenditure	Negotiation	7,457,789.57	7,820,606.36
Yiu Lian Dockyards Limited	Service expenditure	Negotiation	4,313,298.43	6,657,382.97
Shenzhen China Merchants Property Management Co., Ltd.	Service expenditure	Negotiation	3,753,910.42	645,848.80
CM Houlder Insurance Brokers Limited	Service expenditure	Negotiation	2,351,146.06	2,368,789.29
Shenzhen West Port Security Service Company	Service expenditure	Negotiation	2,140,188.70	-
China Merchants Zhangzhou Development Zone Power Supply Co., Ltd.	Service expenditure	Negotiation	1,902,146.11	2,489,368.18
China Merchants Life Insurance Co., Ltd.	Service expenditure	Negotiation	1,828,081.51	1,260,870.00
Khor Ambado FZCo	Service expenditure	Negotiation	1,334,921.77	20,353.80
China Marine Shipping Agency Shenzhen Co., Ltd.	Service expenditure	Negotiation	1,095,062.50	1,551,472.60
Hoi Tung (Shanghai) Company Limited	Service expenditure	Negotiation	1,075,389.11	721,332.69
China Merchants Bureau Logistics Group Qingdao Co., Ltd.	Service expenditure	Negotiation	1,011,481.25	2,318,455.39
China Merchants (Shenzhen) Power Supply., Ltd.	Service expenditure	Negotiation	-	1,221,907.07
Other related party	Service expenditure	Negotiation	5,070,639.39	4,397,426.70
China Merchants Group Finance Company Limited	Interest expense	Negotiation	17,054,903.23	22,155,171.89
China Merchants Finance Lease (Tianjin) Co., Ltd.	Interest expense	Negotiation	3,463,541.67	-
China Merchant Bank Co., Ltd.	Interest expense	Negotiation	1,510,507.99	2,052,399.21
Port de Djibouti S.A.	Interest expense	Negotiation	-	7,232,442.29
Shenzhen China Merchants Property Management Co., Ltd.	Property utilities	Negotiation	4,649,769.22	3,931,826.86
Nanshan Group and its subsidiaries	Property utilities	Negotiation	2,579,881.82	3,172,865.48
Other related party	Property utilities	Negotiation	942,608.78	896,257.00
<b>Total</b>			<b>85,290,057.95</b>	<b>91,726,365.96</b>

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Related party transactions - continued

(1) Rendering and receipt of service - continued

Unit: RMB

Related party	Content of transaction	Pricing method and decision procedures of related transactions	Amount incurred in the current period	Amount incurred in the prior period
<b>Rendering of service:</b>				
China COSCO Shipping Group and its subsidiaries	Service revenue	Negotiation	191,399,439.67	-
COSCO Logistics (Zhanjiang) Co., Ltd.	Service revenue	Negotiation	65,809,923.78	68,740,946.61
Antong Holdings and its subsidiaries	Service revenue	Negotiation	61,740,139.88	-
China Ocean Shipping Agency (Zhanjiang) Co., Ltd	Service revenue	Negotiation	26,430,608.95	6,555,068.00
Qingdao Qianwan United Container Terminal Co., Ltd.	Service revenue	Negotiation	22,646,763.19	23,270,413.55
Guangdong Sinotrans Shipping Agency Co., Ltd.	Service revenue	Negotiation	19,894,702.69	14,512,429.32
China Ocean Shipping Agency (Shenzhen) Co., Ltd	Service revenue	Negotiation	10,190,194.09	9,625,816.92
China Merchants Investment Development Co., Ltd.	Service revenue	Negotiation	6,875,471.73	-
Shenzhen Baohong E-Commerce Integrated Services Co., Ltd.	Service revenue	Negotiation	4,043,370.07	3,512,554.86
South China Sinotrans Supply Chain Management Co., Ltd.	Service revenue	Negotiation	3,952,260.53	1,172,263.27
China Merchants International Cold-Chain (Shenzhen) Co., Ltd.	Service revenue	Negotiation	3,358,865.70	3,219,796.19
Shenzhen Penavico Warehousing Co., Ltd	Service revenue	Negotiation	3,271,684.66	78,569.45
Shenzhen Penavico International Freight Co., Ltd	Service revenue	Negotiation	3,093,622.85	-
China Merchants International Shipping Agency (Shenzhen) Co., Ltd.	Service revenue	Negotiation	2,941,424.71	2,617,701.90
Yiu Lian Dockyards (Shekou) Limited	Service revenue	Negotiation	2,412,855.54	137,886.77
Shenzhen Qianhai Sinotrans Supply Chain Management Co., Ltd.	Service revenue	Negotiation	2,382,499.13	-
China Marine Shipping Agency Shenzhen Co., Ltd.	Service revenue	Negotiation	2,259,799.79	4,237,100.48
Guizhou Qiangongnan Continental Land Port Operation Co., Ltd.	Service revenue	Negotiation	2,170,933.76	1,402,503.16
Sinotrans Container Lines Co., Ltd.	Service revenue	Negotiation	1,867,447.60	2,142,579.09
Guizhou East Land Port Operation Co., Ltd.	Service revenue	Negotiation	1,643,215.08	2,648,998.97
Qingdao Qianwan West Port United Wharf Co., Ltd.	Service revenue	Negotiation	1,612,607.38	7,252,854.49
Ningbo Daxie Merchants International Wharf Co., Ltd.	Service revenue	Negotiation	1,467,170.05	1,813,217.20
Qingdao Qianwan New United Container Terminal Co., Ltd.	Service revenue	Negotiation	1,453,413.79	1,542,824.76
Qingdao Sinotrans Supply Chain Management Co., Ltd.	Service revenue	Negotiation	1,381,761.20	2,115,762.23
Shantou International Container Terminal Co., Ltd.	Service revenue	Negotiation	1,263,661.19	-
Doraleh Multi-purpose Port	Service revenue	Negotiation	1,007,325.33	376,841.70
Qingdao Bonded Logistics Park Sino-foreign Transport Warehousing Logistics Co., Ltd.	Service revenue	Negotiation	853,254.61	3,351,153.05
Zhangzhou COSCO Shipping Agency Co., Ltd.	Service revenue	Negotiation	544,523.61	1,697,544.92
Yiu Lian Dockyards Limited	Service revenue	Negotiation	37,363.44	1,022,126.23
Ιντερνατιοναλ Δοκιβουτι Ινδυστριαλ Παρκσ Operation FZCO	Service revenue	Negotiation	-	3,024,632.49
Sinotrans (NZ) Limited	Service revenue	Negotiation	-	2,934,349.53
Khor Ambado FZCo	Service revenue	Negotiation	-	1,926,229.57
Guangdong Zhanjiang Port Longteng Shipping Co., Ltd.	Service revenue	Negotiation	-	1,894,585.42
Sinotrans South China Co., Ltd.	Service revenue	Negotiation	-	1,649,637.78
CMHK	Service revenue	Negotiation	-	1,212,000.00
Other related party	Service revenue	Negotiation	8,163,554.49	6,132,866.04
Terminal Link SAS	Interest income	Negotiation	47,175,076.70	14,073.61
Port of Newcastle and its subsidiaries	Interest income	Negotiation	29,765,975.26	31,081,650.64
China Merchants Harbor City	Interest income	Negotiation	24,449,639.56	21,757,232.69
China Merchant Bank Co., Ltd.	Interest income	Negotiation	14,161,811.40	9,563,846.93
China Merchants Group Finance Company Limited	Interest income	Negotiation	4,840,581.56	5,065,260.89
China Merchants Antong Logistics Management Company	Interest income	Negotiation	3,248,630.14	-
Khor Ambado FZCo	Interest income	Negotiation	-	17,843,227.14
Other related party	Interest income	Negotiation	735,917.68	693,354.69
Total			580,547,490.79	267,839,900.54



