

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



秦 皇 島 港 股 份 有 限 公 司
QINHUANGDAO PORT CO., LTD.*

(a joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 3369)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

FINANCIAL HIGHLIGHTS

- For the Reporting Period, our revenue amounted to RMB3,481,201 thousand, representing an increase of 2.80% as compared with the corresponding period of 2013.
- For the Reporting Period, we recorded the gross profit of RMB1,541,488 thousand, representing an increase of 0.99% as compared with the corresponding period of 2013.
- For the Reporting Period, the net profit attributable to owners of the parent company amounted to RMB932,366 thousand, representing a decrease of 21.56% as compared with the corresponding period of 2013. The decrease was mainly attributable to an one-off government grants of RMB294,843 thousand received by Cangzhou Bohai for the transfer of public infrastructures during the corresponding period of 2013. If such factors were neglected, the net profit of the year attributable to the owners of the parent for the first half of 2014 would have been increased 2.9% as compared with that of the corresponding period of 2013
- For the Reporting Period, earnings per Share of the Company amounted to RMB0.19, representing a decrease of 32.14% as compared with the corresponding period of 2013, which was mainly attributable to (1) a government grant of RMB294,843 thousand was received in January 2013, for the compensation of the business tax, additional tax and stamp duty paid for the transfer of public infrastructure at Huanghua Port, which was of an one-off nature; and (2) the issuance of H shares in Hong Kong by the Company on 12 December 2013 resulted in an increase of share capital by RMB754,412 thousand as compared with the corresponding period of 2013.

The Board announces the unaudited consolidated results of the Group for the Reporting Period prepared pursuant to the related requirements of the Listing Rules, together with the comparative figures for the corresponding period of 2013.

* For identification purpose only

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		For the six months ended	
	<i>Notes</i>	30 June 2014	30 June 2013
		RMB'000	RMB'000
		(unaudited)	(audited)
REVENUE	4	3,481,201	3,386,526
Cost of sales		<u>(1,939,713)</u>	<u>(1,860,196)</u>
Gross profit		1,541,488	1,526,330
Other income and gains	4	126,124	369,477
Selling and distribution expenses		(5)	(15)
Administrative expenses		(382,413)	(359,700)
Other expenses		(11,538)	(25,432)
Finance costs	6	(192,845)	(144,514)
Share of profits and losses of:			
Associates		106,494	63,385
Joint ventures		<u>112</u>	<u>(46)</u>
PROFIT BEFORE TAX	5	1,187,417	1,429,485
Income tax expense	7	<u>(253,766)</u>	<u>(227,273)</u>
PROFIT FOR THE PERIOD		<u>933,651</u>	<u>1,202,212</u>
OTHER COMPREHENSIVE INCOME		<u>—</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>933,651</u>	<u>1,202,212</u>
Attributable to:			
Owners of the parent		932,366	1,188,646
Non-controlling interests		<u>1,285</u>	<u>13,566</u>
		<u>933,651</u>	<u>1,202,212</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u>RMB0.19</u>	<u>RMB0.28</u>

Details of the dividends payable and proposed for the interim period are disclosed in note 8 to the unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014	31 December 2013
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	20,492,714	20,138,010
Prepaid land lease payments		522,338	528,710
Other intangible assets		116,413	120,653
Goodwill		59	59
Investments in joint ventures		4,868	4,994
Investments in associates		1,005,654	1,034,206
Investment properties		4,124	4,171
Available-for-sale investments		711,670	681,624
Long-term prepayments	11	250,141	59,776
Deferred tax assets		147,916	163,649
Total non-current assets		23,255,897	22,735,852
CURRENT ASSETS			
Inventories	12	189,331	190,336
Trade and bills receivables	14	296,304	261,886
Prepayments, deposits and other receivables	13	246,963	90,220
Prepaid land lease payments		12,745	12,745
Tax recoverable		16,226	5,438
Cash and cash equivalents	15	5,824,455	5,945,267
Pledged deposits	15	215	–
Total current assets		6,586,239	6,505,892
CURRENT LIABILITIES			
Trade payables		79,624	78,083
Other payables and accruals	16	4,588,479	4,837,577
Interest-bearing bank borrowings	17	3,311,457	3,395,367
Tax payable		133,284	203,307
Total current liabilities		8,112,844	8,514,334
NET CURRENT LIABILITIES		(1,526,605)	(2,008,442)
TOTAL ASSETS LESS CURRENT LIABILITIES		21,729,292	20,727,410

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2014

		30 June 2014	31 December 2013
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	17	9,044,378	7,368,092
Government grants	18	297,252	310,392
Total non-current liabilities		9,341,630	7,678,484
Net assets		12,387,662	13,048,926
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital		5,029,412	5,029,412
Reserves		6,175,640	5,243,304
Proposed final dividend		–	1,609,412
		11,205,052	11,882,128
Non-controlling interests		1,182,610	1,166,798
Total equity		12,387,662	13,048,926

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserve	Special reserve	Statutory surplus reserve	Retained profits	Proposed dividend	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	5,029,412	4,498,136	7,918	27,638	683,390	26,222	1,609,412	11,882,128	13,048,926
Profit for the period	-	-	-	-	-	932,366	-	932,366	933,651
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	932,366	-	932,366	933,651
Final 2013 dividend declared	-	-	-	-	-	-	(1,609,412)	(1,609,412)	(1,609,412)
Dividends declared and paid to non-controlling interests	-	-	-	-	-	-	-	(3,003)	(3,003)
Contribution from non-controlling interests	-	-	-	-	-	-	-	17,500	17,500
Acquisition of non-controlling interests by injection to a subsidiary	-	-	(30)	-	-	-	-	30	-
Net increase in special reserve for the period	-	-	-	19,226	-	(19,226)	-	-	-
At 30 June 2014 (unaudited)	5,029,412	4,498,136*	7,888*	46,864*	683,390*	939,362*	-	11,205,052	12,387,662

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserve	Special reserve	Statutory surplus reserve	Retained profits	Proposed dividend	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	4,275,000	2,240,185	9,229	17,545	544,743	1,096,886	1,090,125	9,273,713	10,429,525
Profit for the period	-	-	-	-	-	1,188,646	-	1,188,646	1,202,212
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	1,188,646	-	1,188,646	1,202,212
Final 2012 dividend declared	-	-	-	-	-	-	(1,090,125)	(1,090,125)	(1,090,125)
Proposed additional 2012 dividend	-	-	-	-	-	(1,090,125)	1,090,125	-	-
Net increase in special reserve for the period	-	-	-	20,958	-	(20,958)	-	-	-
Acquisition of non-controlling interests by injection to a subsidiary	-	-	(1,341)	-	-	-	-	(1,341)	-
At 30 June 2013 (audited)	4,275,000	2,240,185*	7,888*	38,503*	544,743*	1,174,449*	1,090,125	9,370,893	10,541,612

* These reserve accounts comprise the consolidated reserves of RMB6,175,640,000 in the consolidated statements of financial position as at 30 June 2014 (30 June 2013: RMB4,005,768,000).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

		For the six months ended	
		30 June 2014	30 June 2013
	<i>Note</i>	RMB'000	RMB'000
		(unaudited)	(audited)
Net cash flows from operating activities		<u>1,274,767</u>	<u>1,402,568</u>
Net cash flows used in investing activities		<u>(2,039,222)</u>	<u>(1,170,696)</u>
Net cash flows from/(used in) financing activities		<u>827,755</u>	<u>(1,180,949)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		63,300	(949,077)
Cash and cash equivalents at beginning of period		<u>5,537,357</u>	<u>3,336,887</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>5,600,657</u>	<u>2,387,810</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statements of financial position	15	5,824,455	2,524,072
Less: Time deposits with original maturity of more than three months	15	<u>(223,798)</u>	<u>(136,262)</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows		<u>5,600,657</u>	<u>2,387,810</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

1. CORPORATE INFORMATION

The Company was established as a joint stock company with limited liability on 31 March 2008 in the People's Republic of China. The Company's "H" shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 December 2013. The registered office of the Company is located at 35 Haibin Road, Qinhuangdao, Hebei Province, the PRC.

