THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in **COSCO SHIPPING Ports Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

COSCO SHIPPING The Ports For ALL

COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF SHARES IN QINGDAO PORT INTERNATIONAL CO., LTD. AND THE DISPOSAL OF EQUITY IN QINGDAO QIANWAN CONTAINER TERMINAL CO., LTD. AND (2) RE-ELECTION OF RETIRING DIRECTORS

Transaction Adviser and Chief Coordinator

中信证券股份有限公司
CITIC Securities Company Limited

Financial Adviser

CICC
中金香港证券

A letter from the Board is set out on pages 4 to 16 of this circular.

A notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 10 March 2017 at 2:30 p.m. is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's principal place of business at 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Monday, 6 March 2017. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 6 March 2017.

13 February 2017

CONTENTS

This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at "http://ports.coscoshipping.com" and Hong Kong Exchanges and Clearing Limited at "http://www.hkexnews.hk". To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the subscription for the Subscription Shares by SCSTD pursuant to the Transaction Agreement;
"Acquisition Completion Date"	the date on which the Subscription Shares have been registered in the name of SCSTD through the securities registration and settlement agency, and QPI has completed the formalities for the change of business registration in relation to the Acquisition;
"Board"	the board of Directors;
"business day(s)"	any weekday (other than a Saturday, Sunday or a public holiday) on which banks generally are open for business in Hong Kong and the PRC;
"Company"	COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1199);
"COSCO SHIPPING"	China COSCO Shipping Corporation Limited* (中國遠洋海運集團有限公司), a State-owned enterprise in the PRC and the ultimate controlling Shareholder of the Company;
"COSCO SHIPPING Holdings"	COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601919) and a controlling Shareholder of the Company;
"Director(s)"	the director(s) of the Company;
"Disposal"	the disposal of the QQCT Equity by SCSTD to QPI pursuant to the Transaction Agreement;
"Disposal Completion Date"	the date on which SCSTD has transferred the QQCT Equity to QPI and the change of business registration and formalities of filing with the governing department of the Ministry of Commerce in relation to the Disposal have been completed;
"Effective Date"	the date on which SCSTD receives a written notice from QPI confirming that all the conditions precedent to the Transaction Agreement taking effect have been fulfilled;

"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"IFRS"	International Financial Reporting Standards;
"Latest Practicable Date"	8 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Notice of Payment"	a written notice issued by QPI to SCSTD 10 business days before submission of the application documents for registration of the Subscription Shares with the securities registration and settlement agency, setting out the specific date on which the submission is to be made and confirming the readiness for the relevant formalities and the fulfilment of the conditions precedent to the Transaction Agreement taking effect and the implementation of the Transaction;
"PRC"	the People's Republic of China, excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan;
"PRC GAAP"	generally accepted accounting principles of the PRC;
"PwC"	PricewaterhouseCoopers, the auditor of the Company and the reporting accountant as to the unaudited pro forma financial information of the Group in relation to the Acquisition and the Disposal;
"QPI"	Qingdao Port International Co., Ltd.* (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6198);
"QPI Group"	QPI and its subsidiaries;
"QPI H Share Placing"	a placing of new H shares proposed to be conducted by QPI in connection with the Acquisition;
"QQCT"	Qingdao Qianwan Container Terminal Co., Ltd.* (青島前灣集裝箱碼頭有限責任公司), a company incorporated in the PRC with limited liability;
"QQCT Equity"	the entire 20% equity interest in QQCT held by SCSTD;

"SCSTD"	Shanghai China Shipping Terminal Development Co., Ltd.* (上海中海碼頭發展有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
"SCSTD Controller"	the Company or COSCO SHIPPING Holdings, and "SCSTD Controllers" means both of them;
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be held for the purpose of the Shareholders considering and, if thought fit, approving the Transaction and the re-election of retiring Directors;
"Share"	a share in the capital of the Company;
"Shareholder(s)"	shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Strategic Co-operation Agreement"	the strategic co-operation agreement dated 20 January 2017 between QPI and the Company;
"Subscription Shares"	1,015,520,000 non-circulating domestic shares in QPI to be issued by QPI to SCSTD pursuant to the Transaction Agreement, which will rank pari passu with the domestic shares in QPI in issue before completion of the Acquisition in all respects;
"Transaction"	the Acquisition and the Disposal, together with the entering into and implementation of the Strategic Co-operation Agreement;
"Transaction Agreement"	the agreement dated 20 January 2017 between QPI and SCSTD in relation to the Acquisition and the Disposal;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"RMB"	Renminbi, the lawful currency of the PRC;
"US$"	United States dollars, the lawful currency of the United States of America; and
"%"	per cent.

For the purposes of this circular, the English name with an asterisk (*) is an unofficial English transliteration or translation and is for identification purposes only.

COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

Directors:
Mr. HUANG Xiaowen[2] *(Chairman)*
Mr. ZHANG Wei (張為)[1] *(Vice Chairman & Managing Director)*
Mr. FANG Meng[1]
Mr. DENG Huangjun[1]
Mr. FENG Boming[2]
Mr. ZHANG Wei (張煒)[2]
Mr. CHEN Dong[2]
Mr. XU Zunwu[2]
Mr. WANG Haimin[2]
Dr. WONG Tin Yau, Kelvin[1]
Dr. FAN HSU Lai Tai, Rita[3]
Mr. Adrian David LI Man Kiu[3]
Mr. FAN Ergang[3]
Mr. LAM Yiu Kin[3]
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Registered office:
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2 Church Street
Hamilton HM 11
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Principal place of business:
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183 Queen's Road Central
Hong Kong

General Counsel & Company Secretary:
Ms. HUNG Man, Michelle

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

13 February 2017

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF SHARES IN QINGDAO PORT INTERNATIONAL CO., LTD. AND THE DISPOSAL OF EQUITY IN QINGDAO QIANWAN CONTAINER TERMINAL CO., LTD. AND (2) RE-ELECTION OF RETIRING DIRECTORS

1. INTRODUCTION

Reference is made to the announcement of the Company dated 20 January 2017 that SCSTD (a wholly-owned subsidiary of the Company) and QPI entered into the Transaction Agreement on 20 January

2017, pursuant to which SCSTD has conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to RMB5.71 per share), of which RMB3,198,650,840 will be settled by the transfer of a 20% equity interest in QQCT to QPI and the remaining RMB2,599,968,360 will be settled in cash. On the same date, the Company also entered into the Strategic Co-operation Agreement with QPI. QQCT is currently owned as to 49%, 31% and 20% by PTS Holdings Limited, QPI and SCSTD respectively.