**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****5. Related party transactions - continued**

## (2) Leases with related parties

The Group as the lessor:

Unit: RMB

Name of the lessee	Type of leased assets	Pricing method and decision procedures of related transactions	Lease income recognized in the current period	Lease income recognized in the prior period
Qingdao Qianwan West Port United Wharf Co., Ltd.	Buildings	Negotiation	4,663,926.38	-
Qingdao Bonded Logistics Park Sino-foreign Transport Warehousing Logistics Co., Ltd.	Buildings	Negotiation	2,616,103.75	-
China Merchants Food (China) Co., Ltd.	Buildings	Negotiation	2,338,264.98	3,168,622.24
China Communications Import & Export Co., Ltd.	Buildings	Negotiation	2,304,217.40	1,422,211.91
Yiu Lian Dockyards (Shekou) Limited	Buildings	Negotiation	1,363,141.03	1,052,835.10
Nanshan Group and its subsidiaries	Buildings	Negotiation	1,221,353.05	1,148,239.51
China Merchants Securities Co., Ltd.	Buildings	Negotiation	1,126,349.15	1,127,724.90
Qingdao Sinotrans Supply Chain Management Co., Ltd.	Buildings	Negotiation	1,030,172.01	-
Shenzhen Nanyou (Holdings) Ltd.	Buildings	Negotiation	-	2,633,394.00
Other related party	Buildings, land use rights	Negotiation	2,533,033.88	1,497,498.50
Total			19,196,561.63	12,050,526.16

## (3) Related party guarantees

The Group as the guarantor

Unit: RMB

Secured party	Credit Line	Guaranteed amount	Commencement date	Maturity	The guarantee has been completed or not
For the period from 1 January to 30 June 2020					
Terminal Link SAS (Note 1)	80,622,102.91	80,622,102.91	June 2013	2033	No
Khor Ambado FZCo(note 2)	203,198,400.00	122,324,592.81	24 May 2019	2032	No
Total	283,820,502.91	202,946,695.72			
For the period from 1 January to 30 June 2019					
Terminal Link SAS (Note 1)	78,737,610.08	78,737,610.08	June 2013	2033	No
Terminal Link SAS (Note 1)	10,748,375.00	5,266,703.75	June 2013	2019	No
Port de Djibouti S.A.	343,735,000.00	8,077,772.50	14 June 2016	14 July 2019	No
Khor Ambado FZCo (Note 2)	197,991,360.00	75,761,819.65	24 May 2019	2032	No
Total	631,212,345.08	167,843,905.98			

Note 1: CMA CGM S.A. is another shareholder of Terminal Link SAS, an associate of the Group. The Group has made a commitment to CMA CGM S.A. that the Group will provide guarantee for its bank loan financing to the associate Terminal Link SAS and other liabilities to the extent of the Group's 49% ownership interest in the company. The actual guaranteed amount is RMB 80,622,102.91 on 30 June 2020. If any guarantee liability occurs, the Group will compensate CMA CGM S.A.

Note 2: Khor Ambado FZCo is a related company of the Group's common ultimate controlling shareholder. The Group provides guarantee for its bank loans and other liabilities, with actual guaranteed amount of RMB 122,324,592.81.

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS  
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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Related party transactions - continued

(4) Borrowings and loans with related parties

Unit: RMB

Related party	Amount	Commencement date	Maturity date	Description
For the period from 1 January to 30 June 2020				
Borrowings				
China Merchants Group Finance Company Limited	200,225,000.00	14 April 2020	13 April 2021	Fixed interest rate of 4.0500%
China Merchants Group Finance Company Limited	50,051,527.78	21 May 2020	20 May 2021	Fixed interest rate of 3.7100%
China Merchants Group Finance Company Limited	47,000,000.00	6 January 2020	7 October 2024	Fixed interest rate of 4.5125%
China Merchants Group Finance Company Limited	29,032,625.00	10 April 2020	24 December 2020	Fixed interest rate of 4.0500%
China Merchants Group Finance Company Limited	20,022,500.00	7 April 2020	6 April 2021	Fixed interest rate of 4.0500%
China Merchants Group Finance Company Limited	14,033,425.02	13 March 2020	12 March 2029	Fixed interest rate of 4.5050%
China Merchants Group Finance Company Limited	10,000,000.00	19 June 2020	31 October 2023	Fixed interest rate of 1.2000%
China Merchants Group Finance Company Limited	6,109,400.45	22 June 2020	21 June 2024	Fixed interest rate of 1.2000%
China Merchants Group Finance Company Limited	5,045,500.00	25 March 2020	12 March 2029	Fixed interest rate of 4.5050%
China Merchants Group Finance Company Limited	3,758,844.48	22 April 2020	12 March 2029	Fixed interest rate of 4.5050%
China Merchants Group Finance Company Limited	2,659,474.10	5 June 2020	12 March 2029	Fixed interest rate of 4.5050%
Total	387,938,296.83			
Lendings				
Terminal Link SAS	3,016,715,205.48	26 March 2020	26 March 2028	Fixed interest rate of 6.0000%
Port of Newcastle and its subsidiaries	811,518,975.10	30 May 2020	23 July 2023	Fixed interest rate of 8.0000%
Tianjin Haitian Baoshui Logistics Company Limited	34,300,000.00	3 January 2020	2 January 2023	Fixed interest rate of 4.7500%
Total	3,862,534,180.58			
For the period from 1 January to 30 June 2019				
Borrowings				
China Merchants Group Finance Company Limited	270,000,000.00	22 April 2019	21 April 2020	Fixed interest rate of 4.3500%
China Merchants Group Finance Company Limited	28,000,000.00	15 January 2019	14 January 2024	Fixed interest rate of 4.7500%
China Merchants Finance Lease (Tianjin) Co., Ltd.	25,000,000.00	10 June 2019	14 January 2024	Fixed interest rate of 4.7500%
China Merchants Group Finance Company Limited	20,000,000.00	4 June 2019	3 June 2020	Fixed interest rate of 4.3500%
Total	343,000,000.00			

