

CHINA MERCHANTS PORT GROUP CO., LTD.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

CHINA MERCHANTS PORT GROUP CO., LTD.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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AUDITOR'S REPORT

De Shi Bao (Shen) Zi(20) No. P02283
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To the Shareholders of China Merchants Port Group Co., Ltd.:

I. Audit Opinion

We have audited the accompanying financial statements of China Merchants Port Group Co., Ltd. (hereinafter referred to as "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2019, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the consolidated and company's financial position as of 31 December 2019, the consolidated and company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with the Auditing Standards for the Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Auditing Standards for the Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters that need to be addressed in our report.

1. Subsequent measurement of long-term equity investment in associates and joint ventures

As disclosed in Notes (V) 11 to the consolidated financial statements, the Company has made equity investment in several enterprises, over which the Company exercises joint control or has significant influence. In 2019, the Company's income from investment in associates/joint ventures under equity method amounts to RMB 3,727,850,763.22. As at 31 December 2019, the carrying amount of long-term equity investment of the Company in associates/joint ventures amounts to RMB 57,916,539,383.26. Since the investment income from long-term equity investment in associates/joint ventures is significant, with its accuracy depending on the investee's financial status and operation results, we identified the aforesaid subsequent measurement of long-term equity investment in associates/joint ventures as a key audit matter of the consolidated financial statements.

Principal audit procedures we performed for key audit matters are as follows:

AUDITOR'S REPORT- continued

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III. Key Audit Matters - continued

1. Subsequent measurement of long-term equity investment in associates and joint ventures - continued

- (1) Understood the major associates/joint ventures and their environment, and identified whether the major associates/joint ventures were significant components in terms of financial importance and business nature;
- (2) Understood the certified public accountants of major associates/joint ventures and evaluated their independence and professional competence;
- (3) Identified and assessed the risk of material misstatement in the financial statements of the major associates/joint ventures from the perspective of auditing the consolidated financial statements of the Company by reading the financial statements of the major associates/joint ventures and discussing with the management the financial performance of the major associates/joint ventures and the significant judgments and estimates made in the preparation of the financial statements;
- (4) Discussed with the component certified public accountants of the major associates/joint ventures their assessment of the component audit risk, the identification of key audit areas and the implementation of the corresponding audit procedures to evaluate whether the audit of the component certified public accountants was appropriate;
- (5) Evaluated whether the audit evidence obtained by the component certified public accountants was sufficient and appropriate by reviewing the audit documents of the component certified public accountants of the major associates/joint ventures when we deemed necessary.
- (6) Verified whether the accounting policies and accounting periods adopted by the associates/joint ventures were consistent with the Company's. If not, checked whether the financial statements of the associates/joint ventures have been adjusted according to the accounting policies and accounting period of the Company, and recognized the amount of investment income under equity method on that basis.

AUDITOR'S REPORT- continued

De Shi Bao (Shen) Zi (20) No. P02283
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III. Key Audit Matters - continued

2. Goodwill impairment

As disclosed in Notes (V) 21 to the consolidated financial statements, as at 31 December 2019, the goodwill in the consolidated financial statements of the Company was RMB 8,023,659,694.81. The management of the Company used the net amount of fair value less costs of disposal or the present value of the estimated future cash flows to determine the recoverable amount of the relevant asset group when testing the goodwill for impairment, of which the fair value assessment is based on the market approach, and the forecast of future cash flows and the calculation of the present value included key assumptions, such as income growth rate, gross profit margin, discount rate, etc. We identified the goodwill impairment as a key audit matter of the consolidated financial statements due to the significant amount of goodwill and that the management needs to make significant judgments and estimates when conducting goodwill impairment testing.

Principal audit procedures we performed for key audit matters are as follows:

- (1) Assess reasonability of division of asset group and combination of asset group management made by management;
- (2) Referred to industry practice to assess whether the management's approach in cash flows forecast is appropriate and whether the assumptions used are reasonable;
- (3) Compared the data used in cash flow forecast with historical data and budget data approved by the management, and assessed the reasonableness of the data used;
- (4) Compared the growth rate of the business volume in the forecast period with the growth rate of the historical business volume and evaluated its appropriateness.
- (5) Compared the gross profit margin of the forecast period with the actual gross profit margin of previous years to assess its appropriateness in combination with the business plan and industry development trend;
- (6) Understood the basis for management to determine the growth rate of the business in the subsequent forecast period and assessed its appropriateness;
- (7) Assessed the appropriateness of the discount rate adopted by the management in combination with market risk-free interest rates, risk factors, etc.;
- (8) Reviewed whether the calculation of the present value of future cash flows was correct.
- (9) Reviewed whether the method to assess the fair value less costs of disposal was appropriate.

AUDITOR'S REPORT- continued

De Shi Bao (Shen) Zi (20) No. P02283
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IV. Other Information

The Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report.

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

In combination with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the audit work performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Company is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for the design, performance and maintenance of such internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S REPORT- continued

De Shi Bao (Shen) Zi(20) No. P02283

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VI. Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Auditing Standards for the Chinese Certified Public Accountants, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that was sufficient and appropriate to form our opinion. The risk of not detecting a material misstatement resulting from fraud was higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Understood audit related internal control in order to design audit procedures that were appropriate in the circumstances.
- (3) Evaluated the appropriateness of accounting policies applied and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Concluded on the appropriateness of the directors' application of the going concern basis of accounting. Based on audit evidence obtained, concluded on whether the material uncertainty of events or conditions that may cause cast significant doubt on the Company's ability to continue as a going concern existed. If we concluded that a material uncertainty existed, we were required to draw attention in our auditor's report to the related disclosures in the financial statements or to modify our opinion, if such disclosures were inadequate. Our conclusions were based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluated the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represented the underlying transactions and events in a manner that achieved fair presentation.
- (6) Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We were responsible for the direction, supervision and performance of the group audit. We remained solely responsible for our audit opinion.

AUDITOR'S REPORT- continued

De Shi Bao (Shen) Zi(20) No. P02283
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VI. Auditor's Responsibilities for the Audit of the Financial Statements - continued

We communicated with those charged with governance over audit scope, time arrangement and significant audit findings, including any significant deficiencies of internal control that we identified through audit.

We also provided the those charged with governance with a statement that we had complied with relevant ethical requirements of independence, and communicated with those charged with governance over all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

Chinese Certified Public Accountant
(Engagement Partner)

Li Wei Hua

Chinese Certified Public Accountant

Zhang Min

April 15, 2020

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CHINA MERCHANTS PORT GROUP CO., LTD.

FINANCIAL STATEMENTS
AT 31 DECEMBER 2019

Consolidated Balance Sheet

Unit: RMB

Item	Notes	Closing balance	Opening balance (restated)
Current assets:			
Cash and bank balances	(V)1	7,734,948,210.26	7,077,396,895.72
Notes receivable	(V)2	38,192,250.02	11,608,669.43
Accounts receivable	(V)3	1,356,460,129.90	1,109,230,503.08
Accounts receivable financing	(V)4	260,760,537.45	-
Prepayments	(V)5	55,034,019.81	124,404,862.87
Other receivables	(V)6	2,129,378,252.50	766,518,078.72
Inventories	(V)7	163,980,192.08	108,567,270.02
Assets held for sale	(V)8	188,404,228.34	115,356,162.94
Non-current assets due within one year	(V)9	808,893,013.06	25,952,956.76
Other current assets	(V)10	2,298,792,661.70	1,195,421,189.12
Total current assets		15,034,843,495.12	10,534,456,588.66
Non-current Assets:			
Long-term receivables	(V)11	1,098,831,799.90	793,046,240.11
Long-term equity investments	(V)12	57,916,539,383.26	50,176,577,263.40
Other investments in equity instruments	(V)13	163,561,272.00	247,848,314.30
Other non-current financial assets	(V)14	2,385,363,537.39	2,087,872,081.94
Investment properties	(V)15	5,760,262,674.40	5,890,146,989.51
Fixed assets	(V)16	27,519,962,529.29	22,994,190,880.43
Construction in progress	(V)17	6,334,141,441.88	5,499,426,090.06
Right-of-use assets	(V)18	9,633,325,390.46	
Intangible assets	(V)19	19,693,715,554.10	20,761,018,044.54
Research expenditure	(V)20	37,399,092.28	-
Goodwill	(V)21	8,023,659,694.81	8,335,895,842.35
Long-term prepaid expenses	(V)22	711,911,011.67	235,706,437.21
Deferred tax assets	(V)23	300,435,502.27	66,708,157.19
Other non-current assets	(V)24	2,082,965,467.04	395,191,485.98
Total non-current assets		141,662,074,350.75	117,483,627,827.02
TOTAL ASSETS		156,696,917,845.87	128,018,084,415.68

CHINA MERCHANTS PORT GROUP CO., LTD.

AT 31 DECEMBER 2019

Consolidated Balance Sheet - continued

Unit: RMB

Item	Notes	Closing balance	Opening balance (restated)
Current liabilities:			
Short-term borrowings	(V)25	9,439,099,793.47	3,427,365,512.21
Notes payable	(V)26	76,455,949.01	-
Accounts payable	(V)27	591,112,466.39	429,120,690.97
Receipts in advance	(V)28	28,826,687.37	29,170,709.86
Contract liabilities	(V)29	85,831,002.52	49,993,895.50
Employee benefits payable	(V)30	634,718,784.64	433,489,555.40
Taxes payable	(V)31	1,898,076,342.74	345,183,422.42
Other payables	(V)32	2,223,754,677.96	1,690,124,901.29
Non-current liabilities due within one year	(V)33	6,104,339,856.79	2,896,971,014.97
Other current liabilities	(V)34	885,956,581.63	609,009,584.80
Total current liabilities		21,968,172,142.52	9,910,429,287.42
Non-current Liabilities:			
Long-term borrowings	(V)35	6,313,735,540.33	6,971,479,842.18
Bonds payable	(V)36	20,930,681,967.19	22,097,467,096.40
Including: Preferred shares		-	-
Perpetual bonds		-	-
Lease liabilities	(V)37	1,647,129,968.61	
Long-term payables	(V)38	1,935,245,003.21	1,294,190,118.18
Projected benefits obligation	(V)39	471,482,138.63	375,325,127.65
Provisions	(V)40	76,242,559.95	34,951,392.27
Deferred income	(V)22	1,147,752,857.17	228,658,214.64
Deferred tax liabilities	(V)41	3,961,752,749.17	2,911,074,941.27
Other non-current liabilities	(V)42	3,254,515,306.85	3,777,582,522.86
Total non-current liabilities		39,738,538,091.11	37,690,729,255.45
TOTAL LIABILITIES		61,706,710,233.63	47,601,158,542.87
SHAREHOLDERS' EQUITY:			
Share capital	(V)43	1,922,365,124.00	1,793,412,378.00
Capital reserve	(V)44	22,296,485,467.35	19,426,912,957.05
Other comprehensive income	(V)45	(355,944,565.91)	88,925,978.57
Special reserve	(V)46	12,386,734.70	8,231,080.43
Surplus reserve	(V)47	630,345,307.43	527,175,908.67
Unappropriated profit	(V)48	11,467,166,351.85	8,915,817,110.21
Total shareholders' equity attributable to equity holders of the parent		35,972,804,419.42	30,760,475,412.93
Minority interests		59,017,403,192.82	49,656,450,459.88
TOTAL SHAREHOLDERS' EQUITY		94,990,207,612.24	80,416,925,872.81
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		156,696,917,845.87	128,018,084,415.68

The accompanying notes form part of the financial statements.

The financial statements on pages 7 to 177 were signed by the following:

Bai Jingtao

Wen Ling

Sun Ligan

Legal Representative

Chief Financial Officer

Head of Accounting Department

CHINA MERCHANTS PORT GROUP CO., LTD.

AT 31 DECEMBER 2019

Balance Sheet of the Company

Unit: RMB

Item	Notes	Closing balance	Opening balance (restated)
Current Assets:			
Cash and bank balances		690,685,211.42	389,876,753.95
Accounts receivable		-	23,444,175.65
Other receivables	(XIV)1	805,534,763.27	651,015,334.06
Inventories		-	165,553.46
Other current assets		1,107,292,458.33	1,563,111.61
Total current assets		2,603,512,433.02	1,066,064,928.73
Non-current Assets:			
Long-term receivables		61,004,284.75	11,004,284.75
Long-term equity investments	(XIV)2	30,266,376,582.23	28,544,261,576.96
Other investments in equity instruments		155,688,635.00	151,746,700.00
Investment properties		-	12,685,959.06
Fixed assets		672,842.27	190,804,655.63
Construction in progress		5,803,169.37	2,500,843.87
Intangible assets		54,692,581.18	57,755,603.44
Long-term prepaid expenses		-	3,785,801.32
Deferred tax assets		928,465.21	-
Total non-current assets		30,545,166,560.01	28,974,545,425.03
TOTAL ASSETS		33,148,678,993.03	30,040,610,353.76

CHINA MERCHANTS PORT GROUP CO., LTD.

AT 31 DECEMBER 2019

Balance Sheet of the Company - continued

Unit: RMB

Item	Notes	Closing balance	Opening balance (restated)
Current Liabilities:			
Short-term borrowings		300,378,812.50	378,615,990.56
Accounts payable		-	13,125,624.29
Contract liabilities		-	92,003.00
Employee benefits payable		6,000,000.00	26,605,190.52
Taxes payable		209,282,889.78	18,826,587.50
Other payables		628,013,119.77	708,309,782.90
Non-current liabilities due within one year		35,832,000.00	301,508,794.53
Other current liabilities		715,766,708.20	206,349,863.00
Total current liabilities		1,895,273,530.25	1,653,433,836.30
Non-current Liabilities:			
Long-term payables		-	151,710,000.00
Deferred tax liabilities		35,164,858.75	34,179,375.00
Total non-current liabilities		35,164,858.75	185,889,375.00
TOTAL LIABILITIES		1,930,438,389.00	1,839,323,211.30
SHAREHOLDERS' EQUITY			
Share capital		1,922,365,124.00	1,793,412,378.00
Capital reserve		27,576,242,527.73	25,517,647,180.04
Other comprehensive income		105,594,576.25	102,638,125.00
Special reserve		-	470,465.59
Surplus reserve		630,345,307.43	527,175,908.67
Unappropriated profit		983,693,068.62	259,943,085.16
TOTAL SHAREHOLDERS' EQUITY		31,218,240,604.03	28,201,287,142.46
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		33,148,678,993.03	30,040,610,353.76

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated Income Statement

Unit: RMB

Item	Notes	Amount incurred in the current period	Amount incurred in the previous period
I. Operating income	(V)49	12,123,829,423.74	9,703,394,622.58
Less: Operating costs	(V)49	7,648,920,919.71	5,739,241,395.87
Business taxes and levies	(V)50	172,556,579.92	235,953,803.51
Administrative expenses	(V)51	1,509,520,581.66	1,251,865,675.45
Research and development expenses		123,853,344.29	121,989,097.82
Financial expenses	(V)52	1,936,269,737.53	1,643,418,102.95
Including: Interest expense		2,089,837,594.54	1,634,101,331.80
Interest income		252,060,018.58	272,453,293.86
Add: Other income	(V)53	162,101,113.10	56,180,127.64
Investment income	(V)54	4,619,173,755.42	3,967,828,149.48
Including: Income from investments in associates and joint ventures	(V)54	3,727,850,763.22	3,913,864,538.60
Gains (losses) from changes in fair value	(V)55	66,483,266.48	(1,074,406,837.68)
Gains (losses) from impairment of credit	(V)56	(50,249,409.77)	(7,528,580.60)
Gains from impairment of assets	(V)57	25,051.16	-
Gains on disposal of assets	(V)58	4,794,562,782.79	19,258,495.33
II. Operating profit		10,324,804,819.81	3,672,257,901.15
Add: Non-operating income	(V)59	553,103,360.41	67,128,689.98
Less: Non-operating expenses	(V)60	70,452,012.40	125,031,298.57
III. Gross profit		10,807,456,167.82	3,614,355,292.56
Less: Income tax expenses		2,640,538,894.62	728,440,538.60
IV. Net profit		8,166,917,273.20	2,885,914,753.96
(I) Categorization by continuity of operation			
1. Net profit of continued operation		8,166,917,273.20	2,885,914,753.96
2. Net profit of discontinued operation		-	-
(II) Categorization by attribution of ownership			
1. Net profit attributable to shareholders of the parent		2,898,192,168.84	1,090,418,910.77
2. Profit or loss attributable to minority shareholder		5,268,725,104.36	1,795,495,843.19
V. Amount of other comprehensive net income after tax	(V)63	(1,096,285,894.51)	204,602,785.68
Amount of other comprehensive net income after tax attributable to equity holders of the parent		(443,076,984.15)	41,778,087.02
(I) Other comprehensive income that will not be reclassified to profit or loss		9,090,184.52	(48,671,312.79)
1. Change as a result of remeasurement of the net defined benefit plan		1,069,722.83	(7,943,999.30)
2. Other comprehensive income under the equity method that will not be reclassified to profit or loss		4,830,921.62	(46,138,662.23)
3. Fair value changes of other investments in equity instruments		3,189,540.07	5,411,348.74
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		(452,167,168.67)	90,449,399.81
1. Other comprehensive income under the equity method that will be reclassified to profit or loss		(59,050,164.54)	(7,952,099.73)
2. Translation differences of financial statements denominated in foreign currencies		(393,117,004.13)	98,401,499.54
Amount of other comprehensive net income after tax attributable to minority shareholders		(653,208,910.36)	162,824,698.66
VI. Total comprehensive income attributable to:		7,070,631,378.69	3,090,517,539.64
Shareholders of the parent		2,455,115,184.69	1,132,196,997.79
Minority shareholders		4,615,516,194.00	1,958,320,541.85
VII. Earnings per share			
(I) Basic earnings per share		1.59	0.61
(II) Diluted earnings per share		1.59	0.61

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2019

Income Statement of the Company

Unit: RMB

Item	Notes	Amount incurred in the current period	Amount incurred in the previous period
I. Operating income	(XIV)3	92,042,598.05	243,899,253.07
Less: Operating costs	(XIV)3	76,084,023.73	160,065,451.42
Taxes and levies		1,839,217.71	47,542,310.81
Administrative expenses		60,487,851.03	122,905,018.75
Research and development expenses		-	742,954.48
Financial expenses		41,936,976.49	34,174,062.13
Including: Interest expense		42,810,942.02	36,872,089.57
Interest income		15,909,363.66	20,843,903.27
Add: Other income		955,987.32	271,927.46
Investment income	(XIV)4	1,306,222,961.66	193,138,161.44
Including: Income from investments in associates and joint ventures	(XIV)4	70,092,131.84	63,015,142.10
Gains (losses) on disposal of assets		-	(937,948.47)
II. Operating profit		1,218,873,478.07	70,941,595.91
Add: Non-operating income		57,049.23	1,336,230.70
Less: Non-operating expenses		81,092.18	867,312.18
III. Gross profit		1,218,849,435.12	71,410,514.43
Less: Income tax expenses		187,155,447.57	395,773.33
IV. Net profit		1,031,693,987.55	71,014,741.10
V. Amount of other comprehensive net income after tax		2,956,451.25	3,377,145.00
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		2,956,451.25	3,377,145.00
1. Change 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		2,956,451.25	3,377,145.00
(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		1,034,650,438.80	74,391,886.10

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated Cash Flow Statement

Unit: RMB

Item	Notes	Amount incurred in the current period	Amount incurred in the previous period
I. Cash Flows from Operating Activities:			
Cash receipts from sales of goods and rendering of services		12,294,529,982.73	9,581,481,387.06
Receipts of tax refunds		23,569,265.92	6,203,721.12
Other cash receipts relating to operating activities	(V)64(1)	1,165,710,845.18	963,935,271.59
Sub-total of cash inflows		13,483,810,093.83	10,551,620,379.77
Cash payments for goods purchased and services received		3,593,786,248.69	2,647,715,026.47
Cash payments to and on behalf of employees		2,621,068,087.09	1,808,824,527.76
Payments of all types of taxes		957,382,790.97	762,131,488.97
Other cash payments relating to operating activities	(V)64(2)	809,699,551.14	1,044,373,911.73
Sub-total of cash outflows		7,981,936,677.89	6,263,044,954.93
Net Cash Flows from Operating Activities	(V)65(1)	5,501,873,415.94	4,288,575,424.84
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		-	200,000.00
Cash receipts from investments income		1,804,725,809.65	1,813,166,370.38
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		6,274,482,747.66	19,846,988.10
Net cash receipts from disposal of subsidiary and other operating units	(V)64(5)	1,000,000.00	-
Other cash receipts relating to investing activities	(V)64(3),(4)	3,535,967,030.93	156,615,992.14
Sub-total of cash inflows		11,616,175,588.24	1,989,829,350.62
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,515,540,735.97	2,437,080,643.74
Cash payments to acquire investments		7,898,674,384.09	4,084,107,008.20
Net cash payment to acquire subsidiary and other operating units		-	8,931,096,795.81
Other cash payments relating to investing activities	(V)64(6)	2,138,951,129.78	1,686,107,391.23
Sub-total of cash outflows		13,553,166,249.84	17,138,391,838.98
Net Cash Flows from Investing Activities		(1,936,990,661.60)	(15,148,562,488.36)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		2,213,530,171.90	296,363,615.57
Including: cash receipts from capital contributions from minority owners of subsidiary		27,255,000.00	40,100,000.00
Cash receipts from borrowings		14,306,287,000.87	21,763,411,408.42
Cash receipts from issue of bonds		-	10,621,000,000.00
Other cash receipts relating to financing activities	(V)64(7)	1,713,327,483.01	3,876,395,683.27
Sub-total of cash inflows		18,233,144,655.78	36,557,170,707.26
Cash repayments of borrowings		15,402,220,794.12	23,593,666,839.99
Cash payments for distribution of dividends or profit or interest		4,022,043,402.10	3,942,108,074.86
Including: Payments for distribution of dividends or profit to minorities		1,745,724,195.29	1,929,962,094.72
Other cash payments relating to financing activities	(V)64(8)	42,583,797.55	146,196,535.06
Sub-total of cash outflows		19,466,847,993.77	27,681,971,449.91
Net Cash Flows from Financing Activities		(1,233,703,337.99)	8,875,199,257.35
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		9,697,074.77	(371,390,771.83)
V. Net Increase (Decrease) in Cash and Cash Equivalents		2,340,876,491.12	(2,356,178,578.00)
Add: Opening balance of Cash and Cash Equivalents	(V)65(2)	5,373,281,504.75	7,729,460,082.75
VI. Closing Balance of Cash and Cash Equivalents	(V)65(2)	7,714,157,995.87	5,373,281,504.75

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2019

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 receipts from sales of goods and rendering of services		104,722,961.87	229,302,378.14
Other cash receipts relating to operating activities		246,055,628.30	29,331,866.91
Sub-total of cash inflows		350,778,590.17	258,634,245.05
Cash payments for goods purchased and services received		36,211,750.68	74,086,330.85
Cash payments to and on behalf of employees		85,120,511.18	121,661,642.64
Payments of all types of taxes		20,158,391.66	9,401,709.94
Other cash payments relating to operating activities		53,795,218.14	279,797,604.56
Sub-total of cash outflows		195,285,871.66	484,947,287.99
Net Cash Flows from Operating Activities		155,492,718.51	(226,313,042.94)
II. Cash Flows from Investing Activities:			
Cash receipts from investments income		57,727,526.33	445,875,054.92
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		-	766,830.38
Other cash receipts relating to investing activities		612,722,414.48	635,013,754.63
Sub-total of cash inflows		670,449,940.81	1,081,655,639.93
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		8,035,563.48	12,539,040.21
Cash payments to acquire investments		8,000,000.00	-
Net cash payments for acquisitions of subsidiaries and other business units		386,159,390.00	149,709,800.00
Other cash payments relating to investing activities		2,060,171,330.96	374,513,229.40
Sub-total of cash outflows		2,462,366,284.44	536,762,069.61
Net Cash Flows from Investing Activities		(1,791,916,343.63)	544,893,570.32
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		2,186,275,171.90	256,263,615.57
Cash receipts from borrowings		2,160,000,000.00	566,016,000.00
Cash receipts from issue of bonds		-	200,000,000.00
Other cash receipts relating to financing activities		-	-
Sub-total of cash inflows		4,346,275,171.90	1,022,279,615.57
Cash repayments of borrowings		2,167,116,843.58	300,000,000.00
Cash payments for distribution of dividends or profit or interest		239,800,502.62	873,011,086.61
Other cash payments relating to financing activities		1,593,549.44	1,497,344.37
Sub-total of cash outflows		2,408,510,895.64	1,174,508,430.98
Net Cash Flows from Financing Activities		1,937,764,276.26	(152,228,815.41)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(497,294.65)	(6,549,202.77)
V. Net Increase (Decrease) in Cash and Cash Equivalents		300,843,356.49	159,802,509.20
Add: Opening balance of Cash and Cash Equivalents		389,841,854.93	230,039,345.73
VI. Closing Balance of Cash and Cash Equivalents		690,685,211.42	389,841,854.93

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

Item	2019							
	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	1,793,412,378.00	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	-	-	-	-	-	(41,018,077.68)	(80,367,183.77)	(121,385,261.45)
Corrections of prior period errors	-	-	-	-	-	-	-	-
Business combination involving enterprises under common control	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Opening balance of the year	1,793,412,378.00	19,426,912,957.05	88,925,978.57	8,231,080.43	527,175,908.67	8,874,799,032.53	49,576,083,276.11	80,295,540,611.36
III. Changes for the year	128,952,746.00	2,869,572,510.30	(444,870,544.48)	4,155,654.27	103,169,398.76	2,592,367,319.32	9,441,319,916.71	14,694,667,000.88
(I) Total comprehensive income	-	-	(443,076,984.15)	-	-	2,898,192,168.84	4,615,516,194.00	7,070,631,378.69
(II) Owners' contributions and reduction in capital	128,952,746.00	2,869,572,510.30	-	-	-	-	6,867,048,857.78	9,865,574,114.08
1. Capital contribution from shareholders	128,952,746.00	2,058,595,347.69	-	-	-	-	27,255,000.00	2,214,803,093.69
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	-	810,977,162.61	-	-	-	-	6,839,793,857.78	7,650,771,020.39
(III) Profit distribution	-	-	-	-	103,169,398.76	(307,618,409.85)	(2,040,721,489.06)	(2,245,170,500.15)
1. Transfer to surplus reserve	-	-	-	-	103,169,398.76	(103,169,398.76)	-	-
2. Transfer to general reserve	-	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	(204,449,011.09)	(2,040,721,489.06)	(2,245,170,500.15)
4. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	(1,793,560.33)	-	-	1,793,560.33	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss made up by surplus reserve	-	-	-	-	-	-	-	-
4. Others	-	-	(1,793,560.33)	-	-	1,793,560.33	-	-
(V) Special reserve	-	-	-	4,155,654.27	-	-	(523,646.01)	3,632,008.26
1. Withdrawn in the period	-	-	-	108,062,435.41	-	-	115,436,394.98	223,498,830.39
2. Utilized in the period	-	-	-	(103,906,781.14)	-	-	(115,960,040.99)	(219,866,822.13)
(VI) Others	-	-	-	-	-	-	-	-
IV. Closing balance of the 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

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated Statement of Changes in Shareholders' Equity - continued

Unit: RMB

Item	2018							
	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	644,763,730.00	167,480,381.24	19,800,344.49	4,767,373.45	520,074,434.56	3,566,083,142.17	1,644,073,503.71	6,567,042,909.62
Add: Changes in accounting policies	-	-	(722,556,561.97)	-	-	816,323,338.17	6,484,493.08	100,251,269.28
Corrections of prior period errors	-	-	-	-	-	-	-	-
Business combination involving enterprises under common control	-	18,678,418,974.96	(26,864,990.92)	-	-	4,900,224,775.30	43,870,482,449.58	67,422,261,208.92
Others	-	-	-	-	-	-	-	-
II. Opening balance of the year	644,763,730.00	18,845,899,356.20	(729,621,208.40)	4,767,373.45	520,074,434.56	9,282,631,255.64	45,521,040,446.37	74,089,555,387.82
III. Changes for the year	1,148,648,648.00	581,013,600.85	818,547,186.97	3,463,706.98	7,101,474.11	(366,814,145.43)	4,135,410,013.51	6,327,370,484.99
(I) Total comprehensive income	-	-	41,778,087.02	-	-	1,090,418,910.77	1,958,320,541.85	3,090,517,539.64
(II) Owners' contributions and reduction in capital	1,148,648,648.00	581,013,600.85	776,769,099.95	-	-	-	3,092,504,057.82	5,598,935,406.62
1. Capital contribution from shareholders	1,148,648,648.00	-	-	-	-	-	1,594,806,295.50	2,743,454,943.50
2. Capital contribution from other equity investment holder	-	-	-	-	-	-	-	-
3. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-	-
4. Business combination involving enterprises under common control	-	(583,183,507.54)	776,769,099.95	-	-	-	-	193,585,592.41
5. Others	-	1,164,197,108.39	-	-	-	-	1,497,697,762.32	2,661,894,870.71
(III) Profit distribution	-	-	-	-	7,101,474.11	(1,457,233,056.20)	(920,434,015.30)	(2,370,565,597.39)
1. Transfer to surplus reserve	-	-	-	-	7,101,474.11	(7,101,474.11)	-	-
2. Transfer to general reserve	-	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	(850,443,359.86)	-	(850,443,359.86)
4. Others	-	-	-	-	-	(599,688,222.23)	(920,434,015.30)	(1,520,122,237.53)
(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	-	-	-	3,463,706.98	-	-	5,019,429.14	8,483,136.12
1. Withdrawn in the period	-	-	-	24,165,961.75	-	-	49,870,501.76	74,036,463.51
2. Utilized in the period	-	-	-	(20,702,254.77)	-	-	(44,851,072.62)	(65,553,327.39)
(VI) Others	-	-	-	-	-	-	-	-
IV. Closing balance of the 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

The accompanying notes form part of the financial statements.