The Group was principally engaged in the provision of integrated port services including stevedoring, stacking, warehousing, transportation and logistics and handling various types of cargo including coal, metal ores, oil, liquefied chemicals, containers and general cargo.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Hebei Port Group Co., Ltd. ("HPG"), which is a state-owned enterprise established on 28 August 2002 in the PRC.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of consolidation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except in relation to the following new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements, the adoption of these new and revised IFRSs has had no significant impact on the results and the financial position of the Group.

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to <i>IFRS 10, IFRS 12 and IAS 27</i> (2011) – <i>Investment Entities</i>
IAS 32 Amendments	Amendments to <i>IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 Amendments	Amendments to <i>IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
IAS 39 Amendments	Amendments to <i>IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment: provision of integrated port services. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

During this period, more than 90% of the Group's revenue is generated from customers located in Mainland China and all of the non-current assets of the Group were located in Mainland China.

Information about major customers

During this period, there were two single customers who contributed over 10% of the Group's revenue individually.

	Six months ended 30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Customer A	454,603	393,266
Customer B	468,804	505,806

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the value of services rendered, the invoiced value of goods sold and the gross rental income received during the period.

An analysis of revenue, other income and gains from continuing operations is as follows:

	<i>Note</i>	Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
		(unaudited)	(audited)
Revenue			
Integrated port services		3,333,870	3,260,135
Sale of goods		24,268	12,554
Gross rental income		841	83
Other comprehensive services		122,222	113,754
		3,481,201	3,386,526
Other income and gains			
<i>Other income</i>			
Bank interest income		6,940	10,112
Dividend income from available-for-sale investments		62,805	45,000
Government grants	18	21,148	298,424
Foreign exchange differences, net		29,632	–
		120,525	353,536
<i>Gains</i>			
Reversal of impairment of trade and other receivables, net		5,444	13,701
Others		155	2,240
		5,599	15,941
		126,124	369,477

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Six months ended 30 June	
		2014	2013
	Note	RMB'000 (unaudited)	RMB'000 (audited)
Cost of services provided		1,939,713	1,860,196
Depreciation	10	542,144	484,787
Amortisation of other intangible assets		4,238	3,575
Amortisation of prepaid land lease payments		4,765	4,813
Amortisation of investment properties		47	65
Loss on disposal of items of property, plant and equipment		12,250	13,325
Government grants recognised as income	18	(21,148)	(298,424)
Employee benefit expense (including directors' and supervisors' remuneration):			
Wages, salaries and bonuses		813,562	773,657
Pension scheme contributions and other employee benefits		155,526	146,101
		<u>969,088</u>	<u>919,758</u>
Reversal of impairment of trade and other receivables		(5,444)	(13,701)
Provision for impairment of items of property, plant and equipment	10	–	11,577
Dividend income from available-for-sale investments		(62,805)	(45,000)
Minimum lease payments under operating leases of items of property, plant and equipment		79,134	84,284
Auditors' remuneration		17	125
Bank interest income		(6,940)	(10,112)
Foreign exchange differences, net		(29,632)	47
Rental income on investment properties		841	83
		<u> </u>	<u> </u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

		Six months ended 30 June	
		2014	2013
		RMB'000 (unaudited)	RMB'000 (audited)
Interest on bank borrowings			
– wholly repayable within five years		169,089	157,428
– wholly repayable over five years		165,742	140,508
		<u>334,831</u>	<u>297,936</u>
Less: Interest capitalised		(141,986)	(153,422)
		<u>192,845</u>	<u>144,514</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

7. INCOME TAX EXPENSE

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which became effective on 1 January 2008.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the period.

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Current – Mainland China		
Charge for the period	238,033	275,219
Deferred	15,733	(47,946)
Total tax Change for the period	253,766	227,273

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate applicable in Mainland China to the tax expense at the Group's effective tax rate is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit before tax	1,187,417	1,429,485
Tax at the statutory tax rate	296,854	357,371
Expenses not deductible for tax	3,178	9,426
Tax losses not recognised	7,344	4,121
Income not subject to tax	(15,701)	(11,250)
Profits and losses attributable to joint ventures and associates	(26,652)	(15,834)
Non-deductible expenses from previous periods		
confirmed to be deductible by tax authority	–	(110,558)
Utilised deductible temporary difference not recognised	–	(6,003)
Adjustments in respect of current income tax of previous years	(11,257)	–
Tax charge at the Group's effective rate	253,766	227,273

8. DIVIDENDS

On 6 June 2014, a dividend of RMB0.32 per share amounting to RMB1,609,412,000 in aggregate (for the six months ended 30 June 2013: RMB0.255 per share amounting to RMB1,090,125,000 in aggregate for the additional 2012 final dividend) was declared as the final dividend for 2013.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profits attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,029,412,000 and 4,275,000,000 in issue during the six months ended 30 June 2014 and 2013, respectively.

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>932,366</u>	<u>1,188,646</u>
	Six months ended 30 June	
	2014	2013
	'000	'000
	(unaudited)	(audited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>5,029,412</u>	<u>4,275,000</u>

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during both periods.

10. PROPERTY, PLANT AND EQUIPMENT

	At 30 June	At 31 December
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Carrying amount at the beginning of period/year	20,138,010	16,344,421
Additions	914,230	4,834,670
Disposals	(15,224)	(209,772)
Transfer to intangible assets	(53)	(4,514)
Depreciation charge for the period/year (Note)	(544,249)	(818,139)
Impairment charge for the period/year	–	(8,656)
	<u>20,492,714</u>	<u>20,138,010</u>
Carrying amount at the end of period/year		

Note: Included the depreciation provided for the six months period ended 30 June 2014, RMB2,105,000 (2013: RMB2,244,000) was directly related to the construction in progress and was capitalised and RMB542,144,000 (2013: RMB982,458,000) was charged to profit or loss for the period.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

11. LONG-TERM PREPAYMENTS

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Prepayments for purchase of items of property, plant and equipment	16,811	9,776
Prepayments for acquisition of equity investment	233,330	50,000
	<u>250,141</u>	<u>59,776</u>

12. INVENTORIES

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Raw materials	96,460	97,160
Spare parts and consumables	90,864	90,158
Finished goods	2,007	3,018
	<u>189,331</u>	<u>190,336</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Prepayments	10,599	12,350
Receivable in respect of electricity fee	80,649	68,273
Dividend receivables	106,027	1,027
Accumulated deductible value-added taxes	42,820	3,822
Others	6,868	4,748
	<u>246,963</u>	<u>90,220</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