The purpose of this circular is to provide you with, among other information, (i) further details of the Transaction, the Transaction Agreement and the Strategic Co-operation Agreement; (ii) financial information of the Group and the QPI Group; (iii) information regarding the re-election of retiring Directors; and (iv) a notice of the SGM.

The Transaction contemplated under the Transaction Agreement is subject to Shareholders' approval and satisfaction or waiver of conditions precedent. There is no assurance that the Transaction will take place or as to when it may take place. Shareholders and potential investors in the Company should therefore exercise caution when dealing in the securities of the Company.

2. THE TRANSACTION AGREEMENT

The Acquisition and the Disposal

Pursuant to the Transaction Agreement entered into between SCSTD (a wholly-owned subsidiary of the Company) and QPI on 20 January 2017, SCSTD conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to RMB5.71 per share), of which RMB3,198,650,840 will be settled by the transfer of a 20% equity interest in QQCT to QPI and the remaining RMB2,599,968,360 will be settled in cash. QQCT is currently owned as to 49%, 31% and 20% by PTS Holdings Limited, QPI and SCSTD respectively.

QPI has informed the Company that it currently intends to seek approval of its shareholders for the conduct of a placing, pursuant to which not more than 243,000,000 new H shares are proposed to be issued, and such placing of H shares is expected to occur before the Subscription Shares are issued. Based on the issued share capital of QPI as at the date of the Transaction Agreement and assuming that there are no other changes to the issued share capital of QPI before completion of the Acquisition (other than the issue of such new H shares, assuming that it occurs at or before completion of the Acquisition), the Subscription Shares will represent approximately 16.82% of the issued share capital of QPI (as enlarged by the issue of the Subscription Shares and such new H shares), and the Group's shareholding in QPI will increase from approximately 2.01% as at the date of the Transaction Agreement to approximately 18.41%. Under the Transaction Agreement, QPI warrants that, as at the Acquisition Completion Date, on the basis of completion of the Acquisition and the QPI H Share Placing, the Subscription Shares will represent not less than 16.82% of the then issued share capital of QPI (as enlarged by the issue of the Subscription Shares and such H shares).

The consideration for the Disposal was determined through arm's length negotiations between the parties based on the valuation of QQCT as at 30 June 2016 (being RMB15,993,254,200) set out in the valuation report prepared in accordance with the requirements of applicable PRC laws by a qualified PRC valuer. The consideration for the Acquisition was determined through arm's length negotiations between the parties, taking into account, among other things, (1) the trading prices of the shares of other port companies listed on the Stock Exchange; and (2) the current operations and business prospects of QPI.

Conditions precedent to the Transaction Agreement taking effect

The Transaction Agreement takes effect upon satisfaction of the following conditions precedent:

(a) the Transaction Agreement having been signed by the legal representative or authorised representative of each party and with the company seal of each party affixed;

(b) the Acquisition, the Disposal and the QPI H Share Placing having been approved at the board of directors' meeting, shareholders' general meeting and shareholders' class meeting of QPI (if applicable);

(c) the appropriate internal decision making procedure for the Acquisition and the Disposal having been completed by SCSTD in accordance with its articles of association, and the Acquisition and the Disposal having been approved at all the board of directors' meeting, shareholders' general meeting and/or shareholders' class meeting of each SCSTD Controller (if applicable);

(d) the Acquisition, the Disposal and the QPI H Share Placing having been approved or agreed to by competent State-owned assets regulatory authorities;

(e) the Ministry of Commerce of the PRC having approved the Notification of Concentrations of Business Operators in respect of the Disposal;

(f) the parties and SCSTD Controllers having each obtained or made all necessary consents, approvals and filings of or with any relevant government or regulatory authority in the PRC, Hong Kong or elsewhere (if applicable) in relation to the entering into and performance of the Transaction Agreement; and

(g) all applicable approvals, confirmations and formalities in relation to the Acquisition, the Disposal and the QPI H Share Placing having been obtained or completed by the parties from or with relevant governing departments and organisations (including but not limited to the governing department of the Ministry of Commerce, securities regulatory authorities, foreign exchange regulatory authorities and SCSTD's banks).

As at the Latest Practicable Date:

(i) the condition precedent set out in paragraph (a) had been satisfied;

(ii) the relevant approval at the board of directors' meeting of QPI referred to in paragraph (b) had been satisfied;

(iii) the condition precedent set out in paragraph (c) (except for the approval of the Acquisition and the Disposal at the shareholders' general meeting of the Company) had been satisfied; and

(iv) all other conditions precedent referred to above remained to be satisfied.

Conditions precedent to implementation of the Transaction

After the Effective Date, the parties shall jointly procure the fulfilment of the following conditions precedent to implementation:

(a) the valuation report in relation to the Disposal having been filed;

(b) the transfer of the QQCT Equity in relation to the Disposal having been validly approved by the effective resolutions passed by all the directors of QQCT; PTS Holdings Limited having issued a written declaration agreeing to the transfer of the QQCT Equity and waiver of pre-emptive right in relation to the Disposal;

(c) in order to reflect the transfer of the QQCT Equity in relation to the Disposal, the joint venture agreement and articles of association of QQCT having been formally amended by the shareholders (which amendments shall include replacement of SCSTD's right to appoint two directors on the board of directors of QQCT with QPI's right) and such amendments to the joint venture agreement and the articles of association, or the new joint venture agreement and articles of association, having been validly approved by resolutions passed by all the directors of QQCT; and

(d) there being no unremedied material breach, except where the non-defaulting party agrees to implement the Disposal notwithstanding thereof.

As at the Latest Practicable Date, the condition precedent set out in paragraph (a) had been satisfied and save that the Company was not aware of any unremedied material breach by any party, all other conditions precedent set out above remained to be satisfied.