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of Changes in Shareholders' Equity of the Company

Unit: RMB

Item	2019						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	-	-	-	-	-	(325,594.24)	(325,594.24)
Corrections of prior period errors	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Opening balance of the year	1,793,412,378.00	25,517,647,180.04	102,638,125.00	470,465.59	527,175,908.67	259,617,490.92	28,200,961,548.22
III. Changes for the year	128,952,746.00	2,058,595,347.69	2,956,451.25	(470,465.59)	103,169,398.76	724,075,577.70	3,017,279,055.81
(I) Total comprehensive income	-	-	2,956,451.25	-	-	1,031,693,987.55	1,034,650,438.80
(II) Owners' contributions and reduction in capital	128,952,746.00	2,058,595,347.69	-	-	-	-	2,187,548,093.69
1. Capital contribution from shareholders	128,952,746.00	2,058,595,347.69	-	-	-	-	2,187,548,093.69
2. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	103,169,398.76	(307,618,409.85)	(204,449,011.09)
1. Transfer to surplus reserve	-	-	-	-	103,169,398.76	(103,169,398.76)	-
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	-	-	-	(470,465.59)	-	-	(470,465.59)
1. Withdrawn in the period	-	-	-	919,167.67	-	-	919,167.67
2. Utilized in the period	-	-	-	(1,389,633.26)	-	-	(1,389,633.26)
(VI) Others	-	-	-	-	-	-	-
IV. Closing balance of the 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

CHINA MERCHANTS PORT GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Unit: RMB

Item	2018						Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Unappropriated profit	
I. Closing balance of the preceding year	644,763,730.00	240,001,254.59	6,647,500.00	-	520,074,434.56	1,046,473,178.03	2,457,960,097.18
Add: Changes in accounting policies	-	-	92,613,480.00	-	-	-	92,613,480.00
Corrections of prior period errors	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Opening balance of the year	644,763,730.00	240,001,254.59	99,260,980.00	-	520,074,434.56	1,046,473,178.03	2,550,573,577.18
III. Changes for the year	1,148,648,648.00	25,277,645,925.45	3,377,145.00	470,465.59	7,101,474.11	(786,530,092.87)	25,650,713,565.28
(I) Total comprehensive income	-	-	3,377,145.00	-	-	71,014,741.10	74,391,886.10
(II) Owners' contributions and reduction in capital	1,148,648,648.00	25,277,645,925.45	-	-	-	-	26,426,294,573.45
1. Capital contribution from shareholders	1,148,648,648.00	25,276,764,780.38	-	-	-	-	26,425,413,428.38
2. Share-based payment recognized in shareholders' equity	-	-	-	-	-	-	-
3. Others	-	881,145.07	-	-	-	-	881,145.07
(III) Profit distribution	-	-	-	-	7,101,474.11	(857,544,833.97)	(850,443,359.86)
1. Transfer to surplus reserve	-	-	-	-	7,101,474.11	(7,101,474.11)	-
2. Transfer to general reserve	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	(850,443,359.86)	(850,443,359.86)
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	-	-	-	470,465.59	-	-	470,465.59
1. Withdrawn in the period	-	-	-	2,621,280.84	-	-	2,621,280.84
2. Utilized in the period	-	-	-	(2,150,815.25)	-	-	(2,150,815.25)
(VI) Others	-	-	-	-	-	-	-
IV. Closing balance of the 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

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 service and other business such as property development and investment.

The Company's and consolidated financial statements have been approved by the Board of Directors on 14 April 2020.

See Notes (VII) "Equity in other entities" for details of the scope of consolidated financial statements in the current period are subsidiaries acquired through business combination under common control. See Note (VI) "Changes in the consolidated scope" 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 31 December 2019, the Group had total current liabilities in excess of total current assets of RMB 6,933,328,647.40. On 31 December 2019, the Group had available and unused line of credit amounting to RMB 46,602,858,550.04, 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 31 December 2019, and the Company's and consolidated results of operations, the Company's and consolidated shareholders' equity and cash flows for the year then ended.

2. Accounting period

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

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

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.

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.

(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 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.

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.

(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

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.

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.

(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 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.

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.

(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 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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

7. Types of joint arrangements and the accounting treatment of joint operation - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

9. Foreign currency transactions - continued

9.1 Transactions denominated in foreign currencies - continued

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.

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.

(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 - continued

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.

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).

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

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..

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.

(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 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.

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.

(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

10.1.2 Financial assets at FVTOCI - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.2 Impairment of financial instruments - continued

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.

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;

(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

- (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.

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.

(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

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;
- 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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.2 Impairment of financial instruments - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.3 Transfer of financial assets - continued

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.

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.

(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

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.

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.

(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

10.4.1.2 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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.4 Classification of financial liabilities equity instruments - continued

10.4.2 Derecognition of financial liabilities - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

10. Financial instruments - continued

10.5 Derivatives and embedded derivatives - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**10. Financial instruments** - continued*10.7 Reclassification of financial instruments*- continued

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.

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

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

15. Assets held for sale - continued

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.

16. Long-term equity investments

16.1 Basis for determining joint control and significant influence over investee

Control is archived 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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

16. Long-term equity investments - continued

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.

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.

(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

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.

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.

(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

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**17. Investment properties** - continued

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 withdraw 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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

18. Fixed assets - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**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	Units-of-production/Straight-line method	30-35	-
Others	Straight-line method	5-50	-

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

21. Intangible assets - continued

21.2 Research and development expenditure - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

25. Employee benefits - continued

25.2 The accounting treatment of post-employment benefits - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

27. Revenue - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

29. Types and accounting methods of government grants - continued

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.

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.

(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

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

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.

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.

(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

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

31. Leases - continued

31.1 The Group as Lessee - continued

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.

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.

(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

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.

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.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

31. Leases - continued

31.2 The Group as Lessor - continued

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.

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 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) New lease standard

Since 1 January 2019 (the date of initial application), the Group has adopted the Accounting Standards for Business Enterprises No 21 – Leases (hereinafter referred to as "New Lease Standards") revised by MoF in 2018. The New Leases Standard improves the definition of leases; adds contents including identifying a lease, separating components of a lease and combination of leases; no longer adopts the original classification of operating leases and finance leases for lessees, requiring that in cases of all leases (except short-term leases and leases of low-value assets), a right-of-use asset and a lease liability shall be recognised at the commencement date of the lease; improves subsequent measurement of leases for lessors, adding accounting treatments for changes in the lease term or the assessment of an option to purchase the underlying asset; and sets out relevant principles for disclosure. Moreover, additional disclosure as lessor is presented. The revised accounting policies of the Group as lessee and lessor for the recognition and measurement of leases are set out in Note III. 30.

For the lease contracts that already existed before the application of the standard, the Group chooses not to reassess whether the contract was, or contained, a lease on the date of initial application.

The Group As lessee

In accordance with the New Leases Standard, during the initial application of the standard, the accumulative amounts affected shall be adjusted in the opening balance (i.e. balance as at 1 January 2019) of relevant items in the financial statements, with no impacts on comparative information.

Except for the leases of low-value assets, for all the leases classified as operating leases before the initial application of the standard, the Group chooses one or more of the following practical expedients:

- Leases for which the lease term ends within 12 months of the date of initial application are accounted for in the same way as short-term leases;
- application of a single discount rate to a portfolio of leases with similar characteristics on measuring lease liabilities;
- The measurement of right-of-use assets excludes any initial direct costs incurred;
- If the contract contains options to extend or terminate the lease, the Group determines the lease term based on the actual usage of the options before the date of initial application and hindsight.
- As an alternative to impairment tests for right-of-use assets, assessed whether a contract containing a lease was an onerous contract before the date of initial application in accordance with the Accounting Standard for Business Enterprises No.13- Contingencies, and adjusted right-of-use assets based on the provision for impairment of loss recorded in the balance sheet before the date of initial application;
- Performance of accounting treatments subject to final arrangements of lease modification, if any, before the date of initial application.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**36. Changes in significant accounting policies and accounting estimates - continued****(1) New lease standard - continued**

On the date of initial application, the Group made the following adjustments in accordance with the New Leases Standard:

- For leases that were classified as finance leases previously, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date;
- For a lease previously classified as an operating lease, the Group recognised a lease liability at the date of initial application, by measuring that lease liability at the present value of the remaining lease payments and discounted using the lessee's incremental borrowing rate at the date of initial application, and a right-of-use asset at the date of initial application, by measuring that right-of-use asset using the following method: -- Measured at carrying amounts as if the New Leases Standard were adopted since the commencement date of the lease term (the incremental borrowing rate of the lessor on the date of initial application is adopted as the discount rate).

As at 1 January 2019, the Group has recognized lease liabilities of RMB 1,231,425,355.87 and right-of-use assets of RMB 8,280,694,060.88. For the leases classified as operating leases before the initial application, the Group recognised the lease liabilities at the date of initial application, by measuring that lease liability at the present value of the remaining lease payments, discounted by the lessee's incremental borrowing rate at the date of initial application. The weighted average of these incremental borrowing rates is 5.12%.

Effects of applying the new lease standard on items in the consolidated balance sheet of the Group at 1 January 2019 are as follows:

Unit: RMB

Item	31 December 2018	Reclassification	1 January 2019
Assets:			
Prepayments	124,404,862.87	(42,559,680.57)	81,845,182.30
Fixed assets	22,994,190,880.43	(5,418,649,214.54)	17,575,541,665.89
Right-of-use assets		8,280,694,060.88	8,280,694,060.88
Intangible assets	20,761,018,044.54	(1,798,568,602.15)	18,962,449,442.39
Liabilities:			
Other payables	1,690,124,901.29	(17,158,000.00)	1,672,966,901.29
Non-current liabilities due within one year	2,896,971,014.97	138,227,164.89	3,035,198,179.86
Lease liabilities		1,062,562,578.13	1,062,562,578.13
Long-term payables	1,294,190,118.18	(41,329,917.95)	1,252,860,200.23
Shareholders' Equity			
Unappropriated profit	8,915,817,110.21	(41,018,077.68)	8,874,799,032.53
Minority interests	49,656,450,459.88	(80,367,183.77)	49,576,083,276.11

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

36. Changes in significant accounting policies and accounting estimates - continued

(1) New lease standard - continued

The Group as the lessee - continued

Differences between the lease liabilities recognized by the Group at 1 January 2019 and the significant operating lease commitments disclosed in the 2018 financial statements are as follows:

Unit: RMB

Item	Amount
Non-cancellable operating leases at 31 December 2018:	1,756,853,448.93
Lease liabilities discounted using the incremental borrowing rate at the date of initial application	879,791,487.61
Add: Lease liabilities arising from lease modifications to existing leases(Note 1)	18,799,241.72
Renewal option that is reasonably certain to be exercised	270,731,536.32
Less: Recognition exemption – short-term leases	9,862,435.57
Lease liabilities relating to original leases recognised under the new lease standard	1,159,459,830.08
Add: Finance lease payable at 31 December 2018	71,965,525.79
Lease liabilities	1,231,425,355.87
Including: Non-current liabilities due within one year	168,862,777.74
Lease liabilities	1,062,562,578.13

Note1: The Group entered into new lease contracts for port and terminal facilities, machinery and equipment, furniture and fixture and other equipment, etc. As the commencement date of the leases is after the initial application date, the above renewal contracts are accounted for as modifications to the original contracts under the new lease standard.

The carrying amount of the right-of-use asset at 1 January 2019 is detailed as follows:

Unit: RMB

Item	1/1/2019
Right-of-use assets recognised under operating leases before the date of initial application	1,063,476,244.19
Assets held under finance leases that are recognised as fixed assets under the former lease standard (Note 2)	5,418,649,214.54
Land use right recognised as intangible assets under the former lease standard	1,798,568,602.15
Total	8,280,694,060.88

The right-of-use asset disclosed by categories at 1 January 2019:

Unit: RMB

Item	1/1/2019
Port and terminal facilities	5,542,541,139.16
Buildings	164,239,617.13
Machinery and equipment, furniture and fixture and other equipment	133,936,083.43
Motor vehicles and cargo ships	10,249,287.29
Others	2,429,727,933.87
Total	8,280,694,060.88

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

36. Changes in significant accounting policies and accounting estimates - continued

(1) New lease standard - continued

The Group as the lessee - continued

Note 2: The Group recognizes the fixed assets of RMB 5,418,649,214.54 still in lease as at 1 January 2019 and classified as finance leases under the former lease standard as right-of-use assets.

(2) Exchange of Non-monetary Assets

On 9 May 2020, the Ministry of Finance ("MoF") published the Cai Kuai (2019) No. 8. (hereinafter referred to as the " New standards for Exchange of Non-monetary Assets ") which revised the accounting Standards for business enterprises No.7 , Exchange of Non-monetary Assets , and should be effective on 10 June 2019. New standards for Exchange of Non-monetary Assets firstly revised the definition of Non-monetary Assets and clarified the application scope. It secondly specified when to confirm a non-monetary assets transaction meets the conditions. Thirdly, It specified the different principles for non-monetary assets input and output transaction. Fourthly, It refined the accounting treatment and added disclosure requirements.

The Company has adjusted the non-monetary assets transaction during 1 January 2019 and 10 June 2019 and performed retroactive modulation for the transaction before 1 January 2019.

(3) Presentation of financial statements

The Company has prepared the financial statements for the year 2019 in accordance with the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprises (Cai Kuai (2019) No. 6, hereinafter referred to as the "Cai Kuai No.6 Document") released by the Ministry of Finance on 30 April 2019. Cai Kuai No.6 Document revised the presenting accounts in the balance sheet and income statement and split "Notes and accounts receivable" to be "Notes receivable" and "Accounts receivable", and "Notes and accounts payable" to be "Notes payable" and "Accounts payable". It also specified or revised the presentation of line items of "Non-current assets due within one year", "Deferred income", "Other equity instruments", "Research and development expenses", "Interest income" under "Financial expenses", "Other income", "Gains on disposal of assets", "Non-operating income" and "Non-operating expenses", and adjusted the presenting location of "Impairment losses of assets", and specified the presentation of "Capital contribution of holders of other equity instruments". For the above changes in presenting accounts, the Company has adjusted retrospectively the comparable data for the prior year.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(IV) TAXES - continued**1. Major taxes and tax rates - continued**

Note4: 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.

Note5: 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.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**1. Cash and bank balances**

Unit: RMB

Item	Closing balance	Opening balance (restated)
Cash	331,305.65	349,650.07
RMB	122,990.39	77,877.30
USD	55,429.82	29,909.14
HKD	28,354.40	57,342.60
BRL	8,872.81	11,402.34
Others	115,658.23	173,118.69
Bank deposit (Note1)	7,423,112,193.18	6,118,508,644.13
RMB	4,868,888,181.56	3,401,709,911.75
USD	1,597,545,919.28	1,326,034,833.97
EUR	528,103,576.51	359,682,134.06
BRL	310,275,686.79	539,493,644.44
HKD	76,041,665.91	432,603,546.37
Others	42,257,163.13	58,984,573.54
Other cash and bank balances (Note 2)	311,504,711.43	958,538,601.52
RMB	311,504,711.43	958,538,601.52
Total	7,734,948,210.26	7,077,396,895.72
Including: The total amount of funds deposited overseas	3,511,266,717.03	2,809,011,079.47

Note1: The bank deposits of the Group deposited overseas and restricted for remittance to China at the end of the year totaled RMB nil (at the end of the previous year: RMB 1,002,027,200.00).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

1. Cash and bank balances - continued

Note2: The structured deposits that can be readily withdrawn on demand totaled RMB 294,519,101.06, the deposit totaled RMB 15,648,978.15, and the balance of the margin maintenance account was RMB 1,336,632.22.

2. Notes receivable

(1) Category of notes receivable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance	13,290,478.02	11,608,669.43
Commercial acceptance	24,901,772.00	-
Total	38,192,250.02	11,608,669.43
Less: Provision for credit losses (Note)	-	-
Carrying amount	38,192,250.02	11,608,669.43

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 31 December 2019, there are no notes receivable pledged.

(3) As at 31 December 2019, there are no notes receivable endorsed or discounted which are not yet due at the balance sheet date.

Unit: RMB

Item	Amount derecognized at the end of the year	Amount recognized at the end of the year
Bank acceptance	300,000.00	-
Commercial acceptance	4,541,403.43	-
Total	4,841,403.43	-

(4) As at 31 December 2019, 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 in 2019.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. Accounts receivable

(1) Accounts receivable disclosed by aging

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Provision for credit loss	Proportion (%)
Within 1 year	1,397,114,366.29	53,712,152.09	3.84
More than 1 year but not exceeding 2 years	12,924,655.94	1,233,944.62	9.55
More than 2 years but not exceeding 3 years	1,304,475.96	499,044.67	38.26
More than 3 years	43,951,987.53	43,390,214.44	98.72
Total	1,455,295,485.72	98,835,355.82	

(2) Disclosure of accounts receivable 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	552,947,162.60	236,251.00	552,710,911.60	323,319,258.26	32,331.93	323,286,926.33
B	0.10-0.30	730,397,420.98	2,106,455.92	728,290,965.06	614,037,476.13	1,144,038.38	612,893,437.75
C	0.30-50.00	70,292,155.38	1,703,501.79	68,588,653.59	155,462,941.77	2,079,476.01	153,383,465.76
D	50.00-100.00	101,658,746.76	94,789,147.11	6,869,599.65	59,928,872.52	40,262,199.28	19,666,673.24
Total		1,455,295,485.72	98,835,355.82	1,356,460,129.90	1,152,748,548.68	43,518,045.60	1,109,230,503.08

(3) Changes in provision for credit loss of accounts receivable

Unit: RMB

Item	Lifetime expected credit loss (not credit-impaired)	Lifetime expected credit loss (credit-impaired)	Total
At 1 January 2019	3,255,846.32	40,262,199.28	43,518,045.60
Carrying amount of accounts receivable at 1 January 2019			
-- Transferred to credit-impaired accounts receivables	-	-	-
-- Reversed to not credit-impaired accounts receivable	-	-	-
Provision for the year	1,667,805.36	52,556,214.94	54,224,020.30
Reversal for the year	(2,049,083.92)	(296,692.00)	(2,345,775.92)
Transfer-out from derecognition of financial assets(including direct write-down)	-	-	-
Other changes	1,171,640.95	2,267,424.89	3,439,065.84
At 31 December 2019	4,046,208.71	94,789,147.11	98,835,355.82

(4) The Group has no accounts receivable written off in 2019.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

3. Accounts receivable - continued

(5) The top five balances of accounts receivable classified by debtor

Unit: RMB

Name of entity	Closing balance	Aging	Proportion of the amount to the total accounts receivable (%)	Closing balance of provision for credit loss
Client A	149,146,106.27	Within 1 year	10.24	149,146.11
Client B	88,998,923.34	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	6.12	158,176.01
Client C	65,719,439.09	Within 1 year, more than 1 year but not exceeding 2 years, more than 2 year but not exceeding 3 years	4.52	65,719.44
Client D	61,650,252.50	Within 1 year	4.24	61,650.25
Client E	48,948,830.76	Within 1 year	3.36	48,948.83
Total	414,463,551.96		28.48	483,640.64

4. Accounts receivable financing

(1) Accounts receivable financing classification

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance measured by fair value	260,760,537.45	-

(2) On 31 December 2019, The Group has no pledged accounts receivable financing.

(3) On 31 December 2019, The Group has no pledged accounts receivable financing.

Unit: RMB

Items	Closing balance		Opening balance	
	Derecognized	Recognized	Derecognized	Recognized
Bank acceptance measured by fair value	129,391,886.08	-	-	-

5. Prepayments

(1) Aging analysis of prepayment

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	50,341,341.46	91.47	124,276,781.51	99.90
More than 1 year but not exceeding 2 years	4,533,596.99	8.24	4,000.00	-
More than 2 years but not exceeding 3 years	-	-	81.36	-
More than 3 years	159,081.36	0.29	124,000.00	0.10
Total	55,034,019.81	100.00	124,404,862.87	100.00

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

5. Prepayments - continued

(2) As at 31 December 2019, 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	31 December 2019	Proportion of the closing balance to the total prepayments (%)
Saham Assurance Togo S.A.	Non-related party	6,039,892.02	10.98
Chubb Seguros Brasil S.A.	Non-related party	5,471,286.32	9.94
Fairfax Brasil Seguros Corporativos S.A.	Non-related party	3,038,626.22	5.52
N-Able (Pvt) Ltd.	Non-related party	1,824,252.09	3.31
Allianz	Non-related party	1,502,286.34	2.73
Total		17,876,342.99	32.48

6. Other receivables

6.1 Summary of other receivables

Unit: RMB

Item	Closing balance	Opening balance (restated)
Interest receivable	159,794.48	-
Dividend receivable	459,352,522.24	259,804,145.16
Other receivables	1,669,865,935.78	506,713,933.56
Total	2,129,378,252.50	766,518,078.72

6.2 Interest receivable

(1) Classification of interest receivable

Unit: RMB

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

(2) As at 31 December 2019, the Group has no significant overdue interest.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

6. Other receivables - continued

6.3 Dividend receivable

(1) Presentation of dividend receivable

Unit: RMB

Name of investee	Closing balance	Opening balance
China Nanshan Development (Group) Incorporation ("Nanshan Group")	313,435,420.00	175,692,500.00
Tin-Can Island Container Terminal Ltd	82,625,546.31	-
Qingdao Qianwan United Container Terminal Co., Ltd.	50,000,000.00	25,000,000.00
Zhanjiang Port (Group) Co., Ltd. ("Zhanjiang Port ")	-	9,253,682.23
Shanghai International Port (Group) Co., Ltd.	-	50,118,027.14
Others	13,751,368.26	-
Total	459,812,334.57	260,064,209.37
Less: Provision for credit loss	459,812.33	260,064.21
Book value	459,352,522.24	259,804,145.16

(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	105,415,500.00	More than 1 year but not exceeding 2 years	Undergoing relevant formalities and expected to be recovered at the end of 2020	105,415.50

(3) Changes in provision for credit loss of dividends receivable

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 2019	260,064.21	-	-	260,064.21
Carrying amount of dividends receivable at 1 January 2019				
--Transfer to Stage 2	-	-	-	-
--Transfer to Stage 3	-	-	-	-
--Reverse to Stage 2	-	-	-	-
--Reverse to Stage 1	-	-	-	-
Provision for the year	199,748.12	-	-	199,748.12
Reversal for the year	-	-	-	-
Transfer-out on derecognition of financial assets(including direct write-down)	-	-	-	-
Other changes	-	-	-	-
At 31 December 2019	459,812.33	-	-	459,812.33

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6. Other receivables - continued

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	1,300,755,524.31	1,978.18	0.00
More than 1 year but not exceeding 2 years	14,474,718.17	46,121.93	0.32
More than 2 years but not exceeding 3 years	3,556,322.62	56,383.37	1.59
More than 3 years	387,443,486.16	36,259,632.00	9.36
Total	1,706,230,051.26	36,364,115.48	

(2) Disclosure of other receivables by nature

Unit: RMB

Item	Closing balance	Opening balance
Operation compensation(Note 1)	669,121,539.36	176,625,857.32
Land compensation (Note 2)	521,246,000.00	-
Temporary payments	334,617,193.32	187,153,302.95
Compensation for profit or loss on transition(Note 3)	35,317,035.66	-
Deposits	21,309,320.77	39,657,003.56
Others	124,618,962.15	138,880,391.56
Total	1,706,230,051.26	542,316,555.39
Less: Provision for credit loss	36,364,115.48	35,602,621.83
Book value	1,669,865,935.78	506,713,933.56

Note 1: It is the compensation paid by Global Terminal Limited, the holding company of the non-controlling shareholder of Lomé Container Terminal S.A.(hereinafter referred to as "LCT"), the non-wholly owned subsidiary of the Group for the operation of the subsidiary, refer to Note V, 59 for details.

Note 2: 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, which is amounting to RMB 1,558,032,000.00.

As at 31 December 2019, there are land and attached buildings of approximately 183.63 mu pending for transfer with the carrying amount of RMB 207,904,868.22 and the compensation of RMB 771,246,000.00. The compensation is approximately RMB537,635,141.78. After netting transaction expenses, the land compensation of RMB521,246,000.00 is not yet recovered.

As at 31 December 2019, there are land and attached buildings of 187.33 mu pending for transfer, which are presented as held for sale assets by the Group.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(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 3: As stated in Note VI.1, the Company acquired Zhanjiang Port this year. According to relevant contract terms, Zhanjiang Infrastructure, the non-controlling shareholder of Zhanjiang Port, shall have the compensation for profit or loss on transition of RMB 31,513,558.59 (calculated based on the original shareholding ratio) paid to the Company in the form of dividends deduction; Sinotrans Guangdong Co., Ltd., the former shareholder of Zhanjiang Port, shall have the compensation for profit or loss on transition of RMB 3,803,477.07 (calculated based on the original shareholding ratio) paid to the Company in the form of dividends deduction.

(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 and taking into account the current and future economic conditions.

As at 31 December 2019, 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	1,669,968,696.05	-	-	1,669,968,696.05	-	-	-	-
B	0.10-0.30	-	-	-	-	506,719,623.66	-	-	506,719,623.66
C	0.30-50.00	-	-	-	-	-	-	-	-
D	50.00-100.00	-	-	36,261,355.21	36,261,355.21	-	-	35,596,931.73	35,596,931.73
Account balance		1,669,968,696.05	-	36,261,355.21	1,706,230,051.26	506,719,623.66	-	35,596,931.73	542,316,555.39
Provision for credit loss		102,760.27	-	36,261,355.21	36,364,115.48	5,690.10	-	35,596,931.73	35,602,621.83
Book value		1,669,865,935.78	-	-	1,669,865,935.78	506,713,933.56	-	-	506,713,933.56

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6. Other receivables - continued

6.4 Other receivables - continued

(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 2019	5,690.10	-	35,596,931.73	35,602,621.83
Carrying amount of other receivables at 1 January 2019				
--Transfer to Stage 2	-	-	-	-
--Transfer to Stage 3	-	-	-	-
--Reverse to Stage 2	-	-	-	-
--Reverse to Stage 1	-	-	-	-
Provision for the year	39,665.00	-	576,181.80	615,846.80
Reversal for the year	(2,497,831.58)	-	-	(2,497,831.58)
Transfer-out on derecognition of financial assets(including direct write-down)	-	-	-	-
Other changes	2,555,236.75	-	88,241.68	2,643,478.43
At 31 December 2019	102,760.27	-	36,261,355.21	36,364,115.48

(5) The Group has no other receivables written off in 2019.

(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
Global Terminal Limited	Operation compensation	669,121,539.36	Within 1 year, More than 3 years	39.22	17,528.45
Shantou Land Reserve Center	Land compensation	521,246,000.00	Within 1 year	30.55	-
Shenzhen Qianhaiwan Bonded Port Authority	Temporary payments	61,317,510.00	More than 3 years	3.59	6,131.75
State-owned Assets Supervision and Administration Commission of Shantou Municipal People's Government	Temporary payments	43,674,019.13	More than 3 years	2.56	4,367.40
Shenzhen Qianhaiwan Bonded Port Area Authority	Temporary payments	43,326,181.06	Within 1 year	2.54	-
Total		1,338,685,249.55		78.46	28,067.60

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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	147,548,980.01	1,918,890.33	145,630,089.68	89,572,663.06	2,584,953.53	86,987,709.53
Finished goods	4,944,593.66	-	4,944,593.66	4,629,610.81	-	4,629,610.81
Others	13,405,508.74	-	13,405,508.74	16,949,949.68	-	16,949,949.68
Total	165,899,082.41	1,918,890.33	163,980,192.08	111,152,223.55	2,584,953.53	108,567,270.02

(2) Provision for decline in value of inventories

Unit: RMB

Item	1 January 2019	Provision	Decrease		31 December 2019
			Reversal	Write-off	
Raw materials	2,584,953.53	-	25,051.16	641,012.04	1,918,890.33

(3) As at 31 December 2019, the Group has no capitalized borrowing cost in the balance of inventories.

8. Assets held for sale

Unit: RMB

Item	Carrying amount at closing balance	Fair value at closing balance	Estimated disposal expenses	Schedule
Long-term assets held for sale	188,404,228.34	786,786,000.00	20,815,400.00	Removal before 30 June 2020
Less: Provision for impairment of assets held for sale	-			
Carrying amount	188,404,228.34			

Note: Refer to Note (V) 6.4(2) for details.

9. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance (restated)
Long-term receivables due within one year	809,702,715.78	25,986,030.98
Less: Provision for credit loss	809,702.72	33,074.22
Book value	808,893,013.06	25,952,956.76

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

10. Other current assets

(1) Categories of other current assets

Unit: RMB

Item	Closing balance	Opening balance
Structural deposits	2,000,298,176.18	-
Including: Principal	1,991,000,000.00	-
Interest receivable	9,298,176.18	-
Prepaid taxes	31,612,381.68	7,872,157.38
Loans to associates of related parties	-	1,029,478,047.00
Others(Note)	266,882,103.84	159,100,462.79
Total	2,298,792,661.70	1,196,450,667.17
Less: Provision for credit loss – loans to associates of related parties	-	1,029,478.05
Book value	2,298,792,661.70	1,195,421,189.12

Note: Refer to the VAT credits of domestic subsidiaries.