14. TRADE AND BILLS RECEIVABLES

	At 30 June 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
Trade receivables	246,699	189,188
Bills receivable	49,605	72,698
	<u>296,304</u>	<u>261,886</u>

The Group normally requires payment in advance from its customers and allows credit terms of not more than 90 days to certain established customers. Customers with a good track record could be granted a longer credit period. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date, as at the end of reporting period is as follows:

	At 30 June 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
Within 3 months	123,128	99,873
3 to 6 months	36,771	25,604
6 to 12 months	56,253	52,294
Over 12 months	47,444	24,275
	<u>263,596</u>	202,046
Provision for impairment	(16,897)	(12,858)
	<u>246,699</u>	<u>189,188</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Cash and bank balances	5,600,872	5,537,357
Time deposits	223,798	407,910
	5,824,670	5,945,267
Less: Pledged deposits	(215)	–
Cash and cash equivalents	5,824,455	5,945,267

As at 30 June 2014, the Group's cash and cash equivalents denominated in foreign currencies amounted to RMB1,009,190,000 (31 December 2013: RMB2,473,087,000). The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Time deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and one year. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

16. OTHER PAYABLES AND ACCRUALS

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Payables for purchase of items of property, plant and equipment	2,110,568	3,452,076
Advances from customers	592,981	614,578
Other taxes and surcharges payables	91,122	119,266
Dividends payable	1,609,412	1,918
Port construction fee payables	3,697	3,697
Payables for staff costs	90,489	122,525
National Council for social security fund	–	312,138
Others	90,210	211,379
	4,588,479	4,837,577

Other payables are unsecured and non-interest-bearing.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

17. INTEREST-BEARING BANK BORROWINGS

	At 30 June 2014			At 31 December 2013		
	Effective interest rate (%)	Maturity	RMB'000 (unaudited)	Effective interest rate (%)	Maturity	RMB'000 (audited)
Current						
Bank loans – unsecured	5-7	2014-2015	<u>3,311,457</u>	5-7	2014	<u>3,395,367</u>
Non-current						
Bank loans – unsecured	6-7	2015-2030	<u>9,044,378</u>	6-7	2015-2030	<u>7,368,092</u>
			<u>12,355,835</u>			<u>10,763,459</u>

At 30 June 2014	At 31 December 2013
RMB'000 (unaudited)	RMB'000 (audited)

Analysed into:

Within one year or on demand	3,311,457	3,395,367
In the second year	1,306,300	807,431
In the third to fifth years, inclusive	3,062,996	2,587,496
Beyond five years	4,675,082	3,973,165
	<u>12,355,835</u>	<u>10,763,459</u>

18. GOVERNMENT GRANTS

	At 30 June 2014	At 31 December 2013
	RMB'000 (unaudited)	RMB'000 (audited)
Government grants	<u>297,252</u>	<u>310,392</u>

Government grants received by the Group as financial subsidies were mainly for environment-protection projects and certain research and development activities and were recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they were intended to compensate. There are no unfulfilled conditions or contingencies relating to the grants.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

18. GOVERNMENT GRANTS *(Continued)*

The movements in government grants during the year are as follows:

	At 30 June 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
At the beginning of period/year	310,392	225,544
Additions	8,008	394,240
Recognised as income during the period/year	<u>(21,148)</u>	<u>(309,392)</u>
At the end of period/year	<u>297,252</u>	<u>310,392</u>

19. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its property, plant and equipment under operating lease agreements, with leases negotiated for terms ranging from one to nine years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
Within one year	68,917	121,100
In the second to fifth years, inclusive	<u>161,665</u>	<u>169,517</u>
	<u>230,582</u>	<u>290,617</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

20. COMMITMENTS

In addition to the operating lease commitments details in note 19 above, the Group had the following capital commitments at the end of the reporting period:

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Capital expenditure in respect of property, plant and equipment:		
– Contracted, but not provided for	943,540	770,356
– Authorised, but not contracted for	456,102	396,642
	<u>1,399,642</u>	<u>1,166,998</u>
Capital expenditure in respect of capital injection in existing joint ventures and associates:		
– Contracted, but not provided for	160,000	170,000
– Authorised, but not contracted for	60,000	260,000
	<u>220,000</u>	<u>430,000</u>
	<u>1,619,642</u>	<u>1,596,998</u>

21. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	Six months ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (audited)
Integrated port service income received from:		
Subsidiaries of HPG	42,518	19,822
Associates	777	–
Other related parties	16,107	20,987
	<u>59,402</u>	<u>40,809</u>
Other comprehensive service income received from:		
HPG	3,512	5,652
Subsidiaries of HPG	2,033	1,701
Associates	235	1,063
A joint venture	10	12
Other related parties	4,215	3,011
	<u>10,005</u>	<u>11,439</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

21. RELATED PARTY TRANSACTIONS (Continued)

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period (continued):

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Other comprehensive services provided by:		
HPG	27,547	25,530
Subsidiaries of HPG	2,353	45
Other related parties	1,019	639
	30,919	26,214
Rental expense paid to HPG	64,586	64,647
Construction and maintenance services provided by:		
Subsidiaries of HPG	72,376	67,578
Project management services provided by:		
A subsidiary of HPG	23,018	3,415
Loading and unloading services provided by:		
A joint venture	23,623	54,621

Other related parties represent the joint ventures and associates of HPG.

The above related party transactions were conducted in accordance with the terms/agreements mutually agreed between the parties.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

21. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	2014 <i>RMB'000</i> (unaudited)	2013 <i>RMB'000</i> (audited)
Trade and bills receivables:		
HPG	451	–
Subsidiaries of HPG	20,565	9,731
Associates	10	–
Other related parties	7,714	1,655
	<u>28,740</u>	<u>11,386</u>
Prepayments, deposits and other receivables:		
HPG	376	528
Subsidiaries of HPG	22,332	–
Other related parties	–	283
	<u>22,708</u>	<u>811</u>
Dividends receivable:		
Associates	106,027	1,027
Long-term prepayments:		
Subsidiaries of HPG	5,310	880
Trade payables:		
HPG	4,398	–
Subsidiaries of HPG	10,934	3,641
A joint venture	1,473	140
	<u>16,805</u>	<u>3,781</u>
Other payables and accruals:		
HPG	52,670	44,362
Subsidiaries of HPG	66,062	73,414
Associates	1,028	5
Other related parties	5,688	15
	<u>125,448</u>	<u>117,796</u>
Dividends payable:		
HPG	993,381	–

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

21. RELATED PARTY TRANSACTIONS (Continued)

- (c) Commitments with related parties:

As lessee

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases with a related party as at the end of the reporting period as follows:

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
HPG	<u>230,041</u>	<u>290,568</u>

Construction services

As at the end of the reporting period, the Group entered into certain agreements with subsidiaries of HPG for the construction of terminal facilities, plant and machinery. The total future payments regarding these agreements as at the end of the reporting period are as follows:

	At 30 June 2014 RMB'000 (unaudited)	At 31 December 2013 RMB'000 (audited)
Subsidiaries of HPG	<u>159,179</u>	<u>56,323</u>