Termination of the Transaction Agreement

The Transaction Agreement will terminate upon occurrence of any of the following circumstances:

(a) if, before the Acquisition Completion Date, both parties agree in writing to terminate the Transaction Agreement;

(b) if the conditions precedent to the implementation of the Transaction described above have not all been fulfilled on 30 June 2017 (or such later date as may be agreed in writing by both parties), or agreed in writing by both parties to be waived, either party may terminate the Transaction Agreement at any time after the expiry of such deadline by giving a written notice to the other party, provided that if any such condition is not fulfilled by the deadline referred to above due to a breach by a party of its obligations under the Transaction Agreement, then the Transaction Agreement will not limit the right of the other party to claim damages in that respect;

(c) if the QPI H Share Placing cannot be completed, the parties may terminate the Transaction Agreement by agreement in writing;

(d) if there is a material breach of the Transaction Agreement by a party and 30 days have elapsed since a written notice of such default has been given by the non-defaulting party, and such breach results in failure of the performance of the Transaction Agreement or completion of the Acquisition and Disposal pursuant to the terms of the Transaction Agreement, the non-defaulting party may terminate the Transaction Agreement at any time by notice in writing to the defaulting party;

(e) if, before the Acquisition Completion Date, the occurrence of force majeure results in the Acquisition and/or the Disposal not being able to be implemented; or

(f) if, by 30 June 2017 (or such later date as may be agreed in writing by both parties), the Subscription Shares have not been registered in the name of SCSTD through the securities registration and settlement agency, or QPI has not completed the formalities for the change of business registration in relation to the Acquisition, then either party may terminate the Transaction Agreement by giving a notice in writing to the other party at any time.

If the Transaction Agreement does not become effective or if it is terminated in the circumstances referred to above, QPI will be required to repay any amount paid by SCSTD to QPI within three business days and return to SCSTD any equity interest in QQCT or other interest already transferred by SCSTD to QPI within 30 business days. Notwithstanding thereof, the Company does not anticipate that SCSTD will pay any amount to QPI or transfer any equity interest in QQCT or other interest to QPI before the Transaction Agreement becomes effective.

Completion of the Disposal

Upon fulfilment of the conditions precedent to the Transaction Agreement taking effect and the implementation of the Transaction, both parties will procure the completion of the Disposal as soon as possible, including, among other actions, the following:

(a) The parties shall, as soon as possible after the Effective Date, sign all documents required for the transfer of the QQCT Equity pursuant to the constitutional documents of QQCT and relevant PRC laws and regulations; and

(b) The parties shall then procure QQCT to apply to make filing with the governing department of the Ministry of Commerce in relation to the Disposal and complete the formalities of filing as soon as possible. The parties shall also procure QQCT to complete the registration of the QQCT Equity in the name of QPI with relevant industry and commerce administration authorities on the Disposal Completion Date.

Completion of the Acquisition

After receipt of the Notice of Payment from QPI, SCSTD shall pay the cash subscription price for the Subscription Shares to the capital verification account designated by QPI no later than two business days before the date of submission of the documents for registration of the Subscription Shares with the securities registration and settlement agency. If SCSTD objects to the Notice of Payment within two business days after receipt, the parties shall renegotiate the date of submission of such documents.

Within 60 days (or such later date as may be agreed by both parties) after the Effective Date, and following completion of the QPI H Share Placing, QPI shall ensure that the following procedures are completed:

(a) the capital verification procedures for the Acquisition;

(b) registration of the change of registered capital with relevant industry and commerce administration authorities; and

(c) registration of the Subscription Shares in the name of SCSTD with the securities registration and settlement agency.

Transfer and circulation of the Subscription Shares will need to comply with relevant laws and regulations and requirements of securities regulatory authorities.

QPI has agreed to:

(a) procure its controlling shareholder (and parties acting in concert with it) to vote in favour of the appointment of a person nominated by SCSTD as a director of QPI (i) at the first shareholders' meeting held after the Acquisition Completion Date; and (ii) (so long as SCSTD is a 10% or more shareholder of QPI) at subsequent elections of directors of QPI; and

(b) hold a board meeting after the Acquisition Completion Date to appoint an assistant to the President nominated by SCSTD.

If QPI is not able to issue the Subscription Shares to SCSTD, QPI shall refund any subscription money paid by SCSTD and return any equity interest in QQCT transferred by SCSTD to QPI for the purpose of the Acquisition.

3. FINANCIAL EFFECTS OF THE ACQUISITION AND THE DISPOSAL ON THE GROUP

Earnings

After completion of the Acquisition, QPI will become an associated company of the Company and the results of QPI will be accounted for using the equity method in the consolidated financial statements of the Group. QQCT will cease to be a joint venture of the Group after completion of the

Disposal. The Group expects to record a gain of approximately US$286 million from the Disposal. The estimated gain on the Disposal is calculated with reference to the consideration for the Disposal and the book value of the Group's equity investment to QQCT and the exchange rate of RMB to US$, each as at 30 June 2016. The actual gain or loss that the Group is able to realise will depend on the actual book value of the Group's equity investment to QQCT (calculated in accordance with applicable accounting standards) and the exchange rate of RMB to US$ on the date of completion of the Disposal.

Assets

Based on the unaudited pro forma financial information on the Group in Appendix III, the Acquisition and Disposal would increase the total assets of the Group by the amount of approximately US$296.4 million.

Liabilities

Based on the unaudited pro forma financial information on the Group in Appendix III, the Acquisition and Disposal would have no material effect on the total liabilities of the Group.

Proceeds from the Disposal

As referred to above, part of the consideration for subscription for the Subscription Shares by SCSTD will be settled by the Disposal.

The Company will not distribute special dividends on the Disposal, mainly due to the following reasons:

(a) the Disposal is not a standalone sale of assets by the Company, but rather the Company is exchanging the QQCT Equity for shares in QPI; and

(b) as a result the Company will not be receiving any cash payment from QPI for the Disposal.