(2) Changes in provision for credit loss on other current assets

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 2019	1,029,478.05	-	-	1,029,478.05
Carrying amount of other current assets at 1 January 2019				
--Transfer to Stage 2	-	-	-	-
--Transfer to Stage 3	-	-	-	-
--Reverse to Stage 2	-	-	-	-
--Reverse to Stage 1	-	-	-	-
Provision for the year	-	-	-	-
Reversal for the year	(1,029,478.05)	-	-	(1,029,478.05)
Transfer-out on derecognition of financial assets(including direct write-down)	-	-	-	-
Other changes	-	-	-	-
At 31 December 2019	-	-	-	-

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. Long-term receivables

(1) Details of long-term receivables

Unit: RMB

Item	Closing balance			Opening balance (restated)		
	Account balance	Provision for credit loss	Book value	Account balance	Provision for credit loss	Book value
Principal and interest of receivables for cooperation(Note)	1,025,631,435.87	1,025,631.44	1,024,605,804.43	-	-	-
Advances to shareholders	869,503,011.54	869,503.01	868,633,508.53	819,826,111.17	826,914.30	818,999,196.87
Financing lease deposits	14,500,000.00	14,500.00	14,485,500.00	-	-	-
Total	1,909,634,447.41	1,909,634.45	1,907,724,812.96	819,826,111.17	826,914.30	818,999,196.87
Less: Long-term receivables due within 1 year	809,702,715.78	809,702.72	808,893,013.06	25,986,030.98	33,074.22	25,952,956.76
Long-term receivables due over 1 year	1,099,931,731.63	1,099,931.73	1,098,831,799.90	793,840,080.19	793,840.08	793,046,240.11

Note: 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.

(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 2019	826,914.30	-	-	826,914.30
Carrying amount of long-term receivables at 1 January 2019				
--Transfer to Stage 2	-	-	-	-
--Transfer to Stage 3	-	-	-	-
--Reverse to Stage 2	-	-	-	-
--Reverse to Stage 1	-	-	-	-
Provision for the year	1,082,720.15	-	-	1,082,720.15
Reversal for the year	-	-	-	-
Transfer-out on derecognition of financial assets(including direct write-down)	-	-	-	-
Other changes	-	-	-	-
At 31 December 2019	1,909,634.45	-	-	1,909,634.45

(3) As at 31 December 2019, there are no long-term receivables derecognized due to the transfer of financial assets at the end of the year.

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. Long-term receivables - continued

(4) There are no assets and liabilities arising from the transfer or continuing involvement of long-term receivables at 31 December 2019.

12. Long-term investments

Unit: RMB

Investees	Accounting method	1 January 2019	Effect of changes in the scope of consolidation (Note 2)	Changes for the year								31 December 2019	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		
I. Joint ventures													
Euro-Asia Oceangate S.à.r.l.	Equity method	2,668,860,034.32	-	-	71,820,758.28	(280,527.66)	-	(147,837,530.98)	-	-	43,205,141.32	2,635,767,875.28	-
Port of Newcastle (Note 1)	Equity method	2,122,353,964.75	-	68,471,438.86	31,855,255.55	(22,634,759.93)	-	(28,606,943.76)	-	-	28,557,291.19	2,199,996,246.66	-
Qingdao Qianwan United Container Terminal Co., Ltd.	Equity method	1,512,162,331.41	-	-	142,602,575.17	-	-	(150,000,000.00)	-	-	-	1,504,764,906.58	-
Ningbo Daxie Merchants International Terminals Co., Ltd.	Equity method	815,846,742.40	-	-	120,498,548.83	-	-	(82,350,000.00)	-	-	-	853,995,291.23	-
Laizhou Laiyin Port Business Co., Ltd.	Equity method	793,557,064.58	-	-	42,110,853.02	-	-	(43,605,689.02)	-	-	-	792,062,228.58	-
Zhangjiang Port (Note 2)	Equity method	2,007,506,536.77	-	-	4,273,885.37	-	-	-	(2,011,780,422.14)	-	-	-	-
Others	Equity method	1,310,015,480.03	113,562,995.78	8,000,000.00	55,537,145.35	4,196,807.83	-	(23,106,144.67)	(67,529,762.21)	-	4,963,495.78	1,405,640,017.89	-
Subtotal		11,230,302,154.26	113,562,995.78	76,471,438.86	468,699,021.57	(18,718,479.76)	-	(475,506,308.43)	(2,079,310,184.35)	-	76,725,928.29	9,392,226,566.22	-
II. Associates													
Shanghai International Port (Group) Co., Ltd. (A Share)	Equity method	22,187,560,070.95	-	-	2,425,921,985.71	(44,041,520.45)	305,487,960.90	(955,194,576.56)	-	-	(1,691,053.00)	23,918,042,867.55	-
Nanshan Group	Equity method	5,061,280,021.90	-	-	242,285,185.34	(9,766,075.98)	15,461,264.40	(219,122,880.00)	-	-	-	5,090,137,515.66	-
Terminal Link SAS	Equity method	3,933,259,485.26	-	-	280,560,341.83	12,048,067.43	-	-	-	-	(13,463,319.11)	4,212,404,575.41	-
Dalian Port Co., Ltd.	Equity method	3,203,881,342.67	-	-	148,347,321.32	5,010,696.01	2,082,698.58	(51,579,984.00)	-	-	(14,481,518.80)	3,293,260,555.78	661,864,517.40
Shenzhen China Merchants Qianhai Industrial Development Co., Ltd. (hereinafter referred to as "China Merchants Qianhai Industrial")(Note 3)	Equity method	72,800,000.00	-	7,456,412,803.00	(5,514,066.49)	-	-	-	(682,632,512.39)	-	-	6,841,066,224.12	-
Others	Equity method	4,487,494,188.36	59,122,780.74	678,573,224.36	167,550,973.94	(78,353,158.16)	34,520,308.86	(257,058,128.22)	-	-	77,550,888.64	5,169,401,078.52	-
Subtotal		38,946,275,109.14	59,122,780.74	8,134,986,027.36	3,259,151,741.65	(115,101,991.15)	357,552,232.74	(1,482,955,568.78)	(682,632,512.39)	-	47,914,997.73	48,524,312,817.04	661,864,517.40
Total		50,176,577,263.40	172,685,776.52	8,211,457,466.22	3,727,850,763.22	(133,820,470.91)	357,552,232.74	(1,958,461,877.21)	(2,761,942,696.74)	-	124,640,926.02	57,916,539,383.26	661,864,517.40

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

12. Long-term investments - continued

Note 1: The increase for the year is the stamp tax paid of AUD 14 million (equivalent to RMB 68,471,438.86) due to acquisition of Port of Newcastle Investments (Holdings) Pty Limited, Port of Newcastle Investments (Property Holdings) Pty Limited, Port of Newcastle Investments (Holdings) Trust, Port of Newcastle Investments (Property Holdings) Trust (collectively referred to as "Port of Newcastle").

Note 2: Refer to Note VI, 1 for details.

Note 3: Refer to Note X, 5(6) for details.

13. 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	141,547,500.00
Lac Assal Investment Holding Company Limited	-	88,806,577.97
Others	19,491,837.00	17,494,236.33
Total	163,561,272.00	247,848,314.30

(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.	10,362,585.00	130,559,435.00	-	The intention of holding is neither for sale nor profits in short-term	N/A
Lac Assal Investment Holding Company Limited	-	6,127,068.35	6,127,068.35	The intention of holding is neither for sale nor profits in short-term	Transformed to an associate
Others	580,175.11	6,648,872.81	(1,742,907.19)	The intention of holding is neither for sale nor profits in short-term	East Aden Holding Company Limited transformed to an associate
Total	10,942,760.11	143,335,376.16	4,384,161.16		

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

14. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at FVTPL	2,385,363,537.39	2,087,872,081.94
Including: Investments in equity instruments	2,385,363,537.39	2,087,872,081.94
Including: Ningbo Zhoushan Port Co., Ltd.(A shares)	1,548,914,671.20	1,361,414,474.58
Qingdao Port International Co., Ltd.	820,263,917.11	603,681,045.90
Others	16,184,949.08	122,776,561.46

15. 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 2019	28,632,130.84	6,292,605,806.72	6,321,237,937.56
2.Increase in the current year	77,095,361.98	5,744,045.30	82,839,407.28
(1) Changes in consolidation scope	77,095,361.98	-	77,095,361.98
(2) Other increase	-	5,744,045.30	5,744,045.30
3.Decrease in the current year	-	6,611,400.00	6,611,400.00
4. Balance at 31 December 2019	105,727,492.82	6,291,738,452.02	6,397,465,944.84
II.Accumulated depreciation and amortisation			
1. Balance at 1 January 2019	15,495,791.85	415,595,156.20	431,090,948.05
2.Increase in the current year	15,756,720.44	190,883,555.47	206,640,275.91
(1) Provision for the year	2,134,718.70	188,283,452.16	190,418,170.86
(2)Changes in consolidation scope	13,622,001.74	-	13,622,001.74
(3) Other increase	-	2,600,103.31	2,600,103.31
3. Decrease in the current year	-	527,953.52	527,953.52
4. Balance at 31 December 2019	31,252,512.29	605,950,758.15	637,203,270.44
III.Impairment provision			
1. Balance at 1 January 2019	-	-	-
2. Increase in the current year	-	-	-
3. Decrease in the current year	-	-	-
4. Balance at 31 December 2019	-	-	-
IV. Book value			
1. At 31 December 2019	74,474,980.53	5,685,787,693.87	5,760,262,674.40
2. At 1 January 2019	13,136,338.99	5,877,010,650.52	5,890,146,989.51

(2) Investment properties without ownership certificates

Unit: RMB

Item	Closing balance	Opening balance
Buildings and land use rights	40,255,588.09	43,119,291.89

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

16. Fixed assets

16.1 Summary of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	27,519,109,906.41	22,994,155,151.43
Disposal of fixed assets	852,622.88	35,729.00
Total	27,519,962,529.29	22,994,190,880.43

16.2 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 31 December 2018	21,835,237,866.98	1,148,966,435.46	10,592,156,358.16	1,368,265,652.07	34,944,626,312.67
Add: Changes in accounting policy	(5,228,720,859.19)	(133,330,274.56)	(262,585,213.34)	(38,350,000.00)	(5,662,986,347.09)
2. Balance at 1 January 2019	16,606,517,007.79	1,015,636,160.90	10,329,571,144.82	1,329,915,652.07	29,281,639,965.58
3. Increase for the year	10,705,981,160.20	610,385,510.98	3,540,091,808.12	744,710,073.31	15,601,168,552.61
(1) Purchase	57,330,774.88	4,509,444.69	133,011,962.46	20,136,360.22	214,988,542.25
(2) Transfer from development expenditure	-	-	203,539.84	-	203,539.84
(3) Transfer from construction in progress	2,178,289,357.84	31,634,640.06	754,826,891.92	84,474,509.55	3,049,225,399.37
(4) Transfer from other non-current assets	-	-	52,470,573.84	-	52,470,573.84
(5) Effect of changes in the scope of consolidation	8,470,361,027.48	574,241,426.23	2,599,578,840.06	640,099,203.54	12,284,280,497.31
4. Decrease for the year	454,021,361.06	8,842,438.62	197,980,656.97	46,814,646.40	707,659,103.05
(1) Disposal or retirement	290,094,629.69	4,866,167.52	194,751,763.03	46,814,646.40	536,527,206.64
(2) Transfer to investment properties	-	3,976,271.10	-	-	3,976,271.10
(3) Transfer to held for sale assets	163,926,731.37	-	3,228,893.94	-	167,155,625.31
5. Effect of changes in foreign exchange	(23,249,228.12)	2,513,708.28	16,395,624.54	11,405,782.06	7,065,886.76
6. Balance at 31 December 2019	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
II. Accumulated depreciation					
1. Balance at 31 December 2018	4,947,169,556.44	247,180,241.42	6,183,431,342.23	515,226,508.99	11,893,007,649.08
Add: Changes in accounting policy	(79,532,929.29)	(6,255,609.41)	(130,447,881.14)	(28,100,712.71)	(244,337,132.55)
2. Balance at 1 January 2019	4,867,636,627.15	240,924,632.01	6,052,983,461.09	487,125,796.28	11,648,670,516.53
3. Increase for the year	3,000,601,209.37	162,942,162.21	1,905,806,501.71	382,573,252.12	5,451,923,125.41
(1) Provision	779,035,162.75	55,401,978.88	749,519,583.33	97,050,501.54	1,681,007,226.50
(2) Effect of changes in the scope of consolidation	2,221,566,046.62	107,540,183.33	1,156,286,918.38	285,522,750.58	3,770,915,898.91
4. Decrease for the year	270,361,688.78	6,129,923.93	187,507,185.22	36,724,765.35	500,723,563.28
(1) Disposal or retirement	171,504,010.93	3,529,820.62	184,704,078.66	36,724,765.35	396,462,675.56
(2) Transfer to investment properties	-	2,600,103.31	-	-	2,600,103.31
(3) Transfer to held for sale assets	98,857,677.85	-	2,803,106.56	-	101,660,784.41
5. Effect of changes in foreign exchange	(2,145,974.27)	718,710.53	4,889,844.24	2,107,868.19	5,570,448.69
6. Balance at 31 December 2019	7,595,730,173.47	398,455,580.82	7,776,172,621.82	835,082,151.24	16,605,440,527.35
III. Impairment provision					
1. Balance at 31 December 2018	57,419,468.96	-	44,043.20	-	57,463,512.16
Add: Changes in accounting policy	-	-	-	-	-
2. Balance at 1 January 2019	57,419,468.96	-	44,043.20	-	57,463,512.16
3. Increase for the year	-	-	201,355.98	-	201,355.98
(1) Effect of changes in the scope of consolidation	-	-	201,355.98	-	201,355.98
4. Decrease for the year	-	-	-	-	-
5. Balance at 31 December 2019	57,419,468.96	-	245,399.18	-	57,664,868.14
IV. Book value					
1. Book value at 31 December 2019	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. Book value at 31 December 2018	16,830,648,841.58	901,786,194.04	4,408,680,972.73	853,039,143.08	22,994,155,151.43

(2) The Group has no fixed assets that are temporarily idle as at 31 December 2019.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Fixed assets - continued

16.2 Fixed assets - continued

(3) Fixed assets leased out under operating leases

Unit: RMB

Item	Book value at 31 December 2019	Book value at 31 December 2018
Buildings	312,602,129.37	242,804,849.53
Port and terminal facilities	12,233,139.52	844,843,802.95
Machinery and equipment, furniture and fixture and other equipment	63,964.98	139,712.96
Motor vehicles and cargo ships	17,754.72	-
Total	324,916,988.59	1,087,788,365.44

(4) Fixed assets without ownership certificates

Unit: RMB

Item	Book value at 31 December 2019	Book value at 31 December 2018
Buildings, port and terminal facilities	1,652,483,135.07	1,590,990,468.38

(5) Other issues

Unit: RMB

Item	Amount	Remark
Cost of fixed assets fully depreciated but still in use as at 31 December 2019	2,791,308,996.03	
Cost of fixed assets temporarily idle as at 31 December 2019	-	
Fixed assets disposed and retired for the year:		
Cost of fixed assets disposed and retired	536,527,206.64	
Net value of fixed assets disposed and retired	140,064,531.08	
Profit or loss on disposal or retirement of fixed assets	(17,700,058.28)	

15.3 Disposal of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Machinery and equipment, furniture and fixture and other equipment	848,410.93	23,079.00
Motor vehicles and cargo ships	4,211.95	12,650.00
Total	852,622.88	35,729.00

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. Construction in progress

17.1 Summary of construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	6,318,389,715.70	5,499,426,090.06
Materials for construction of fixed assets	15,751,726.18	-
Total	6,334,141,441.88	5,499,426,090.06

17.2 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	5,713,564,853.28	787,181.96	5,712,777,671.32	4,104,748,962.75	-	4,104,748,962.75
Berths and yards	296,933,093.52	-	296,933,093.52	1,023,331,798.30	-	1,023,331,798.30
Infrastructure	175,423,610.37	-	175,423,610.37	40,000,912.00	-	40,000,912.00
Ship under construction	80,042,167.50	-	80,042,167.50	22,985,373.73	-	22,985,373.73
Others	53,213,172.99	-	53,213,172.99	308,359,043.28	-	308,359,043.28
Total	6,319,176,897.66	787,181.96	6,318,389,715.70	5,499,426,090.06	-	5,499,426,090.06

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. Construction in progress - continued

17.2 Construction in progress - continued

(2) The top ten balances of construction in progress

Unit: RMB

Item	Budget amount	1 January 2019	Increase for the year	Effect of changes in scope of consolidation	Transfer to fixed assets	Other decreases for the year	Effect of changes in foreign exchange	31 December 2019	Proportion of accumulated construction investment in budget (%)	Construction progress (%)	Amount of accumulated capitalized interest	Including: capitalized interest for the year	Interest capitalization rate for the current year (%)	Capital source
Reconstruction project of container, oil terminal and tank area, HIPG	2,822,177,972.30	1,384,261,784.70	-	-	-	-	22,794,017.60	1,407,055,802.30	49.86	49.86	-	-	-	Self-funding
Guangao project Phase II, Shantou Port	2,200,000,000.00	1,250,245,755.45	499,044,891.68	-	342,477,489.06	2,573,371.44	-	1,404,239,786.63	79.51	79.51	13,447,553.66	-	-	Self-funding and loan
Reconstruction project of Berth 1#-4#, Haixing Wharf	2,851,020,136.97	417,326,228.14	641,663,530.85	-	-	-	-	1,058,989,758.99	37.14	37.14	5,806,750.96	5,806,750.96	3.92	Self-funding and loan
Project of Grain Dispatch Warehouse at Berth2#, 3# Phase III, Machong Port	620,000,000.00	54,800,647.68	266,398,210.78	-	-	-	-	321,198,858.46	51.81	51.81	16,955.56	16,955.56	4.36	Self-funding and loan
Donghaidao port wharf project, Zhanjiang Port	905,348,400.00	-	48,487,590.17	206,058,139.11	-	-	-	254,545,729.28	28.12	28.12	20,489,781.20	9,105,325.34	4.79	Self-funding and loan
Xiashan port general wharf project, Zhanjiang Port	737,975,100.00	-	169,495,671.06	64,813,237.96	-	-	-	234,308,909.02	31.75	31.75	2,865,473.23	2,865,473.23	4.79	Self-funding and loan
CICT Machinery equipment procurement project	209,216,238.00	-	204,067,723.49	-	-	-	2,006,393.85	206,074,117.34	98.50	98.50	-	-	-	Self-funding
Petrifaction old tank area reconstruction, Phase I, Zhanjiang Port	218,378,500.00	-	1,994,027.62	176,989,605.30	-	-	-	178,983,632.92	81.96	81.96	5,024,262.73	-	-	Self-funding and loan
Baoman Port container wharf extension project, Phase I, Zhanjiang Port	2,412,810,000.00	-	49,802,533.11	105,892,965.68	-	-	-	155,695,498.79	6.45	6.45	964,740.46	964,740.46	4.79	Self-funding and loan
Baoman stuffing and destuffing service area, Phase I Project, Zhanjiang Port	606,521,505.83	-	9,554,950.43	124,474,810.57	-	-	-	134,029,761.00	22.10	22.10	16,689,500.56	-	-	Self-funding and loan
Total	13,583,447,853.10	3,106,634,415.97	1,890,509,129.19	678,228,758.62	342,477,489.06	2,573,371.44	24,800,411.45	5,355,121,854.73			65,305,018.36	18,759,245.55		

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. Construction in progress - continued

17.3 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	15,751,726.18	-	15,751,726.18	-	-	-

18. 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
I. Cost						
1. Balance at 31 December 2018						
Add: Changes in accounting policy	5,696,887,745.03	181,521,736.13	264,518,199.73	38,350,000.00	2,603,500,288.84	8,784,777,969.73
2. Balance 1 January 2019	5,696,887,745.03	181,521,736.13	264,518,199.73	38,350,000.00	2,603,500,288.84	8,784,777,969.73
3. Increase for the year	906,090,446.15	7,691,430.56	503,167,422.04	7,620,740.24	198,170,427.78	1,622,740,466.77
(1) Purchase	43,133,738.23	7,691,430.56	6,340,687.53	-	191,746,689.11	248,912,545.43
(2) Effect of changes in the scope of consolidation	862,956,707.92	-	496,826,734.51	7,620,740.24	6,423,738.67	1,373,827,921.34
4. Decrease for the year	1,707,585.07	5,202,400.95	-	-	-	6,909,986.02
(1) Termination of lease	1,707,585.07	5,202,400.95	-	-	-	6,909,986.02
5. Effect of changes in foreign exchange	88,131,920.50	2,195,653.48	39,678.18	-	44,408,750.58	134,776,002.74
6. Balance at 31 December 2019	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
II. Accumulated depreciation						
1. Balance at 31 December 2018						
Add: Changes in accounting policy	154,346,605.87	17,282,119.00	130,582,116.30	28,100,712.71	173,772,354.97	504,083,908.85
2. Balance 1 January 2019	154,346,605.87	17,282,119.00	130,582,116.30	28,100,712.71	173,772,354.97	504,083,908.85
3. Increase for the year	222,180,410.17	19,985,432.77	100,981,272.43	2,848,243.48	46,784,440.48	392,779,799.33
(1) Provision	211,794,077.31	19,985,432.77	51,419,032.74	709,088.28	44,978,579.62	328,886,210.72
(2) Increase for changes in the scope of consolidation	10,386,332.86	-	49,562,239.69	2,139,155.20	1,805,860.86	63,893,588.61
4. Decrease for the year	356,556.12	447,016.56	-	-	-	803,572.68
(1) Termination of lease	356,556.12	447,016.56	-	-	-	803,572.68
5. Effect of changes in foreign exchange	2,669,904.40	160,165.93	8,353.91	-	3,160,503.02	5,998,927.26
6. Balance at 31 December 2019	378,840,364.32	36,980,701.14	231,571,742.64	30,948,956.19	223,717,298.47	902,059,062.76
III. Impairment provision						
1. Balance at 31 December 2018						
Add: Changes in accounting policy						
2. Balance 1 January 2019						
3. Increase for the year	-	-	-	-	-	-
4. Decrease for the year	-	-	-	-	-	-
5. Balance at 31 December 2019	-	-	-	-	-	-
IV. Book value						
1. Book value at 31 December 2019	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. Book value at 31 December 2018						

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Right-of-use assets - continued

(2) Amount recognized in profit or loss

Unit: RMB

Category	Amount incurred in the current period
Depreciation expenses of right-of-use assets(Note 1)	328,886,210.72
Interest expenses on lease liabilities (Note 2)	106,836,843.78
Expenses for short-term leases	58,919,264.88
Expenses for leases of low value assets	-
Variable lease payments not included in the measurement of lease liabilities(Note 3)	-
Revenue from sublease of right-of-use assets	19,572,976.50

Note 1: No depreciation expenses of right-of-use assets is capitalized in 2019.

Note 2: No interest expenses of lease liabilities are capitalized in 2019.

Note 3: No variable lease payments were included in the measurement of lease liabilities in 2019.

(3) The total cash outflows in relation to leases for the current year amounting to RMB 526,621,689.64.

(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	5-9 years
Others	2-99 years

(5) The Group has an option to purchase port and terminal facilities, machinery and equipment and cargo ships at the end of the extension period at a rate that is below market rates.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19. Intangible assets

(1) Summary of intangible assets

Unit: RMB

Items	Land use rights	Terminal management rights	Others	Total
I. Total original carrying amount				
1. Balance at 31 December 2018	13,097,878,517.45	10,511,520,659.11	1,124,069,969.28	24,733,469,145.84
Add: Changes of accounting policies	(1,813,694,115.71)	-	-	(1,813,694,115.71)
2. Balance at 1 January 2019	11,284,184,401.74	10,511,520,659.11	1,124,069,969.28	22,919,775,030.13
3. Increase in the current year	4,019,959,533.26	11,544,709.16	108,916,766.14	4,140,421,008.56
(1) Purchase	-	11,544,709.16	70,770,763.15	82,315,472.31
(2) Effect of changes in the scope of consolidation	4,016,895,872.22	-	36,305,792.10	4,053,201,664.32
(3) Other increase	3,063,661.04	-	1,840,210.89	4,903,871.93
4. Decrease in the current year	1,985,834,473.13	7,943,452.72	3,937,120.86	1,997,715,046.71
(1) Disposal	931,377,542.00	-	-	931,377,542.00
(2) Transfer to held-for-sale assets (Note 1)	137,535,397.65	-	-	137,535,397.65
(3) Other decrease (Note 2)	916,921,533.48	7,943,452.72	3,937,120.86	928,802,107.06
5. Effect of changes in foreign exchange	6,364,192.81	(291,366,046.68)	(80,792,488.12)	(365,794,341.99)
6. Balance at 31 December 2019	13,324,673,654.68	10,223,755,868.87	1,148,257,126.44	24,696,686,649.99
II. Accumulated amortization				
1. Balance at 31 December 2018	2,433,897,714.42	1,268,696,311.70	269,857,075.18	3,972,451,101.30
Add: Changes of accounting policies	(15,125,513.56)	-	-	(15,125,513.56)
2. Balance at 1 January 2019	2,418,772,200.86	1,268,696,311.70	269,857,075.18	3,957,325,587.74
3. Increase in the current year	786,821,200.60	238,624,029.70	93,471,339.77	1,118,916,570.07
(1) Accrual of amortization	326,408,082.24	238,624,029.70	67,594,658.22	632,626,770.16
(2) Effect of changes in the scope of consolidation	460,413,118.36	-	25,876,681.55	486,289,799.91
4. Decrease in the current year	49,669,959.62	-	891,025.77	50,560,985.39
(1) Disposal	35,043,949.41	-	-	35,043,949.41
(2) Transfer to held-for-sale assets	14,626,010.21	-	-	14,626,010.21
(3) Other increase	-	-	891,025.77	891,025.77
5. Effect of changes in foreign exchange	5,228,241.48	(25,835,819.75)	(2,102,498.26)	(22,710,076.53)
6. Balance at 31 December 2019	3,161,151,683.32	1,481,484,521.65	360,334,890.92	5,002,971,095.89
III. Total provision for impairment losses				
1. Balance at 31 December 2018	-	-	-	-
Add: Changes of accounting policies	-	-	-	-
2. Balance at 1 January 2019	-	-	-	-
3. Increase in the current year	-	-	-	-
4. Decrease in the current year	-	-	-	-
5. Balance at 31 December 2019	-	-	-	-
IV. Total book value				
1. Book value at 31 December 2019	10,163,521,971.36	8,742,271,347.22	787,922,235.52	19,693,715,554.10
2. Book value at 31 December 2018	10,663,980,803.03	9,242,824,347.41	854,212,894.10	20,761,018,044.54

Note 1: Details are set out in Note (V) 6.4 (2).

Note 2: 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 Ansuje Terminal Services (Shenzhen) Co., Ltd. ("ASJ"). Details are set out in Note (X) 5 (6).

(2) Land use rights without ownership certificates on 31 December 2019:

Unit: RMB

Item	Book value at this year end	Book value at last year end
Land use rights	1,163,098,978.96	1,383,494,095.83

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20. Development expenses

Unit: RMB

Item	1/1/2019	Changes in the scope of consolidation	Increase in the current year	Decrease in the current year			31/12/2019
				Transfer to intangible assets	Transfer to fixed assets	Transfer to profit or loss for the year	
Crude oil unit train loading equipment key technology research	-	1,826,780.56	14,004,176.18	-	-	-	15,830,956.74
CMPort terminals information sharing platform	-	-	8,606,646.27	-	-	8,606,646.27	-
Intelligent monitoring system at Shekou Custom	-	-	8,601,073.24	-	-	8,601,073.24	-
R&D of automation-based and intelligence-based overall IT solution for container terminal	-	-	6,583,130.94	-	-	6,583,130.94	-
Electronic bill of lading (loaded container from other terminals)	-	-	5,076,107.10	-	-	5,076,107.10	-
Mazut, diesel, petrol, methanol process automatic control system development and application	-	-	4,834,850.03	-	-	-	4,834,850.03
SCT OOG self-service access gate	-	-	4,624,600.00	-	-	4,624,600.00	-
Knoe hanger supporting wheel modification	-	-	4,224,000.00	-	-	4,224,000.00	-
Automatic distribution and identification of seals	-	-	4,416,000.00	-	-	4,416,000.00	-
Onshore bridge equipment repairing auxiliary system based on mobile application technology	-	-	4,080,000.00	-	-	4,080,000.00	-
Others	-	13,141,526.26	82,871,568.99	1,434,483.16	203,539.84	77,641,786.74	16,733,285.51
Total	-	14,968,306.82	147,922,152.75	1,434,483.16	203,539.84	123,853,344.29	37,399,092.28

21. Goodwill

(1) Carrying amount of goodwill

Unit: RMB

Investee	1/1/2019	Increase	Decrease	Effect of changes in foreign exchange	31/12/2019
TCP Participações S.A. ("TCP")	4,284,229,939.11	-	-	(737,763,462.93)	3,546,466,476.18
Mega Shekou Container Terminals Limited	1,815,509,322.42	-	-	-	1,815,509,322.42
China Merchants Port Holdings Company Limited("CMPort")	993,992,000.00	-	-	-	993,992,000.00
Shantou Port	552,317,736.65	-	-	-	552,317,736.65
Zhanjiang Port (Note)	-	418,345,307.68	-	-	418,345,307.68
Shenzhen Mawan Project	408,773,001.00	-	-	-	408,773,001.00
Others (Note)	281,073,843.17	7,182,007.71	-	-	288,255,850.88
Total	8,335,895,842.35	425,527,315.39	-	(737,763,462.93)	8,023,659,694.81

Note: The increase in the current year mainly represent the goodwill arising from the Group's acquisitions of Zhanjiang Port and Guangdong Zhanjiang Port Longteng Shipping Co., Ltd. ("Longteng Shipping") respectively in February 2019 and December 2019. Details are set out in Note (VI) 1.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21. Goodwill - continued

(2) Information of assets group or portfolio of assets group to which the goodwill belongs

The Group takes the ability to independently generate cash inflows, manage the way of production and operation activities (mainly by geographic areas) and unified decision on the use and disposal of the assets as the criteria to determine assets group or portfolio of assets group, and performs impairment test of goodwill for the assets group or portfolio of assets group as determined. As at 31 December 2019, the assets group or portfolio of assets group determined by the Group include: TCP; Mega Shekou Container Terminals Limited, including Shekou Container Terminals Ltd., Shenzhen Lianyunjie Container Terminals Co., Ltd., Anxunjie Container Terminals (Shenzhen) Co., Ltd.; CMPort; Shantou Port; Zhanjiang port; Shenzhen Mawan Project, including Shenzhen Mawan Port Waterway Co., Ltd., Shenzhen Mawan Port Services Co., Ltd. and Shenzhen Magang Cangma Co., Ltd.