- (d) Compensation of key management personnel of the Group:

	At 30 June 2014 RMB'000 (unaudited)	At 30 June 2013 RMB'000 (audited)
Short-term employee benefits	1,819	1,498
Pension scheme contributions	<u>414</u>	<u>418</u>
	<u>2,233</u>	<u>1,916</u>

- (e) Joint investment

On 11 April 2014, the Company entered into the Articles of Hebei Port Group Finance Co., Ltd. ("HPG Finance") with HPG for the establishment of HPG Finance with registered capital of RMB500 million. The Company and HPG hold 40% and 60% equity interests of HPG Finance, respectively.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

21. RELATED PARTY TRANSACTIONS (Continued)

- (f) In April 2011, the Port Construction Command Office of Shanxi Province in Qinhuangdao (“Shanxi Port Construction Command”, established to manage the relevant investments made by the Planning Committee of Shanxi Provincial Government), a third party, initiated a civil lawsuit in the Higher People’s Court of Hebei Province against the Company and HPG, as co-defendants, claiming that the port investment agreement between the Planning Committee of Shanxi Provincial Government and the Qinhuangdao Port Management Bureau of the Ministry of Transport of the PRC (the predecessor of HPG) had been terminated and the Company and HPG should return Shanxi Provincial Government approximately RMB144,884,000, which includes the investment principal provided by Shanxi Port Construction Command, accrued interest and management fees. HPG issued a commitment letter on 16 April 2012 whereby HPG committed to reimburse the Company for all losses in connection with the lawsuit. As at the date of this report, the court proceedings are still ongoing and no ruling has been made by the Higher People’s Court of Hebei Province. The directors are of the opinion that the lawsuit has no significant impact on the Group’s financial statements.
- (g) China Ocean Shipping Agency Qinhuangdao and Penavico QHD Logistics Co., Ltd. (the “Agencies”) acted as an agent of certain non-related shipping companies to accept the integrated port services provided by the Group, and pay the relevant integrated port service fee on behalf of these shipping companies to the Group. The relevant service fee paid by the Agencies on behalf of the shipping companies amounted to RMB12,368,000 and RMB9,776,000 (for the six months ended 30 June 2013: RMB10,779,000 and RMB6,313,000), respectively.
- (h) In December 2008, the Company entered into an agreement with HPG pursuant to which the Company had the right to use HPG’s trademark for free with a term of ten years commencing on 31 March 2008.
- (i) The Group enters into extensive transactions including purchases or sales of goods, property, plant and equipment and other assets and the receipt or provision of services with some state-owned enterprises, in the normal course of business on terms comparable to those with non-state owned enterprises. The transactions with these state-owned enterprises are individually not significant.
- (j) The related party transactions with HPG and companies owned by HPG also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	At 30 June 2014			At 31 December 2013		
	Loans and receivables RMB'000	Available- for-sale investments RMB'000	Total RMB'000	Loans and receivables RMB'000	Available- for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	711,670	711,670	–	681,624	681,624
Trade and bills receivables	296,304	–	296,304	261,886	–	261,886
Financial assets included in prepayments, deposits and other receivables	193,544	–	193,544	74,048	–	74,048
Pledged deposits	215	–	215	–	–	–
Cash and cash equivalents	5,824,455	–	5,824,455	5,945,267	–	5,945,267
	6,314,518	711,670	7,026,188	6,281,201	681,624	6,962,825

Financial liabilities

	Financial liabilities at amortised cost	
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade payables	79,624	78,083
Financial liabilities included in other payables and accruals	3,813,887	3,981,208
Interest-bearing bank borrowings	12,355,835	10,763,459
	16,249,346	14,822,750

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows::

	Carrying amounts		Fair values	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Financial assets				
Available-for-sale investments	<u>711,670</u>	<u>681,624</u>	<u>711,670</u>	<u>681,624</u>
Financial liabilities				
Interest-bearing bank borrowings	<u>12,355,835</u>	<u>10,763,459</u>	<u>12,355,835</u>	<u>10,763,459</u>

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing borrowings as at 30 June 2014 was assessed to be insignificant.

Unlisted available-for-sale equity investments are stated at cost less impairment because the investments do not have a quoted market price in an active market and the range of reasonable fair value estimates is so significant that in the opinion of the directors, the fair value cannot be measured reliably.

Fair value hierarchy

All financial assets and liabilities for which fair value was measured or disclosed in the financial statements are categorised within Level 2 of the fair value hierarchy at the end of the reporting period.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

24. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolution at the sixth meeting of the Company's second session of the board of directors held on 31 May 2013, the Company entered into the Articles of Hebei Port Group Finance Co., Ltd. ("HPG Finance") with HPG on 11 April 2014 for the establishment of HPG Finance. Pursuant to the approval of China Banking Regulatory Commission ("CBRC") Hebei Authority on 1 July 2014, HPG Finance was officially established on 10 July 2014. HPG Finance is principally engaged in finance and related service which was approved by CBRC in accordance with relevant laws, acts and regulations. According to the articles of association of HPG Finance, the Company injected capital of RMB200 million and held 40% equity interests in HPG Finance.

Pursuant to the resolution at the fourteenth meeting of the Company's second session of the board of directors held on 1 August 2014, the Company entered into an investment agreement with Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") for the establishment of Bohai Jin-Ji Port Investment and Development Co., Ltd. ("Bohai Port Investment") on 7 August 2014. Bohai Port Investment is principally engaged in the investment and development of port projects in the regions of Tianjin and Hebei, with the business scope of port projects investment operation and management. The registered capital of Bohai Port Investment will be RMB2 billion, each of the Company and Tianjin Port Group will contribute RMB1 billion and hold 50% and 50% equity interests in Bohai Port Investment, respectively.

25. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 22 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Industry Overview

During the Reporting Period, the PRC port throughput continued to maintain a stable increase; the throughput of coal and its products, metal ore and its products, oil and natural gas and their products, and container for coastal ports in China achieved approximately 756 million tonnes, 679 million tonnes, 341 million tonnes and 87,205,600 TEU, respectively, representing a year-on-year increase of approximately 4%, 10%, 5% and 7%, as compared with the corresponding period of 2013, respectively.

(Source: PRC Ministry of Transportation)

Benefiting from the growth of port industry in China, in particular, the port industry in Bohai Rim (where the Group is located), the revenue of the Group for the Reporting Period recorded a stable growth.

(II) Results of Operation and Financial Performance

(1) Revenue

We provide one-stop integrated port services including stevedoring, stacking, warehousing, transportation and logistics services. We handle various types of cargo mainly including coal, metal ores, oil and liquefied chemicals, containers and general cargo. We also provide value-added services such as coal blending and providing a coal trading service platform.