4. THE STRATEGIC CO-OPERATION AGREEMENT

On the same date as the Transaction Agreement, the Company entered into the Strategic Co-operation Agreement with QPI, pursuant to which, among other things, on the basis of successful completion of the Acquisition and Disposal:

(a) QPI agreed to procure its controlling shareholder to undertake to the Company in respect of the appointment of a person nominated by the Company through SCSTD as a director of QPI in the manner referred to in the Transaction Agreement as described above;

(b) QPI agreed to hold a board meeting after the Acquisition Completion Date to appoint an assistant to the President nominated by the Company through SCSTD; and

(c) the parties expressed the intent of the following strategic co-operation (among others) in the future:

(i) further deepening their co-operation towards developing the Port of Qingdao into an international shipping hub in Northeast Asia;

(ii) co-investing in overseas terminal projects, (including but not limited to the Khalifa Port Container Terminal II project in Abu Dhabi, the United Arab Emirates); and

(iii) setting up terminal project management company(ies) to co-operate in the businesses of management and operation of PRC and overseas terminal project(s) of the Company agreed by the parties.

The Company is obliged to ensure that SCSTD has full capacity and ability to exercise its rights and perform its obligations under the Transaction Agreement, including through capital injection into SCSTD or other effective means.

5. INFORMATION ABOUT QPI

QPI is a primary operator of the Port of Qingdao, one of the world's largest comprehensive ports. QPI provides wide range of port-related services, ranging from basic port services, such as stevedoring and storage services, to ancillary and extended services such as logistics services and financing-related services. QPI's H shares are listed on the Stock Exchange. According to the announcement of QPI dated 25 November 2016, the QPI Group was considering and exploring the possibility of issuance of ordinary shares of QPI to be traded in RMB on the Shanghai Stock Exchange or Shenzhen Stock Exchange, and in light of that, a registration application for pre-listing tutoring regarding such proposed A share offering had been accepted by the Qingdao branch office of the China Securities Regulatory Commission.

As at the date of the Transaction Agreement, the Company held (through a wholly-owned subsidiary) 96,000,000 non-circulating domestic shares in QPI (representing approximately 2.01% of the issued share capital of QPI) and, apart from that, COSCO SHIPPING, the ultimate controlling Shareholder of the Company, held (through a wholly-owned subsidiary) another 96,000,000 non-circulating domestic shares in QPI (representing approximately 2.01% of the issued share capital of QPI). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, QPI and its ultimate beneficial owner are third parties independent of the Company and its connected persons under the Listing Rules.

Set out below is certain audited consolidated financial information of QPI and its subsidiaries (prepared in accordance with IFRS) for the two financial years ended 31 December 2014 and 31 December 2015 and as at 31 December 2015.

	For the year ended 31 December 2014 *RMB'000* (restated)	For the year ended 31 December 2015 *RMB'000*
Profit before taxation	2,016,347	2,443,067
Profit after taxation	1,620,845	1,972,008

	As at 31 December 2015 *RMB'000*
Net assets	13,331,522

6. INFORMATION ABOUT QQCT

QQCT is principally engaged in the business of the development and operation of a container terminal in Qingdao city, the PRC.

Set out below is certain audited consolidated financial information of QQCT and its subsidiaries (prepared in accordance with PRC GAAP) for the two financial years ended 31 December 2014 and 31 December 2015 and the six months ended 30 June 2016 and as at 30 June 2016.

	For the year ended 31 December 2014 *RMB'000*	For the year ended 31 December 2015 *RMB'000*	For the six months ended 30 June 2016 *RMB'000*
Profit before taxation	1,605,933	1,756,483	1,088,747
Profit after taxation	1,201,243	1,313,993	829,860

	As at 30 June 2016 *RMB'000*
Net assets	5,986,488

7. REASONS FOR AND BENEFITS OF THE TRANSACTION

Overview

Increasing the investment in QPI is a meaningful step in realising the Company's strategy of sharpening its competitive edge and creating greater value. The increased investment in, and the subsequent strategic co-operation with, a major port in China will also strengthen the Company's leading position in the Greater China region, which is in line with the Company's strategy of enhancing control over terminal assets. Holding more shares in QPI, compared with directly investing in a company which operates a single container terminal in the Port of Qingdao, could increase the Company's influence in the Port of Qingdao and allow the Company to participate in the management of the whole port.

Additionally, the investment will also enhance the Company's competitiveness by optimising its investment portfolio and concentrating on high quality assets, which should result in an increase in the overall profitability of the terminals business of the Company.

Lock in high-quality port resources of QPI

QPI is the primary operator of the Port of Qingdao, one of the world's largest comprehensive ports. Occupying a central position among the ports in Northeast Asia, the Port of Qingdao is an important hub for international trade in the West Pacific and has shipping routes connecting more than 700 ports in over 180 countries and regions around the world. The Port of Qingdao ranked sixth in terms of cargo throughput, and fourth in terms of container throughput, among all ports in the PRC in 2015, according to the Ministry of Transport of the PRC.

The Port of Qingdao is located within the core area of the Bohai Economic Rim. Its primary hinterland includes Shandong, Jiangsu, Hebei, Shanxi and Henan provinces, and its extended hinterland includes Shaanxi and Gansu provinces and Ningxia and Xinjiang autonomous regions. According to the data from the National Bureau of Statistics of the PRC, in 2015, the nominal gross domestic products (GDP) contribution of the primary hinterland of the Port of Qingdao accounted for 31.43% of the PRC's nominal GDP, with a compound annual growth rate (CAGR) of 13.16% over the previous 10 years. Driven by the sound development of the hinterland economy and through the effective operation of the Port of Qingdao, QPI's consolidated revenue increased by 6.68% and consolidated pre-tax profit increased by 21.16% in 2015 compared to the prior year, according to the annual report of QPI.

Enjoy the development and sustainable growth of the entire port area

Upon completion of the Acquisition and the Disposal, the Company will have an increased direct stake in QPI rather than investing only in a company which operates a single container terminal in the Port of Qingdao.

The comprehensive port services and diverse cargo mix of the Port of Qingdao have enabled QPI to establish a broad customer base and respond resiliently to cyclical changes of the macro-economy, laying the foundation for the potential of sustainable growth in the future.

Therefore, through this investment, the Company could more fully enjoy the future development and sustainable growth of the entire port area.

Seize the opportunities from the "One Belt, One Road" initiatives to enhance enterprise value and competitiveness.