(3) Impairment test of goodwill and key parameters

When testing the goodwill for impairment, the Group compares the carrying amount of related assets group and portfolio of assets group (including goodwill) with the recoverable amount. If the recoverable amount is less than the carrying amount, the difference is included in profit or loss for the period. The Group determines the recoverable amount of the assets group and portfolio of assets group that generate goodwill at fair value less cost of disposal or at present value of expected future cash flows. The fair value is determined using market approach. The present value of cash flows is estimated based on the forecast of cash flows for five-to-ten-year detailed forecast period and subsequent forecast period. The estimated future cash flows for the detailed forecast period are based on the business plan established by the management; the expected future cash flows for the subsequent forecast period are determined in conjunction with the level of the final year of the detailed forecast period, combined with the Group's business plans, industry trends and inflation rates. The growth rate adopted will not exceed the long-term average growth rate of the country where the assets group and portfolio of assets group are located. The key assumptions used by the Group in estimating the present value of future cash flows include growth in business volume, gross profit margin and discount rate etc. The discount rate and the growth rate for subsequent forecasted period adopted in 2019 are around 9.40%-12.3% and 3% respectively. The parameters of key assumptions determined by the Group's management are in line with the Group's historical experience or external source of information.

(4) Effect of impairment test of goodwill

After the test, the Group's management considers that any reasonable change in above assumptions will not result in the circumstance that the carrying amount of the assets group and portfolio of assets group is higher than the recoverable amount, therefore it is not necessary to make provision for impairment of goodwill.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. Long-term prepaid expenses

Unit: RMB

Item	1/1/2019	Effect of changes in the scope of consolidation	Increase in the current period	Amortization in the current period	Other decrease	31/12/2019
Tonggu channel widening project (Note 1)	164,567,384.97	-	390,445,093.47	21,333,123.01	8,163,265.59	525,516,089.84
Relocation project of Nanhai Rescue Bureau	40,107,549.49	-	-	1,057,781.52	-	39,049,767.97
Expenditures for the improvement of leased fixed assets	21,163,538.17	-	153,528.33	1,447,327.28	2,090,855.04	17,778,884.18
West port area public channel widening project (Note 2)	-	-	81,488,690.28	1,018,601.68	-	80,470,088.60
Others	9,867,964.58	2,630,870.77	43,327,480.45	6,730,134.72	-	49,096,181.08
Total	235,706,437.21	2,630,870.77	515,414,792.53	31,586,968.21	10,254,120.63	711,911,011.67

Note 1: This represent 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 born by the enterprise and government on 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 represent 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 born by the enterprise and government on 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.

23. 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	805,528,482.59	196,545,362.77	-	-
Depreciation of fixed assets	108,244,052.41	27,227,981.18	22,036,522.49	4,514,995.56
Deductible losses	79,034,267.56	19,758,566.89	86,136,992.42	23,604,794.05
Provision for credit loss	71,636,378.50	17,881,386.96	32,805,128.88	8,213,219.45
Provisions	60,976,862.88	16,601,394.38	19,470,820.00	6,620,078.85
Deferred income	40,272,757.15	9,737,699.40	50,033,346.52	11,382,687.30
Amortization of computer software	13,630,227.66	3,407,556.91	16,453,443.95	4,113,360.99
Organization costs	10,905,997.08	2,726,499.27	14,386,394.26	3,287,938.27
Provision for impairment losses of assets	1,918,890.31	479,722.58	2,258,081.96	481,468.22
Others	29,120,031.36	6,069,331.93	17,635,287.26	4,489,614.50
Total	1,221,267,947.50	300,435,502.27	261,216,017.74	66,708,157.19

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23. Deferred tax assets and deferred tax liabilities - continued

(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	24,219,415,080.67	1,735,339,232.65	17,819,027,902.41	1,138,273,886.12
Fair value adjustment of assets acquired by business combination	7,989,044,772.81	1,812,240,254.17	6,415,001,869.22	1,431,954,458.35
Changes in fair value of other equity investments	1,434,338,833.65	186,123,245.82	930,040,371.21	105,285,399.58
Changes in fair value of other non-current financial assets	731,584,120.16	166,830,773.03	754,359,502.42	174,592,634.60
Depreciation of fixed assets	140,659,435.00	35,164,858.75	136,717,500.00	34,179,375.00
Others	110,838,382.96	26,054,384.75	114,027,794.35	26,789,187.62
Total	34,625,880,625.25	3,961,752,749.17	26,169,174,939.61	2,911,074,941.27

(3) Deferred tax assets or liabilities that are 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	-	300,435,502.27	-	66,708,157.19
Deferred tax liabilities	-	3,961,752,749.17	-	2,911,074,941.27

(4) Details of unrecognized deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	503,037,805.60	237,418,074.51
Deductible losses	2,289,500,649.57	1,291,865,454.88
Total	2,792,538,455.17	1,529,283,529.39

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.

(5) Deductible losses for unrecognized deferred tax assets will be expired in the following years:

Unit: RMB

Year	Closing balance	Opening balance
2019	-	132,642,333.11
2020	182,809,604.33	110,359,740.81
2021	244,394,853.17	151,793,398.29
2022	615,440,669.35	320,679,566.41
2023	745,889,729.49	576,351,741.67
2024	500,926,253.51	-
No expiration date	39,539.72	38,674.59
Total	2,289,500,649.57	1,291,865,454.88

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24. 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	-
Advances of channel project (Note 2)	896,848,920.76	-
Prepayments of land use rights	132,334,704.86	175,908,026.15
Prepayments of fixed assets	90,186,071.12	174,039,051.91
Prepayments of terminal franchise	30,356,842.78	30,383,609.79
Others	16,354,705.03	14,860,798.13
Total	2,082,965,467.04	395,191,485.98

Note 1: Details are set out in Note (X) 5(6).

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.

25. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance (restarted)
Credit loan	9,439,099,793.47	3,427,365,512.21

(2) At 31 December 2019, the Group has no short-term borrowings that were overdue.

26. Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance	2,529,389.61	-
Commercial acceptance	73,926,559.40	-
Total	76,455,949.01	-

27. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Construction fee	173,811,112.97	115,371,240.88
Material purchase	146,969,853.48	76,365,058.49
Service fee	133,134,547.67	132,946,488.81
Equipment payments	15,947,499.80	659,317.15
Rental fee	13,897,329.66	10,564,893.93
Others	107,352,122.81	93,213,691.71
Total	591,112,466.39	429,120,690.97

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. Accounts payable - continued

(2) Significant accounts payable aged more than one year

Unit: RMB

Item	Amount	Reason for outstanding
Shenzhen Land and Resources Bureau	21,642,795.50	The government planning project has not been completed, and the certificates of property rights has not been processed.

28. Receipts in advance

(1) Summary of receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Rental fee receipt in advance	13,409,679.80	5,536,804.56
Service fee receipt in advance	10,500,836.06	23,038,672.44
Others	4,916,171.51	595,232.86
Total	28,826,687.37	29,170,709.86

(2) There is no significant receipts in advance aged more than one year at the end of the year

29. Contract liabilities

(1) Summary of contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Port charges received in advance	63,954,147.44	11,657,235.81
Service fee received in advance	17,396,130.82	24,353,966.50
Warehousing fee received in advance	-	8,705,589.57
Others	4,480,724.26	5,277,103.62
Total	85,831,002.52	49,993,895.50

(2) Items with significant change in carrying amount and reason for the change

Unit: RMB

Item	Amount of change	Reason for the change
Port charges received in advance	52,296,911.63	Fulfilling the performance obligations and inclusion of Zhanjiang Port in the scope of consolidation

(3) There is no significant contract liabilities aged more than one year at the end of the year.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

29. Contract liabilities - continued

(4) 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.

(5) Revenue recognized in the current period and included in the opening carrying amount of contract liabilities

An amount of RMB 39,037,511.27 included in the book value of contract liabilities at the beginning of 2019 has been recognized as revenue in the current year, including contract liabilities arising from settled but unfinished construction resulting from the contract of receipt of service fee in advance amounting to RMB 14,405,439.86, contract liabilities arising from settled but unfinished construction resulting from the contract of receipt of port charges in advance amounting to RMB 11,385,355.28, and contract liabilities arising from settled but unfinished construction resulting from the contract of receipt of warehousing fee in advance amounting to RMB 8,449,390.82 as well as contract liabilities arising from settled but unfinished construction resulting from other contracts amounting to RMB 4,797,325.31.

30. Employee benefits payable

(1) Details of employee benefits payable are as follows

Unit: RMB

Item	1/1/2019	Effect of changes in the scope of consolidation	Increase in the current year	Decrease in the current year	31/12/2019
1. Short-term benefits	431,714,138.23	74,046,373.76	2,505,176,428.76	2,380,580,326.31	630,356,614.44
2. Post-employment benefits – defined contribution plan	2,286,649.91	-	224,339,253.53	221,610,579.66	5,015,323.78
3. Termination benefits	-	-	14,610,713.62	14,610,713.62	-
4. Others	(511,232.74)	-	6,662,872.93	6,804,793.77	(653,153.58)
Total	433,489,555.40	74,046,373.76	2,750,789,268.84	2,623,606,413.36	634,718,784.64

(2) Short-term benefits

Unit: RMB

Item	1/1/2019	Effect of changes in the scope of consolidation	Increase in the current year	Decrease in the current year	31/12/2019
I. Wages and salaries, bonuses, allowances and subsidies	409,390,929.61	72,201,271.35	2,077,766,550.89	1,954,494,382.02	604,864,369.83
II. Staff welfare	-	-	120,257,663.25	120,257,663.25	-
III. Social insurance charges	5,145,526.57	-	115,987,499.06	111,496,252.60	9,636,773.03
Including: Medical insurance	4,418,339.26	-	91,570,250.51	87,671,544.82	8,317,044.95
Work injury insurance	-	-	8,645,779.35	8,645,779.35	-
Maternity insurance	-	-	5,831,448.10	5,831,448.10	-
Others	727,187.31	-	9,940,021.10	9,347,480.33	1,319,728.08
IV. Housing funds	-	-	141,006,740.13	141,006,740.13	-
V. Labor union and employee education funds	17,166,673.76	1,845,102.41	38,809,767.71	41,966,072.32	15,855,471.56
VI. Other short-term benefits	11,008.29	-	11,348,207.72	11,359,215.99	0.02
Total	431,714,138.23	74,046,373.76	2,505,176,428.76	2,380,580,326.31	630,356,614.44

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

30. Employee benefits payable - continued

(3) Defined contribution plan

Unit: RMB

items	1/1/2019	Effect of changes in the scope of consolidation	Increase in the current year	Decrease in the current year	31/12/2019
I. Basic pension	1,620,436.89	-	181,593,596.57	178,313,764.59	4,900,268.87
II. Unemployment insurance	551,158.12	-	3,229,973.30	3,781,131.41	0.01
III. Enterprise annuity plan	115,054.90	-	39,515,683.66	39,515,683.66	115,054.90
Total	2,286,649.91	-	224,342,871.98	221,614,198.11	5,015,323.78

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.

31. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	1,843,381,355.01	271,954,754.74
VAT	11,377,223.08	8,200,265.65
Others	43,317,764.65	65,028,402.03
Total	1,898,076,342.74	345,183,422.42

32. Other payables

(1) Summary of other payables

Unit: RMB

Item	Closing balance	Opening balance (restated)
Interest payable	-	-
Dividends payable	150,286,550.81	66,052,207.09
Other payables	2,073,468,127.15	1,624,072,694.20
Total	2,223,754,677.96	1,690,124,901.29

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

32. Other payables - continued

(2) Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Ordinary share dividends	150,286,550.81	66,052,207.09
Including: Modern Terminals Limited	58,156,000.00	-
Yihai Kerry Arawana Cereals, Oils and Foodstuffs Co. Ltd.	37,402,426.09	37,402,426.09
Sri Lanka Ports Authority	31,392,997.47	-
Soifer Participações Societárias S.A.	14,141,088.03	-
Pattac Empreendimentos e Participações S.A.	4,597,020.40	-
Tuc Participacoes Portuarias S.A.	4,597,018.82	-
Sinotrans South China Co., Ltd.	-	25,949,781.00
Qingdao Port (Group) Co., Ltd.	-	2,700,000.00

As at 31 December 2019, the dividend payable with aging over one year amounts to RMB 37,402,426.09 which represents 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	1,053,340,753.66	660,870,685.70
Deposits	162,460,889.01	149,705,612.54
Customer discount	117,736,418.62	128,787,894.63
Prepaid expenses	110,741,377.48	140,305,423.54
Port construction and security fee	58,732,330.62	62,255,593.38
Balance of land use rights transfer	14,538,738.00	93,258,350.90
Others	555,917,619.76	388,889,133.51
Total	2,073,468,127.15	1,624,072,694.20

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

32. 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
Shanghai Zhenhua Heavy Industries Co., Ltd.	60,656,174.48	Equipment failed to meet the acceptance standards
CCCC Fourth Harbor Engineering Co., Ltd.	41,820,223.83	Project not yet approved by a third party
CCCC Third Harbor Engineering Co., Ltd.	37,314,702.00	Project not yet approved by a third party
Shantou Transportation Bureau	31,358,355.47	To be paid after confirmation by mutual parties
Zhanjiang Transportation Bureau	23,247,472.05	Balance of advances
China Merchants Real Estate (Shenzhen) Co., Ltd.	20,762,053.30	Quality warranty, the contracted settlement condition has not been reached
Qingdao Maritime Bureau	20,713,982.12	Port construction fee not yet settled
CCCC-FHDI Engineering Co., Ltd.	16,985,103.50	Performance of contract not yet completed
Shenzhen Municipal Special Fund for Development of Bulk Cement	12,238,226.14	Collection of dividends payments etc.
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.	8,175,706.55	Performance of contract not yet completed
Harman Technology (Shenzhen) Co., Ltd.	5,884,632.48	The contracted settlement condition has not been reached
Total	320,313,105.54	

33. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance (restated)
Long-term loans due within one year	2,954,701,198.90	1,974,288,010.22
Including: Credit loan	1,294,054,756.85	389,974,981.60
Guaranteed loan	1,119,153,332.94	1,109,331,175.51
Mortgage loan	541,493,109.11	474,981,853.11
Bonds payable due within one year	1,889,505,167.46	785,481,781.86
Long-term payable due within one year	61,107,722.82	30,635,607.84
Long-term employee benefits payable due within one year	31,950,000.00	19,100,000.00
Lease liabilities due within one year	341,240,327.95	
Other non-current liabilities due within one year	825,835,439.66	87,465,615.05
Total	6,104,339,856.79	2,896,971,014.97

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

34. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance (restated)
Short-term bonds payable	712,345,315.07	206,349,863.00
Accrued professional agency fee	143,346,356.53	116,064,056.75
Joint venture loan	-	241,927,341.05
Others	30,264,910.03	44,668,324.00
Total	885,956,581.63	609,009,584.80

Changes of short-term bonds payable:

Unit: RMB

Name of bond	Face value	Date of issue	Term of the bond	Amount of issue	1/1/2019	Effect of changes in the scope of consolidation	Amount issued in the current year	Interest accrued based on par value	Discount or premium amortization	Repayment in the current year	31/12/2019
4.73%, RMB 200 million, Super & Short-term Commercial Paper	200,000,000.00	24/04/2018	267 days	200,000,000.00	206,349,863.00	-	-	570,191.79	-	206,920,054.79	-
3.08%, RMB 700 million, Super & Short-term Commercial Paper	700,000,000.00	04/06/2019	270 days	700,000,000.00	-	-	700,000,000.00	12,345,315.07	-	-	712,345,315.07
2.98%, RMB 300 million, Super & Short-term Commercial Paper	300,000,000.00	04/06/2019	180 days	300,000,000.00	-	-	300,000,000.00	4,396,721.31	-	304,396,721.31	-
5.70%, RMB 300 million, Super & Short-term Commercial Paper	300,000,000.00	16/05/2018	272 days	300,000,000.00	-	312,325,273.97	-	324,041.10	-	312,649,315.07	-
5.97%, RMB 300 million, Super & Short-term Commercial Paper	300,000,000.00	04/06/2018	272 days	300,000,000.00	-	311,914,102.74	-	1,334,390.41	-	313,248,493.15	-
3.80%, RMB 300 million, Super & Short-term Commercial Paper	300,000,000.00	18/01/2019	277 days	300,000,000.00	-	300,437,260.27	-	7,995,616.45	-	308,432,876.72	-
Total	2,100,000,000.00			2,100,000,000.00	206,349,863.00	924,676,636.98	1,000,000,000.00	26,966,276.13	-	1,445,647,461.04	712,345,315.07

35. Long-term borrowings

(1) Classification of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance (restated)
Credit borrowings	3,368,772,302.71	2,047,087,456.97
Guaranteed borrowings (Note 1)	2,857,916,427.61	3,676,678,040.09
Mortgage borrowings (Note 2)	3,041,748,008.91	3,222,002,355.34
Total	9,268,436,739.23	8,945,767,852.40
Less: Long-term borrowings due within one year	2,954,701,198.90	1,974,288,010.22
Including: Credit borrowings	1,294,054,756.85	389,974,981.60
Guaranteed borrowings	1,119,153,332.94	1,109,331,175.51
Mortgage borrowings	541,493,109.11	474,981,853.11
Long-term borrowings due after one year	6,313,735,540.33	6,971,479,842.18

During the year, the annual interest rate of the borrowing ranges from 1.20% to 5.89%.

Note1: The loan was guaranteed by China Merchants International (China) Investment Co., Ltd., JYRT and China Merchants Port Development (Shenzhen) Co., Ltd. ("CMPD").

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

35. Long-term borrowings - continued

(1) Classification of long-term borrowings - continued

Note 2: As at 31 December 2019, the Group obtained the long-term loan of RMB 3,028,877,614.16 (31 December 2018: RMB 3,194,255,164.03) 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.

Details of mortgage borrowings are as follows:

Unit: RMB

Company name	Closing balance	Opening balance (restated)	Collateral
China Development Bank Corporation	1,358,129,654.07	1,568,189,186.18	The Group's entire equity in Colombo International Container Terminals Limited
International Finance Corporation	449,103,214.20	530,954,660.44	The Group's entire equity in Thesar Maritime Limited
African Development Bank	206,294,203.06	243,879,424.87	
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.	169,887,745.22	200,892,936.34	
The Opec Fund For International Development	145,656,886.91	172,142,912.47	
Societe de Promotion et de Participation pour la Cooperation Economique S.A.	145,613,216.49	172,210,289.61	
Deutsche Investitions-und Entwicklungsgesellschaft MBH	121,392,394.29	143,457,150.91	Land use rights, fixed assets and construction in progress of Yide Port (see note (V) 62)
China Construction Bank Shunde Branch	184,264,872.07	190,275,794.52	
Bank of China Qianhai Shekou Branch	241,388,867.03	-	
China Merchants Bank Dongguan Branch	20,016,955.57	-	Sea area use rights of Dongguan Chiwan Warf Co., Ltd. (see note (V) 62)
Total	3,041,748,008.91	3,222,002,355.34	

36. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance (restated)
4.375%, USD 900 million corporate bond	6,349,018,876.27	6,235,321,752.65
5.000%, USD 600 million corporate bond	4,218,874,981.43	4,145,346,424.65
4.750%, USD 500 million corporate bond	3,541,255,065.51	3,481,200,658.82
5.000%, USD 500 million corporate bond	3,500,281,169.59	3,437,038,919.01
4.890%, USD 2,500 million corporate bond	2,585,072,602.74	2,585,072,602.74
3.500%, USD 200 million corporate bond	1,414,333,247.34	1,389,033,618.74
IPCA + 7.8164%, BRL 428 million corporate bond	810,150,534.24	783,774,548.64
4.980%, RMB 400 million corporate bond	401,200,657.53	-
5.150%, RMB 500 million corporate bond	-	524,651,558.48
2.970%, RMB 300 million corporate bond	-	301,508,794.53
Total	22,820,187,134.65	22,882,948,878.26
Less: Bonds payable due within one year	1,889,505,167.46	785,481,781.86
Bonds payable due after one year	20,930,681,967.19	22,097,467,096.40

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

36. 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	1/1/2019	Effect of changes in scope of consolidation	Amount issued in the current year	Interest accrued based on par value	Discount or premium amortization	Repayment in the current year	Effect of changes in foreign exchange	31/12/2019
4.375%, USD 900 million corporate bond	USD 900,000,000.00	06/08/2018	5 years	USD 900,000,000.00	6,235,321,752.65	-	-	272,014,148.70	9,090,007.51	272,014,148.70	104,607,116.11	6,349,018,876.27
5.000%, USD 600 million corporate bond	USD 600,000,000.00	06/08/2018	10 years	USD 600,000,000.00	4,145,346,424.65	-	-	207,248,875.20	4,177,721.93	207,248,875.20	69,350,834.85	4,218,874,981.43
4.750%, USD 500 million corporate bond	USD 500,000,000.00	03/08/2015	10 years	USD 500,000,000.00	3,481,200,658.82	-	-	164,072,026.13	2,156,660.73	164,072,026.20	57,897,746.03	3,541,255,065.51
5.000%, USD 500 million corporate bond	USD 500,000,000.00	04/05/2012	10 years	USD 500,000,000.00	3,437,038,919.01	-	-	172,707,396.00	6,040,527.71	172,707,396.00	57,201,722.87	3,500,281,169.59
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	-	-	122,250,000.00	-	122,250,000.00	-	2,585,072,602.74
3.500%, USD 200 million corporate bond	USD 200,000,000.00	03/08/2015	5 years	USD 200,000,000.00	1,389,033,618.74	-	-	48,358,070.88	2,184,832.77	48,358,070.88	23,114,795.83	1,414,333,247.34
IPCA+7.8164%, BRL 428 million corporate bond	BRL 428,047,000.00	07/11/2016	6 years	BRL 428,047,000.00	783,774,548.64	-	-	95,782,430.65	11,483,036.38	64,633,265.91	(16,256,215.52)	810,150,534.24
4.980%, RMB 400 million corporate bond	RMB 400,000,000.00	10/12/2018	3 years	RMB 400,000,000.00	-	402,892,493.15	-	18,228,164.38	-	19,920,000.00	-	401,200,657.53
5.150%, RMB 500 million corporate bond	RMB 500,000,000.00	06/02/2018	3 years	RMB 500,000,000.00	524,651,558.48	-	-	1,070,098.17	-	525,721,656.65	-	-
2.970%, RMB 300 million corporate bond	RMB 300,000,000.00	11/10/2016	3 years	RMB 300,000,000.00	301,508,794.53	-	-	6,932,712.28	468,493.19	308,910,000.00	-	-
Total					22,882,948,878.26	402,892,493.15	-	1,108,663,922.39	35,601,280.22	1,905,835,439.54	295,916,000.17	22,820,187,134.65
Less: Bonds payable due within one year					785,481,781.86							1,889,505,167.46
Bonds payable due after one year					22,097,467,096.40							20,930,681,967.19

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

37. Lease liabilities

Unit: RMB

Category	Closing balance	Opening balance
Lease payment	2,934,104,267.67	
Unrecognized financing cost	(945,733,971.11)	
Total	1,988,370,296.56	
Less: Lease liabilities due within one year	341,240,327.95	
Lease liabilities due after one year	1,647,129,968.61	

38. Long-term payables

(1) Summary of long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	1,447,802,228.74	1,285,984,226.34
Special payables	548,550,497.29	38,841,499.68
Total	1,996,352,726.03	1,324,825,726.02
Less: Long-term payables due within one year	61,107,722.82	30,635,607.84
Long-term payables due after one year	1,935,245,003.21	1,294,190,118.18

(2) Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Terminal management rights (Note 1)	881,239,309.85	823,360,554.03
Payable to minority shareholders of subsidiaries (Note 2)	407,092,971.69	390,658,146.52
Borrowings from related parties (Note 3)	150,000,000.00	-
Financing lease payments	-	71,965,525.79
Others	9,469,947.20	-
Total	1,447,802,228.74	1,285,984,226.34
Less: Long-term payables due within one year	61,107,722.82	30,635,607.84
Long-term payables due after one year	1,386,694,505.92	1,255,348,618.50

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 31 December 2019, the amount is RMB 881,239,309.85.

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%.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

38. 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. The leased assets represent the front 80 meters hydraulic project main body assets of section A and section B under the Xiamen Port Houshi port area No. 3 general berth project. According to the agreement, after the lessee has settled all the liabilities under the contract, it is entitled to purchase the leased assets at the nominal price of RMB 100 (inclusive of VAT). 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 31 December 2019, the carrying amount of the mortgaged land use rights is RMB 121,585,300.20.

(3) Special payables

Unit: RMB

Item	1/1/2019	Increase in the current year	Effect of changes in the scope of consolidation	Decrease in the current year	31/12/2019	Reason
Refunds of Harbor Construction Fee	36,061,435.67	78,708.90	510,107,118.35	900,794.60	545,346,468.32	Note 1
Employee housing fund	2,780,064.01	423,964.96	-	-	3,204,028.97	Note 2
Total	38,841,499.68	502,673.86	510,107,118.35	900,794.60	548,550,497.29	

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

39. 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)	454,383,940.25	385,323,310.21
Termination benefits	49,048,198.38	9,101,817.44
Total	503,432,138.63	394,425,127.65
Less: Long-term employee benefits payable due within one year	31,950,000.00	19,100,000.00
Long-term employee benefits payable due after one year	471,482,138.63	375,325,127.65

(2) Changes of defined benefits plan

Present value of defined benefits plan obligation:

Unit: RMB

Item	2019	2018
I. Opening balance	385,323,310.21	358,010,123.90
II. Defined benefits cost included in profit or loss for the period	25,714,051.83	10,313,678.43
1. Current service cost	10,244,780.50	2,163,678.43
2. Past service cost	(180,000.00)	(7,460,000.00)
3. Interest adjustment	15,649,271.33	15,610,000.00
III. Defined benefits cost included in other comprehensive income	(1,513,131.31)	34,693,502.67
1. Actuarial gains (losses)	(1,552,580.61)	34,562,392.88
2. Effect of exchange rate changes	39,449.30	131,109.79
IV. Other changes	44,859,709.52	(17,693,994.79)
1. Benefits paid	(31,910,290.48)	(17,693,994.79)
2. Changes in the scope of consolidation	76,770,000.00	-
V. Closing balance	454,383,940.25	385,323,310.21

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

40. Provisions

Unit: RMB

Item	Closing balance	Opening balance	Reason
Estimated expenses on Shangtou Port land acquisition and reservation	45,897,100.00	-	
Sales discount	15,265,697.07	15,480,571.55	
Pending litigation (Note)	15,079,762.88	19,470,820.72	Note
Total	76,242,559.95	34,951,392.27	

Note: This represent the estimated compensation amount that the Company's subsidiary TCP may need to pay due to the pending litigation.

41. Deferred income

Unit: RMB

Item	1/1/2019	Increase in the current year	Effect of changes in the scope of consolidation	Decrease in the current year	31/12/2019
Government grants	228,658,214.64	503,152,280.00	452,418,582.19	37,903,296.88	1,146,325,779.95
Unrealized sale-and-leaseback income	-	-	1,902,769.80	475,692.58	1,427,077.22
Total	228,658,214.64	503,152,280.00	454,321,351.99	38,378,989.46	1,147,752,857.17

Items involving government grants are as follows:

Unit: RMB

Liabilities	1/1/2019	Increase	Effect of changes in the scope of consolidation	Recognized in Other comprehensive income	31/12/2019	Related to assets /related to income
Refund from marine reclamation land	-	-	392,906,557.65	17,736,737.26	375,169,820.39	Related to assets
Tonggu channel widening project (Note)	-	282,311,343.28	-	5,881,486.48	276,429,856.80	Related to assets
West port area public channel widening project (Note)	-	217,588,656.72	-	967,832.04	216,620,824.68	Related to assets
Modern logistics special funds	115,360,000.04	-	-	639,999.96	114,720,000.08	Related to assets
Terminal subsidy	47,775,000.00	-	-	1,224,999.96	46,550,000.04	Related to assets
Appropriation for harbor dues on cargo	-	-	22,819,438.96	504,043.87	22,315,395.09	Related to assets
Port construction subsidy	-	1,000,000.00	20,946,639.06	847,305.47	21,099,333.59	Related to assets
Qianwan Bonded Logistics Park Project	15,304,301.08	200,000.00	-	1,077,251.84	14,427,049.24	Related to assets
Subsidized grain transfer project subsidy	8,142,857.12	-	-	285,714.29	7,857,142.83	Related to assets
Central budgetary support for bulk grain transfer terminal projects	7,472,916.67	-	-	212,500.00	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	6,748,036.42	-	-	961,620.72	5,786,415.70	Related to assets
Oil to electricity project	6,017,089.67	-	-	784,837.92	5,232,251.75	Related to assets
War readiness tug special fund	-	-	4,425,000.00	206,250.00	4,218,750.00	Related to assets
Bonded logistics center industry informatization development special fund	-	-	2,690,000.00	110,000.00	2,580,000.00	Related to assets
Automated terminal operation and dispatching system special support project	5,162,470.31	-	-	2,915,508.74	2,246,961.57	Related to assets
War readiness portal crane subsidy	1,855,895.24	-	-	262,008.73	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	2,737,023.07	-	-	1,679,085.80	1,057,937.27	Related to assets
Green low carbon port project	1,403,900.02	-	-	421,170.00	982,730.02	Related to assets
Others	10,678,725.00	552,280.00	1,818,226.52	1,184,943.80	11,997,007.72	
Total	228,658,214.64	503,152,280.00	452,418,582.19	37,903,296.88	1,146,325,779.95	

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

41. Deferred income - continued

Note: According to the reply from Ministry of Transportation, Shenzhen West Port Area Tonggu Channel 240-270 Meters Widening project, Shenzhen West Port Area West Public Channel Section I 240-270 Meters Widening Project and Shenzhen West Port Area West Public Channel Section II and III 240-270 Meters Widening Project have been included in the National "13th Five-year Plan for Water Transport". As of 31 December 2019, the Ministry of Transportation has appropriated relevant subsidies of RMB 499,900,000 to the Company's subsidiaries.