During the Reporting Period, our revenue amounted to RMB3,481,201 thousand, representing an increase of RMB94,675 thousand or approximately 2.80% as compared to revenue of RMB3,386,526 thousand for the corresponding period of 2013. The increase was mainly attributable to: (1) Group's steady growth in the cargo throughput during the Reporting Period; and (2) the increase of coal handling fee in Qinhaungdao Port since 1 June 2013 resulted a greater increase in

our revenue as compared with the decrease of revenue resulting from the “Business Tax to VAT Policy” (i.e. replace business tax with value-added tax) since 1 August 2013. The following table sets forth the revenue generated from each type of cargo we serviced:

	For the six month ended 30 June					
	2014		2013			
	Revenue (RMB'000)	Percentage of total revenue	Revenue (RMB'000)	Percentage of total revenue	Changes	Percentage changes
Dry bulk	3,118,761	89.59%	3,067,769	90.59%	50,992	1.66%
– coal	2,776,713	79.76%	2,669,601	78.83%	107,112	4.01%
– Metal ore	342,048	9.83%	398,168	11.76%	–56,120	–14.09%
Oil and liquefied chemicals	52,634	1.51%	59,551	1.76%	–6,917	–11.62%
Container	54,942	1.58%	41,743	1.23%	13,199	31.62%
General and other cargoes	107,533	3.09%	91,074	2.69%	16,459	18.07%
Others	147,331	4.23%	126,389	3.73%	20,942	16.57%
Total	<u>3,481,201</u>	<u>100.00%</u>	<u>3,386,526</u>	<u>100%</u>	<u>94,675</u>	<u>2.80%</u>

(2) *Costs of Sales*

Our cost of sales primarily includes labour costs, depreciation and amortization, power and fuel costs, repair and maintenance expenses, environmental protection and sewage charges and leasing expenses.

Our costs of sales for the Reporting Period amounted to RMB1,939,713 thousand, representing an increase of RMB79,517 thousand or 4.27% from RMB1,860,196 thousand for the corresponding period of 2013. The increase was mainly due to (1) the increase in labour costs as a result of inflation and the competition in technician recruitment of the port industry; and (2) since the investments of the construction projects by Cangzhou Bohai have been gradually transferred as fixed assets, the Group has recorded a significant increase in depreciation and amortization.

(3) *Gross Profit Margin*

During the Reporting Period, our gross profit amounted to RMB1,541,488 thousand, representing an increase of RMB15,158 thousand or 0.99% from RMB1,526,330 thousand for the corresponding period of 2013. Our gross profit margin for the Reporting Period was 44.28% representing a decrease of approximately 0.79% as compared with 45.07% for the corresponding period of 2013. The decrease was mainly attributable to the growth of gross profit was slower than that of revenue in the Reporting Period.

(4) *Segment Analysis¹ (Business Review)*

During the Reporting Period, the Group achieve total cargo throughput of 190.34 million tonnes¹, representing an increase of 7.78 million tonnes or approximately 4.26%, as compared with the throughput of 182.56 million tonnes¹ for the corresponding period of 2013. The cargo throughput of each type of cargo we serviced are set out below:

	For the six months ended 30 June 2014		2013		Amount of Changes (million tonnes)	Rate of Changes (%)
	Throughput (million tonnes)	Percentage of total throughput (%)	Throughput (million tonnes)	Percentage of total throughput (%)		
Dry bulk ²	177.11	93.05%	171.09	93.72%	6.02	3.52%
– Coal	121.16	63.66%	120.01	65.74%	1.15	0.96%
– Metal ore	55.95	29.39%	51.08	27.98%	4.87	9.53%
Oil and liquefied chemicals	3.49	1.84%	3.98	2.18%	-0.49	-12.31%
Container ³	4.88	2.56%	3.73	2.04%	1.15	30.83%
General and other cargoes ⁴	4.86	2.55%	3.76	2.06%	1.1	29.26%
Total ¹	190.34	100%	182.56	100%	7.78	4.26%

During the Reporting Period, the Group recorded a steady growth of cargo throughput of 130.73 million tonnes⁵ in Qinghuangdao Port, representing an increase of 0.53 million tonnes or approximately 0.41% from 130.20 million tonnes⁵ for the corresponding period of 2013. Benefited from the substantial growth of iron ore business, the Group achieved the cargo throughput of 43.84 million tonnes⁶ in Caofeidian Port, representing an increase of 7.52 million tonnes or 20.70% from 36.32 million tonnes⁶ for the corresponding period of 2013. Affected by the release of the production capability of the neighbouring ports and the intensifying competition, the Group recorded the cargo throughput of 15.77 million tonnes⁷ in Huanghua Port, representing a decrease of 0.27 million tonnes or 1.68% from 16.04 million tonnes⁷ for the corresponding period of 2013. The

steady growth of throughput of Qinhuangdao Port was benefited from the stable improvement of our coal handling business during the Reporting Period. The significant growth of throughput of Caofeidian Port was mainly attributed to the significant increase in the imported iron ore business. The throughputs generated from each of the ports which we operate are as follows:

	For the six months ended 30 June					
	2014		2013		Amount of Changes (million tonnes)	Rate of Changes (%)
	Throughput (million tonnes)	Percentage of total throughput (%)	Throughput (million tonnes)	Percentage of total throughput (%)		
Qinhuangdao Port ⁵	130.73	68.68%	130.20	71.32%	0.53	0.41%
Caofeidian Port ⁶	43.84	23.03%	36.32	19.89%	7.52	20.70%
Huanghua Port ⁷	15.77	8.29%	16.04	8.79%	-0.27	-1.68%
Total ⁴	190.34	100%	182.56	100%	7.78	4.26%

(i) Dry bulk cargoes handling service

Our dry bulk cargoes handling service mainly include coal and metal ores handling service. During the Reporting Period, the Group recorded total dry bulk throughput of 177.11 million tonnes, representing an increase of 6.02 million tonnes or 3.52% from 171.09 million tonnes for the corresponding period of 2013.

In respect of coal, we mainly provide our coal handling services through 21 coal berths in Qinhuangdao Port. Two of our coal berths in Qinhuangdao Port are currently under renovation and other five coal berths in Caofeidian Port are under construction, which are expected to be completed by the second half of 2014.

During the Reporting Period, faced with a substantial increase in the hydro power supply in the South China, weakened market demand for the domestic coal and the impact of the imported coal the Group achieved steady growth in coal throughput by further developing medium and large scale coal transportation customers and further expanding long term strategic cooperation with such customers. During the Reporting Period, the Group achieved a total coal throughput of 121.16 million tonnes, representing an increase of 1.15 million tonnes or approximately 0.96% for 120.01 million tonnes for the corresponding period of 2013.

In respect of metal ores, we operate 17 general cargo berths in Qinhuangdao Port, 6 general cargo berths in Huanghua Port, as well as 4 ore berths and 2 general bulk berths in Caofeidian Port through our associate company, Caofeidian Shiye. Most of these berths (except for designated grain berths) are also able to handle metal ores. We are constructing two 200,000-tonne ore berths in Huanghua Port. As at 30 June 2014, the constructions were in smooth progress as scheduled and we expect to conduct a trial run in the second half of 2014.

During the Reporting Period, due to the sharp decrease in international iron ores spot price, China's iron ore imports surged significantly. Benefiting from such trend, during the Reporting Period, the Group achieved a total metal ores throughput of 55.95 million tonnes, representing a growth of 4.87 million tonnes or 9.53% from 51.08 million tonnes for the corresponding period of 2013.