With the progressive implementation of the PRC national development strategy of "One Belt, One Road", the strategic value of large-scale domestic ports in the PRC is rising in prominence. Under the national planning of "One Belt, One Road", Qingdao is positioned as a main node of the "New Eurasian Continental Bridge Economic Corridor" and a fulcrum city of co-operation for the "21st Century Maritime Silk Road", and occupies a central position among the ports in Northeast Asia.

The locking in of QPI's advantageous strategic resources, which are conducive to the building of the route network and further opening up of the sea trade channel, enables the Company to better clutch the opportunities provided by the "One Belt, One Road" strategy and strengthen the Company's leading position in the Greater China region. Besides, the Company will continue to leverage on the synergy between its terminal assets and the shipping business of its parent company to capture the strategic opportunities arising from the Silk Road Economic Belt and the 21st Century Maritime Silk Road.

The Board believes that the terms of the Transaction are fair and reasonable and in the interests of the Shareholders as a whole.

8. INFORMATION ABOUT THE GROUP AND SCSTD

SCSTD is a wholly-owned subsidiary of the Company and is principally engaged in ports investment. The Group is principally engaged in the businesses of managing and operating terminals, and related businesses.

9. IMPLICATIONS UNDER THE LISTING RULES

The highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% and is lower than 25%. The highest of the applicable percentage ratios in respect of the Acquisition exceeds 25% and is lower than 100%. Pursuant to Rule 14.24 of the Listing Rules, since the Transaction involves both an acquisition and a disposal, the Transaction is classified by reference to the larger of the Acquisition (being a major transaction by itself) or the Disposal (being a discloseable transaction by itself), and therefore constitutes a major transaction of the Company. The Transaction is subject to the reporting, disclosure and shareholder approval requirements applicable to a major transaction under Chapter 14 of the Listing Rules, except that the requirements of the contents of the circular to be issued in relation to the Transaction will only apply to the Acquisition.

10. RE-ELECTION OF DIRECTORS

In accordance with Bye-law 86(2) of the Bye-laws of the Company, Mr. FENG Boming ("**Mr. FENG**"), Mr. Zhang Wei (張煒) ("**Mr. ZHANG**") and Mr. CHEN Dong ("**Mr. CHEN**") who were appointed as non-executive Directors of the Company with effect from 24 October 2016 and Prof. CHAN Ka Lok ("**Prof. CHAN**") who was appointed as an independent non-executive Director of the Company with effect from 24 October 2016, all of whom to fill casual vacancies on the Board, shall respectively hold office until the next following general meeting of the Company and, being eligible, have each offered himself for re-election at the SGM.

Brief biographical and other details of Mr. FENG, Mr. ZHANG, Mr. CHEN and Prof. CHAN are set out in Appendix IV to this circular.

11. SGM

A notice convening the SGM to be held at 2:30 p.m. on Friday, 10 March 2017 at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong for the Shareholders to consider and, if thought fit, approve the Transaction is set out on pages N-1 to N-3 of this circular.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Transaction. As such, no Shareholder will be required to abstain from voting at the SGM in respect of the relevant resolution(s) relating to the Transaction.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Monday, 6 March 2017. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 6 March 2017.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish.

12. RECOMMENDATION

The Directors are of the opinion that the Transaction is fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM.

13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular.

Yours faithfully,
For and on behalf of
COSCO SHIPPING Ports Limited
ZHANG Wei (張為)
Vice Chairman & Managing Director

1. FINANCIAL REPORTS

The audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2013, 2014 and 2015 are disclosed in the annual reports of the Company for each of such three financial years respectively, and the unaudited financial information of the Group for the six months ended 30 June 2016 is disclosed in the interim report 2016 of the Company. All of the above financial information has been published on the website of the Company (http://ports.coscoshipping.com) and the website of the Stock Exchange (www.hkexnews.hk) and can be accessed by the direct hyperlinks below:

(i) in respect of the interim report of the Company for the six months ended 30 June 2016 published on 7 September 2016 (pages 2 to 42):

http://www.coscopac.com.hk/admin/upload/ir/financial_report/e16ir.pdf

(ii) in respect of the annual report of the Company for the year ended 31 December 2015 published on 14 April 2016 (pages 112 to 184):

http://www.coscopac.com.hk/eng/ar_eversion/2015/

(iii) in respect of the annual report of the Company for the year ended 31 December 2014 published on 13 April 2015 (pages 117 to 194):

http://www.coscopac.com.hk/eng/ar_eversion/2014/

(iv) in respect of the annual report of the Company for the year ended 31 December 2013 published on 8 April 2014 (pages 117 to 194):

http://www.coscopac.com.hk/admin/upload/ir/financial_report/e13ar.pdf

2. INDEBTEDNESS

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding borrowings of approximately US$1,764.8 million. Details of the total indebtedness are summarised below:

	US$ million
Current	
Short-term borrowings	175.0
Long-term borrowings, current portion	86.6
Current portion of loans from a fellow subsidiary	9.3
Amounts due to non-controlling shareholders of subsidiaries	180.2
Amounts due to joint ventures	40.4
Amounts due to fellow subsidiaries	3.1
Non-current	
Long-term borrowings, net of current portion	943.5
Notes payables	297.9
Loans from a fellow subsidiary	28.8
Total	1,764.8

Apart from a secured long-term bank loan of approximately US$350.5 million, all other indebtedness were unsecured and unguaranteed.

At the close of business on 31 December 2016, the Group pledged its property, plant and equipment with a total carrying amount of approximately US$103.9 million, and the Company's investment in a subsidiary which amounted to approximately US$105.0 million was used as a security for a banking facility granted to the Group.

At the close of business on 31 December 2016, the Group had provided bank guarantees of amount approximately US$9.6 million to a joint venture of the Group. The fair value of the guarantee contracts was not material and has not been recognized.

Save as disclosed above and apart from intra group liabilities, as at the close of business on 31 December 2016, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the Transaction and the financial resources and banking facilities available to the Group, the Group will have sufficient working capital to meet its present requirement for at least 12 months following the date of publication of this circular and in absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Following the reorganization in March 2016, the Group has been transformed into a pure terminal manager and operator with an enlarged terminal portfolio and greater market share. Increasing the investment in QPI, one of the most important comprehensive port operators in the PRC, is in line with the Group's business transformation strategy.