42. Other non-current liabilities

Unit: RMB

c	Closing balance	Opening balance
TCP operating rights liability (Note 1)	3,326,952,857.86	3,260,547,002.45
Obligation to minority shareholders due to acquisition (Note 2)	732,733,351.01	579,195,304.56
Berth priority call right (Note 3)	20,664,537.64	25,305,830.90
Total	4,080,350,746.51	3,865,048,137.91
Less: Other non-current liabilities due within one year	825,835,439.66	87,465,615.05
Including: TCP operating rights liability	93,102,088.65	87,465,615.05
Obligation to minority shareholders due to acquisition	732,733,351.01	-
Other non-current liabilities due after one year	3,254,515,306.85	3,777,582,522.86

Note 1: As at 23 February 2018, CMPort, a subsidiary of the Company, acquired a 90% stake in TCP and incorporate it into the consolidated financial statements of the Group. TCP has operation right the port of paranagua up to 2048. At 31 December 2019, the payment to acquire the port operation rights is calculated based on local comprehensive price index.

Note 2: In February 2018, CMPort, a subsidiary of the Company, acquired a 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 the BRL 320 million (whichever is higher) after two years. Therefore, the Group recognizes the total amount of obligations related to the purchase of minority interests as liabilities.

Note 3: 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 2019, the amount included in operating income is RMB 4,641,293.26.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

43. Share capital

Unit: RMB

Item	Opening balance	Changes for the year					Closing balance
		New issue of share (note)	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	
2019							
I. Restricted tradable shares							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	-	128,952,746.00	-	-		128,952,746.00	128,952,746.00
3. Other domestic shares (Note)	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	128,952,746.00	-	-	(42,554.00)	128,910,192.00	1,277,770,996.00
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	128,952,746.00	-	-	-	128,952,746.00	1,922,365,124.00
2018							
I. Restricted tradable shares							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-
3. Other domestic shares	160,106.00	-	-	-	52,050.00	52,050.00	212,156.00
4. Foreign shares	-	1,148,648,648.00	-	-	-	1,148,648,648.00	1,148,648,648.00
Total restricted tradable shares	160,106.00	1,148,648,648.00	-	-	52,050.00	1,148,700,698.00	1,148,860,804.00
II. Non-restricted tradable shares							
1. Ordinary shares denominated in RMB	464,859,300.00	-	-	-	(3,976.00)	(3,976.00)	464,855,324.00
2. Foreign capital shares listed domestically	179,744,324.00	-	-	-	(48,074.00)	(48,074.00)	179,696,250.00
3. Foreign capital shares listed overseas	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total non-restricted tradable shares	644,603,624.00	-	-	-	(52,050.00)	(52,050.00)	644,551,574.00
III. Total shares	644,763,730.00	1,148,648,648.00	-	-	-	1,148,648,648.00	1,793,412,378.00

Note: In October 2019, the Company issued 128,952,746 shares of ordinary shares tailed for Shenzhen Infrastructure Investment Fund Partnership (LLP) and Sino-Africa Development Fund Co., Ltd. at the price of RMB17.16 per share.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

44. Capital Reserve

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
2019				
Capital premium	19,429,694,090.05	2,770,861,727.22	16,957,921.94	22,183,597,895.33
Including: Capital contributed by investors (note 1)	4,954,397,136.25	2,058,595,347.69	-	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 2)	-	419,130,116.03	-	419,130,116.03
Others (Note 3)	1,164,197,108.39	293,136,263.50	16,957,921.94	1,440,375,449.95
Other capital Reserve	(2,781,133.00)	129,059,971.90	13,391,266.88	112,887,572.02
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	-	129,059,971.90	13,391,266.88	115,668,705.02
Others (Note 3)	-	-	-	-
Total	19,426,912,957.05	2,899,921,699.12	30,349,188.82	22,296,485,467.35
2018				
Capital premium	18,848,680,489.20	1,164,197,108.39	583,183,507.54	19,429,694,090.05
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	13,894,283,352.95	-	583,183,507.54	13,311,099,845.41
Others	-	1,164,197,108.39	-	1,164,197,108.39
Other capital Reserve	(2,781,133.00)	-	-	(2,781,133.00)
Including: Transfer from capital reserve under the previous accounting system	(2,781,133.00)	-	-	(2,781,133.00)
Total	18,845,899,356.20	1,164,197,108.39	583,183,507.54	19,426,912,957.05

Note 1: The increase in the year mainly represents the premium of the shares issued by the Company.

Note 2: The increase in the year mainly represents the dividends from the Company's share in CMPort which is obtained in the form of scrip dividends, i.e. the portion of change in minority interests. Details are set out in Note (VII)1(2).

Note 3: The increase in the year primarily represents the difference between the disposal price of equity of Xinda Resources Limited held by the Company's subsidiary CMPort and the share of net assets of the subsidiary corresponding to the disposal of the long-term equity investments continuously calculated since the date of acquisition, which is CNY 221,549,814.91. The company Details are set out in Note (VII)2(1).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Other comprehensive income

Unit: RMB

Item	Opening balance	2019						Less: Other comprehensive income carried forward to retained earnings	Closing balance
		Pre-tax amount for the year	Less: Amount included in other comprehensive income in the prior periods transferred to profit or loss this year	Less: Income tax expense	Post-tax income attributable to the parent company owner	Post-tax income attributable to minority shareholders	Impact of business combination involving enterprises under common control		
2019:									
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	75,673,134.08	19,605,662.56	-	985,483.75	9,090,184.52	9,529,994.29	-	1,793,560.33	82,969,758.27
Including: Changes arising from remeasurement of defined benefits plan	-	1,552,580.61	-	-	1,069,722.83	482,857.78	-	-	1,069,722.83
Other comprehensive income that can't be transferred to profit or loss under equity method	-	13,161,546.95	-	-	4,830,921.62	8,330,625.33	-	-	4,830,921.62
Changes in fair value of other equity instruments	75,673,134.08	4,891,535.00	-	985,483.75	3,189,540.07	716,511.18	-	1,793,560.33	77,069,113.82
II. Other comprehensive income that will be reclassified subsequently to profit or loss	13,252,844.49	(1,114,906,073.32)	-	-	(452,167,168.67)	(662,738,904.65)	-	-	(438,914,324.18)
Including: Other comprehensive income that may be transferred to profit or loss under equity method	100,000.00	(146,982,017.86)	-	-	(59,050,164.54)	(87,931,853.32)	-	-	(58,950,164.54)
Translation differences of financial statements denominated in foreign currencies	13,152,844.49	(967,924,055.46)	-	-	(393,117,004.13)	(574,807,051.33)	-	-	(379,964,159.64)
Total other comprehensive income	88,925,978.57	(1,095,300,410.76)	-	985,483.75	(443,076,984.15)	(653,208,910.36)	-	1,793,560.33	(355,944,565.91)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

45. Other comprehensive income - continued

Unit: RMB

Item	Opening balance	2019						Less: Other comprehensive income carried forward to retained earnings	Closing balance
		Pre-tax amount for the year	Less: Amount included in other comprehensive income in the prior periods transferred to profit or loss this year	Less: Income tax expense	Post-tax income attributable to the parent company owner	Post-tax income attributable to minority shareholders	Impact of business combination involving enterprises under common control		
2018:									
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	(742,874,052.89)	(127,586,823.04)	-	1,125,715.00	(48,671,312.79)	(80,041,225.25)	867,218,499.76	-	75,673,134.08
Including: Changes arising from remeasurement of defined benefits plan	-	(20,136,880.35)	-	-	(7,943,999.30)	(12,192,881.05)	7,943,999.30	-	-
Other comprehensive income that can't be transferred to profit or loss under equity method	-	(116,954,783.85)	-	-	(46,138,662.23)	(70,816,121.62)	46,138,662.23	-	-
Changes in fair value of other equity instruments	(742,874,052.89)	9,504,841.16	-	1,125,715.00	5,411,348.74	2,967,777.42	813,135,838.23	-	75,673,134.08
II. Other comprehensive income that will be reclassified subsequently to profit or loss	13,252,844.49	333,315,323.72	-	-	90,449,399.81	242,865,923.91	(90,449,399.81)	-	13,252,844.49
Including: Other comprehensive income that may be transferred to profit or loss under equity method	100,000.00	(20,157,413.77)	-	-	(7,952,099.73)	(12,205,314.04)	7,952,099.73	-	100,000.00
Translation differences of financial statements denominated in foreign currencies	13,152,844.49	353,472,737.49	-	-	98,401,499.54	255,071,237.95	(98,401,499.54)	-	13,152,844.49
Total other comprehensive income	(729,621,208.40)	205,728,500.68	-	1,125,715.00	41,778,087.02	162,824,698.66	776,769,099.95	-	88,925,978.57

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

46. Special reserve

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
2019:				
Production safety reserve	8,231,080.43	108,062,435.41	103,906,781.14	12,386,734.70
2018:				
Production safety reserve	4,767,373.45	24,165,961.75	20,702,254.77	8,231,080.43

47. Surplus reserve

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
2019:				
Statutory surplus reserve	527,175,908.67	103,169,398.76	-	630,345,307.43
2018:				
Statutory surplus reserve	520,074,434.56	7,101,474.11	-	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.

48. Unappropriated profit

Unit: RMB

Item	Amount	Proportion of appropriation or allocation
2019:		
Unappropriated profit at the end of prior year before adjustment	8,915,817,110.21	
Adjustment of total unappropriated profit at the beginning of year	(41,018,077.68)	Note 1
Unappropriated profit at the beginning of year after adjustment	8,874,799,032.53	
Add: Net profit attributable to shareholders of the Company for the year	2,898,192,168.84	
Less: Appropriation to statutory surplus reserve	1,793,560.33	
Appropriation to discretionary surplus reserve	103,169,398.76	
Appropriation to general risk reserve	-	
Ordinary shares' dividends payable	204,449,011.09	Note 2
Ordinary shares' dividends converted into share capital	-	
Unappropriated profit at the end of the year	11,467,166,351.85	

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

48. Unappropriated profit - continued

Unit: RMB

Item	Amount	Proportion of appropriation or allocation
2018:		
Unappropriated profit at the end of prior year before adjustment	3,566,083,142.17	
Adjustment of total unappropriated profit at the beginning of year	5,716,548,113.47	
Unappropriated profit at the beginning of year after adjustment	9,282,631,255.64	
Add: Net profit attributable to shareholders of the Company for the year	1,090,418,910.77	
Less: Appropriation to statutory surplus reserve	7,101,474.11	
Appropriation to discretionary surplus reserve	-	
Appropriation to general risk reserve	-	
Ordinary shares' dividends payable	850,443,359.86	
Ordinary shares' dividends converted into share capital	-	
Others	599,688,222.23	
Unappropriated profit at the end of the year	8,915,817,110.21	

Note 1: As set out in Note (III)34, the Group reduced the unappropriated profit at the beginning of the year by RMB41,018,077.68 due to the impact of changes of accounting policies.

Note 2: According to the resolution of shareholders meeting on 20 May 2019, the Company distributes cash dividends of RMB 1.14 (inclusive of tax) for every 10 shares, totaling to RMB204,449,011.09 on the basis of the total shares of 1,793,412,378 shares at the end of 2018.

Note 3: Profit distribution after the balance sheet date

According to the profit distribution plan for 2019, approved by the 9th board of directors at the 7th meeting on 14 April 2020, the Company, based on the total shares of 1,922,365,124 on the 31 December 2019, would distribute cash dividends at a amount of RMB884,287,957.04. The above profit distribution plan has yet been approved by shareholders meeting.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

49. 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	11,958,482,255.05	7,425,898,430.33	9,570,796,336.11	5,517,782,669.86
Other operating	165,347,168.69	223,022,489.38	132,598,286.47	221,458,726.01
Total	12,123,829,423.74	7,648,920,919.71	9,703,394,622.58	5,739,241,395.87

(2) Revenue from contracts

Unit: RMB

Categories of contracts	Ports operation	Bonded logistics operation	Other operation	Total
Mainland China, Hong Kong and Taiwan area	8,310,009,620.17	396,670,343.38	165,347,168.69	8,872,027,132.24
- Pearl River Delta	5,196,613,368.06	267,511,586.97	165,347,168.69	5,629,472,123.72
- Yangtze River Delta	-	-	-	-
- Bohai Rim	65,287,182.79	129,158,756.41	-	194,445,939.20
- Other areas	3,048,109,069.32	-	-	3,048,109,069.32
Other countries	3,237,062,565.69	14,739,725.81	-	3,251,802,291.50
Total	11,547,072,185.86	411,410,069.19	165,347,168.69	12,123,829,423.74

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(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) 40. The Group's revenue contract does not have significant financing components.

- (4) At the end of the year, the variable consideration of RMB15,265,697.07 (31 December 2018: RMB15,480,571.55) arising from sales discount is not included in the transaction price due to the restriction requirements relating to variable considerations.

50. Taxes and levies

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Property tax	45,998,786.01	50,993,199.89
Land use tax	32,116,936.18	15,095,001.85
City construction and maintenance tax	6,188,074.98	5,258,434.33
Stamp duty	4,948,743.36	45,775,414.65
Education surcharges and local education surcharges	4,866,915.60	4,059,161.54
Others (Note)	78,437,123.79	114,772,591.25
Total	172,556,579.92	235,953,803.51

Note: Others mainly represent (1) the tax levied by Program of Social Integration and Contribution for the Financing of Social Security against enterprises, amounting to BRL14,988,643.16 (equivalent to RMB 26,302,820.45); (2) Tax for services calculated based on the services rendered, amounting to BRL24,028,392.69 (equivalent to RMB42,166,224.91).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

51. Administrative expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Employee's salary	980,074,507.53	702,986,443.49
Depreciation expenses	74,954,306.82	42,634,581.68
Amortization of intangible assets	58,414,351.33	14,013,965.69
Fees paid to agencies	55,258,915.07	233,972,825.17
Others	340,818,500.91	258,257,859.42
Total	1,509,520,581.66	1,251,865,675.45

52. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest expense	2,018,175,947.65	1,672,764,416.74
Less: Capitalized interest expenses	35,175,196.89	38,663,084.94
Less: Interest income	252,060,018.58	272,453,293.86
Exchange differences	37,236,030.34	235,825,068.78
Handling fee	56,876,221.78	37,531,206.16
Others	4,379,909.45	8,413,790.07
Interest expenses of lease liabilities	106,836,843.78	
Total	1,936,269,737.53	1,643,418,102.95

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

53. Other income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Allocation of deferred income	37,903,296.88	9,551,510.74
Department of Commerce of Guangdong Province - Special funds for promoting economic development of Guangdong	20,970,000.00	-
Shenzhen Municipal Finance Committee – Foreign trade growth incentive fund	13,850,262.00	-
Additional deduction of VAT	13,268,318.27	-
Sri Lanka Hambantota Port project subsidies	10,278,619.72	-
Nanshan district modern logistics project support fund	8,094,400.00	3,000,000.00
Transport Bureau of Zhangzhou Development Zone port operation support subsidy	7,415,800.50	5,602,326.79
Refund of withholding taxes	6,903,526.71	2,334,770.36
Shenzhen Transportation Committee – key logistics enterprises finance subsidiary	6,019,100.00	-
Nanshan district independent innovation enterprise development special fund	5,561,600.00	-
Shenzhen Municipal Finance Committee 2019 equipment construction fee	5,448,613.20	-
Shenzhen Science and Technology Innovation Committee – R&D subsidy	4,241,000.00	5,411,000.00
Electricity subsidy	3,307,715.28	4,040,714.30
Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Administration – the first batch of headquarter enterprise contribution support fund for 2019	2,375,100.00	-
Xiamen Port Holding Group Co., Ltd. – 2018 incentive support fund	2,000,000.00	-
Steady post subsidies	1,985,363.23	476,958.57
Fujian Provincial Port and Shipping Development Special Fund	1,864,088.00	1,029,000.00
Special fund for foreign trade and economic development from central government (cross-border business management system based on big data service)	1,720,000.00	-
Fujian Development and Reform Commission – 3rd batch provincial demonstration logistics park subsidy	1,000,000.00	-
Special fund for promoting high-quality development of economy	1,000,000.00	-
Market Supervision Bureau Of Shenzhen – China quality awards nomination prize	1,000,000.00	-
Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Administration – Qianhai cooperation zone new trade development special fund	1,000,000.00	-
Shenzhen Municipal Finance Committee policy subsidy	-	5,767,400.00
Infrastructure construction investment of Central government – TCP port project (early stage work) subsidy	-	5,161,467.89
Subsidy for increasing the port's capacity of handling containers for 2017	-	3,500,000.00
Domestic trade containers handling capacity finance subsidy from Transportation Committee	-	1,999,631.00
Economy, Trade and Information Commission of Shenzhen Municipality – Subsidy of central government for 2017 foreign economic and trade development special fund (cross-border e-commerce type) (Trade clearance facilitation platform)	-	1,904,900.00
Others	4,894,309.31	6,400,447.99
Total	162,101,113.10	56,180,127.64

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

54. 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	3,727,850,763.22	3,913,864,538.60
Gains from remeasurement of previously held equity at fair value upon obtaining the control (Note)	845,432,476.22	-
Investment income on other non-current financial assets	127,790,790.54	45,661,915.63
Investment income on disposal of other non-current financial assets	(407,903.18)	
Dividend income on other equity instruments	10,942,760.11	8,228,975.00
Interest income on debt investments	20,352,987.67	-
Others	(112,788,119.16)	72,720.25
Total	4,619,173,755.42	3,967,828,149.48

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

Note: The income is mainly generated by the acquisition of Zhanjiang Port whose original equity was remeasured at fair value.

(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.	2,425,921,985.71	2,571,370,986.64	Changes in net profit of investee
Terminal Link SAS	280,560,341.83	357,885,181.99	Changes in net profit of investee
Nanshan Group	242,285,185.34	220,478,175.60	Changes in net profit of investee
Dalian Port Co., Ltd.	148,347,321.32	112,882,708.11	Changes in net profit of investee
Qingdao Qianwan United Container Terminal Co., Ltd.	142,602,575.17	141,704,248.41	Changes in net profit of investee
Ningbo Daxie Merchants International Wharf Co., Ltd.	120,498,548.83	102,956,377.59	Changes in net profit of investee
Euro-Asia Oceangate, S.a` r.l.	71,820,758.28	108,552,693.45	Changes in net profit of investee
China Overseas Harbour Affaris (Laizhou) Co., Ltd.	42,110,853.02	48,450,765.57	Changes in net profit of investee
Port of Newcastle	31,855,255.55	8,870,390.98	Changes in net profit of investee
Others	221,847,938.17	240,713,010.26	Changes in net profit of investee
Total	3,727,850,763.22	3,913,864,538.60	

55. 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	431,344,898.81	(948,440,538.45)
Including: Financial assets at fair value through profit or loss	431,344,898.81	(948,440,538.45)
Other non-current liabilities	(364,861,632.33)	(125,966,299.23)
Including: Financial liabilities at fair value through profit or loss	(364,861,632.33)	(125,966,299.23)
Total	66,483,266.48	(1,074,406,837.68)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

56. 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	(51,878,244.38)	3,102,192.00
II. Gains (losses) on impairment of credit of other receivables	1,682,076.71	(9,760,870.10)
III. Gains (losses) on impairment of credit of long-term receivables	(1,082,720.15)	(784,171.05)
IV. Others	1,029,478.05	(85,731.45)
Total	(50,249,409.77)	(7,528,580.60)

57. 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	25,051.16	-

58. 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 year
Gains on disposal of non-current assets	4,794,562,782.79	19,258,495.33	4,794,562,782.79
Including: Gains on disposal of fixed assets	6,759,787.47	18,151,195.97	6,759,787.47
Gains on disposal of intangible assets	1,108,671,001.98	-	1,108,671,001.98
Gains on disposal of construction in progress	47,902,373.19	-	47,902,373.19
Others	3,631,229,620.15	1,107,299.36	3,631,229,620.15

Note: The gains on disposal of assets mainly include:

- 1) On 30 October 2019, the Company's subsidiary Shantou Port signed the "Transfer Letter" with Shantou Land Reserve Center, returning the land around 133.61 mu and accompany buildings on the east of Zhuchi deepwater port and on the south of Zhongshan East Road of Shantou to the municipal government. According to the legal opinion, Shantou Port confirmed the completion of transfer of the land of 133.61 mu and accompany buildings, and recognized gains on compensation of assets amounting to RMB69,324,588.03.
- 2) The Company's subsidiary Shantou Port obtained received a compensation of RMB537,635,141.78 by returning its land parcels of 183.63 mu and accompany buildings at Zhuchi deepwater port on the south of Zhongshan East Road of Shantou to government. Details are set out in Note (V)6.4(2).
- 3) The Company's subsidiaries Antongjie Terminal Services (Shenzhen) Co., Ltd. ("ATJ") and Ansjie Terminal Services (Shenzhen) Co., Ltd. ("ASJ") obtained compensation of RMB4,193,314,004.68 by returning land parcels and its accompany buildings. Details are set out in Note (X)5(6).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

59. 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 year
Compensation obtained by minority shareholders (Note)	488,492,798.26	-	488,492,798.26
Compensation received for contracts violation	14,444,165.81	945,809.03	14,444,165.81
Exempted account currents	2,026,044.81	-	2,026,044.81
Insurance compensation received	-	540,000.00	-
Others	48,140,351.53	65,642,880.95	48,140,351.53
Total	553,103,360.41	67,128,689.98	553,103,360.41

Note: In August 2012, the Group acquired 50% equity of LCT held by Mediterranean Shipping Company S.A ("MSC") through its subsidiary Global Terminal Limited at the consideration of EUR150 million. According to the "Equity Acquisition Agreement", from 2014 to 2028, MSC provides LCT port with commitment of minimum quantity of containers through Global Terminal Limited, of which the performance is assessed every three years, and agrees on the compensation mechanism whenever the guaranteed quantity of containers is not satisfied. In 2019, the Group recognized compensation of RMB488,492,798.26 for the period from 2017 to 2019. As at 31 December 2019, the Group accumulatively recognized compensation of RMB866,629,494.55 of which RMB669,121,539.36 is not yet received.

60. 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
Donations	31,344,046.81	12,070,408.91	31,344,046.81
Losses on retirement of non-current assets	24,459,845.75	32,095,701.53	24,459,845.75
Compensation, liquidated damages and penalties	5,574,036.67	49,204,874.59	5,574,036.67
Others	9,074,083.17	31,660,313.54	9,074,083.17
Total	70,452,012.40	125,031,298.57	70,452,012.40

61. Income tax expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Current tax expenses	2,308,373,316.21	510,367,919.37
Deferred tax expenses	332,165,578.41	218,072,619.23
Total	2,640,538,894.62	728,440,538.60

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

61. Income tax expenses - continued

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

Item	Amount incurred in the current period
Accounting profit	10,807,456,167.82
Income tax expenses calculated at 25%	2,701,864,041.96
Effect of non-deductible cost, expenses and losses	261,705,254.04
Accrued income tax expenses	973,358,960.93
Effect of deductible temporary differences and deductible losses for which the deferred tax assets are not recognized in current period	136,262,425.91
Effect of tax-free income (Note)	(565,271,919.77)
Effect of tax incentives and changes of tax rate	(289,666,792.29)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(475,302,953.37)
Effect of utilizing deductible losses for which the deferred tax assets were not recognized in prior period	(76,090,943.14)
Effect of adjustments to prior-year income tax	(31,763,879.70)
Changes in the opening balance of deferred tax assets/ liabilities due to tax adjustments	5,366,646.17
Others	78,053.88
Income tax expenses	2,640,538,894.62

Note: This mainly represents the tax effect on investment income from joint venture and associates.

62. Assets with restricted ownership or use right

Unit: RMB

Item	Closing balance	Opening balance
Cash and bank balances (Note 1)	15,648,978.15	1,697,027,200.00
Equity investment in Colombo International Container Terminals Limited (Note 2)	1,591,452,920.23	1,526,241,901.61
Equity investment in Thesar Maritime Limited (Note 2)	799,684,707.77	767,331,789.70
Fixed assets (Note 3)	349,612,960.23	5,825,207,339.57
Intangible assets (Note 3)	345,131,760.52	161,408,030.71
Construction in progress (Note 3)	23,840,920.42	43,352,104.93
Total	3,125,372,247.32	10,020,568,366.52

Note 1: Details of restricted cash and bank balances are set out in Note (V) 1.

Note 2: Details of mortgaged equity and interests are set out in Note (V) 35.

Note 3: 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) 35 and Note (V) 38.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

63. Other comprehensive income

Details are set out in Note (V) 45.