(5) Asset transfer with related parties

Related Party	Content of transaction	Pricing method and decision procedures of related transactions	Amount incurred in the current period	Amount incurred in the prior period
Hoi Tung (Shanghai) Company Limited	Machinery and equipment	Negotiation	8,202,477.87	-
Hoi Tung Innotek (Shenzhen) Company Limited	Machinery and equipment	Negotiation	1,946,000.00	-
Other related party	Other Assets	Negotiation	83,584.00	35,422.74
Total			10,232,061.87	35,422.74

(6) Compensation for key management personnel

Unit: RMB

Item	Closing balance	Opening balance
Compensation for key management personnel	12,350,017.98	10,650,556.67

**CHINA MERCHANTS PORT GROUP CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS  
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**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**

**6. Amounts due from/to related parties**

(1) Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Cash and bank balances	China Merchant Bank Co., Ltd.	1,115,667,135.51	1,451,996,464.50
	China Merchants Group Finance Company Limited	1,036,288,190.51	890,065,186.36
	Total	2,151,955,326.02	2,342,061,650.86
Accounts receivable	China COSCO Shipping Group and its subsidiaries	77,026,055.33	60,545,437.55
	Antong Holdings and its subsidiaries	31,304,446.43	60,112,564.13
	COSCO Logistics (Zhanjiang) Co., Ltd.	12,059,883.40	7,728,194.66
	Qingdao Qianwan United Container Terminal Co., Lt.	6,473,409.75	4,424,422.68
	Qingdao Qianwan West Port United Wharf Co., Ltd.	4,699,973.04	2,986,271.27
	Shenzhen Baohong E-Commerce Integrated Services Co., Ltd.	4,643,545.31	4,643,545.31
	Guizhou Qiangongnan Continental Land Port Operation Co., Ltd.	3,750,580.90	2,010,137.38
	Guizhou East Land Port Operation Co., Ltd.	3,311,144.39	4,043,600.57
	Khor Ambado FZCo	3,149,183.20	3,113,788.09
	Guangdong Sinotrans Shipping Agency Co., Ltd.	2,653,021.23	3,583,505.77
	South China Sinotrans Supply Chain Management Co., Ltd.	2,099,614.82	1,808,219.75
	Sinotrans Container Lines Co., Ltd.	2,025,087.48	1,746,120.89
	Port de Djibouti S.A.	1,708,652.88	1,689,447.85
	China Ocean Shipping Agency (Shenzhen) Co., Ltd	1,600,216.00	5,609,630.60
	Great Horn Development Company FZCo	1,356,930.50	2,771,510.50
	Shenzhen Penavico International Freight Co., Ltd	1,046,765.62	-
	China Marine Shipping Agency Shenzhen Co., Ltd.	433,927.00	1,058,089.50
	China Overseas Harbour Affaris (Laizhou) Co., Ltd.	-	1,853,183.12
	China Merchants Harbor City	-	1,536,503.45
	Other related party	6,470,427.53	5,130,480.00
Total	165,812,864.81	176,394,653.07	

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

6. Amounts due from/to related parties - continued

(1) Amounts due from related parties - continued

Unit: RMB

Item	Related party	Closing balance	Opening balance
Other receivables	Shanghai International Port (Group) Co., Ltd.	857,120,854.56	-
	Nanshan Group and its subsidiaries	317,144,869.88	313,724,861.31
	Chu Kong River Trade Terminal Co. Ltd.	62,316,880.00	61,317,510.00
	Dalian Port Co., Ltd.	51,137,716.59	-
	Tianjin Haitian Bonded Logistics Co., Ltd.	34,300,000.00	33,282,119.52
	Zhanjiang Infrastructure	31,513,558.59	31,513,558.59
	Port de Djibouti S.A.	25,127,297.77	24,832,398.83
	COSCO Logistics (Zhanjiang) Co., Ltd.	13,751,368.26	13,751,368.26
	Shenzhen Qianhai Shekou Free Trade Investment Development Co., Ltd	4,000,000.00	-
	Csc Roro Logistics Co., Ltd.	2,899,163.95	2,899,163.95
	EuroAsia Dockyard Enterprise and development Ltd.	1,538,962.01	1,514,281.82
	Shenzhen Merchants Commercial Property Investment Co., Ltd.	1,068,658.39	1,068,658.39
	Tin-Can Island Container Terminal Ltd	28,575.55	82,625,546.31
	Qingdao Qianwan United Container Terminal Co., Lt.	-	50,000,000.00
	Guangdong Sinotrans Co., Ltd.	-	3,803,477.07
	Other related party	4,329,822.88	4,199,662.93
Total	1,406,277,728.43	624,532,606.98	
Prepayments	Other related party	696,693.25	1,414,261.04
Other current assets	China Merchant Bank Co., Ltd.	370,762,910.20	1,528,851,492.46
Non-current assets due within one year	Terminal Link SAS	47,347,183.21	-
	Port of Newcastle and its subsidiaries	15,823,685.10	809,702,715.78
	Total	63,170,868.31	809,702,715.78
Long-term receivables	Terminal Link SAS	2,969,368,022.27	9,800,295.76
	Port of Newcastle and its subsidiaries	795,695,290.00	-
	China Merchants Harbor City	687,968,053.80	1,025,631,435.87
	China Merchants Antong Logistics Management Company	53,248,630.14	50,000,000.00
	China Merchants Finance Lease (Tianjin) Co., Ltd.	14,500,000.00	14,500,000.00
	Total	4,520,779,996.21	1,099,931,731.63