According to the financial statements of QPI, for the year ended 31 December 2015, QPI achieved a profit attribute to equity holders of the company of approximately RMB1,905 million, and earnings per share was RMB0.40. For the six months ended 30 June 2016, the net profit attributable to shareholders of the Company amounted to approximately RMB1,200 million, representing an increase of 10.4% over the same period of last year. The Company could fully enjoy the steady and rapid growth of the financial performance of QPI in long term.

Even though the slowing Chinese economic growth and uncertainty about its manufacturing might result in a lower demand growth, Greater China is still expecting the largest absolute growth in demand. From January to November 2016, the ports of China have increased their throughput by 3.1% year-on-year, to 7.43 billion tonnes, according to the National Bureau of Statistics of China. The Port of Qingdao, which is located in a central position among the ports in Northeast Asia, ranked 6th in terms of cargo throughput in the PRC in 2015, according to the Ministry of Transport of PRC. QPI has a diverse customer base through the provision of comprehensive port services and will be benefit from China's economic growth.

Besides, the Company could benefit from QPI's strong growth potentials in logistics business. QPI has accelerated the expansion of its logistics and port value-added services on the basis of consolidating and expanding its port stevedoring business, and further optimized the profit structure and made efforts to create an edge for a new round of development and a diversified and sustainable profit model.

Looking ahead, the Company will allocate more resources on developing its terminals business and enhance the operational collaboration and strategic synergy with its parent company and strategic partners. The management of the Group will closely monitor the economic trend around the world, especially in Greater China, and will continue to focus on improving operational efficiency and profitability.

5. MATERIAL ACQUISITIONS AFTER 31 DECEMBER 2015

On 11 December 2015, the Company as a purchaser and China Shipping Container Lines Company Limited (now knowns as COSCO SHIPPING Development Co., Ltd.) and China Shipping (Hong Kong) Holdings Co., Limited (now known as COSCO SHIPPING Financial Holdings Co., Limited) as sellers entered into a sale and purchase agreement, pursuant to which China Shipping Container Lines Company Limited and China Shipping (Hong Kong) Holdings Co., Limited conditionally agreed to sell, and the Company conditionally agreed to purchase, the entire issued share capital of China Shipping Ports Development Co., Limited for an initial consideration of US$1,161,963,000 (subject to completion accounts adjustments), which has been deducted by an amount equal to US$33,222,000 in relation to the incompletion of sale of entire 20% equity interest in Damietta International Port Company S.A.E. Upon completion of the acquisition on 18 March 2016, China Shipping Ports Development Co., Limited became a wholly-owned subsidiary of the Company.

China Shipping Ports Development Co., Limited is a company incorporated in Hong Kong and is an investment holding company which primarily holds investments in various port and port related companies. Such companies operate container terminals in various jurisdictions (including Hong Kong, Taiwan, Zeebrugge (Belgium), Seattle (USA) and the PRC) and mainly provide loading, storage and maintenance services.

For details of the acquisition of China Shipping Ports Development Co., Limited, please refer to the announcement of the Company dated 11 December 2015 and the circular of the Company dated 31 December 2015.

None of the Directors' remuneration or benefits in kind was varied in consequence of the above acquisition of the entire issued share capital of China Shipping Ports Development Co., Limited.

(A) FINANCIAL INFORMATION OF THE QPI GROUP

The audited consolidated financial statements of the QPI Group for the three financial years ended 31 December 2011, 2012 and 2013 are disclosed in the prospectus of QPI dated 26 May 2014 and the annual reports of QPI for the two financial years ended 31 December 2014 and 2015 respectively, and the unaudited consolidated financial information of the QPI Group for the six months ended 30 June 2016 is disclosed in the interim report 2016 of QPI. All of the above financial information has been published on the website of the QPI (www.qingdao-port.com) and the website of the Stock Exchange (www.hkexnews.hk).

(B) MANAGEMENT DISCUSSION AND ANALYSIS ON THE QPI GROUP

The following management discussion and analysis of the QPI Group's business and performance for the three financial years ended 31 December 2011, 2012 and 2013 are extracted from the prospectus of QPI dated 26 May 2014 (on pages 237 to 304) and the annual reports of QPI for the financial years ended 31 December 2014 (on pages 23 to 49) and 31 December 2015 (on pages 23 to 43) respectively, and the management discussion and analysis of the QPI Group's business and performance for the six months ended 30 June 2016 are extracted from the interim report 2016 of QPI published on 5 September 2016 (on pages 8 to 25).

1. For the three years ended 31 December 2011, 2012 and 2013

The following discussion and analysis should be read in conjunction with our consolidated financial information and notes as at and for the years ended December 31, 2011, 2012 and 2013, included in the Accountant's Report set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS and is included in Appendix I to this prospectus.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward looking statements as a result of a number of factors including, but not limited to, those discussed below and elsewhere in this prospectus, particularly in the sections entitled "Risk Factors" and "Forward-Looking Statements."

Unless otherwise specified, references to our operational data or information such as our throughput, number of berthing and storage facility and berthing and storage capacity shall include the aggregate of such operational data or information of us and our joint ventures and associates, without regard to the proportion of interest held by us in such joint ventures and associates.

OVERVIEW

We are the primary operator of the Port of Qingdao, one of the world's largest comprehensive ports. We provide a wide range of port-related services, ranging from basic port services, such as stevedoring and storage services to ancillary and extended services such as logistics services and financing-related services. We handle a large variety of cargo, including containers, metal ore, coal, petroleum, grains, steel, cars and other liquid bulk, dry bulk and other general cargo. For the years ended December 31, 2011, 2012 and 2013, our total throughput was 346.2 million tons, 359.5 million tons and 365.0 million tons, respectively.

We carry out our port operations mainly at the Dagang Port Area, Qianwan Port Area, Huangdao Oil Port Area and Dongjiakou Port Area through our branches and joint ventures. As of March 31, 2014, we operated 22 terminals with 69 berths at the Port of Qingdao, which represented approximately 71.0% of the total number of terminals and approximately 76.7% of the total number of berths at the Port of Qingdao. The berths we operated at the Port of Qingdao included 47 berths dedicated to handling a single type of cargo and 22 berths capable of handling metal ore, coal and other general cargo. We also operate two container berths at each of the Port of Weihai and the Port of Rizhao through our joint ventures. For further information regarding our port operations, please see "Business – Our Services."