64. 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
Government grants	614,567,707.23	50,797,838.32
Interest income	212,679,224.25	214,787,250.36
Guarantees and deposits	30,791,091.36	27,953,110.71
Rentals	16,310,934.86	13,313,831.31
Compensation from contracts	13,860,280.30	218,843,719.69
Insurance compensation	4,565,218.67	16,320,537.80
Harbor construction fee	2,803,216.00	96,876,815.04
Others	270,133,172.51	325,042,168.36
Total	1,165,710,845.18	963,935,271.59

(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.	201,645,233.00	255,069,427.76
Advance payment	177,076,380.78	155,172,493.64
Rentals	31,228,253.07	70,806,355.26
Port construction fee	26,478,534.06	83,269,723.00
Guarantees and deposits	20,638,334.19	16,514,731.00
Port charges	8,187,025.59	53,236,125.23
Harbour dues on cargo	3,138,152.55	2,668,097.85
Others	341,307,637.90	407,636,957.99
Total	809,699,551.14	1,044,373,911.73

(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 loans	1,018,695,828.48	120,500,000.00
Recovery of deposits restricted due to acquisition of Hambantota Port project	1,001,472,400.00	-
Net cash receipts from acquisition of subsidiaries and other operating units	845,457,228.45	-
Cash receipts for debt transfer	356,137,574.00	-
Recovery of principal of structured deposit that is not readily for withdrawal	314,000,000.00	-
Interest of structured deposits	-	36,115,992.14
Others	204,000.00	-
Total	3,535,967,030.93	156,615,992.14

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

64. Items in cash flow statement - continued

(4) Net cash payments for acquiring subsidiaries and other operating units

Unit: RMB

Item	Amount incurred in the current period
Cash and cash equivalents paid for business combination in the current year	375,334,390.00
Including: Zhanjiang port	375,334,390.00
Longteng Shipping	-
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	1,220,791,618.45
Including: Zhanjiang port	1,216,363,923.97
Longteng Shipping	4,427,694.48
Net cash payments for acquisition of subsidiaries	(845,457,228.45)
Including: Zhanjiang port	(841,029,533.97)
Longteng Shipping	(4,427,694.48)

(5) Net cash receipts from disposal of subsidiaries and other operating units

Unit: RMB

Item	Amount incurred in the current period
Cash and cash equivalent received in current period for disposal of subsidiaries in prior period	1,000,000.00
Including: China Merchants Warehousing (Shenzhen) Service Co., Ltd.	1,000,000.00

(6) Other cash payments relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Structured deposit that is not readily for withdrawal	1,610,000,000.00	695,000,000.00
Debt transfer payment	356,137,574.00	-
Related party borrowings	104,390,000.00	-
Supplementary payment of tax on significant assets restructuring	68,423,555.78	-
Deposits restricted due to acquisition of Hambantota Port project	-	965,644,000.00
Payment of income tax on disposal of other equity instruments	-	25,463,391.23
Total	2,138,951,129.78	1,686,107,391.23

(7) Other cash receipts relating to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Proceeds from disposal of equity of subsidiaries by CMPort	1,713,327,483.01	-
Proceeds from disposal of equity of the Company by CMPort	-	3,876,395,683.27
Total	1,713,327,483.01	3,876,395,683.27

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

64. Items in cash flow statement - continued

(8) Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Bonds issuance cost	6,600,000.00	104,284,657.11
Repayment of advances of shareholders	1,592,783.29	1,833,400.80
Lease payments	-	39,828,477.15
Others	34,391,014.26	250,000.00
Total	42,583,797.55	146,196,535.06

65. 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
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	8,166,917,273.20	2,885,914,753.96
Add: Provision for impairment losses of assets	(25,051.16)	-
Provision for impairment losses of credit	50,249,409.77	7,528,580.60
Depreciation of fixed assets	1,681,007,226.50	1,298,671,209.43
Depreciation of investment property	190,418,170.86	183,248,437.37
Depreciation of right-of-use assets	328,886,210.72	
Amortization of intangible assets	632,626,770.16	526,994,590.78
Amortization of long-term prepaid expenses	31,586,968.21	19,045,474.75
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(4,794,562,782.79)	(19,258,495.33)
Losses on retirement of fixed assets, intangible assets and other long-term assets	24,459,845.75	32,095,701.53
Losses (gains) on changes in fair value	(66,483,266.48)	1,074,406,837.68
Financial expenses	2,127,073,624.88	1,869,926,400.58
Investment loss (income)	(4,619,173,755.42)	(3,967,828,149.48)
Decrease (increase) in deferred tax assets	(191,905,933.39)	(24,282,252.12)
Increase in deferred tax liabilities	524,071,511.80	242,354,871.34
Decrease (increase) in inventories	(11,704,381.63)	(25,110,483.47)
Decrease (increase) in operating receivables	(2,391,266,937.99)	(261,424,216.35)
Increase in operating payables	3,819,698,512.95	446,292,163.57
Net cash flows from operating activities	5,501,873,415.94	4,288,575,424.84
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	-	-
Convertible bonds due within one year	-	-
Fixed assets acquired under finance leases	-	-
3. Net changes in cash and cash equivalents:		
Closing balance of cash	7,714,157,995.87	5,373,281,504.75
Less: Opening balance of cash	5,373,281,504.75	7,729,460,082.75
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	2,340,876,491.12	(2,356,178,578.00)

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**65. Supplementary information to the cash flow statement - continued****(2) Cash and cash equivalents**

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	7,714,157,995.87	5,373,281,504.75
Including: Cash on hand	331,305.65	349,650.07
Bank deposits	7,422,490,058.00	5,116,481,444.13
Other monetary funds	291,336,632.22	256,450,410.55
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	7,714,157,995.87	5,373,281,504.75

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

66. Foreign currency monetary items

Item	Closing balance of original currency	Exchange rate	Closing amount in RMB
Cash and bank balances			2,254,117,370.52
Including: HKD	24,556,034.06	0.8958	21,997,295.31
USD	210,842,987.16	6.9762	1,470,882,847.03
EUR	66,928,010.67	7.8155	523,075,867.39
RMB	238,161,360.79	1.0000	238,161,360.79
Accounts receivable			134,801,300.52
Including: HKD	6,121,974.82	0.8958	5,484,065.04
USD	4,590,551.69	6.9762	32,024,606.70
EUR	12,448,676.19	7.8155	97,292,628.78
Other receivables			561,195,430.79
Including: HKD	35,529,633.52	0.8958	31,827,445.71
USD	3,538,045.40	6.9762	24,682,112.32
EUR	32,766,909.72	7.8155	256,089,782.91
RMB	248,596,089.85	1.0000	248,596,089.85
Long-term receivables			9,800,295.76
Including: EUR	1,253,956.87	7.8155	9,800,295.76
Short-term borrowings			1,304,398,148.00
Including: HKD	540,743,634.74	0.8958	484,398,148.00
RMB	820,000,000.00	1.0000	820,000,000.00
Accounts payable			30,431,392.31
Including: HKD	3,086,706.06	0.8958	2,765,071.29
USD	50,041.20	6.9762	349,097.42
EUR	3,489,504.65	7.8155	27,272,223.60
RMB	45,000.00	1.0000	45,000.00
Other payables			574,112,167.24
Including: HKD	13,979,385.79	0.8958	12,522,733.79
USD	47,361,608.63	6.9762	330,404,054.12
EUR	18,525,508.27	7.8155	144,786,109.92
RMB	86,399,269.41	1.0000	86,399,269.41
Non-current liabilities due within one year			261,401,461.04
Including: EUR	33,446,543.54	7.8155	261,401,461.04
Long-term borrowings			1,254,199,485.00
Including: EUR	124,950,000.00	7.8155	976,546,725.00
USD	39,800,000.00	6.9762	277,652,760.00
Bonds payable			21,212,400,200.93
Including: RMB	2,500,000,000.00	1.0000	2,500,000,000.00
USD	2,682,319,916.42	6.9762	18,712,400,200.93
Long-term payables			1,940,107,556.84
Including: HKD	2,366,680.83	0.8958	2,120,072.69
USD	217,303,185.71	6.9762	1,515,950,484.15
EUR	54,000,000.00	7.8155	422,037,000.00

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

67. Government grants

Unit: RMB

Type	Amount	Item	Account	Amount included in profit or loss for the period
Related to assets	282,311,343.28	Tonggu channel widening project	Deferred income	-
Related to assets	217,588,656.72	West port area public channel widening project	Deferred income	-
Related to income	20,970,000.00	Department of Commerce of Guangdong Province - Special funds for promoting economic development of Guangdong	Other income	20,970,000.00
Related to income	13,850,262.00	Shenzhen Municipal Finance Committee – Foreign trade growth incentive fund	Other income	13,850,262.00
Related to income	13,268,318.27	Additional deduction of VAT	Other income	13,268,318.27
Related to income	10,278,619.72	Sri Lanka Hambantota Port project subsidies	Other income	10,278,619.72
Related to income	8,094,400.00	Nanshan district modern logistics project support fund	Other income	8,094,400.00
Related to income	7,415,800.50	Transport Bureau of Zhangzhou Development Zone port operation support subsidy	Other income	7,415,800.50
Related to income	6,903,526.71	Refund of withholding taxes	Other income	6,903,526.71
Related to income	6,019,100.00	Shenzhen Transportation Committee – Finance subsidiary for key logistics enterprises	Other income	6,019,100.00
Related to income	5,561,600.00	Nanshan district independent innovation enterprise development special fund	Other income	5,561,600.00
Related to income	5,448,613.20	Shenzhen Municipal Finance Committee 2019 equipment construction fee	Other income	5,448,613.20
Related to income	4,241,000.00	Shenzhen Science and Technology Innovation Committee – R&D subsidy	Other income	4,241,000.00
Related to income	3,307,715.28	Electricity subsidy	Other income	3,307,715.28
Related to income	2,375,100.00	Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Administration – the first batch of headquarter enterprise contribution support fund for 2019	Other income	2,375,100.00
Related to income	2,000,000.00	Xiamen Port Holding Group Co., Ltd. – 2018 incentive support fund	Other income	2,000,000.00
Related to income	1,985,363.23	Steady post subsidies	Other income	1,985,363.23
Related to income	1,864,088.00	Fujian Provincial Port and Shipping Development Special Fund	Other income	1,864,088.00
Related to income	1,720,000.00	Special fund for foreign trade and economic development from central government (cross-border business management system based on big data service)	Other income	1,720,000.00
Related to assets	1,500,000.00	Zhanjiang port bulk cargo production business management system	Deferred income	-

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

67. Government grants - continued

Unit: RMB

Type	Amount	Item	Account	Amount included in profit or loss for the period
Related to income	1,000,000.00	Fujian Development and Reform Commission – 3 rd batch provincial demonstration logistics park subsidy	Other income	1,000,000.00
Related to income	1,000,000.00	Special fund for promoting high-quality development of economy	Other income	1,000,000.00
Related to income	1,000,000.00	Market Supervision Bureau Of Shenzhen – China quality awards nomination prize	Other income	1,000,000.00
Related to income	1,000,000.00	Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Administration – Qianhai cooperation zone new trade development special fund	Other income	1,000,000.00
Related to assets	1,000,000.00	Port construction subsidy	Deferred income	-
Related to income	4,894,309.31	Others	Other income	4,894,309.31
Related to income	485,929.28	Others	Deferred income	485,929.28
Related to assets	752,280.00	Others	Deferred income	-
Total	627,836,025.50			124,683,745.50

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

68. Lease

Undiscounted lease receipts subsequent to the balance sheet date are as follows:

Unit: RMB

Maturity analysis of undiscounted lease receipts	31/12/2019
c	262,471,675.69
2 nd year subsequent to the balance sheet date	170,415,614.49
3 rd year subsequent to the balance sheet date	126,553,858.93
4 th year subsequent to the balance sheet date	94,901,695.84
5 th year subsequent to the balance sheet date	86,772,978.95
Subsequent years	415,842,560.49
Total	1,156,958,384.39

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 constitutes material risk of the Group.

Note 2: For 2019, the revenue relating to operating lease amounts to RMB260,445,597.84; 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

(1) Business combination not involving enterprises under common control for the year

Unit: RMB

Name of acquiree	Date on which the investment is acquired	Acquisition cost	Proportion of equity acquired (%)	Acquisition method	Acquisition date	Basis for determining the acquisition date	Acquiree's income from acquisition date to the end of the year	Acquiree's net profit from acquisition date to the end of the year
Zhanjiang port (Note 1)	3 February 2019	6,188,148,907.97	58.3549	Cash payment	3 February 2019	Transfer of control	2,306,530,651.61	75,720,720.11
Longteng Shipping (Note 2)	31 December 2019	77,485,870.00	70.00	Change of articles of association	31 December 2019	Transfer of control	-	-

Note 1: At 31 December 2018, China Merchants International Terminal (Zhanjiang) Co., Ltd., a subsidiary of the Company, holds 1,620,000,000 shares of ordinary shares of Zhanjiang Port, accounting for 40.2916% of the issued shares of Zhanjiang Port.

On 2 January 2019, the Company and Guangdong Sinotrans Co., Ltd. entered into the "Share Transfer Agreement on Zhanjiang Port (Group) Co., Ltd.", according to which the Company receives 201,034,548 shares of ordinary shares of Zhanjiang Port held by Guangdong Sinotrans Co., Ltd., accounting for 5% of the total issued shares of Zhanjiang Port at the date of the agreement. The consideration for the conversion is RMB375,334,390.00.

(VI) CHANGES IN SCOPE OF CONSOLIDATION - continued**1. Business combination not involving enterprises under common control - continued****(1) Business combination not involving enterprises under common control for the year - continued**

On 8 January 2019, Chiwan Wharf (Hong Kong) Co., Ltd. ("CWHK"), a subsidiary of the Company, and Zhanjiang Infrastructure and Zhanjiang Port signed the "Capital Increase Agreement of Zhanjiang Port (Group) Co., Ltd.". According to the agreement, Zhanjiang Port proposes to issue additional 1,853,518,190 shares of ordinary share at the price of RMB 1.867 per share or equivalent foreign currency price (determined based on exchange rate of the capital contribution) so as to increase its registered capital to RMB 5,874,209,145.00. CWHK proposes to subscribe for 1,606,855,919 shares ordinary shares, accounting for 27.3544% of the issued shares of Zhanjiang Port at the issuing date. The total subscription payment is RMB 3,000,000,000.77 or the equivalent amount in foreign currency (determined based on the exchange rate of capital contribution).

The above transaction has been completed on 3 February 2019. Since then, the Group holds total 3,427,890,467 shares of ordinary share of Zhanjiang Port, accounting for 58.3549% of the total issued shares of Zhanjiang Port. The Group is able to control Zhanjiang Port, therefore includes Zhanjiang Port in the scope of consolidation financial statements.

Note 2: According to the previous articles of association of Longteng Shipping, the top authority of the company is the General Shareholders Meeting, and the resolution of Shareholders Meeting requires unanimous consent of all the shareholders. Therefore, the Company's subsidiary Zhanjiang Port accounts for Longteng Shipping as a joint venture.

At 31 December 2019, Longteng Shipping held the 2019 second extraordinary shareholders meeting where the resolution of changing the articles of association was approved. According to the revised articles of association, the Company's top authority is the Shareholders Meeting, and the resolution of Shareholders Meeting requires consent of no less one half of the shareholders having voting power. Therefore, the Company's subsidiary Zhanjiang Port has control over Longteng Shipping. So that the Group included it in the scope of consolidated financial statements.

(2) Acquisition cost and goodwill

Unit: RMB

Acquisition cost	Zhanjiang Port	Longteng Shipping
--Cash	3,375,334,390.77	-
-- Fair value of previously held equity at acquisition date	2,816,617,994.27	77,485,870.00
-- Others	(3,803,477.07)	-
Total acquisition cost	6,188,148,907.97	77,485,870.00
Less: Share of fair value of net identifiable assets	5,769,803,600.29	70,303,862.29
Goodwill	418,345,307.68	7,182,007.71

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(VI) CHANGES IN SCOPE OF CONSOLIDATION - continued

1. Business combination not involving enterprises under common control - continued

(3) Identifiable assets, liabilities of the acquiree at acquisition date

Unit: RMB

Item	Zhanjiang Port		Longteng Shipping	
	Fair value at acquisition date	Carrying amount at acquisition date	Fair value at acquisition date	Carrying amount at acquisition date
Assets:				
Current assets	5,165,579,759.10	5,165,579,759.10	16,465,094.05	16,465,094.05
Other non-current financial assets	15,243,577.73	15,243,577.73	-	-
Long-term receivables	877,208,613.40	877,208,613.40	-	-
Long-term equity investments	172,685,776.52	165,494,758.03	-	-
Investment property	63,473,360.24	39,760,964.41	-	-
Fixed assets	8,445,573,407.27	7,451,556,053.74	67,589,835.15	62,305,835.15
Right-of-use assets	1,304,452,747.69	1,304,452,747.69	5,481,585.04	5,481,585.04
Construction in progress	1,158,968,327.74	1,158,968,327.74	19,804,885.23	19,804,885.23
Materials for construction of fixed assets	13,684,316.43	13,684,316.43	-	-
Intangible assets	3,566,911,864.41	2,211,115,469.85	-	-
Development expenses	14,968,306.82	14,968,306.82	-	-
Goodwill	-	9,775,569.57	-	-
Long-term prepaid expenses	2,630,870.77	2,630,870.77	-	-
Deferred tax assets	41,991,411.69	41,991,411.69	7,500.00	7,500.00
Other non-current assets	875,819,471.20	875,819,471.20	-	-
Liabilities:				
Current liabilities	6,048,006,153.82	6,048,006,153.82	3,456,823.04	3,456,823.04
Long-term borrowings	1,762,537,800.00	1,762,537,800.00	-	-
Bonds payable	400,000,000.00	400,000,000.00	-	-
Long-term payables	510,107,118.35	510,107,118.35	-	-
Deferred income	454,321,351.99	454,321,351.99	-	-
Long-term employee benefits payable	103,174,447.59	103,174,447.59	30,000.00	30,000.00
Deferred tax liabilities	595,179,290.60	-	1,321,000.00	-
Lease liabilities	857,876,749.08	857,876,749.08	4,106,987.44	4,106,987.44
Net assets	10,987,988,899.58	9,212,226,597.34	100,434,088.99	96,471,088.99
Less: Minority interests	5,218,185,299.29	4,401,619,250.71	30,130,226.70	28,941,326.70
Net assets acquired	5,769,803,600.29	4,810,607,346.63	70,303,862.29	67,529,762.29

(4) Operating results and net cash flows of the acquiree from the acquisition date to the end of the period of business combination

Unit: RMB

Item	Acquisition date to the end of the period of business combination	
	Zhanjiang port	Longteng Shipping
Operating income	2,306,530,651.61	-
Operating cost and expenses	2,266,290,301.90	-
Gross profit	70,722,673.91	-
Net profit	75,720,720.11	-
Net cash flows from operating activities	735,126,563.91	-
Net cash flows from investing activities	(616,817,351.55)	-
Net cash flows from financing activities	(3,934,477,407.34)	-
Net increase in cash and cash equivalents	(3,816,168,194.98)	-

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(VI) CHANGES IN SCOPE OF CONSOLIDATION - continued

1. Business combination not involving enterprises under common control - continued

(5) Gains or losses from remeasurement of equity held prior to acquisition date at fair value

Unit: RMB

Name of the acquiree	Carrying amount of previously held equity at the acquisition date	Fair value of previously held equity at the acquisition date	Gains or losses from remeasurement of previously held equity at fair value	Method of determining the fair value of previously held equity at acquisition date and key assumptions	Amount transferred from other comprehensive income to investment income in respect of the equity held prior to the acquisition date
Zhanjiang Port	1,981,183,625.76	2,816,617,994.27	835,434,368.51	Asset-based valuation	-
Longteng Shipping	67,487,762.29	77,485,870.00	9,998,107.71	Asset-based valuation	-

(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
CWHK	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

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(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	
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 (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
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

CHINA MERCHANTS PORT GROUP CO., LTD.

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(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	
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 1.00	-	74.95	Business combination involving enterprises under common control
Kong Rise Development Limited	Hong Kong, PRC	Hong Kong, PRC	Investment holding	HKD 1.00	-	100.00	Business combination involving enterprises under common control
TCP	Brazil	Brazil	Logistics support services	BRL 68,851,600	-	90.00	Business combination not involving enterprises under common control
China Merchants Port (Zhoushan) RoRo Logistics Co., Ltd. ("RoRo Logistics" Note 3)	Zhoushan, PRC	Zhoushan, PRC	Logistics support services	17,307.86	51.00	-	Assets acquisition
Shenzhen Haixing Logistics Development Co., Ltd. (Note 4)	Shenzhen, PRC	Shenzhen, PRC	Logistics support services	7,066.79	-	100.00	Assets acquisition
Zhanjiang Port (Note 5)	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. (Note 5)	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. (note 5)	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 Donghaidao Bulk Cargo Terminal Co., Ltd. (Note 5)	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 (Note 5)	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. (Note 5)	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. (Note 6)	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	200.00	-	100.00	Business combination not involving enterprises under common control
Longteng Shipping (Note 6)	Zhanjiang, PRC	Zhanjiang, PRC	Logistics support services	9,000.00	-	70.00	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

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.

Note 3: RoRo Logistics, a subsidiary of the Group, held a shareholders meeting on 17 September 2019, and approved the merger agreement entered into with China Merchants Port (Zhoushan) RoRo Terminal Co., Ltd. ("RoRo Terminal"), another subsidiary of the Group, on 16 September 2019. According to the agreement, RoRo Logistics merged RoRo Terminal and continued to survive, while RoRo Terminal was cancelled. The merger was completed on 5 November 2019.

On 18 September 2019, RoRo Logistics and RoRo Terminal, which are subsidiaries of the Group, respectively published announcement on "Zhoushan Daily", explaining the settlement of liabilities or debt guarantees of RoRo Logistics and RoRo Terminal. The debts of both parties before the merger will be borne by RoRo Logistics that continues to survive.

On 28 November 2019, the Group's subsidiary RoRo Logistics completed the industrial and commercial registration of changes while RoRo Terminal completed the industrial and commercial registration of cancellation.

(VII) EQUITY IN OTHER ENTITIES - continued**1. Interests in subsidiaries - continued****(1) Composition of the Group - continued**

Note 4: On 13 May 2019, the Company's subsidiary Shenzhen Haixing Xiaoyetian Logistics Development Co., Ltd. renamed to Shenzhen Haixing Logistics Development Co., Ltd.

Note 5: Details are set out in Note (VI) 1.

(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 year	Dividends distributed to minority shareholders in the current year	Balance of minority interests at the end of the year
CMPort	59.09	4,698,967,872.72	1,632,905,377.51	53,597,183,498.95

CHINA MERCHANTS PORT GROUP CO., LTD.

**NOTES TO FINANCIAL STATEMENTS
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(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	31/12/2019						31/12/2018					
	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	11,159,452,476.24	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	9,453,546,575.26	110,694,125,429.95	120,147,672,005.21	8,017,825,679.49	37,213,240,669.92	45,231,066,349.41

Unit: RMB

Name of the subsidiary	2019				2018			
	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	7,845,242,646.62	7,421,484,985.59	6,327,276,475.35	3,944,044,766.09	7,729,738,537.45	2,685,592,888.44	2,886,818,529.12	3,595,234,888.15

(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**

During the year, the Group's ownership interests in CMPort changed from 39.45% to 40.91%. Details are set out in Note (VII) 1 (1).

In December 2019, the Company sold 25.05% equity of Xinda Resources Limited, a wholly-owned subsidiary of the Company, and related 25.05% of the shareholders' loans to an external third party at the consideration of USD 248,010,000.00 (equivalent to RMB1,713,327,483.01). After the disposal, the Company's ownership interests in Xinda Resources Limited decreased from 100% to 74.95%.

(2) Effect of the transaction on minority interests and equity attributable to owners of the Company

Unit: RMB

	CMPort	Xinda Resources Limited
Acquisition cost		
- Cash	-	1,713,327,483.01
- Fair value of non-cash assets	1,116,813,838.52	-
Total acquisition cost/disposal consideration	1,116,813,838.52	1,713,327,483.01
Less: Share of net assets of subsidiaries calculated based on the proportion of equity acquired/disposed	1,535,943,954.55	1,171,773,303.33
Difference	(419,130,116.03)	541,554,179.68
Including: Adjustment to capital Reserve	419,130,116.03	541,554,179.68
Adjustment to surplus reserve	-	-
Adjustment to unappropriated profit	-	-

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(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	40,399,631,516.67	47,842,620,837.32
Including: Cash and cash equivalents	17,900,365,675.69	27,935,157,994.83
Non-current assets	101,777,664,401.29	96,524,413,178.58
Total assets	142,177,295,917.96	144,367,034,015.90
Current liabilities	19,339,272,490.14	31,676,398,710.35
Non-current liabilities	32,049,165,771.78	30,340,320,855.30
Total liabilities	51,388,438,261.92	62,016,719,565.65
Minority interests	8,732,108,869.09	6,802,318,747.82
Equity attributable to shareholders of the parent company	82,056,748,786.95	75,547,995,702.43
Share of net assets calculated based on the proportion of ownership interests	21,966,591,650.27	20,216,643,649.97
Adjustments		
-Goodwill	2,076,585,747.12	2,076,585,747.12
-Others	(125,134,529.84)	(105,669,326.14)
Carrying amounts of equity investments in associates	23,918,042,867.55	22,187,560,070.95
Fair value of publicly quoted equity investments in associates	35,788,783,813.22	32,129,272,123.48
Operating income	36,101,631,985.21	38,042,544,621.37
Net profit	9,925,845,382.34	11,472,021,103.16
Other comprehensive income	(197,209,230.86)	(954,348,960.96)
Total comprehensive income	9,728,636,151.48	10,517,672,142.20
Dividends received from associates in the current year	955,194,576.56	1,059,194,508.74

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
Joint ventures:		
Total carrying amount of investments	9,392,226,566.22	11,230,302,154.26
Aggregate of following items calculated based on the proportion of ownership interest		
- Net profit	468,699,021.57	429,904,250.47
- Other comprehensive income	(18,718,479.76)	(5,608,904.12)
- Total comprehensive income	449,980,541.81	424,295,346.35
Associates:		
Total carrying amount of investments	24,606,269,949.49	16,758,715,038.19
Aggregate of following items calculated based on the proportion of ownership interest		
- Net profit	833,229,755.94	912,589,301.49
- Other comprehensive income	(71,060,470.70)	(31,643,724.68)
- Total comprehensive income	762,169,285.24	880,945,576.81

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 EUR. Except for part of the purchases and sales, the Group's other principal activities are denominated and settled in RMB. As at 31 December 2019, 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	829,827,620.81	2,134,538,905.15
Accounts receivable	134,801,300.52	159,141,161.37
Other receivables	558,948,223.20	574,646,768.14
Long-term receivables	9,800,295.76	-
Short-term borrowings	1,304,398,148.00	1,825,358,000.00
Accounts payable	30,431,392.31	45,071,940.89
Other payables	261,684,252.87	512,625,788.26
Non-current liabilities due within one year	261,401,461.04	220,116,765.00
Long-term borrowings	976,546,725.00	1,926,978,130.00
Bonds payable	2,500,000,000.00	21,384,578,670.28
Long-term payables	431,361,402.17	423,754,200.00

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(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	(17,661,467.60)	(17,661,467.60)	(11,394,591.45)	(11,394,591.45)
All foreign currencies	5% decrease against RMB	17,661,467.60	17,661,467.60	11,394,591.45	11,394,591.45
All foreign currencies	5% increase against USD	(7,574,539.96)	(7,574,539.96)	17,324.20	17,324.20
All foreign currencies	5% decrease against USD	7,574,539.96	7,574,539.96	(17,324.20)	(17,324.20)
All foreign currencies	5% increase against HKD	(97,677,880.50)	(97,677,880.50)	(1,098,658,981.68)	(1,098,658,981.68)
All foreign currencies	5% decrease against HKD	97,677,880.50	97,677,880.50	1,098,658,981.68	1,098,658,981.68
All foreign currencies	5% increase against FCFA	(41,707,232.31)	(41,707,232.31)	(63,413,556.92)	(63,413,556.92)
All foreign currencies	5% decrease against FCFA	41,707,232.31	41,707,232.31	63,413,556.92	63,413,556.92

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**1. Risk management objectives and policies - continued****1.1 Market risk - continued*****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

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	(126,905,885.92)	(126,905,885.92)	(119,061,442.29)	(119,061,442.29)
Short-term borrowings and long-term borrowings	1% decrease	126,905,885.92	126,905,885.92	119,061,442.29	119,061,442.29

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.

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

1.2 Credit risk

As at 31 December 2019, 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.

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 31 December 2019, the balance of accounts receivable from top five entities is RMB 368,100,117.85 (31 December 2018: RMB 278,398,497.79), accounting for 25.29% (31 December 2018: 24.16%) 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.

As of 31 December 2019, the Group had total current liabilities in excess of total current assets of RMB6,933,328,647.40. As at 31 December 2019, the Group has available unutilized loan facility of RMB46,602,858,550.04 which is more than current liabilities. Therefore, the Group's management believes that the Group has no significant liquidity risk.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued**1. Risk management objectives and policies - continued****1.3 Liquidity risk - continued**

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
Non-derivative financial liabilities					
Short-term borrowings	9,439,099,793.47	10,355,601,387.26	10,355,601,387.26	-	-
Notes payable	76,455,949.01	76,455,949.01	76,455,949.01	-	-
Accounts payable	591,112,466.39	591,112,466.39	591,112,466.39	-	-
Other payables	2,223,754,677.96	2,223,754,677.96	2,223,754,677.96	-	-
Non-current liabilities due within one year	5,339,656,505.78	6,891,154,734.34	6,891,154,734.34	-	-
Other current liabilities	885,956,581.63	889,618,828.21	889,618,828.21	-	-
Long-term borrowings	6,313,735,540.33	7,053,819,598.75	-	5,772,853,260.76	1,280,966,337.99
Bonds payable	20,930,681,967.19	24,531,511,141.22	-	16,073,205,487.93	8,458,305,653.29
Lease liabilities	1,647,129,968.61	2,503,787,833.87	-	1,119,187,835.33	1,384,599,998.54
Long-term payables	1,386,694,505.92	1,405,262,255.92	-	216,675,454.18	1,188,586,801.74
Derivative financial liabilities					
Non-current liabilities due within one year	732,733,351.01	732,733,351.01	732,733,351.01	-	-

(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
Measurements at fair value continuously				
Accounts receivable financing	-	260,760,537.45	-	260,760,537.45
Other equity instrument investments	11,220,000.00	-	152,341,272.00	163,561,272.00
Other non-current financial assets	1,753,178,588.31	616,000,000.00	16,184,949.08	2,385,363,537.39
Total assets measured at fair value continuously	1,764,398,588.31	876,760,537.45	168,526,221.08	2,809,685,346.84
Other non-current liabilities	-	-	4,059,686,208.87	4,059,686,208.87
Total liabilities measured at fair value continuously	-	-	4,059,686,208.87	4,059,686,208.87

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 31 December 2019.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(IX) DISCLOSURE OF FAIR VALUE - continued**3. Qualitative and quantitative information of valuation techniques and key parameters adopted for items continuously measured at level 2 fair value**

Item	Fair value in the current year	Fair value in the prior year	Valuation techniques	Inputs
Accounts receivable financing	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 year	Fair value in the prior year	Valuation techniques	Inputs
Other equity instrument investments	152,341,272.00	238,048,314.30	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	689,901.07	Net worth method	Carrying amount
Other non-current financial assets	13,484,114.95	533,366,660.39	Listed company comparison approach	Share price
Other non-current liabilities	3,326,952,857.86	3,260,547,002.45	Cash flow discounting	Discount rate
Other non-current liabilities	732,733,351.01	579,195,304.56	Option Pricing method	Exercising price, expected volatility etc.

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.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(IX) DISCLOSURE OF FAIR VALUE - continued**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:

Name of joint venture or associate	Relationship with the Company
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	Joint venture
Port of Newcastle and its subsidiaries	Joint venture
Guizhou East Land Port Operation Co., Ltd.	Joint venture
Longteng Shipping (Note)	Joint venture
Ningbo Daxie Merchants International Wharf Co., Ltd.	Joint venture
Qingdao Qianwan United Container Terminal Co., Ltd.	Joint venture
Qingdao Qianwan West Port United Wharf Co., Ltd.	Joint venture
Qingdao Qianwan New United Container Terminal Co., Ltd.	Joint venture
Qingdao Wutong Century Supply Chain 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
Guizhou Qiandongnan 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

Note: See Note (VI) 1, it is no longer a related party of the Group since 31 December 2019.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**4. Other related parties of the Company**

Name of other related parties	Relationship with the Company
Qingdao Port (Group) Co., Ltd.	Minority shareholders of subsidiaries
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 1)	Connected person
China COSCO Shipping Group and its subsidiaries (Note 1)	Connected person
CMHK	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
Guangzhou International Ocean Shipping Agency Co., Ltd.	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 COSCO Shipping Agency 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
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
Shenzhen China Merchants Shekou Assets Management 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
Csc Roro Logistics Co., Ltd.	Controlled by the same ultimate controlling shareholder
Shenzhen Merchants Construction 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 Ocean Shipping Tally Shenzhen 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
Zhanjiang port (note 2)	Controlled by the same ultimate controlling shareholder
CM Houlder Insurance Brokers Limited	Controlled by the same ultimate controlling shareholder
China Merchants Godown, Wharf & Transportation Company Limited	Controlled by the same ultimate controlling shareholder
Huanan Refrigeration Ice Making (Shenzhen) Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Hanghua Science & Technology & Trade Center Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Group Finance Company Limited	Controlled by the same ultimate controlling shareholder

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**4. Other related parties of the Company - continued**

Name of other related party	Relationship with the Company
China Merchants Steam Navigation Company Limited	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 Logistics Shenzhen Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Property Management 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 Zhangzhou Development Zone Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Bureau Zhongbai Commercial Logistics Co., Ltd.	Controlled by the same ultimate controlling shareholder
China Merchants Your Cellar (Shenzhen) 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
China Outbound Air Transport Co., Ltd.	Controlled by the same ultimate controlling shareholder
Sinotrans Container Lines Co., Ltd.	Controlled by the same ultimate controlling shareholder
Sinotrans Container Lines (Hong Kong) Company Limited	Controlled by the same ultimate controlling shareholder
Shenzhen Science and Technology University Phase II Real Estate Management Co., Ltd.	Where the ultimate controlling shareholder has significant influence
Shenzhen Zhaogang Seaway Goods Trading Center	Where the ultimate controlling shareholder has significant influence
Khor Ambado FZCo	Where the ultimate controlling shareholder has significant influence
China Merchant Bank Co., Ltd.	Where the ultimate controlling shareholder has significant influence

Note 1: From 9 September 2019 to 31 December 2019, the Company's Chairman Fu Gangfeng work as the key management personnel of both the Company and China COSCO Shipping Corporation Limited; from 25 September 2019 to 31 December 2019, 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 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.