(ii) Oil and liquefied chemicals handling services

We operate four crude oil berths, one refined oil berth and two liquefied chemical berths in Qinhuangdao Port. Affected by factors including the decrease in total loading volume of crude oil from Daqing, further decline of business of marine oil and refined oil, as well as the overhaul of asphalt oil plant customers, the Group recorded a total oil and liquefied chemical throughput of 3.49 million tonnes during the Reporting Period, representing a decrease of 0.49 million tonnes or approximately 12.31% from 3.98 million tonnes for the corresponding period of 2013.

(iii) Container services

We provide stevedoring and depot services to container shipping company engaged in both international and domestic container trade. We operate 3 container berths in Qinhuangdao Port and 4 multipurpose berths in Huanghua Port which may handle containers.

By actively carrying out “dry bulk & general cargoes to containers” (i.e. transport dry bulk and general cargoes by container), the Group successfully expands grains container business during the Reporting Period. During the Reporting Period, the Group recorded 372,626 TEU, equivalent to the throughput of 4.88 million tonnes, representing significant increases in number of containers and throughput of 108,282 TEU and 1.15 million tonnes (i.e. approximately 40.96% and 30.83%, respectively) as compared with the number of containers and throughput 264,344 TEU and 3.73 million tonnes for the corresponding period of 2013, respectively.

(iv) Handling of general cargoes

We operate 17 general cargo berths in Qinhuangdao Port and 6 general cargo berths in Huanghua Port, which can be used for handling general cargoes. Our associate company, Caofeidian Shiye, operates two general cargo berths in Caofeidian Port. During the Reporting Period, the Group recorded a total throughput of our general and other cargoes of 4.86 million tonnes, representing an increase of 1.1 million tonnes or approximately 29.26% from 3.76 million tonnes for the corresponding period of 2013. Significant growth in general cargo handling throughput was mainly benefited from the Group's optimization of the structure of cargo-source, which ensured synchronized growth in the throughput of various cargoes.

(v) Ancillary port services and value-added services

We also provide a variety of ancillary port services and value-added services. Our ancillary port services include tugging, tallying, trans-shipping, and shipping agency services. Our value-added services mainly include coal blending, providing coal trading service platform and tariff-free warehouse and export supervisory warehouse services to be provided soon. During the Reporting Period, the revenue from our ancillary port services and value-added services was RMB147,331 thousand, representing an increase of 16.57% from RMB126,389 thousand for the corresponding period of 2013.

Notes:

1. Throughput includes that of Caofeidian Shiye. Caofeidian Shiye operates terminals in Caofeidian Port and is a non-consolidated associate company of, and 35% owned by the Company. The Company is the largest shareholder of Caofeidian Shiye. During the Reporting Period, the throughput of Caofeidian Shiye was 43.84 million tonnes, consisting of 1.94 million tonnes of coal, 41.76 million tonnes of metal ores and 0.14 million tonnes of general cargoes.
2. The dry bulk cargoes we handle mainly consist of coal and metal ores.
3. During the Reporting Period, using TEU as the measuring unit, the Group recorded a containers throughput of 372,626 TEU.
4. General and other cargoes include grain, fertilizer and other cargoes.
5. Includes containers throughput. Using TEU as the measuring unit, the Group recorded a containers throughput of 215,994 TEU in Qinhuangdao Port during the Reporting Period.
6. Representing throughput from Caofeidian Shiye.
7. Includes containers throughput. Using TEU as the measuring unit, the Group recorded containers throughput of 156,632 TEUs in Huanghua Port during the Reporting Period.

(5) *Fees and Costs*

Selling and distribution expenses and administrative expenses

The total selling and distribution expenses and administrative expenses of the Group during the Reporting Period was RMB382,418 thousand, increased by RMB22,703 thousand, or approximately 6.31%, from RMB359,715 thousand for the corresponding period of 2013, which was mainly attributable to the increase in labour costs due to inflation and competition in technician recruitment of the port industry.

Other expenses

Other expenses of the Group for the Reporting Period amounted to RMB11,538 thousand, decreased by RMB13,894 thousand, or approximately 54.63%, from RMB25,432 thousand for the corresponding period of 2013, which was mainly attributable to the provision for impairment made by the Company for the relocation of related properties, plants and equipment in the west port area of Qinhuangdao Port for the corresponding period of 2013.

(6) *Financial Income and Financial Costs*

The financial costs of the Group for the Reporting Period amounted to RMB192,845 thousand, increased by RMB48,331 thousand, or approximately 33.44%, from RMB144,514 thousand for the corresponding period of 2013, which was mainly attributable to the increase in interest expenses resulting from the transfer to fixed assets of Cangzhou Bohai construction projects.

With no financial income during the Reporting Period (the corresponding period of 2013: nil), the Group's net financial expenses for the Reporting Period and for the corresponding period of 2013 amounted to RMB192,845 thousand and RMB144,514 thousand, respectively.

(7) *Tax*

Income tax expense of the Group increased by RMB26,493 thousand to RMB253,766 thousand for the Reporting Period from RMB227,273 thousand for the corresponding period of 2013. The effective income tax rate of the Group increased to 21.37% for the Reporting Period from 15.90% as at the corresponding period of 2013. Such increase was mainly attributable to the decrease in income expenses during the corresponding period of 2013 as a result of the setoff of our taxations with partial loss incurred in the disposal of property, plant and equipment in the previous financial years as permitted by local tax authority.

(8) *Profit*

For the Reporting Period, the net profit attributable to owners of the parent company amounted to RMB932,366 thousand, representing a decrease of RMB256,280 thousand or 21.56% from RMB1,188,646 thousand for the corresponding period of 2013, which was mainly attributable to an one-off government grants of RMB294,843 thousand received by Cangzhou Bohai for the transfer of public infrastructure in the corresponding period of 2013. If such factor were neglected, the net profit of the year attributable to the owners of the parent for the first half of 2014 would have been increased 2.9% as compared with that of the corresponding period of 2013.

The net profit margin of the Group for the Reporting Period was approximately 26.82%, representing a decrease of 8.68% from 35.50% for the corresponding period of 2013, which was mainly attributable to the same reason mentioned above.

(9) *Earnings per Share*

Earnings per Share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary Shares in issue during the Reporting Period. Earnings per Share of the Group for the Reporting Period amounted to RMB0.19, representing a decrease of 32.14% from RMB0.28 for the corresponding period of 2013. Please refer to Note 9 to the consolidated financial statements in the announcement for the calculation of earnings per Share.

(10) *Capital Structure, Cash Flows and Financial Resources*

The Group's funds are mainly used for investment, operating costs, construction of building berths and repayment of loans. As stated in the Prospectus, the Group has mainly relied on funds generated from operations and bank loans for our working capital requirement.

During the Reporting Period, the net cash inflows of the Group amounted to RMB63,300 thousand, representing an increase of approximately RMB1,012,377 thousand from RMB-949,077 thousand for the corresponding period of 2013. Such increase was mainly attributable to the increase in loans and no dividend has been paid during the Reporting Period (we have paid dividend in the corresponding period of 2013).

Net cash inflow generated from operating activities was RMB1,274,767 thousand, representing a decrease of RMB127,801 thousand, or 9.11%, from RMB1,402,568 thousand for the corresponding period of 2013. The decrease was mainly attributable to the tax increased compared to in the corresponding period of 2013.