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**

**6. Amounts due from/to related parties - continued**

(2) Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Short-term borrowings	China Merchants Group Finance Company Limited	329,366,090.35	841,079,404.24
	China Merchant Bank Co., Ltd.	-	70,093,041.67
	Total	329,366,090.35	911,172,445.91
Accounts payable	Nanshan Group and its subsidiaries	14,904,661.94	10,747,794.44
	Qingdao Qianwan West Port United Wharf Co., Ltd.	7,663,963.52	7,641,839.79
	EuroAsia Dockyard Enterprise and development Ltd.	3,960,096.52	2,974,168.52
	Djibouti International Hotel Company	2,217,007.43	867,364.90
	Yiu Lian Dockyards Limited	2,020,036.49	1,676,082.11
	China Merchants Bureau Logistics Group Qingdao Co., Ltd.	86,151.43	1,006,844.56
	Other related party	2,710,029.91	2,746,802.69
Total	33,561,947.24	27,660,897.01	
Receipts in advance	Other related party	92,196.10	600,535.85
Contract liabilities	COSCO Logistics (Zhanjiang) Co., Ltd.	6,498,068.60	452,421.35
	Guangdong Sinotrans Shipping Agency Co., Ltd.	2,592,997.36	3,577,148.00
	Qingdao Qianwan United Container Terminal Co., Lt.	1,201,242.31	-
	Other related party	2,520,453.53	2,001,603.74
	Total	12,812,761.80	6,031,173.09
Other payables	China Merchants Port Investment Development Co., Ltd	528,378,378.08	-
	China Merchants Gangtong Development (Shenzhen) Co., Ltd.	170,603,880.00	-
	Port de Djibouti S.A.	99,482,550.00	-
	Terminal Link SAS	90,460,896.91	88,978,919.98
	Yihai Kerry Arawana Cereals, Oils and Foodstuffs Co. Ltd.	59,200,114.42	37,402,426.09
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	29,629,721.66	11,305,700.00
	China Merchants Real Estate (Shenzhen) Co., Ltd.	18,311,444.99	20,762,053.30
	Sinotrans Shipping Co., Ltd	12,463,667.33	-
	China Merchants Finance Lease (Tianjin) Co., Ltd.	11,250,000.00	11,250,000.00
	Shenzhen China Merchants Property Management Co., Ltd.	9,136,773.19	9,264,823.90
	Shenzhen Merchants Commercial Property Investment Co., Ltd.	7,137,519.03	8,947,256.82
	Oriente Holdings Co. Ltd.	1,584,096.00	-
	Zhanjiang Xiagang United Development Co., Ltd.	1,432,424.55	1,433,990.57
	China Merchants Food (China) Co., Ltd.	1,314,847.10	1,264,171.10
	Shenzhen Penavico Warehousing Co., Ltd	1,127,339.68	554,335.48
	COSCO Logistics (Zhanjiang) Co., Ltd.	103,702.65	1,258,811.65
	Modern Terminals Limited	5,290.53	59,038,373.05
	Other related party	7,580,739.73	6,283,823.73
	Total	1,049,203,385.85	257,744,685.67

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****6. Amounts due from/to related parties - continued**

## (2) Amounts due to related parties - continued

Unit: RMB

Item	Related party	Closing balance	Opening balance
Non-current liabilities due within one year	China Merchants Finance Lease (Tianjin) Co., Ltd.	145,213,564.20	145,861,850.10
	China Merchants Tongshang Finance Lease Co., Ltd.	57,245,808.51	56,146,040.22
	Nanshan Group and its subsidiaries	52,578,050.14	52,656,827.70
	EuroAsia Dockyard Enterprise and development Ltd.	7,359,519.73	14,269,498.38
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	5,571,620.77	5,454,253.54
	Shenzhen Merchants Commercial Property Investment Co., Ltd.	3,551,685.22	5,579,040.25
	China Merchants Landmark (Shenzhen) Co., Ltd.	1,254,134.70	1,242,022.25
	Shenzhen Science and Technology University Phase II Real Estate Management Co., Ltd.	-	3,263,992.11
	Other related party	1,623,949.29	1,770,041.27
	Total	274,398,332.56	286,243,565.82
Other non-current liabilities	Nanshan Group and its subsidiaries	1,388,915.25	1,564,380.59
Long-term borrowings	China Merchants Group Finance Company Limited	330,090,628.76	376,483,984.71
	China Merchant Bank Co., Ltd.	53,000,000.00	20,000,000.00
	Total	383,090,628.76	396,483,984.71
Long-term payables	China Merchants Finance Lease (Tianjin) Co., Ltd.	141,000,000.00	144,000,000.00
Lease liabilities	China Merchants Finance Lease (Tianjin) Co., Ltd.	425,000,283.14	491,666,949.79
	Nanshan Group and its subsidiaries	141,413,302.20	167,685,128.23
	China Merchants Tongshang Finance Lease Co., Ltd.	133,541,736.54	161,829,816.02
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	2,876,049.04	5,691,513.57
	Other related party	227,321.31	1,880,637.25
Total	703,058,692.23	828,754,044.86	

**XI. SHARE-BASED PAYMENTS****1. Summary of share-based payments**

Total number of the Company's equity instruments granted during the period	17.198 million
Total number of the Company's equity instruments vested during the period	N/A
Total number of the Company's equity instruments lapsed during the period	N/A
Range of exercise prices and remaining contractual life of the Company's share options outstanding at the end of the period	Exercise price is RMB 17.80; remaining contractual life is 79 months
Range of exercise prices and remaining contractual life of the Company's other equity instruments outstanding at the end of the period	N/A

**2. Equity-settled share-based payments**

Unit: RMB

The method of determining the fair value of equity instruments at the grant date	The Black-Scholes model is adopted to estimate the cost of granted stock options
The method of determining the best estimate of the number of equity instruments expected to be vested	On each asset and liability date in the waiting period, the best estimate is made and the number of equity instruments expected to be vested is revised based on the latest obtained follow-up information such as changes in the number of vested employees.
Reasons for the significant difference between the estimate in the current period and that in the prior period	N/A
Amounts of equity-settled share-based payments accumulated in capital reserve	4,385,994.73
Total expenses recognised arising from equity-settled share-based payments	8,733,181.82

According to the State-owned Assets Supervision and Administration Commission of the State Council Guo Zi Kao Fen [2019] No. 748 "Approval on the Implementation of the Stock Option Incentive Plan of China Merchants Port Group Co., Ltd.", approved by the Company's first extraordinary general meeting of shareholders on 3 February 2020, the Company will implement a stock option plan on 3 February 2020, granting 17.198 million stock options to 238 incentive objects at an exercise price of RMB 17.80 per share; on the precondition that the exercise conditions are met, 40% of the stock options will be exercisable after two years from the grant date, 30% will be exercisable three years from the grant date, and 30% will be exercisable four years from the grant date, and the right to subscribe for shares of the Company can be exercised within one, two or three years from the vesting date respectively; each stock option gives the holder the right to subscribe for one common share of the Company.