Note 2: See Note (VI) 1, it is no longer a related party of the Group since 3 February 2019.

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

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	Closing balance	Opening balance
Receipt of service:				
Nanshan Group and its subsidiaries	Service expenditure	Negotiation	59,399,028.43	1,080,269.25
Qingdao Qianwan West Port United Wharf Co., Ltd.	Service expenditure	Negotiation	18,116,312.14	15,358,571.88
Yiu Lian Dockyards Limited	Service expenditure	Negotiation	11,822,773.93	10,019,922.18
Shenzhen Merchants Commercial Property Investment Co., Ltd.	Service expenditure	Negotiation	8,063,768.58	10,707,148.03
COSCO Logistics (Zhanjiang) Co., Ltd.	Service expenditure	Negotiation	5,302,779.67	
China Merchants Zhangzhou Development Zone Power Supply Co., Ltd.	Service expenditure	Negotiation	5,050,730.12	5,681,278.30
China Merchants Bureau Logistics Group Qingdao Co., Ltd.	Service expenditure	Negotiation	4,291,294.93	3,751,785.75
China Marine Shipping Agency Shenzhen Co., Ltd.	Service expenditure	Negotiation	2,998,142.60	3,539,104.80
China Merchants (Shenzhen) Power Supply., Ltd.	Service expenditure	Negotiation	2,611,504.71	2,908,847.34
Shenzhen China Merchants Property Management Co., Ltd.	Service expenditure	Negotiation	2,496,785.30	-
CM Houlder Insurance Brokers Limited	Service expenditure	Negotiation	2,475,979.40	2,102,764.12
China Merchants Your Cellar (Shenzhen) Co., Ltd.	Service expenditure	Negotiation	1,887,287.74	-
China Merchants Life Insurance Co., Ltd.	Service expenditure	Negotiation	1,674,762.08	-
Hoi Tung (Shanghai) Company Limited	Service expenditure	Negotiation	1,472,835.51	3,461,147.79
China Outbound Air Transport Co., Ltd.	Service expenditure	Negotiation	1,178,932.56	2,199,064.60
China Ocean Shipping Tally Shenzhen CO., Ltd.	Service expenditure	Negotiation	1,168,331.49	1,240,537.34
China Communications Import & Export Co., Ltd.	Service expenditure	Negotiation	1,076,783.22	-
China Merchants Property Management Co., Ltd.	Service expenditure	Negotiation	569,772.90	1,764,315.36
China Merchants Securities Co., Ltd.	Service expenditure	Negotiation	-	22,641,509.43
Other related party	Service expenditure	Negotiation	5,255,018.65	4,917,018.18
Shenzhen China Merchants Property Management Co., Ltd.	Property utilities	Negotiation	19,706,450.63	13,814,358.72
Nanshan Group and its subsidiaries	Property utilities	Negotiation	5,923,767.12	2,052,879.52
Other related party	Property utilities	Negotiation	2,114,730.66	1,920,545.44
China Merchants Finance Lease (Tianjin) Co., Ltd.	Lease service fee	Negotiation	6,447,169.81	-
China Merchants Group Finance Company Limited	Interest expense	Negotiation	42,581,045.29	51,574,070.78
Port de Djibouti S.A.	Interest expense	Negotiation	7,364,273.28	24,719,148.38
China Merchant Bank Co., Ltd.	Interest expense	Negotiation	3,618,321.05	104,400.00
China Merchants Steam Navigation Company Limited	Interest expense	Negotiation	-	3,961,479.45
Total			224,668,581.80	189,520,166.64

NOTES TO FINANCIAL STATEMENTS
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(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	Closing balance	Opening balance
Rendering of service:				
COSCO Logistics (Zhanjiang) Co., Ltd.	Service revenue	Negotiation	142,786,686.45	
China COSCO Shipping Group and its subsidiaries	Service revenue	Negotiation	128,551,617.88	
Qingdao Qianwan United Container Terminal Co., Ltd.	Service revenue	Negotiation	54,976,948.20	59,871,312.19
China Ocean Shipping Agency (Zhanjiang) Co., Ltd.	Service revenue	Negotiation	48,467,968.01	
Guangdong Sinotrans Shipping Agency Co., Ltd.	Service revenue	Negotiation	33,230,929.57	-
Antong Holdings and its subsidiaries	Service revenue	Negotiation	30,031,214.77	
China Ocean Shipping Agency (Shenzhen) Co., Ltd.	Service revenue	Negotiation	22,026,784.26	26,678,580.24
Khor Ambado FZCo	Service revenue	Negotiation	13,593,100.08	22,976,552.15
Qingdao Qianwan West Port United Wharf Co., Ltd.	Service revenue	Negotiation	9,297,044.19	14,667,866.59
China Marine Shipping Agency Shenzhen Co., Ltd.	Service revenue	Negotiation	7,924,860.20	11,339,084.02
Shenzhen Baohong E-Commerce Integrated Services Co., Ltd.	Service revenue	Negotiation	7,624,557.93	13,954,183.68
Huanan Refrigeration Ice Making (Shenzhen) Co., Ltd.	Service revenue	Negotiation	6,487,127.00	6,422,615.01
Sinotrans (NZ) Limited	Service revenue	Negotiation	6,191,950.42	-
Yiu Lian Dockyards (Shekou) Limited	Service revenue	Negotiation	5,818,220.17	3,319,608.63
Guizhou East Land Port Operation Co., Ltd.	Service revenue	Negotiation	5,538,484.09	
China Merchants International Shipping Agency (Shenzhen) Co., Ltd.	Service revenue	Negotiation	5,516,336.45	3,013,980.25
International Djibouti Industrial Parks Operation FZCO	Service revenue	Negotiation	5,109,432.57	3,054,612.36
Guizhou Qiongnan Continental Land Port Operation Co., Ltd.	Service revenue	Negotiation	4,995,026.14	
Longteng Shipping	Service revenue	Negotiation	4,250,943.39	
Sinotrans Container Lines Co., Ltd.	Service revenue	Negotiation	4,173,590.92	10,699,341.99
Ningbo Daxie Merchants International Wharf Co., Ltd.	Service revenue	Negotiation	3,973,305.23	3,929,015.11
South China Sinotrans Supply Chain Management Co., Ltd.	Service revenue	Negotiation	3,574,103.34	-
Qingdao Qianwan New United Container Terminal Co., Ltd.	Service revenue	Negotiation	3,165,271.40	3,411,057.43
Great Horn Development Company FZCO	Service revenue	Negotiation	2,492,673.00	3,985,900.36
Zhangzhou COSCO Shipping Agency Co., Ltd.	Service revenue	Negotiation	2,465,482.40	5,804,690.70
Shenzhen China Merchants Shekou Assets Management Co., Ltd.	Service revenue	Negotiation	2,297,545.50	-
Sinotrans Container Lines (Hong Kong) Company Limited	Service revenue	Negotiation	2,211,004.97	2,182,888.92
Qingdao Wutong Century Supply Chain Co., Ltd.	Service revenue	Negotiation	2,061,301.86	-
Shenzhen Zhaogang Seaway Goods Trading Center	Service revenue	Negotiation	2,026,044.81	-
Qingdao Bonded Logistics Park Sino-foreign Transport Warehousing Logistics Co., Ltd.	Service revenue	Negotiation	1,855,239.95	5,085,762.32
China Overseas Harbour Affairs (Laizhou) Co., Ltd.	Service revenue	Negotiation	1,775,122.48	1,574,244.92
Qingdao Sinotrans Supply Chain Management Co., Ltd.	Service revenue	Negotiation	1,643,202.86	1,071,100.78
Shanghai International Port (Group) Co., Ltd.	Service revenue	Negotiation	1,588,035.85	1,588,035.85
CMHK	Service revenue	Negotiation	1,412,000.00	1,600,000.00
Terminal Link SAS	Service revenue	Negotiation	1,362,717.34	1,378,437.57
China Merchants Logistics Shenzhen Co., Ltd.	Service revenue	Negotiation	1,267,111.56	927,269.16
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	Service revenue	Negotiation	1,200,615.17	1,119,436.15
Sinotrans Shantou Company Limited	Service revenue	Negotiation	1,142,737.27	607,506.45
Shenzhen Qianhai Sinotrans Supply Chain Management Co., Ltd.	Service revenue	Negotiation	1,073,773.97	-
Doraleh Multi-purpose Port	Service revenue	Negotiation	1,062,268.33	337,140.73
Nanshan Group and its subsidiaries	Service revenue	Negotiation	1,000,829.05	359,379.51
Guangzhou International Ocean Shipping Agency Co., Ltd.	Service revenue	Negotiation	935,982.67	1,312,017.95
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Service revenue	Negotiation	283,404.19	2,496,490.06
China Outbound Air Transport Co., Ltd.	Service revenue	Negotiation	386.55	1,993,291.26
Zhanjiang port	Service revenue	Negotiation	-	5,568,651.21
Port de Djibouti S.A.	Service revenue	Negotiation	-	4,640,763.43
China Merchants Bureau Zhongbai Commercial Logistics Co., Ltd.	Service revenue	Negotiation	-	2,484,304.00
Other related party	Service revenue	Negotiation	8,688,006.09	6,874,767.79
Port of Newcastle and its subsidiaries	Interest income	Negotiation	62,584,543.33	34,416,578.56
China Merchants Harbor City	Interest income	Negotiation	48,716,656.41	
China Merchant Bank Co., Ltd.	Interest income	Negotiation	26,074,287.83	34,629,531.08
Khor Ambado FZCo	Interest income	Negotiation	18,187,714.88	51,599,386.03
China Merchants Group Finance Company Limited	Interest income	Negotiation	7,814,725.11	14,042,476.82
Tianjin Haitian Bonded Logistics Co., Ltd.	Interest income	Negotiation	1,394,695.28	1,383,325.48
Modern Terminals Limited	Interest income	Negotiation	-	1,193,424.67
Other related party	Interest income	Negotiation	60,804.82	60,669.23
Total			761,984,416.19	373,655,280.64

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(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 year	Lease income recognized in the prior year
China Merchants Food (China) Co., Ltd.	Buildings	Negotiation	5,675,752.58	3,393,457.47
Qingdao Qianwan West Port United Wharf Co., Ltd.	Port and terminal facilities	Negotiation	4,571,984.36	-
China Communications Import & Export Co., Ltd.	Buildings	Negotiation	3,943,926.21	2,699,223.60
Qingdao Bonded Logistics Park Sino-foreign Transport Warehousing Logistics Co., Ltd.	Buildings	Negotiation	3,816,263.45	-
Nanshan Group and its subsidiaries	Buildings	Negotiation	2,698,718.83	3,506,398.00
Qingdao Sinotrans Supply Chain Management Co., Ltd.	Buildings	Negotiation	2,678,324.75	-
Yiu Lian Dockyards (Shekou) Limited	Buildings	Negotiation	2,441,075.14	2,025,218.14
Qingdao Wutong Century Supply Chain Co., Ltd.	Buildings	Negotiation	1,082,330.31	-
China Merchants Securities Co., Ltd.	Buildings	Negotiation	2,330,741.02	-
Shenzhen Nanyou (Holdings) Ltd.	Buildings	Negotiation	426,100.95	2,400,571.43
Other related party	Buildings, land use rights	Negotiation	3,015,488.40	1,573,182.07
Total			32,680,706.00	15,598,050.71

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Related party transactions - continued

(2) Leases with related parties - continued

The Group as the lessee:

Unit: RMB

Name of the lessor	Type of leased assets	Retail (Year)	Lease term (disclose the period covered by contract)	Other significant terms and conditions of the lease
China Merchants Finance Lease (Tianjin) Co., Ltd.	Port and terminal facilities	108,319,079.87	9 March 2018 - 26 March 2024	N/A
China Merchants Finance Lease (Tianjin) Co., Ltd.	Machinery equipment, port and terminal facilities	65,715,388.88	30 November 2018 - 30 November 2024	N/A
Nanshan Group and its subsidiaries	Buildings, port and terminal facilities	56,968,753.40	1 January 2016 - 31 December 2018	N/A
China Merchants Tongshang Finance Lease Co., Ltd.	Machinery equipment	46,381,918.54	30 October 2017 - 27 October 2023	N/A
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Port and terminal facilities	20,621,444.76	1 July 2017 - 31 December 2019	N/A
China Merchants Tongshang Finance Lease Co., Ltd.	Machinery equipment	17,717,147.04	26 December 2016 - 15 November 2022	N/A
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Port and terminal facilities	14,409,799.89	1 January 2018 - 31 December 2019	N/A
EuroAsia Dockyard Enterprise and development Ltd.	Port and terminal facilities	13,642,731.02	1 January 2018 - 31 December 2019	N/A
Nanshan Group and its subsidiaries	Others	6,397,693.72	1 January 2016 - 31 December 2018	Attached with renewal option
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Others	5,823,873.60	1 January 2019 - 31 December 2019	Attached with renewal option
Shenzhen Merchants Commercial Property Investment Co., Ltd.	Buildings	5,363,598.90	1 January 2018 - 31 December 2020	N/A
Nanshan Group and its subsidiaries	Others	4,858,285.68	1 June 1998 - 31 May 2018	Attached with renewal option
Shenzhen Science and Technology University Phase II Real Estate Management Co., Ltd.	Buildings	3,541,404.00	1 March 2017 - 28 February 2020	N/A
Nanshan Group and its subsidiaries	Buildings	3,101,220.22	1 January 2019 - 31 December 2019	Attached with renewal option
Nanshan Group and its subsidiaries	Buildings	2,936,922.24	1 July 2019 - 31 December 2019	N/A
Shenzhen Nanyou (Holdings) Ltd.	Buildings	1,995,553.14	1 January 2019 - 31 December 2019	N/A
Nanshan Group and its subsidiaries	Buildings	1,817,704.08	1 January 2016 - 31 December 2018	Attached with renewal option
China Merchants Godown, Wharf & Transportation Co., LTD.	Vehicles and vessels	1,457,985.47	1 January 2019 - 31 December 2019	N/A
Nanshan Group and its subsidiaries	Others	1,428,571.43	1 May 2015 - 30 April 2020	N/A
China Merchants Hanghua Science & Technology & Trade Center Co., Ltd.	Port and terminal facilities	990,257.55	1 May 2018 - 30 April 2021	N/A
China Merchants Hanghua Science & Technology & Trade Center Co., Ltd.	Buildings	750,288.73	1 January 2019 - 31 December 2019	N/A
Nanshan Group and its subsidiaries	Others	693,151.72	1 January 2017 - 25 August 2021	N/A
Shenzhen Merchants Commercial Property Investment Co., Ltd.	Buildings	687,796.80	1 September 2018 - 31 December 2020	N/A
Nanshan Group and its subsidiaries	Buildings	658,661.84	25 August 2018 - 31 December 2020	N/A
Nanshan Group and its subsidiaries	Port and terminal facilities	639,738.84	1 January 2019 - 31 December 2020	N/A
Nanshan Group and its subsidiaries	Buildings	500,146.74	1 May 2019 - 31 December 2019	N/A
Nanshan Group and its subsidiaries	Others	461,005.72	1 January 2017 - 31 December 2020	N/A
Other related party	Buildings	1,107,721.69	1 January 2015 - 31 December 2023	N/A
Total		388,987,845.51		

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**5. Related party transactions - continued****(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
2019					
Terminal Link SAS (note 1)	24,982,114.97	12,241,236.33	June 2013	2019	Yes
Terminal Link SAS (note 1)	80,305,197.15	80,305,197.15	June 2013	2033	No
Khor Ambado FZCo (note 2)	200,914,560.00	118,398,397.00	24 May 2019	2032	No
Port de Djibouti S.A.	343,160,000.00	24,192,780.00	14 June 2016	14 June 2019	Yes
Total	649,361,872.12	235,137,610.48			
2018					
Terminal Link SAS (note 1)	82,195,789.24	82,195,789.24	June 2013	2033	No
Terminal Link SAS (note 1)	24,982,114.97	12,241,236.33	June 2013	2019	No
Port de Djibouti S.A.	343,160,000.00	24,192,780.00	14 June 2016	14 June 2019	No
Total	450,337,904.21	118,629,805.57			

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 provides 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 RMB80,305,197.15 on 31 December 2019. 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 RMB118,398,397.00.

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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
2019				
Borrowings				
China Merchants Group Finance Company Limited	300,378,812.51	2 December 2019	1 December 2020	Fixed interest rate of 4.1325%
China Merchants Group Finance Company Limited	270,548,281.28	22 April 2019	21 April 2020	Fixed interest rate of 4.3500%
China Merchants Finance Lease (Tianjin) Co., Ltd.	150,000,000.00	23 December 2019	23 December 2025	Fixed interest rate of 4.7500%
China Merchants Group Finance Company Limited	150,000,000.00	27 August 2019	26 August 2020	Fixed interest rate of 4.1325%
China Merchants Group Finance Company Limited	56,483,984.71	1 July 2019	1 July 2034	Fixed interest rate of 4.6550%
China Merchants Group Finance Company Limited	50,061,625.00	4 June 2019	3 June 2020	Fixed interest rate of 4.3500%
China Merchants Group Finance Company Limited	50,000,000.00	29 July 2019	28 July 2022	Fixed interest rate of 4.5125%
China Merchants Group Finance Company Limited	47,000,000.00	14 October 2019	13 October 2024	Fixed interest rate of 4.7500%
China Merchants Group Finance Company Limited	33,052,804.00	22 July 2019	21 July 2020	Fixed interest rate of 4.3500%
China Merchants Group Finance Company Limited	29,000,000.00	18 October 2019	17 October 2023	Fixed interest rate of 4.7500%
China Merchants Group Finance Company Limited	28,000,000.00	15 January 2019	14 January 2024	Fixed interest rate of 4.7500%
China Merchants Group Finance Company Limited	23,000,000.00	10 June 2019	14 January 2024	Fixed interest rate of 4.7500%
China Merchants Group Finance Company Limited	10,000,000.00	28 December 2019	31 October 2023	Fixed interest rate of 1.2000%
China Merchants Group Finance Company Limited	6,000,000.00	22 July 2019	21 July 2020	Fixed interest rate of 4.3500%
China Merchants Group Finance Company Limited	1,000,000.00	24 December 2019	23 December 2020	Fixed interest rate of 4.3500%
Total	1,204,525,507.50			
Lendings				
China Merchants Antong Logistics Management Company	50,000,000.00	24 September 2019	24 September 2021	Fixed interest rate of 8.5000%
2018				
Borrowings				
China Merchants Group Finance Company Limited	270,000,000.00	23 April 2018	22 April 2019	Fixed interest rate of 4.3500%
China Merchants Group Finance Company Limited	220,000,000.00	17 May 2018	16 May 2019	Fixed interest rate of 4.3500%
China Merchants Group Finance Company Limited	80,000,000.00	11 December 2018	10 December 2028	Fixed interest rate of 4.8020%
China Merchants Group Finance Company Limited	60,000,000.00	19 June 2018	20 June 2019	Fixed interest rate of 4.3500%
China Merchants Group Finance Company Limited	40,000,000.00	20 May 2018	21 May 2019	Fixed interest rate of 4.3500%
China Merchants Group Finance Company Limited	30,000,000.00	7 December 2018	6 December 2019	Fixed interest rate of 4.3500%
China Merchants Group Finance Company Limited	30,000,000.00	20 December 2018	19 December 2021	Fixed interest rate of 4.2750%
China Merchants Group Finance Company Limited	25,000,000.00	6 December 2018	5 October 2021	Fixed interest rate of 4.7500%
China Merchants Group Finance Company Limited	20,000,000.00	17 December 2018	16 December 2019	Fixed interest rate of 4.3500%
Total	775,000,000.00			
Lendings				
Port of Newcastle and its subsidiaries	784,057,712.75	14 June 2018	29 May 2020	Fixed interest rate of 8.0000%

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**5. Related party transactions - continued****(5) Compensation for key management personnel**

Unit: RMB

Item	Closing balance	Opening balance
Compensation for key management personnel	26,856,013.14	19,243,010.16

(6) Other related party transactions

At 24 December 2018, Shenzhen Urban Planning, Land and Resources Commission, Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Administration ("Qianhai Administration"), China Merchants Group, Shenzhen China Merchants Qianhai Chidi Industrial Co., Ltd. ("China Merchants Chidi"), the Company's subsidiaries ATJ and ASJ as well as China Merchants Shekou Industrial Zone Holdings Co., Ltd. and its 16 subsidiaries ("previous 19 land-holding companies") etc., totally 23 organizations, jointly signed the "China Merchants Group Qianhai Logistics Park Land Restructuring Agreement" (the "Land Restructuring Agreement").

According to the agreement, the previous 19 land-holding companies return the land use rights of the lands within the scope of restructuring to Qianhai Administration. Qianhai Administration replaces 55% land and corresponding shoreline (land area about 531,300 square meters) included in the total areas of T102-0166 and T102-0167 held by ATJ and ASJ to Dachanwan port area Phase II. In addition, other land use rights held by the previous 19 land-holding companies totaling to RMB43.21 billion (valuation benchmark date is 1 January 2015) is recovered by Qianhai Administration. After changing the nature of land use rights, Qianhai Administration return equivalent land use rights as the consideration to recover all the land use rights other than the Dachanwan port area Phase II that need to be replaced according to the original plan.

As at 31 December 2019, the procedures of changing the Dachanwan port area Phase II land use rights are not yet completed. The corresponding original carrying amount of land use rights of RMB916,884,222.49 is transferred to other non-current assets.

ATJ and China Merchants Shekou Industrial Zone Holdings Co., Ltd. with its subsidiary Shenzhen China Merchants Shekou Assets Management Co., Ltd. jointly setup China Merchants Qianhai Industry in 2016, which setup China Merchants Chidi in 2017. The previous 19 land-holding companies jointly holds the equity of China Merchants Qianhai Industry according to the share of previously held land use rights, and completed the capital increase of China Merchants Qianhai Industry in 2019. Among the 19 companies, ATJ and ASJ totally contributed RMB7,456,412,803.00 and hold 14% equity of China Merchants Qianhai Industry.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Related party transactions - continued

(6) Other related party transactions - continued

According to the joint venture and cooperation arrangement relating to land restructuring, the previous 19 land-holding companies designate the China Merchants Chidi as the holder of the lands other than Dachanwan port area Phase II obtained in the above land restructuring. Qianhai Administration designate its wholly-owned sub-subsidiary Shenzhen Qianhai Hongyu Industrial Investment Co., Ltd. (the "Qianhai Hongyu") as the land holder in respect of the land use rights (with reimbursements deducted) obtained in above land restructuring.

In 2016, Shenzhen Qianhai Shekou Free Trade Investment Development Co., Ltd. (hereinafter referred to as "Qianhai Free Trade") was jointly established by Shenzhen Merchants Qianhai Industrial Development Co., Ltd. and Shenzhen Qianhai Development Investment Holding Co., Ltd. (hereinafter referred to as "Qianhai Investment Holding") which is a wholly-owned subsidiary of Qianhai Administration Bureau, with each accounting for 50% of the equity and being controlled by Shenzhen Merchants Qianhai Industrial Development Co., Ltd. through the Articles of Association and relevant agreements.

In December 2019, Shenzhen Merchants Qianhai Industrial Development Co., Ltd., Qianhai Investment Holding and Qianhai Free Trade jointly signed a capital increase agreement. According the agreement, Qianhai Free Trade, as a leading role, purchased 100% shares of China Merchants Chidi and 100% shares of China Merchants Chidi legally held by Shenzhen Merchants Qianhai Industrial Development Co., Ltd. and Shenzhen Qianhai Development Investment Holding Co., Ltd. respectively in the form of capital increase and share expansion. Meanwhile, Shenzhen Merchants Qianhai Industrial Development Co., Ltd. increased capital into Qianhai Free Trade with cash of RMB 8.5 billion. The above transaction was completed on December 30, 2019. After the completion of the transaction, Shenzhen Merchants Qianhai Industrial Development Co., Ltd. and Shenzhen Qianhai Development Investment Holding Co., Ltd. still hold 50% equity of Qianhai Free Trade respectively, with Shenzhen Merchants Qianhai Industrial Development Co., Ltd. controlling Qianhai Free Trade through the Articles of Association and relevant agreements.

Except for the land use rights for replacement of Dachanwan port area Phase II, ATJ and ASJ returned land and its accompany buildings with a compensation of RMB4,193,314,004.68.

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(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.	1,451,996,464.50	1,274,536,476.91
	China Merchants Group Finance Company Limited	890,065,186.36	494,131,151.34
	Total	2,342,061,650.86	1,768,667,628.25
Accounts receivable	China COSCO Shipping Group and its subsidiaries	60,545,437.55	
	Antong Holdings and its subsidiaries	60,112,564.13	
	COSCO Logistics (Zhanjiang) Co., Ltd.	7,728,194.66	
	China Ocean Shipping Agency (Zhanjiang) Co., Ltd	5,609,630.60	4,678,761.75
	Shenzhen Baohong E-Commerce Integrated Services Co., Ltd.	4,643,545.31	7,222,351.10
	Qingdao Qianwan United Container Terminal Co., Ltd.	4,424,422.68	5,112,134.91
	Guizhou East Land Port Operation Co., Ltd.	4,043,600.57	
	Guangdong Sinotrans Shipping Agency Co., Ltd.	3,583,505.77	-
	Khor Ambado FZCo	3,113,788.09	458,050.86
	Qingdao Qianwan West Port United Wharf Co., Ltd.	2,986,271.27	74,485.74
	Great Horn Development Company FZCo	2,771,510.50	1,486,615.75
	Guizhou Qiandongnan Continental Land Port Operation Co., Ltd.	2,010,137.38	
	China Overseas Harbour Affaris (Laizhou) Co., Ltd.	1,853,183.12	1,490,941.09
	South China Sinotrans Supply Chain Management Co., Ltd.	1,808,219.75	-
	Sinotrans Container Lines Co., Ltd.	1,746,120.89	1,156,769.47
	Port de Djibouti S.A.	1,689,447.85	6,387,923.40
	China Merchants Harbor City	1,536,503.45	
	China Marine Shipping Agency Shenzhen Co., Ltd.	1,058,089.50	1,115,972.50
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	914,392.86	1,029,573.58
	Other related party	4,216,087.14	4,106,365.60
	Total	176,394,653.07	34,319,945.75

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(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 (restated)
Other receivables	Nanshan Group and its subsidiaries	313,724,861.31	175,976,941.31
	Tin-Can Island Container Terminal Ltd	82,625,546.31	128,428.02
	Chu Kong River Trade Terminal Co. Ltd.	61,317,510.00	59,975,890.00
	Qingdao Qianwan United Container Terminal Co., Ltd.	50,000,000.00	25,000,000.00
	Tianjin Haitian Bonded Logistics Co., Ltd.	33,282,119.52	34,300,000.00
	Zhanjiang Infrastructure	31,513,558.59	
	Port de Djibouti S.A.	24,832,398.83	24,411,770.72
	COSCO Logistics (Zhanjiang) Co., Ltd.	13,751,368.26	
	Guangdong Sinotrans Co., Ltd.	3,803,477.07	-
	Csc Roro Logistics Co., Ltd.	2,899,163.95	2,899,163.95
	EuroAsia Dockyard Enterprise and development Ltd.	1,514,281.82	1,481,149.51
	Shenzhen Merchants Commercial Property Investment Co., Ltd.	1,068,658.39	1,051,801.58
	Shanghai International Port (Group) Co., Ltd.	-	50,118,027.14
	Zhanjiang port		9,253,682.23
	Other related party	4,199,662.93	3,282,269.08
	Total	624,532,606.98	387,879,123.54
Prepayments	Other related party	1,414,261.04	-
Other current assets	China Merchant Bank Co., Ltd.	1,528,851,492.46	-
	Khor Ambado FZCo	-	1,029,478,047.00
	Total	1,528,851,492.46	1,029,478,047.00
Non-current assets due within one year	Port of Newcastle and its subsidiaries	809,702,715.78	15,858,848.40
	Khor Ambado FZCo	-	7,332,144.82
	China Merchants Group Finance Company Limited	-	2,565,333.33
	Other related party	-	229,704.43
	Total	809,702,715.78	25,986,030.98
Long-term receivables	China Merchants Harbor City	1,025,631,435.87	
	China Merchants Antong Logistics Management Company	50,000,000.00	
	China Merchants Finance Lease (Tianjin) Co., Ltd.	14,500,000.00	-
	Terminal Link SAS	9,800,295.76	9,782,367.44
	Port of Newcastle and its subsidiaries	-	784,057,712.75
	Total	1,099,931,731.63	793,840,080.19
Other non-current assets	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	-	43,472,687.00