The net cash outflows from investing activities was RMB2,039,222 thousand, which mainly reflected the construction fees of terminals paid by Cangzhou Huanghuagang Mineral Port Co., Ltd., Tangshan Caofeidian Coal Port Co., Ltd. and Cangzhou Bohai.

The net cash inflow from financing activities was RMB827,755 thousand, including net increase in loans of RMB1,592,376 thousand, payment of dividend and interests of RMB336,042 thousand, and payment of reduction of state-owned shares and expense of Global Offering of RMB438,604 thousand, representing an increase of RMB2,008,704 thousand from RMB-1,180,949 as compared with the corresponding period of 2013. The increase is mainly attributed to the sharp increase in the borrowings which is used for the construction of the piers and terminals in Cangzhou ores.

Base on the above, as at 30 June 2014, the Group held a balance of cash and cash equivalents of RMB5,600,657 thousand, representing an increase of RMB63,300 thousand or 1.14% from RMB5,537,357 thousand as compared with 31 December 2013.

As at 30 June 2014, the gearing ratio (total liabilities divided by total assets) of the Group was 58.49%, increased by 3.44% as compared with the gearing ratio 55.05% as at 30 June 2013, which was mainly attributed to the outstanding payment of the declared dividend of RMB1.609 billion and the increase in borrowings for Cangzhou ores project, resulting in an increase in liabilities.

The table below sets forth the summary of the statement of consolidated cash flow of the Group for the reporting periods:

	For the six months ended 30 June	
	2014	2013
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	1,274,767	1,402,568
Net cash (used in)/generated from investing activities	(2,039,222)	(1,170,696)
Net cash generated from/(used in) financing activities	827,755	(1,180,949)
Net (decrease)/increase in cash and cash equivalents	63,300	(949,077)
Cash and cash equivalents at the beginning of period/year	5,537,357	3,336,887
Cash and cash equivalents at the end of period/year	5,600,657	2,387,810
Loans	12,355,835	10,127,302
Assets gearing ratio	58.49%	55.05%

(11) Exchange Rate Risks

The operations of the Group mainly locate in China, and substantially all of the assets, liabilities, revenue and expenses are settled in RMB, while debts denominated in foreign currencies are mainly composed of incurred fees of overseas professional parties. As such, the Group has not made any foreign exchange hedging arrangement.

(12) Bank Loans and Other Borrowings

As of 30 June 2014, details of bank loans and other borrowings of the Group are set out in Note 17 to the consolidated financial statements in this announcement.

(13) Pledge of Assets and Contingent Liabilities

The Group has no pledge of assets and contingent liabilities during the Reporting Period.

(14) Capital Commitment

Details of the capital commitment of the Group for this Reporting Period are set out in Note 20 to the financial statements in this announcement.

(15) Management of Working Capital

	30 June 2014	30 June 2013
Current ratio	0.81	0.63
Quick ratio	0.79	0.59
Turnover days of trade and bills receivables	14.63	12.33
Turnover days of trade payables	7.42	7.30

As at 30 June 2014, current ratio of the Group was 0.81, representing an increase as compared with the current ratio of 0.63 as at 30 June 2013, which was mainly due to the retained proceeds from Global Offering resulting in a significant growth in current assets. The turnover days of trade and bill receivables for the Reporting Period were 14.63 days, representing an increase of 2.30 days from 12.33 days as compared with the corresponding period of 2013, whereas the turnover days of trade payables were 7.42 days, representing an increase of 0.12 day from 7.30 days as compared with the corresponding period of 2013.

(16) Overview of Investments

In the Reporting Period, the Group made the following material investments in its subsidiaries or associated companies, including:

1. On 11 April 2014, the Company entered into the Articles of HPG Finance (“the Articles of HPG Finance”) with HPG for the establishment of HPG Finance, a joint venture. According to the Articles of HPG Finance, the total registered capital of HPG Finance will be RMB500 million, among which, RMB200 million and RMB300 million, will be contributed by the Company and HPG respectively. Upon the completion of capital contribution, the Company and HPG will hold 40% and 60% equity interests in HPG Finance, respectively. HPG was established on 10 July 2014;

2. On 15 April 2014, the Group entered into the Cooperation Agreement of the Sixth Coal Terminal Project of 50 million Tonnes in Tangshan Caofeidian Port Area (《唐山曹妃甸港區第六個5,000萬噸煤炭碼頭項目合作協議書》), with Tangshan Caofeidian Port Co., Ltd. (唐山曹妃甸港口有限公司), and agreed to establish a project company for construction of the sixth 50-million tonnes coal terminal project in Tangshan Caofeidian Port area. The initial registered capital of the project company was RMB50 million, of which RMB49.50 million should be paid by the Group. Upon establishment, the project company will be held as to 99% by the Group. The project company has been established on 7 August 2014; and
3. On 22 April 2014, the Group entered into “the Cooperation Agreement of the Crude Oil Terminal Project in the Bulk Cargo Area of Huanghua Port (《黃驊港散貨港區原油碼頭項目合作協議書》)” with Cangzhou Port Group Ltd. (滄州港務集團有限公司), and agreed to establish a project company for the construction project of crude oil in the bulk cargo area of Huanghua Port. The initial registered capital of the project company was RMB50 million, of which RMB32.50 million should be paid by the Group who held 65% of its interest. The project company was established on 25 April 2014.

(III) Prospects

The Group will further develop the Group’s business in the second half of 2014. For major business segments, our business plans are as follows:

I. In respect of coal:

1. To achieve interaction and connection of Qinhuangdao Port with Caofeidian Port, the Group will strengthen business communication with the relevant railway departments, increase the proportion of bulky railway cargoes among the cargoes we handle and will strive to promote the management model of “Qinhuangdao-Caofeidian integration”, while catering the demands of small and medium-size customers. On such basis, and through reinforcing coordination and the unified command over the two ports, the Group will better achieve the complementary advantages between Qinhuangdao Port and Caofeidian Port, so as to enhance the Group’s market share in the ports of the North.
2. Our Group will continue to improve customer satisfaction by establishing a comprehensive logistical service platform and providing high quality “one on one” services to our customers. Meanwhile, taking into account of the harbor freight quality and environmental protection requirements, we promoted the development of “green and low-carbon” of the port, so as to enhance our industry reputation and status.

3. The Group intends to actively promote capital market transactions and services for coal related financial derivative products and carry out electronic trading, medium to long term coal futures trading. We strive to build Qinhuangdao Seaborne Coal Trading Market into the most influential coal trading market in Northern China with the most comprehensive functions and a focus on logistical services.