We have achieved stable growth during the Track Record Period. For the years ended December 31, 2011, 2012 and 2013, our revenue was RMB5,078.6 million, RMB5,740.5 million and RMB6,526.3 million, respectively, share of profit of joint ventures was RMB538.7 million, RMB559.9 million and RMB511.5 million, respectively, and our profit attributable to owners of our Company was RMB1,195.0 million, RMB1,247.3 million and RMB1,500.5 million, respectively.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

We were established in the PRC on November 15, 2013 as a joint stock company with limited liability as a result of the Reorganization of QDP and its subsidiaries. Prior to the establishment of our Company, our businesses were carried out by companies owned or controlled by QDP.

Pursuant to the Reorganization, the principal operations and businesses of QDP were transferred to us, and certain assets and liabilities of QDP that were not transferred to us were retained by QDP (the "**Retained Operations**"). The Retained Operations primarily include:

(i) assets and liabilities related to businesses that are unrelated to our Company's Core Operations, primarily including public infrastructure construction and operations of social and community facilities such as hospitals, schools and hotels;

(ii) assets and liabilities related to certain operating businesses that are historically associated with our Company's Core Operations, primarily comprising (a) Dongjiakou Operation I and (b) Dongjiakou Operation II; and

(iii) other assets and liabilities comprising:

(a) certain investment properties and land use rights;

(b) certain non-operating property, plant and equipment, with a book value of RMB1,053.2 million representing approximately 6.8% of the total property, plant and equipment of our Company as of November 15, 2013, which are not related to our Core Operations but cannot be carved out from our financial information pursuant to applicable accounting principles and reporting standards;

(c) certain operating property, plant and equipment and land use rights that are related to our Core Operations but without ownership certificates, which consist of:

- certain construction-in-progress projects that had not reached the stage of applying for ownership certificates as further described below ("**CIP Projects**"), with a book value of RMB1,328.0 million representing approximately 8.5% of the total property, plant and equipment of our Company as of November 15, 2013, and

- certain property, plant and equipment without ownership certificates during the Track Record Period as further described below ("**Other PPE**"), with a book value of RMB311.6 million representing approximately 2.0% of the total property, plant and equipment of our Company as of November 15, 2013; and

(d) certain available-for-sale financial assets, intangible assets, investment in an associate, deferred income taxes, inventories, trade and other receivables, cash, borrowings, deferred income, early retirement and supplemental benefit obligations, trade and other payables (the above collectively referred to as the "**Other Retained Operations**").

CIP Projects referred to above mainly comprise port-related public infrastructure, such as harbour basins, channels and roads at the Dongjiakou Port Area, which were not transferred to us at the Reorganization primarily because they are not required for our current operations at the Dongjiakou Port Area, but are related to the future development of the Dongjiakou Port Area. As a result, these projects may be subject to change as the development of the Dongjiakou Port Area is still ongoing. The CIP Projects are not subject to the Dongjiakou Acquisitions. Upon completion of these CIP Projects, to the extent they are required for our Core Operations, we intend to acquire such projects from QDP. Any acquisitions of these projects from QDP following our listing will constitute connected transactions of our Company, and accordingly will be subject to the requirements to comply with all applicable legal and regulatory requirements including those set out in the Listing Rules.

Other PPE referred to above mainly comprises (i) certain port-related facilities, such as buildings and stacking yards, at the Dagang Port Area and the Qianwan Port Area, which did not possess ownership certificates during the Track Record Period; and (ii) certain terminals and berths at the Dagang Port Area, for which ownership certificates are not required pursuant to PRC laws. We, directly or through our joint ventures, have purchased or leased back a significant portion of Other PPE with a book value of RMB225.8 million, representing 72.4% of the book value of Other PPE as of November 15, 2013, from QDP (the "**Purchased or Leased PPE**"), while the remainder of the Other PPE continues to be retained by QDP (the "**Remaining PPE**"). All Purchased or Leased PPE had obtained ownership certificates as of the Latest Practicable Date, or do not require ownership certificates pursuant to PRC laws, except for an electrical substation with a book value of RMB0.94 million. The Remaining PPE mainly consists of stacking yards located at the Dagang Port Area, which we no longer require for our business due to the change of cargo mix handled at the Dagang Port Area, and accordingly we decided not to purchase or lease this Remaining PPE.

For further details on the Reorganization and on the delineation between our business and that of our Controlling Shareholder, see "Our History, Reorganization and Corporate Structure" and "Relationship with our Controlling Shareholder."

Our Company and QDP are both state-owned enterprises controlled and owned by Qingdao SASAC. Accordingly, the Reorganization has been accounted for as a reorganization of businesses under common control in a manner similar to a uniting of interests. As a result, the assets and liabilities transferred to us were stated at their historical carrying amounts. In addition to the businesses transferred to us, the historical financial information included in "Appendix I – Accountant's Report" and discussed herein also includes financial position, results of operations and cash flow of the Dongjiakou Operations and the Other Retained Operations. Although such operations were not transferred to our Company at the Reorganization, our Directors consider that such operations were in similar businesses with the Core Operations, and their operations and financial records were under common management and control of QDP, and, as a result, the financial information included in "Financial Information" and elsewhere in this prospectus should reflect all of the businesses under the common control of QDP that had been part of our businesses and operations during the Track Record Period. Accordingly, the financial information included in this section and elsewhere in this prospectus may not necessarily reflect what our results of operations, financial position and cash flows would have been had we been a separate and stand-alone entity during the periods presented below, and may not be indicative of our future financial position, results of operations or cash flows. The consolidated financial information of our Company as of December 31, 2013 and for the period from November 15, 2013 to December 31, 2013 included in this prospectus reflected our Company's financial information after the completion of the Reorganization.