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(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	841,079,404.24	640,000,000.00
	China Merchant Bank Co., Ltd.	70,093,041.67	-
	Total	911,172,445.91	640,000,000.00
Accounts payable	Nanshan Group and its subsidiaries	10,747,794.44	11,631,575.13
	Qingdao Qianwan West Port United Wharf Co., Ltd.	7,641,839.79	5,196,134.76
	EuroAsia Dockyard Enterprise and development Ltd.	2,974,168.52	3,698,897.16
	Yiu Lian Dockyards Limited	1,676,082.11	2,204,328.63
	China Merchants Bureau Logistics Group Qingdao Co., Ltd.	1,006,844.56	928,527.51
	Other related party	3,614,167.59	2,323,725.85
	Total	27,660,897.01	25,983,189.04
Receipts in advance	Other related party	600,535.85	66,799.01
Contract liabilities	Guangdong Sinotrans Shipping Agency Co., Ltd.	3,577,148.00	-
	Zhanjiang port		1,287,452.83
	Other related party	2,454,025.09	803,584.16
	Total	6,031,173.09	2,091,036.99
Other payables	Terminal Link SAS	88,978,919.98	46,506,416.54
	Modern Terminals Limited	59,038,373.05	1,286,962.56
	Yihai Kerry Arawana Cereals, Oils and Foodstuffs Co. Ltd.	37,402,426.09	37,402,426.09
	China Merchants Real Estate (Shenzhen) Co., Ltd.	20,762,053.30	951,301.52
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	11,305,700.00	10,000.00
	China Merchants Finance Lease (Tianjin) Co., Ltd.	11,250,000.00	-
	Shenzhen China Merchants Property Management Co., Ltd.	9,264,823.90	18,294,814.64
	Shenzhen Merchants Commercial Property Investment Co., Ltd.	8,947,256.82	9,355,392.43
	Zhanjiang Xiangang United Development Co., Ltd.	1,433,990.57	
	China Merchants Food (China) Co., Ltd.	1,264,171.10	1,254,271.10
	COSCO Logistics (Zhanjiang) Co., Ltd.	1,258,811.65	
	China Merchants Securities Co., Ltd.	424,557.30	22,641,509.43
	Shenzhen Merchants Construction Co., Ltd.	156,590.00	28,379,667.10
	China Merchants Zhangzhou Development Zone Co., Ltd.	-	93,258,350.90
	Sinotrans South China Co., Ltd.	-	25,949,781.00
	Port de Djibouti S.A.	-	2,951,170.40
	Qingdao Port (Group) Co., Ltd.	-	2,700,000.00
	China Merchants Group Finance Company Limited	-	1,043,521.17
	Other related party	6,257,011.91	5,375,438.53
	Total	257,744,685.67	297,361,023.41

(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.	145,861,850.10	
	China Merchants Tongshang Finance Lease Co., Ltd.	56,146,040.22	
	Nanshan Group and its subsidiaries	52,656,827.70	
	EuroAsia Dockyard Enterprise and development Ltd.	14,269,498.38	
	Shenzhen Merchants Commercial Property Investment Co., Ltd.	5,579,040.25	
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	5,454,253.54	
	Shenzhen Science and Technology University Phase II Real Estate Management Co., Ltd.	3,263,992.11	
	China Merchants Landmark (Shenzhen) Co., Ltd.	1,242,022.25	
	Other related party	1,770,041.27	
	Total	286,243,565.82	
Other current liabilities	Port de Djibouti S.A.	-	241,927,341.05
Other non-current liabilities	Nanshan Group and its subsidiaries	1,564,380.59	-
Long-term borrowings	China Merchants Group Finance Company Limited	376,483,984.71	135,000,000.00
	China Merchant Bank Co., Ltd.	20,000,000.00	-
	Total	396,483,984.71	135,000,000.00
Long-term payables	China Merchants Finance Lease (Tianjin) Co., Ltd.	144,000,000.00	-
Lease liabilities	China Merchants Finance Lease (Tianjin) Co., Ltd.	491,666,949.79	
	China Merchants Tongshang Finance Lease Co., Ltd.	161,829,816.02	
	Nanshan Group and its subsidiaries	167,685,128.23	
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	5,691,513.57	
	Other related party	1,880,637.25	
	Total	828,754,044.86	

(XI) COMMITMENTS AND CONTINGENCIES**1. Significant commitments**

Unit: RMB

Item	31/12/2019	31/12/2018
Commitments that have been entered into but have not been recognized in the financial statements		
- Commitment to acquire long-term assets	3,767,236,258.74	3,971,730,917.34
- Commitment to invest port construction	6,758,563,544.21	5,490,560.00
Others	354,959,845.19	26,115,744.09
Total	10,880,759,648.14	4,003,337,221.43

(XI) COMMITMENTS AND CONTINGENCIES - continued**2. Contingencies**

Unit: RMB

Item	31/12/2019	31/12/2018
Contingent liabilities arising from litigations (Note 1)	274,299,826.26	323,559,335.68
Guarantees for borrowings of associates (Note 2)	198,703,594.15	118,629,805.57
Total	473,003,420.41	442,189,141.25

Note 1: This represents the significant contingent liabilities arising from the litigations between TCP and local tax authority, employee or former employee in Brazil at as the year end. According to the professional advice of external lawyers and the latest estimates of the Group's management, the possible compensation is RMB274,299,826.26 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 of TCP. 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 31 December 2019, 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 RMB80,305,197.15. If any guarantee liability occurs, the Group will make compensations.

Except for the above guarantee, as at 31 December 2019, the Group also provides guarantee for the bank loans and other liabilities of the related party Khor Ambado FZCo. The guaranteed amount is 200,914,560.00. The loan amount used by Khor Ambado FZCo is RMB118,398,397.00. Details are set out in Note(X) 5 (3).

At 31 December 2019, 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 31 December 2019, the Group has no other significant guarantee or other contingencies that need to be explained.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(XII) EVENTS AFTER THE BALANCE SHEET

1. Profit distribution

Items	Amount
Profits and dividends to be distributed (Note)	884,287,957.04
Profits and dividends to be declared by shareholder meeting	To be approved by shareholder meeting

Note: Refer to Note V, 48 for details.

2. New coronavirus epidemic

Since the outbreak of new coronavirus epidemic in China at the beginning of 2020, the therapy prophylactic has been carried out throughout the country. The Group actively responded and executed the regulations and requirements of the new coronavirus epidemic issued by the government.

New coronavirus epidemic has temporarily affected the Groups' production and management, however, the impact of the novel coronavirus outbreak on the economy depends on the progress and effectiveness as well as duration of our epidemic prevention and control work

The Group has keep following the development of new coronavirus epidemic as well as evaluating the impact on financial status and operating results, etc. The Group will strengthen the prevention and control of the epidemic along with resuming production in an orderly way.

3. Share option incentive plan

The Company held the extraordinary general meeting on 3 February 2020, where the Company's share option incentive plan was reviewed and discussed item-to-item, and approved. The total share options granted to the incentive objects under the incentive plan involves underlying shares of 17,728,000 shares, accounting for about 0.922% of the Company's total share capital which is 1,922,365,124 shares upon the announcement of the incentive plan. The first batch (total amount 17,198,000 shares) of incentive objects totals to 238 persons, accounting for 2.5% of total employee in service at the end of 2018. The registration procedures for the first batch granted were completed on 13 March 2020.

Except for the above events, the Group has no other significant events after the balance sheet date.

4. Purchase of minority interests of TCP

As Note V(41), the minority shareholder (hereinafter referred to as “the seller”) acquired 10% stake from Kong Rise Development Limited, shareholder of the TCP, with a higher price among the market price and BRL320 million. On 23 February 2020, the seller asked Kong Rise Development Limited to exercise the option. Until approval date of financial statement, Kong Rise Development Limited has prepaid USD64 million to the seller on 24 February 2020. The above transaction has not been completed until the consolidated financial statements have authorized.

(XII) EVENTS AFTER THE BALANCE SHEET - continued

5. Purchase of mandatory convertible securities and loans from company Terminal Link SAS, an associate company

On November 25th, 2020, the subsidiary of the Group, China merchants port holdings company has signed the shareholder's agreements with CMA CGM S.A. , shareholder of the Terminal Link SAS. According to this agreement, China merchants port holdings company might pay USD 468 million for mandatory convertible securities and has authorized loans with USD500 million limits to Terminal Link SAS in order to support Terminal Link SAS acquire ten target ports. Terminal Link SAS has completed acquisition of 8 ports before March 26th, 2020. China merchants port holdings company has paid for mandatory convertible securities and issued loans , which total amounts are USD815 million. The remaining mandatory convertible securities have not been paid and loans have not been issued.

(XIII) 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:

(XIII) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(1) Basis for determining reporting segments and accounting policies - continued

(a) Mainland China, Hong Kong and Taiwan

- Pearl River Delta
- Yangtze River Delta
- Bohai Rim
- Others

(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 31 December 2019, around 70% of The Group's non-current assets other than financial instruments and deferred tax assets are located in Mainland China.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(XIII) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Segment financial information

Segment financial information for 2019 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	5,196,613,368.06	-	65,287,182.79	3,048,109,069.32	3,237,062,565.69	11,547,072,185.86	411,410,069.19	165,347,168.69	-	12,123,829,423.74
Operating cost	3,008,092,503.04	-	54,620,318.87	2,442,406,257.78	1,680,548,644.03	7,185,667,723.72	240,230,706.61	223,022,489.38	-	7,648,920,919.71
Segment operating profit (loss)	2,188,520,865.02	-	10,666,863.92	605,702,811.54	1,556,513,921.66	4,361,404,462.14	171,179,362.58	(57,675,320.69)	-	4,474,908,504.03
Adjustments:										
Taxes and levies	28,208,048.74	902,080.83	1,226,820.81	41,913,977.40	74,183,581.47	146,434,509.25	10,405,578.38	15,266,911.26	449,581.03	172,556,579.92
Administrative expense	367,421,172.07	14,629,856.34	11,286,215.13	427,071,045.26	240,768,795.97	1,061,177,084.77	40,794,239.92	1,086,063.41	406,463,193.56	1,509,520,581.66
R&D expenses	119,506,939.75	-	-	4,346,404.54	-	123,853,344.29	-	-	-	123,853,344.29
Financial expenses	186,473,966.41	3,557,959.06	(1,031,714.93)	140,511,147.67	343,853,815.52	673,365,173.73	27,521,546.75	43,602,750.59	1,191,780,266.46	1,936,269,737.53
Impairment gains of assets	25,051.16	-	-	-	-	25,051.16	-	-	-	25,051.16
Impairment gains (losses) of credit	(2,704,122.79)	-	96,054.01	(47,117,070.21)	(510,363.77)	(50,235,502.76)	(13,907.01)	-	-	(50,249,409.77)
Other income	74,072,845.73	1,224,999.96	136,812.67	53,835,650.36	-	129,270,308.72	22,545,823.25	6,361.40	10,278,619.73	162,101,113.10
Investment income	160,825,470.54	2,569,882,989.42	415,798,097.77	772,742,553.30	439,240,848.69	4,358,489,959.72	23,454,651.74	237,229,143.96	-	4,619,173,755.42
Gains from changes in fair value	10,933.07	154,574,350.85	297,972,325.74	(21,212,710.87)	(364,861,632.31)	66,483,266.48	-	-	-	66,483,266.48
Gains from disposal of assets	4,172,962,308.96	-	13,069.99	620,155,605.55	764,083.94	4,793,895,068.44	(3,047.02)	-	670,761.37	4,794,562,782.79
Operating profit	5,892,103,224.72	2,706,592,444.00	713,201,903.09	1,370,264,264.80	972,340,665.25	11,654,502,501.86	138,441,518.49	119,604,459.41	(1,587,743,659.95)	10,324,804,819.81

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(XIII) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Segment financial information - continued

Segment financial information for 2019 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	15,167,367.31	-	920,329.94	19,125,548.43	512,078,201.39	547,291,447.07	458,318.63	1,086,658.83	4,266,935.88	553,103,360.41	
Non-operating expenses	13,328,509.27	4,069.14	8,922.44	25,023,662.84	14,345,696.95	52,710,860.64	57,151.76	50,000.00	17,634,000.00	70,452,012.40	
Gross profit	5,893,942,082.76	2,706,588,374.86	714,113,310.59	1,364,366,150.39	1,470,073,169.69	12,149,083,088.29	138,842,685.36	120,641,118.24	(1,601,110,724.07)	10,807,456,167.82	
Income tax expenses	1,922,260,744.88	134,247,591.99	91,985,992.66	224,620,829.53	92,650,917.92	2,465,766,076.98	31,835,647.68	13,078,333.18	129,858,836.78	2,640,538,894.62	
Net profit	3,971,681,337.88	2,572,340,782.87	622,127,317.93	1,139,745,320.86	1,377,422,251.77	9,683,317,011.31	107,007,037.68	107,562,785.06	(1,730,969,560.85)	8,166,917,273.20	
Segment assets	29,586,087,542.86	26,729,937,567.14	7,140,466,913.27	26,167,362,772.28	43,499,664,358.95	133,123,519,154.50	3,343,718,019.81	17,831,744,436.63	2,397,936,234.93	156,696,917,845.87	
Total assets in the financial statements											156,696,917,845.87
Segment liabilities	10,648,908,871.15	700,175,249.44	140,580,616.21	9,017,491,838.33	11,995,283,584.80	32,502,440,159.93	757,665,748.51	1,010,340,736.41	27,436,263,588.78	61,706,710,233.63	
Total liabilities in the financial statements											61,706,710,233.63
Supplementary information:											
Depreciation and Amortization	900,796,294.39	-	2,052,884.92	878,442,775.96	796,377,578.73	2,577,669,534.00	92,199,834.15	174,521,673.45	20,134,304.85	2,864,525,346.45	
Interest income	42,470,222.92	257,234.76	1,203,144.96	70,701,815.50	83,372,904.82	198,005,322.96	1,266,345.18	1,469,124.45	51,319,225.99	252,060,018.58	
Interest expense	183,085,034.75	2,926,671.54	-	203,657,696.95	392,724,564.47	782,393,967.71	28,245,233.91	38,016,163.44	1,241,182,229.48	2,089,837,594.54	
Investment income from long-term equity investment under equity method	129,628,862.78	2,530,919,159.03	347,650,565.12	19,727,531.90	439,240,848.69	3,467,166,967.52	23,454,651.74	237,229,143.96	-	3,727,850,763.22	
Long-term equity investment under equity method	2,592,565,388.68	24,772,038,158.14	6,078,963,750.12	640,212,907.12	11,061,215,279.18	45,144,995,483.24	768,727,807.74	12,002,816,092.28	-	57,916,539,383.26	
Non-current assets other than long-term equity investment	21,153,911,773.00	294,462,264.01	27,181,862.66	21,955,658,532.67	28,203,528,560.52	71,634,742,992.86	2,302,277,585.20	5,405,248,897.19	455,073,380.68	79,797,342,855.93	

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**(XIII) OTHER SIGNIFICANT EVENTS - continued****1. Segment reporting - continued****(2) Segment financial information - continued**

Segment financial information for 2018 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	5,303,465,225.60	-	69,907,311.12	747,571,785.87	3,063,582,986.50	9,184,527,309.09	386,269,027.02	132,598,286.47	-	9,703,394,622.58
Operating cost	3,093,917,475.00	-	55,661,268.67	631,405,970.58	1,522,302,179.06	5,303,286,893.31	214,495,776.55	221,458,726.01	-	5,739,241,395.87
Segment operating profit (loss)	2,209,547,750.60	-	14,246,042.45	116,165,815.29	1,541,280,807.44	3,881,240,415.78	171,773,250.47	(88,860,439.54)	-	3,964,153,226.71
Adjustments::										
Taxes and levies	71,372,197.96	284,627.70	1,160,781.85	10,778,344.95	112,983,856.21	196,579,808.67	32,621,484.27	6,211,213.84	541,296.73	235,953,803.51
Administrative expense	390,753,695.03	3,749,372.10	9,930,005.82	97,317,524.40	193,183,913.13	694,934,510.48	36,924,775.16	28,852.77	519,977,537.04	1,251,865,675.45
R&D expenses	118,865,768.66	-	-	-	-	118,865,768.66	-	-	3,123,329.16	121,989,097.82
Financial expenses	33,812,457.43	82,614,789.19	(406,546.82)	19,344.58	419,088,994.19	535,129,038.57	38,623,819.16	51,653,121.27	1,018,012,123.95	1,643,418,102.95
Impairment gains of assets	-	-	-	-	-	-	-	-	-	-
Impairment gains (losses) of credit	(10,760,473.33)	-	-	(10,616.21)	3,410,788.03	(7,360,301.51)	(168,279.09)	-	-	(7,528,580.60)
Other income	32,901,021.72	408,333.33	113,998.17	12,684,291.81	-	46,107,645.03	1,411,014.72	-	8,661,467.89	56,180,127.64
Investment income	143,206,331.48	2,706,435,143.32	322,968,785.89	(21,733,692.03)	592,367,561.64	3,743,244,130.30	17,758,667.43	207,255,360.07	(430,008.32)	3,967,828,149.48
Gains from changes in fair value	45,351.40	(873,891,271.63)	(74,594,618.22)	-	(125,966,299.23)	(1,074,406,837.68)	-	-	-	(1,074,406,837.68)
Gains from disposal of assets	9,216,008.49	-	-	(418,481.28)	10,450,227.43	19,247,754.64	26,746.03	-	(16,005.34)	19,258,495.33
Operating profit	1,769,351,871.28	1,746,303,416.03	252,049,967.44	(1,427,896.35)	1,296,286,321.78	5,062,563,680.18	82,631,320.97	60,501,732.65	(1,533,438,832.65)	3,672,257,901.15

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(XIII) OTHER SIGNIFICANT EVENTS - continued

1. Segment reporting - continued

(2) Segment financial information - continued

Segment financial information for 2018 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	34,351,337.85	-	424,231.58	1,931,244.58	24,074,268.10	60,781,082.11	1,216,591.28	943,208.69	4,187,807.90	67,128,689.98
Non-operating expenses	40,405,962.28	4,010.31	400,000.00	1,057,097.28	65,315,693.08	107,182,762.95	6,240,627.54	200,000.00	11,407,908.08	125,031,298.57
Gross profit	1,763,297,246.85	1,746,299,405.72	252,074,199.02	(553,749.05)	1,255,044,896.80	5,016,161,999.34	77,607,284.71	61,244,941.34	(1,540,658,932.83)	3,614,355,292.56
Income tax expenses	294,544,209.66	43,364,189.75	12,909,324.23	16,064,881.66	94,332,207.91	461,214,813.21	14,785,763.43	49,933,513.49	202,506,448.47	728,440,538.60
Net profit	1,468,753,037.19	1,702,935,215.97	239,164,874.79	(16,618,630.71)	1,160,712,688.89	4,554,947,186.13	62,821,521.28	11,311,427.85	(1,743,165,381.30)	2,885,914,753.96
Segment assets	24,361,542,350.83	24,738,700,129.24	6,498,939,975.26	11,975,384,175.20	43,137,915,507.68	110,712,482,138.21	2,768,799,649.68	10,986,223,834.86	3,550,578,792.93	128,018,084,415.68
Total assets in the financial statements										128,018,084,415.68
Segment liabilities	3,716,328,520.15	620,013,763.67	108,999,946.50	2,399,865,586.89	11,874,203,103.78	18,719,410,920.99	809,775,291.61	1,161,920,752.31	26,910,051,577.96	47,601,158,542.87
Total liabilities in the financial statements										47,601,158,542.87
Supplementary information:										
Depreciation and Amortization	777,378,984.84	-	2,030,173.13	287,332,851.66	698,620,897.88	1,765,362,907.51	80,463,924.42	165,229,175.14	16,903,705.26	2,027,959,712.33
Interest income	21,954,329.37	508,539.88	438,043.11	40,225,269.81	84,159,789.64	147,285,971.81	1,052,104.99	828,268.56	123,286,948.50	272,453,293.86
Interest expense	44,507,286.38	1,009,944.96	-	39,664,933.55	398,730,346.09	483,912,510.98	32,382,213.72	39,755,069.06	1,078,051,538.04	1,634,101,331.80
Investment income from long-term equity investment under equity method	134,907,307.68	2,674,327,364.23	309,435,330.98	(21,882,199.10)	592,062,707.31	3,688,850,511.10	17,758,667.43	207,255,360.07	-	3,913,864,538.60
Long-term equity investment under equity method	2,629,326,400.75	23,003,406,812.98	5,696,221,052.02	2,540,719,065.34	10,818,356,531.61	44,688,029,862.70	340,969,759.95	5,147,577,640.75	-	50,176,577,263.40
Non-current assets other than long-term equity investment	18,136,739,566.92	296,477,731.85	29,099,361.17	7,816,817,366.31	29,571,968,313.58	55,851,102,339.83	2,206,436,654.13	5,573,444,649.09	480,592,127.03	64,111,575,770.08

(XIII) 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	8,872,027,132.24	6,635,924,788.34
Pearl River Delta	5,629,472,123.72	5,705,075,363.71
Yangtze River Delta	-	-
Bohai Rim	194,445,939.20	183,277,638.76
Others	3,048,109,069.32	747,571,785.87
Other locations	3,251,802,291.50	3,067,469,834.24
Total	12,123,829,423.74	9,703,394,622.58

Unit: RMB

Total non-current assets	Amount incurred in the current period	Amount incurred in the prior period
Mainland China, Hong Kong and Taiwan	96,489,027,270.44	73,602,488,004.01
Pearl River Delta	43,196,515,110.55	33,618,069,629.60
Yangtze River Delta	25,066,500,422.16	23,299,884,544.83
Bohai Rim	6,686,470,964.43	6,316,574,360.92
Others	21,539,540,773.30	10,367,959,468.66
Other locations	41,224,854,968.75	40,685,665,029.47
Total	137,713,882,239.19	114,288,153,033.48

(3) Degree of reliance on major customers

The total operating income derived from the top five clients of the Group is RMB 3,234,035,638.42, accounting for 26.68% of the Group's total operating income.

(XIV) 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 (restated)
Interest receivable	-	-
Dividends receivable	207,259,421.40	329,153,465.74
Other receivables	598,275,341.87	321,861,868.32
Total	805,534,763.27	651,015,334.06

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(XIV) 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
Dongguan Chiwan Warf Co., Ltd.	103,355,370.74	103,355,370.74
Shenzhen Chiwan Harbor Container Co. Ltd.	-	96,378,106.61
Dongguan Chiwan Terminal Co., Ltd.	88,196,930.66	88,196,930.66
Shenzhen Chiwan Tugboat Co., Ltd.	-	21,929,842.24
China Merchants Bonded Logistics Co., Ltd.	15,707,120.00	15,707,120.00
Shenzhen Chiwan Port Development Co., Ltd.	-	3,299,252.31
Shenzhen Chiwan International Freight Agency Co., Ltd.	-	286,843.18
CMPort	-	-
Total	207,259,421.40	329,153,465.74
Less: Provision for credit loss	-	-
Carrying amount	207,259,421.40	329,153,465.74

(b) Significant dividends receivable with aging over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding	Impaired or not
Dongguan Chiwan Warf Co., Ltd.	103,355,370.74	In processing and expected to be received in 2020	No
Dongguan Chiwan Terminal Co., Ltd.	88,196,930.66	In processing and expected to be received in 2020	No
Total	191,552,301.40		

(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	598,275,341.87	-	-
1 to 2 years	-	-	-
2 to 3 years	-	-	-
Over 3 years	383,456.60	383,456.60	100.00
Total	598,658,798.47	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 YEAR ENDED 31 DECEMBER 2019

(XIV) 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 31 December 2019, 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	598,275,341.87	-	-	598,275,341.87	321,861,868.32	-	-	321,861,868.32
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		598,275,341.87	-	383,456.60	598,658,798.47	321,861,868.32	-	383,456.60	322,245,324.92
Provision for credit loss		-	-	383,456.60	383,456.60	-	-	383,456.60	383,456.60
Book value		598,275,341.87	-	-	598,275,341.87	321,861,868.32	-	-	321,861,868.32

(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 2019	-	-	383,456.60	383,456.60
Carrying amount of other receivables at 1 January 2019				
-- transfer to stage II	-	-	-	-
-- transfer to stage III	-	-	-	-
-- transfer back to stage II	-	-	-	-
-- transfer back to stage I	-	-	-	-
Provision for the year	-	-	-	-
Reversal	-	-	-	-
Transfer out due to derecognition of financial assets (including direct write-down)	-	-	-	-
Other changes	-	-	-	-
Balance at 31 December 2019	-	-	383,456.60	383,456.60

(d) Other receivables by nature

Unit: RMB

Item	Closing balance	Opening balance
Amounts due from related parties	571,663,096.21	316,567,355.24
Advances	26,283,930.19	4,785,167.82
Deposits	-	372,042.31
Others	711,772.07	520,759.55
Total	598,658,798.47	322,245,324.92
Less: Provision for credit loss	383,456.60	383,456.60
Book value	598,275,341.87	321,861,868.32

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(XIV) 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 year.

(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	328,163,096.21	Within 1 year	54.81	-
Dongguan Chiwan Terminal Co., Ltd.	Loan to related parties	134,500,000.00	Within 1 year	22.47	-
Dongguan Chiwan Warf Co., Ltd.	Loan to related parties	109,000,000.00	Within 1 year	18.21	-
Shenzhen Chiwan Port Development Co., Ltd.	Advance payments for account current	21,072,976.83	Within 1 year	3.52	-
Guangdong Sinotrans Co., Ltd.	Compensation for profit and loss over the transition period	3,803,477.07	Within 1 year	0.64	-
Total		596,539,550.11		99.65	-

CHINA MERCHANTS PORT GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(XIV) NOTES TO THE KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

2. Long-term equity investments

Unit: RMB

Investee	1/1/2019	Changes for the year								31/12/2019	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. (Note 1)	7,000,000.00	199,283,811.09	-	-	-	-	-	-	-	206,283,811.09	-
CWHK	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 (Note 2)	26,170,129,771.99	1,116,813,838.43	-	-	-	-	-	-	-	27,286,943,610.42	-
RoRo Logistics	149,709,800.00	-	-	-	-	-	-	-	-	149,709,800.00	-
Zhanjiang port (Note 3)	-	371,530,912.93	-	-	-	-	-	-	-	371,530,912.93	-
Sub-total	27,391,929,561.27	1,687,628,562.45	-	-	-	-	-	-	-	29,079,558,123.72	-
II. Associate											
China Merchants International Information Technology Co., Ltd.	18,274,568.38	-	-	2,369,042.80	-	-	-	-	-	20,643,611.18	-
China Merchants Bonded Logistics Co., Ltd.	340,500,382.73	-	-	25,355,342.22	-	-	-	-	-	365,855,724.95	-
Sub-total	358,774,951.11	-	-	27,724,385.02	-	-	-	-	-	386,499,336.13	-
III. Joint venture											
China Overseas Harbour Affaris (Laizhou) Co., Ltd.	793,557,064.58	-	-	42,110,853.02	-	-	(43,605,689.02)	-	-	792,062,228.58	-
China Merchants Antong Logistics Management Company	-	8,000,000.00	-	256,893.80	-	-	-	-	-	8,256,893.80	-
Sub-total	793,557,064.58	8,000,000.00	-	42,367,746.82	-	-	(43,605,689.02)	-	-	800,319,122.38	-
Total	28,544,261,576.96	1,695,628,562.45	-	70,092,131.84	-	-	(43,605,689.02)	-	-	30,266,376,582.23	-

Note 1: The Company receives 25% equity of Shenzhen Chiwan Port Development Co., Ltd. from CWHK at the consideration of RMB10,825,000.00 on 19 April 2019. Since then, Shenzhen Chiwan Port Development Co., Ltd. became the Company's wholly-owned subsidiary. In July 2019, the Company transferred the major operating assets, debts and employees of Chiwan port area 1-7# berth to Shenzhen Chiwan Port Development Co., Ltd. The net book value of the transferred assets and liabilities at the benchmark date of the transfer amounting to RMB188,458,811.09 is considered as investment cost and included in the Company's long-term equity investments in Shenzhen Chiwan Port Development Co., Ltd.

Note 2: Details are set out in Note (VII) 1.

Note 3: Details are set out in Note (VI) 1.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(XIV) 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	75,207,466.30	75,438,994.71	211,782,804.61	158,561,191.30
Other operating	16,835,131.75	645,029.02	32,116,448.46	1,504,260.12
Total	92,042,598.05	76,084,023.73	243,899,253.07	160,065,451.42

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	1,221,470,436.60	121,894,044.34
Long-term equity investments income under equity method	70,092,131.84	63,015,142.10
Income from other equity instruments investments	10,822,585.00	8,228,975.00
Income from debt investments	3,837,808.22	-
Total	1,306,222,961.66	193,138,161.44

(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 year
CMPort	1,116,334,395.76	-	Changes in profit distribution of investee
Chiwan Container Terminal Co., Ltd.	105,136,040.84	-	Changes in profit distribution of investee
Shenzhen Chiwan Harbor Container Co. Ltd.	-	96,378,106.61	Changes in profit distribution of investee
Shenzhen Chiwan Tugboat Co., Ltd.	-	21,929,842.24	Changes in profit distribution of investee
Shenzhen Chiwan Port Development Co., Ltd.	-	3,299,252.31	Changes in profit distribution of investee
Shenzhen Chiwan International Freight Agency Co., Ltd.	-	286,843.18	Changes in profit distribution of investee
Total	1,221,470,436.60	121,894,044.34	

SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount	Remarks
Losses on disposal of non-current assets	4,794,562,782.79	
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)	162,587,042.38	
Money lending income earned from non-financial institutions in profit or loss	19,571,040.36	
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	66,075,363.30	
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	482,165,418.73	
Other profit or loss that meets the definition of non-recurring profit or loss (note)	732,644,357.06	
Tax effects	(1,504,203,995.96)	
Effects of minority interest (after tax)	(2,892,976,715.05)	
Total	1,860,425,293.61	

Note: This mainly represents the gains from remeasurement of previously held equity at fair value upon the Company's acquisition of Zhanjiang Port (Group) Co., Ltd.

SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

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	8.7125	1.5943	1.5943
Net profit attributable to ordinary shareholders after deducting non-recurring profit or loss	3.1197	0.5709	0.5709