II. In respect of other business segment:

1. The early phase of construction of the eastward expansion of Qinhuangdao Port has fully commenced on 16 June 2014. Following the completion of renovation project of “relocation operation of the western port”, our Group will take full advantage of the specified equipment and facilities as well as the service platform for the eastward expansion of the ports, to strengthen mechanism of cargo collection, perfect management system, intensify service concepts, and facilitate the achievement of growth in throughput of general cargoes and containers.
2. We implement refined management system on business soliciting and production planning. By refining the specific circumstances of various categories of cargoes and their owners through making judgments on market trends of cargoes resources and based on the solid existing cargoes resources, the Group intends to further compete for cargoes resources (especially by refining the local market of logistics resources) and introducing targeted measures to expand advantages in the competitive position for local logistics resources. By taking the operating company as the main body of operation, the Group will implement refined management on the operation processes of handling by single vessel as well as the operation processes of cargo collection and distribution. The Group will master accurate knowledge of the whole process of job information, achieve well inter-connection among trucks, vessels and cargoes and reasonable deployment of space and positions, in order to optimize the organization of production and operation process, as well as improve the operational efficiency and service quality.
3. The Group intends to optimize stevedoring process by streamlining the operation process and arranging machinery and man-power in advance, plan preparatory work before operation and reduce non-production operation hours, so as to improve productivity and operational efficiency in all manner of ways.
4. In addition, the Group proposes to further intensify awareness of service, and strive to provide better services to each of our customers. The Group will regularly solicit opinions and suggestions from customers, analyse problems found in quality management in a prudent manner, and take improvement of efficiency and service as the central task of quality management, fully implementing of the commitments and safeguarding the interests of customers.

(IV) Use of Proceeds From the Global Offering

The H Shares of the Company has been listed and traded on the Stock Exchange since 12 December 2013. After deducting related expenses, the net proceeds of the Company from the Global Offering amounted to HKD3, 820 million. During the Reporting Period, the use of proceeds was in line with the usage disclosed in the Prospectus.

(V) Events After the Reporting Period

On 7 August 2014, the Company entered into the Joint Venture Contract (“**JV Contract**”) of Bohai Jin-Ji Port Investment and Development Company Limited* (渤海港口投資發展有限公司) (“**Bohai Port Investment**”) with Tianjin Port (Group) Co., Ltd.* (天津港(集團)有限公司) (“**Tianjin Port Group**”), for the establishment of Bohai Jin-Ji Port Investment and Development Company Limited. Pursuant to the requirements of JV Contract, the total registered capital of Bohai Port Investment will be RMB2 billion. Each of the Company and Tianjin Port Group will contribute RMB1 billion, representing 50% of the total registered capital of Bohai Port Investment, respectively. Upon the establishment of Bohai Port Investment, the Company and Tianjin Port Group will hold 50% and 50% equity interests in Bohai Port Investment, respectively. Bohai Port Investment will be accounted for as a jointly controlled entity in the consolidated financial statements of the Company. Bohai Port Investment was established on 8 August 2014. Details of other important matters after the Reporting Period were disclosed in Note 24 to the financial statements of this report.

In addition, as at 30 June 2014, the Company had a preliminary discussion with the major developers (on behalf of HPG) for the compensation issue for the closure of the third port branch of the Company and relocation of operations in western zone. For further information, please refer to the announcement dated 2 July 2014 of the Company.

(VI) Employees, Remuneration Policy and Pension Scheme

Staff costs of the Group during the Reporting Period amounted to RMB969,088 thousand. Please refer to Note 5 to the financial statement for the details of the Group’s employees, remuneration policy and pension scheme.

(VII) Repurchase, Disposal, Redemption Or Transfer of Listed Securities of the Company

During the Relevant Period, the Company or its any subsidiary did not repurchase, dispose of, redeem or transfer any shares of the Company.

(VIII) Compliance With Corporate Governance Code

During the Reporting Period, the Company has complied with the Corporate Governance Code. So far as the directors of the Company are aware, there has been no deviation from the provisions of the code.

(IX) Compliance With the Model Code

During the Reporting Period, the Company has adopted the Model Code as the code of conduct for securities transactions by the Directors and the Supervisors to regulate the securities transactions made by the Directors and Supervisors. Upon specific enquiries made to each Director and Supervisors by the Company, all the Directors and Supervisors confirmed that they have complied with the requirements under the provisions of the Model Code during the Relevant Period.

(X) Interim Dividends

The Board did not recommend the payment of interim dividends for the six months ended 30 June 2014.

(XI) Audit Committee

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of Corporate Governance Code. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2014.

(XII) Publication of Interim Results and Report

The announcement of the interim results for the six months ended 30 June 2014 will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.portqhd.com). The interim report of 2014 will be dispatched to our Shareholders on or before 30 September 2014 and will be published on the websites of the Stock Exchange and the Company.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Berth”	area for mooring of vessels on the shoreline. A berth means one designated place for a vessel to moor
“Board or Directors” or “Board”	the board of directors of the Company
“Cangzhou Bohai”	Cangzhou Bohai Port Co., Ltd.* (滄州渤海港務有限公司), a company incorporated in the PRC with limited liability on 31 October 2007, with 95.93% of its equity interest held by the Company
“Caofeidian Port”	Caofeidian Port Zone in Tangshan Port, Tangshan City, Hebei Province
“Caofeidian Shiye”	Tangshan Caofeidian Shiye Port Co., Ltd.* (唐山曹妃甸實業港務有限公司), a company incorporated in the PRC with limited liability on 4 September 2002, with 35% of its equity interest held by our Company

“Company” or “the Company”	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 31 March 2008
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Corresponding Period of 2013”	the six months ended 30 June 2013
“Director(s)”	director(s) of our Company
“Domestic Share(s)”	ordinary share(s) of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Dry bulk”	Solid commodity cargo comprised of major dry bulk (coal, metal ore and grain) and other dry bulk commodities such as sugar, cement and fertilizer
“Global Offering”	the issuance of H Shares of our Company by way of Hong Kong public offering and international offering in 2013
“Group”, “the Group”, “us” or “we”	the Company and all of its subsidiaries (unless the context otherwise requires)
“Harbor”	a port of haven where ships may anchor
“HK\$” or “Hong Kong dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“HPG”	Hebei Port Group Co., Ltd. (河北港口集團有限公司), a limited liability company incorporated under the laws of the PRC and the controlling shareholder of the Company
“HPG Finance”	Hebei Port Group Finance Company Limited (河北港口集團財務有限公司), a limited liability company incorporated under the laws of the PRC, and a joint venture held as to 40% and 60% by the Company and HPG respectively
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and listed and to deal in, on the Stock Exchange
“Huanghua Port”	Huanghua Port in Cangzhou City, Hebei Province
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 29 November 2013 in connection with the Global Offering
“Qinhuangdao Port”	Qinhuangdao Port in Qinhuangdao City, Hebei Province
“Reporting Period”	the six months ended 30 June 2014
“RMB” or “Renminbi”	the lawful currency of the PRC
“Share(s)”	share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Terminal”	a major construction of a harbor which is designated for mooring vessels, loading and unloading cargoes and boarding travelers
“TEU”	a box made of aluminum, steel or fiberglass and used to transport by ship, rail or barge. The standardized dimension (i.e one TEU) is 20 feet in length, eight feet six inches in height and eight feet in width
“Throughput”	a measure of the volume of cargo handled by a port. Where cargoes are transshipped, each unloading and loading process is measured separately as part of throughput

On behalf of the Board
Qinhuangdao Port Co., Ltd.*
XING Luzhen
Chairman

Qinhuangdao City, Hebei Province, PRC
22 August 2014

As at the date of this announcement, the executive Directors are XING Luzhen, HE Shanqi, WANG Lubiao and MA Xiping; the non-executive Directors are ZHAO Ke, LI Jianping and DUAN Gaosheng; and the independent non-executive Directors are SHI Rongyao, YU Shulian, ZHAO Zhen and LI Man Choi.

* For identification purpose only