**XII. COMMITMENTS AND CONTINGENCIES****1. Significant commitments**

Unit: RMB

Item	Closing balance	Opening balance
Commitments that have been entered into but have not been recognized in the financial statements		
- Commitment to acquire long-term assets	3,560,237,493.51	3,767,236,258.74
- Commitment to invest port construction	1,086,680,595.63	6,758,563,544.21
- Commitment to inject capital in investees	9,700,000.00	-
Others	214,701,811.26	354,959,845.19
Total	4,871,319,900.40	10,880,759,648.14

**2. Contingencies**

Unit: RMB

Item	Closing balance	Opening balance
Contingent liabilities arising from litigations (Note 1)	298,173,911.46	274,299,826.26
Guarantees for borrowings of associates (Note 2)	202,946,695.72	198,703,594.15
Total	501,120,607.18	473,003,420.41

Note 1: This represents the significant contingent liabilities arising from the litigations between TCP and local tax authority, employee or TCP former employee in Brazil at as the period end. According to the latest estimates of the Group's management, the possible compensation is RMB 298,173,911.46 but it is not likely to cause outflow of economic benefits from the Group. Therefore, the contingent liabilities arising from the above pending litigations are not recognized as provisions. The counter-bonification where the Group as the beneficiary will be executed by the former TCP shareholder that disposed the shares. According to the counter-bonification agreement, the former TCP shareholder need to make counter-bonification to the Group in respect of the above contingent liabilities, with the compensation amount not exceeding pre-determined amount and specified period.

Note 2: As at 30 June 2020, the Group made commitments to another shareholder of Terminal Link SAS (an associate of the Group) to provide guarantee for the borrowings and other liabilities of Terminal Link SAS to the extent of the Group's 49% equity in the company. The actual guaranteed amount is RMB 80,622,102.91. If any guarantee liability occurs, the Group will make compensations.

Except for the above guarantee, as at 30 June 2020, the Group also provides guarantee for the bank loans and other liabilities of the related party Khor Ambado FZCo. The guaranteed amount is RMB 203,198,400.00. The loan amount used by Khor Ambado FZCo is RMB 122,324,592.81. Details are set out in Note(X) 5 (3).

At 30 June 2020, the Group's directors assessed the risk of default of above loans and other liabilities and considered that the risk is immaterial and the possibility to make compensation for the guarantees is rare.

Except for the above contingent events, at 30 June 2020, the Group has no other significant guarantee or other contingencies that need to be explained.



### **XIII. EVENTS AFTER THE BALANCE SHEET**

On 29 June 2020, CMPort, a subsidiary of the Group, entered into a Share Transfer Deed with Fujian Transportation Maritime Silk Road Investment and Management Co., Limited and Fujian Provincial Communication Transportation Group Co., Ltd, pursuant to which CMPort is intended to dispose of its 23.53% interest in Gainpro Resources Limited and 23.53% of the shareholder's loan advanced by CMPort to Gainpro Resources Limited at the consideration of USD 268 million to Fujian Transportation Maritime Silk Road Investment and Management Co., Limited. The transaction is guaranteed by Fujian Provincial Communication Transportation Group Co., Ltd.

Gainpro Resources Limited is a wholly-owned subsidiary of CMPort and holds 85% interest in Hambantota International Port Group (Private) Limited ("HIPG"). Upon completion of the transaction, the Group's effective interest in HIPG will be decreased from 85% to 65%. Such transaction has been completed on 21 August 2020.

### **XIV. OTHER SIGNIFICANT EVENTS**

#### **1. Segment reporting**

##### (1) Basis for determining reporting segments and accounting policies

The key management team of the Company is regarded as the CODM, who reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM manages the Group's operations by divisions from both business and geographic perspectives.

In respect of business segments, management assesses the performance of the Group's business operations including ports operation, bonded logistics operation and other operations.

##### Ports operation

Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. The Group's reportable segments of the ports operation are as follows:

##### (a) Mainland China, Hong Kong and Taiwan

- Pearl River Delta
- Yangtze River Delta
- Bohai Rim
- Others

**XIV. OTHER SIGNIFICANT EVENTS-** continued

**1. Segment reporting** - continued

- (1) Basis for determining reporting segments and accounting policies - continued
- (b) Other locations outside of Mainland China, Hong Kong and Taiwan

Bonded logistics operation

Bonded logistics operation includes logistics park operation, ports transportation and airport cargo handling operated by the Group and its associates and joint ventures.

Other operations

Other operations mainly includes property development and investment and construction of modular housing operated by the Group's associates, property investment operated by the Group and corporate function.

Each of the segments under ports operation include the operations of a number of ports in various locations within one geographic location, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments on geographic basis in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

Bonded logistics operation and other operations include a number of different operations, each of which is considered as a separate but insignificant operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated according to the natures of their operations to give rise to more meaningful presentation.

There are no material sales or other transactions between the segments.

As at 30 June, around 69.95% of The Group's non-current assets other than financial instruments and deferred tax assets are located in Mainland China, Hong Kong and Taiwan.

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

XIV. OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Segment financial information

Segment financial information for the period from 1 January to 30 June 2020 is as follows:

Unit: RMB

Item	Ports operation						Bonded logistics operation	Others	Unallocated amount	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total				
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others						
Operating income	2,376,811,691.68	-	28,650,483.01	1,551,910,181.20	1,701,430,029.46	5,658,802,385.35	191,942,345.76	71,752,427.37	-	5,922,497,158.48
Operating cost	1,344,347,215.80	-	22,219,047.72	1,267,907,692.30	854,942,112.05	3,489,416,067.87	117,039,858.40	109,627,779.63	-	3,716,083,705.90
Segment operating profit (loss)	1,032,464,475.88	-	6,431,435.29	284,002,488.90	846,487,917.41	2,169,386,317.48	74,902,487.36	(37,875,352.26)	-	2,206,413,452.58
Adjustments:										
Taxes and levies	13,633,867.66	500,221.94	694,656.98	20,655,098.14	17,511,779.08	52,995,623.80	12,444,275.07	11,867,601.61	70,578.67	77,378,079.15
Administrative expense	205,214,261.47	13,560,247.71	4,480,991.15	215,164,525.53	118,910,009.93	557,330,035.79	22,963,915.83	544,063.05	156,862,262.70	737,700,277.37
R&D expenses	58,571,831.16	-	-	6,089,953.65	-	64,661,784.81	-	-	1,468,500.00	66,130,284.81
Financial expenses	71,983,749.04	2,491,539.42	27,435.36	67,579,404.39	94,615,045.41	236,697,173.62	10,734,621.90	24,624,834.90	569,603,302.95	841,659,933.37
Impairment gains of assets	947,693.77	-	-	-	-	947,693.77	-	-	-	947,693.77
Impairment gains (losses) of credit	(3,355,739.42)	-	-	263,333.50	(543,631.58)	(3,636,037.50)	-	-	-	(3,636,037.50)
Other income	27,683,924.33	1,224,999.96	33,397.31	21,678,368.61	-	50,620,690.21	4,914,167.47	62,417.71	-	55,597,275.39
Investment income (losses)	82,827,424.88	1,115,193,533.94	190,247,292.06	5,128,290.87	162,439,917.27	1,555,836,459.02	2,099,736.50	(52,594,806.74)	-	1,505,341,388.78
Gains (losses) from changes in fair value	12,306,522.15	(118,380,426.66)	(32,497,343.66)	-	(157,164,405.13)	(295,735,653.30)	-	-	-	(295,735,653.30)
Gains from disposal of assets	195,961.95	-	-	559,448,696.90	275,821.59	559,920,480.44	335,902.94	-	-	560,256,383.38
Operating profit (loss)	803,666,554.21	981,486,098.17	159,011,697.51	561,032,197.07	620,458,785.14	3,125,655,332.10	36,109,481.47	(127,444,240.85)	(728,004,644.32)	2,306,315,928.40

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

## XIV. OTHER SIGNIFICANT EVENTS - continued

## 1. Segment reporting - continued

## (2) Segment financial information - continued

Segment financial information for the period from 1 January to 30 June 2020 is as follows: - continued

Unit: RMB

Item	Ports operation						Bonded logistics operation	Others	Unallocated amount	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total				
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others						
Non-operating income	2,521,090.78	-	-	20,927,090.25	1,275,882.48	24,724,063.51	47,151.66	1,015,182.21	1,958,968.01	27,745,365.39
Non-operating expenses	1,119,495.47	4,069.14	25,948.75	2,905,167.98	19,013,641.17	23,068,322.51	42,000.00	-	-	23,110,322.51
Gross profit (loss)	805,068,149.52	981,482,029.03	158,985,748.76	579,054,119.34	602,721,026.45	3,127,311,073.10	36,114,633.13	(126,429,058.64)	(726,045,676.31)	2,310,950,971.28
Income tax expenses	382,023,712.35	42,823,301.50	11,571,190.19	153,516,683.95	35,682,736.53	625,617,624.52	13,232,358.70	(3,718,886.93)	(121,874,607.41)	513,256,488.88
Net profit (loss)	423,044,437.17	938,658,727.53	147,414,558.57	425,537,435.39	567,038,289.92	2,501,693,448.58	22,882,274.43	(122,710,171.71)	(604,171,068.90)	1,797,694,482.40
Segment assets	28,761,421,375.77	27,941,804,364.13	7,180,031,140.74	28,976,248,692.54	47,608,964,019.60	140,468,469,592.78	3,317,929,129.57	18,111,698,237.83	1,113,322,805.41	163,011,419,765.59
Total assets in the financial statements										163,011,419,765.59
Segment liabilities	12,894,255,782.92	721,109,268.45	144,516,912.55	9,092,817,617.12	9,869,703,456.34	32,722,403,037.38	909,323,344.91	969,000,004.64	34,989,565,100.64	69,590,291,487.57
Total liabilities in the financial statements										69,590,291,487.57
<b>Supplementary information:</b>										
Depreciation and Amortization	438,761,549.68	-	1,028,232.78	518,717,791.13	417,655,098.32	1,376,162,671.91	48,683,690.22	87,563,734.88	11,623,258.02	1,524,033,355.03
Interest income	16,360,346.94	969,393.02	285,905.62	36,745,526.35	82,946,362.67	137,307,534.60	242,984.80	505,121.18	4,360,223.86	142,415,864.44
Interest expense	80,269,355.87	2,926,671.54	-	104,320,361.54	156,043,859.57	343,560,248.52	10,937,580.01	19,987,175.39	623,465,585.79	997,950,589.71
Investment income from long-term equity investment under equity method	56,637,855.63	1,075,105,800.28	159,631,263.69	(8,714,994.99)	162,439,917.27	1,445,099,841.88	2,099,736.50	(52,594,806.73)	-	1,394,604,771.65
Long-term equity investment under equity method	592,009,706.75	25,245,368,327.73	6,174,604,728.65	2,982,312,950.78	13,908,306,898.99	48,902,602,612.90	780,492,037.36	12,353,331,747.03	-	62,036,426,397.29
Non-current assets other than long-term equity investment	21,403,245,461.84	1,610,430,814.92	(1,647,971,123.72)	21,582,590,312.76	26,307,673,991.55	69,255,969,457.35	2,293,538,845.06	5,318,772,518.32	451,572,634.76	77,319,853,455.49

**XIV. OTHER SIGNIFICANT EVENTS-** continued**1. Segment reporting** - continued

## (2) Segment financial information - continued

The Group's revenue by geographical areas of operations and information about its non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located as follows:

Unit: RMB

Revenue from external transactions	Amount incurred in the current period	Amount incurred in the prior period
Mainland China, Hong Kong and Taiwan	4,215,085,950.68	4,260,737,809.93
Pearl River Delta	2,576,335,725.06	2,770,970,075.39
Yangtze River Delta	-	-
Bohai Rim	86,840,044.42	92,371,847.43
Others	1,551,910,181.20	1,397,395,887.11
Other locations	1,707,411,207.80	1,573,615,611.40
Total	5,922,497,158.48	5,834,353,421.33

Unit: RMB

Total non-current assets	Closing balance	Opening balance
Mainland China, Hong Kong and Taiwan	97,473,600,834.69	96,489,027,270.44
Pearl River Delta	41,272,574,527.09	43,196,515,110.55
Yangtze River Delta	25,555,297,036.41	25,066,500,422.16
Bohai Rim	6,803,915,224.80	6,686,470,964.43
Others	23,841,814,046.39	21,539,540,773.30
Other locations	41,882,679,018.07	41,224,854,968.75
Total	139,356,279,852.76	137,713,882,239.19

## (3) Degree of reliance on major customers

The total operating income derived from the top five clients of the Group is RMB 1,576,847,765.24, accounting for 26.62% of the Group's total operating income.

**XV. NOTES TO THE KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS****1. Other receivables**

## (1) Summary of other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	-	-
Dividends receivable	1,006,551,241.38	207,259,421.40
Other receivables	517,594,653.93	598,275,341.87
Total	1,524,145,895.31	805,534,763.27

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

**XV. NOTES TO THE KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS -**  
continued

**1. Other receivables - continued**

(2) Dividends receivable

(a) Disclosure of dividends receivable

Unit: RMB

Company name	Closing balance	Opening balance
CMPort	745,060,561.87	-
Dongguan Chiwan Terminal Co., Ltd.	147,233,909.98	88,196,930.66
Dongguan Chiwan Warf Co., Ltd.	98,089,649.53	103,355,370.74
China Merchants Bonded Logistics Co., Ltd.	15,707,120.00	15,707,120.00
Jiangsu Nanjing Shanghai Expressway Co., Ltd.	460,000.00	-
Total	1,006,551,241.38	207,259,421.40
Less: Provision for credit loss	-	-
Carrying amount	1,006,551,241.38	207,259,421.40

(b) Significant dividends receivable aging over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding	Impaired or not
Dongguan Chiwan Terminal Co., Ltd.	88,196,930.66	In processing and expected to be received in 2020	No
Dongguan Chiwan Warf Co., Ltd.	37,855,370.74	In processing and expected to be received in 2020	No
Total	126,052,301.40		

(3) Other receivables

(a) Disclosure of other receivables by aging

Unit: RMB

Aging	Closing balance		
	Other receivables	Provision for credit loss	Proportion of provision (%)
Within 1 year	517,594,653.93	-	-
1 to 2 years	-	-	-
2 to 3 years	-	-	-
Over 3 years	383,456.60	383,456.60	100.00
Total	517,978,110.53	383,456.60	

(b) Provision for credit loss of other receivables

As part of the Company's credit risk management, the Company performs internal credit rating on customers, and determines the expected loss ratio of other receivables under each credit rating. Such expected average loss ratio is based on historical actual impairment and taking into consideration of current and expected future economic conditions.

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020XV. NOTES TO THE KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS -  
continued

## 1. Other receivables - continued

## (3) Other receivables - continued

## (b) Provision for credit loss of other receivables - continued

At 30 June 2020, the credit risk and expected credit loss of other receivables by categories of customers are as follows:

Unit: RMB

Credit rating	Expected credit loss ratio (%)	Closing balance				Opening balance			
		12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
A	0.00-0.10	517,594,653.93	-	-	517,594,653.93	598,275,341.87	-	-	598,275,341.87
B	0.10-0.30	-	-	-	-	-	-	-	-
C	0.30-50.00	-	-	-	-	-	-	-	-
D	50.00-100.00	-	-	383,456.60	383,456.60	-	-	383,456.60	383,456.60
Carrying amount		517,594,653.93	-	383,456.60	517,978,110.53	598,275,341.87	-	383,456.60	598,658,798.47
Provision for credit loss		-	-	383,456.60	383,456.60	-	-	383,456.60	383,456.60
Book value		517,594,653.93	-	-	517,594,653.93	598,275,341.87	-	-	598,275,341.87

## (c) Changes in provision for credit loss of other receivables

Unit: RMB

Item	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance at 1 January 2020	-	-	383,456.60	383,456.60
Carrying amount of other receivables at 1 January 2020				
-- transfer to stage II	-	-	-	-
-- transfer to stage III	-	-	-	-
-- transfer back to stage II	-	-	-	-
-- transfer back to stage I	-	-	-	-
Provision for the period	-	-	-	-
Reversal	-	-	-	-
Transfer out due to derecognition of financial assets (including direct write-down)	-	-	-	-
Other changes	-	-	-	-
Balance at 30 June 2020	-	-	383,456.60	383,456.60

## (d) Other receivables by nature

Unit: RMB

Item	Closing balance	Opening balance
Amounts due from related parties	495,255,901.31	571,663,096.21
Advances	22,015,180.61	26,283,930.19
Others	707,028.61	711,772.07
Total	517,978,110.53	598,658,798.47
Less: Provision for credit loss	383,456.60	383,456.60
Book value	517,594,653.93	598,275,341.87

**XV. NOTES TO THE KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS -**  
continued

**1. Other receivables - continued**

(3) Other receivables - continued

(e) There is no other receivables write-off during this period.

(f) The top five balances of other receivables classified by debtor

Unit: RMB

Company name	Nature	Closing balance	Aging	Proportion of the amount to the total other receivable (%)	Closing balance of provision for credit loss
Shenzhen Haixing Harbor Development Co., Ltd	Loan to related parties	474,255,901.31	Within 1 year	91.56	-
Shenzhen Chiwan Port Development Co., Ltd.	Advance payments for account current	21,072,976.83	Within 1 year	4.07	-
Dongguan Chiwan Terminal Co., Ltd.	Loan to related parties	21,000,000.00	Within 1 year	4.05	-
Total		516,328,878.14		99.68	-



CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

XV. NOTES TO THE KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

2. Long-term equity investments

Unit: RMB

Investee	1/1/2020	Changes for the period							30/6/2020	Closing balance of impairment provision	
		Increase	Decrease	Investment income under equity method	Reconciling items from other comprehensive income	Other equity movements	Announced distribution of cash dividends or profit	Impairment provision			Others
I. Subsidiary											
Shenzhen Chiwan International Freight Agency Co., Ltd.	5,500,000.00	-	-	-	-	-	-	-	-	5,500,000.00	-
Shenzhen Chiwan Harbor Container Co. Ltd.	250,920,000.00	-	-	-	-	-	-	-	-	250,920,000.00	-
Shenzhen Chiwan Port Development Co., Ltd.	206,283,811.09	-	-	-	-	-	-	-	-	206,283,811.09	-
Chiwan Wharf (Hong Kong) Co., Ltd.	1,070,000.00	-	-	-	-	-	-	-	-	1,070,000.00	-
Shenzhen Chiwan Tugboat Co., Ltd.	24,000,000.00	-	-	-	-	-	-	-	-	24,000,000.00	-
Chiwan Container Terminal Co., Ltd.	421,023,199.85	-	-	-	-	-	-	-	-	421,023,199.85	-
Dongguan Chiwan Warf Co., Ltd.	186,525,000.00	-	-	-	-	-	-	-	-	186,525,000.00	-
Dongguan Chiwan Terminal Co., Ltd.	175,000,000.00	-	-	-	-	-	-	-	-	175,000,000.00	-
Chiwan Shipping (Hong Kong) Limited	1,051,789.43	-	-	-	-	-	-	-	-	1,051,789.43	-
CMPort	27,286,943,610.42	-	-	-	-	-	-	-	7,323,522.98	27,294,267,133.40	-
RoRo Logistics	149,709,800.00	-	-	-	-	-	-	-	-	149,709,800.00	-
Zhanjiang port	371,530,912.93	3,010,294,615.59	-	-	-	-	-	-	-	3,381,825,528.52	-
Sub-total	29,079,558,123.72	3,010,294,615.59	-	-	-	-	-	-	7,323,522.98	32,097,176,262.29	-
II. Associate											
China Merchants International Information Technology Co., Ltd.	20,643,611.18	-	-	1,222,848.00	-	-	-	-	-	21,866,459.18	-
China Merchants Bonded Logistics Co., Ltd.	365,855,724.95	-	-	12,040,000.00	-	-	-	-	-	377,895,724.95	-
China Merchants Northeast Asia Development Investment Co., Ltd.	-	1,000,000,000.00	-	460,810.50	-	-	-	-	-	1,000,460,810.50	-
Sub-total	386,499,336.13	1,000,000,000.00	-	13,723,658.50	-	-	-	-	-	1,400,222,994.63	-
III. Joint venture											
China Overseas Harbour Affaris (Laizhou) Co., Ltd.	792,062,228.58	-	-	14,928,000.00	-	-	-	-	-	806,990,228.58	-
China Merchants Antong Logistics Management Company	8,256,893.80	-	-	(422,505.24)	-	-	-	-	-	7,834,388.56	-
Sub-total	800,319,122.38	-	-	14,505,494.76	-	-	-	-	-	814,824,617.14	-
Total	30,266,376,582.23	4,010,294,615.59	-	28,229,153.26	-	-	-	-	7,323,522.98	34,312,223,874.06	-

XV. NOTES TO THE KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS -  
continued

## 3. Operating income and operating costs

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Revenue	Cost	Revenue	Cost
Principal operating	-	1,132,979.82	75,059,363.04	71,586,188.10
Other operating	94,339.62	-	14,717,425.25	552,302.90
Total	94,339.62	1,132,979.82	89,776,788.29	72,138,491.00

## 4. Investment income

## (1) Details of investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Income from long-term equity investments under cost method	1,286,567,145.53	948,667,473.38
Long-term equity investments income under equity method	28,229,153.26	37,846,506.83
Income from other equity instruments investments	460,000.00	-
Income from debt investments	11,375,616.44	-
Total	1,326,631,915.23	986,513,980.21

## (2) Income from long-term equity investments under cost method

Unit: RMB

Investee	Amount incurred in the current period	Amount incurred in the prior period	Reason for changes comparing with prior period
CMPort	745,060,561.87	843,531,432.54	Changes in profit distribution of investee
Chiwan Container Terminal Co., Ltd.	275,313,936.56	105,136,040.84	Changes in profit distribution of investee
Shenzhen Chiwan Harbor Container Co. Ltd.	121,071,884.15	-	Changes in profit distribution of investee
Dongguan Chiwan Warf Co., Ltd.	60,234,278.79	-	Changes in profit distribution of investee
Dongguan Chiwan Terminal Co., Ltd.	59,036,979.32	-	Changes in profit distribution of investee
Shenzhen Chiwan Tugboat Co., Ltd.	25,604,356.23	-	Changes in profit distribution of investee
Shenzhen Chiwan International Freight Agency Co., Ltd.	245,148.61	-	Changes in profit distribution of investee
Total	1,286,567,145.53	948,667,473.38	

SUPPLEMENTARY INFORMATION  
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020

## 1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount	Remarks
Losses on disposal of non-current assets	560,256,383.38	
Tax refunds or reductions with ultra vires approval or without official approval documents	-	
Government grants recognized in profit or loss (except for grants that are closely related to the Company's business and are in amounts and quantities fixed in accordance with the national standard)	62,719,385.14	
Money lending income earned from non-financial institutions in profit or loss	105,824,679.53	
The excess of attributable fair value of identifiable net assets over the consideration paid for subsidiaries, associates and joint ventures	-	
Gains or losses on exchange of non-monetary assets	-	
Gains or losses on entrusted investments or assets management	-	
Provision of impairment losses for each asset due to force majeure, e.g. natural disasters	-	
Gains or losses on debt restructuring	-	
Business restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.	-	
Gains or losses relating to the unfair portion in transactions with unfair transaction price	-	
Net profit or loss of subsidiaries recognized as a result of business combination of enterprises under common control from the beginning of the period up to the business combination date	-	
Gains or losses arising from contingencies other than those related to normal operating business	-	
Gains from changes of fair value of held-for-trading financial assets, derivative financial assets, other non-current financial assets, held-for-trading financial liabilities, derivative financial liabilities other than effective hedging operation relating to the Company's normal operations, and the investment income from disposal of the above held-for-trading financial assets/financial liabilities and other debt investments	(295,735,653.30)	
Reversal of provision for accounts receivable that are tested for credit loss individually	-	
Gains or losses on entrusted loans	-	
Gains or losses on changes in the fair value of investment properties that are subsequently measured using the fair value model	-	
Effects on profit or loss of one-off adjustment to profit or loss for the period according to the requirements by tax laws and accounting laws and regulations	-	
Custodian fees earned from entrusted operation	-	
Other non-operating income or expenses other than above	(11,781,919.34)	
Other profit or loss that meets the definition of non-recurring profit or loss (note)	-	
Tax effects	(90,479,697.15)	
Effects of minority interest (after tax)	(242,596,506.97)	
Total	88,206,671.29	

**2. RETURN ON NET ASSETS AND EARNINGS PER SHARE ("EPS")**

The return on net assets and EPS have been prepared by Shenzhen Chiwan Wharf Co., Ltd. in accordance with *Information Disclosure and Presentation Rules for Companies Making Public Offering No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share* (revised in 2010) issued by China Securities Regulatory Commission.

Unit: RMB

Item	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	1.7656	0.3292	0.3292
Net profit attributable to ordinary shareholders after deducting non-recurring profit or loss	1.5195	0.2833	0.2833

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