In line with our expansion strategy, we have been looking for opportunities to develop the Dongjiakou Port Area through various forms of strategic cooperation in order to further attract and solidify cargo sources as well as to control our capital expenditures. Accordingly, berths in the Dongjiakou Port Area owned by QDP were not injected into us as part of the Reorganization in anticipation of their transfer to the joint ventures upon their formation. On January 9, 2014, QDOT, in which we hold 30% equity interests, was established. QDOT acquired the operating assets and liabilities of the Dongjiakou Operation I from QDP in February 2014 and is expected to conduct a supplementary acquisition to effect certain post-closing adjustments. In addition, we completed the Dongjiakou Acquisition II in May 2014.

The historical financial information presents the consolidated financial information of our Company as if our current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the combining companies, or since the date when the combining companies first came under the control of QDP, whichever is shorter. Our consolidated balance sheets as of December 31, 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the companies now comprising us at these dates, as if the current group structure had been in existence as at these dates. The assets and liabilities of the Dongjiakou Operations and the Other Retained Operations was accounted for as a distribution to QDP at the effective date of the Reorganization, being November 15, 2013. As a result of such distribution, our financial position after November 15, 2013 was significantly different from our financial position as of December 31, 2011 and 2012, respectively. In addition, after November 15, 2013, the results of operations of the Dongjiakou Operations and the Other Retained Operations was no longer consolidated into our results of operations. For this reason, our financial position as of December 31, 2013 and our results of operations for the year ended December 31, 2013 will not be comparable to previous years. For further information regarding the historical financial information of the Dongjiakou Operations and the Other Retained Operations and the distribution, please see "Financial Information – Factors Affecting Comparability" and Note 2 and Note 3 of the Accountant's Report set out in Appendix I to this prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition are primarily affected by the following key factors:

Our throughput and cargo mix

Our operational performance is primarily affected by our throughput and cargo mix, which in turn are driven by multiple factors including macro-economic conditions of the world, the PRC and our hinterland, and demand for specific types of cargo.

Our diversified mix of cargo to a large extent reflects the composition of China's imports and exports, which is affected by the global and PRC macro-economies. Trends and factors influencing global and domestic demand for cargo shipment also have an impact on our throughput and cargo mix. Furthermore, as most of our throughput is originated from or destined for locations in our hinterland consisting mainly of Shandong, Jiangsu, Hebei, Shanxi, Henan, Shaanxi, Ningxia, Gansu and Xinjiang provinces, the overall economic conditions of our hinterland and the development of certain industries in our hinterland such as steel industry and energy sector may also have a significant impact on our throughput and cargo mix. As different cargo handling services have different profit margins, any material change in our product mix may affect our gross margins and financial results from period to period. For example, our container and liquid bulk handling services usually have a higher gross profit margin than our metal ore, coal and other general cargo handling services.

The throughput of each of the cargo types we handle is also affected by its seasonality or trade cycles. Our container throughput closely correlates with the general global economy and the PRC's foreign trade, while our metal ore and metallurgical coal throughput is more affected by the PRC's steel consumption. For example, our metal ore throughput was 108.3 million tons, 107.7 million tons and 97.6 million tons, during the Track Record Period, representing 31.3%, 30.0% and 26.7%, respectively, of our total throughput during the same period. As a result of the recent unfavorable general market conditions of the PRC steel industry, some of our metal ore customers have delayed the settlement of bills, which in turn increased our trade receivables and our trade receivables turnover days. Our trade receivable turnover days increased from 26 days in 2011 to 30 days in 2012 and further to 40 days in 2013. For further details regarding the decline of PRC steel industry, please see "Industry – Metal Ore." However, despite the recent unfavorable general market conditions of the PRC steel industry, our revenue from metal ore handing business had continued to grow during the Track Record Period. As a result, we consider the decline of the PRC steel industry has not had and is not expected to have any material adverse impact on our operations and financial results. Our liquid bulk and thermal coal throughput is affected by PRC's energy demand. The factors affecting the throughput of our other general cargo vary from cargo to cargo. For example, our throughput of grains increased in the past few years due to the change in Chinese dietary composition. For further information regarding our throughput and cargo mix, please see "Business – Our Services."

Our throughput is also influenced by the general competitive landscape in the port industry, in particular, competition from nearby ports, which may have an adverse impact on our business operations. See "Business – Competition."

Our fees

The fees that we charge for our port operations directly impact our revenue. The fees that we charge for our port operations include fees for stevedoring and other handling services, stacking and warehousing fees, port security fees, and tugging and barge service fees.

We use different pricing mechanisms for different types of cargo. We charge per handling step for container handling, and charge a pre-fixed lump sum fee, which covers cargo handling services, certain other port value-added services and transshipment services, for metal ore and coal, liquid bulk and other general cargo handling. In addition, pursuant to applicable regulations in the PRC, we also collect certain government charges, such as port construction fees, on behalf of government agencies. Our recognized revenue from our metal ore and coal, liquid bulk and other cargo handling and ancillary service was calculated by deducting the port construction fees from our lump sum fee. If our lump sum fee remains stable, any decrease in port construction fees will increase our recognized revenue.

Our ability to set our prices depends on several factors, including demand for our stevedore and storage services, prevailing rates offered by our competitors, and our cost of sales. Our pricing is also affected by cargo destination and trade type. Generally, handling fees for foreign trade cargo are higher than those for domestic trade cargo. For example, handling fees for domestic trade containers are approximately half of the handling fees for foreign trade containers.

The pricing of certain components of our fees and charges, such as port administrative charge, docking fees, port security fees, tugging fees and tallying fees, are subject to pricing guidelines issued by the Ministry of Transport. Please see "Regulations – Laws and Regulations for Port Operations" for more information. We price the rest of our fees and charges based on market conditions, taking into account a matrix of factors such as cargo type, trade type, stacking period and competitors' pricing.

Our labor costs

Employee benefit expenses represent a significant portion of our cost of sales and selling and administrative expenses. In addition to our employees, we also use third-party labor dispatch services to supplement our labor needs. For the years ended December 31, 2011, 2012 and 2013, our employee benefit expenses were RMB1,516.8 million, RMB1,706.6 million and RMB1,891.7 million, respectively. During the Track Record Period, the increase in our employee benefit expenses was mainly due to (i) the increase in the salary of our employees and contract workers, (ii) we converted certain contract workers to full-time employees each year and (iii) the increase in the number of our employees and contract workers. In addition, our employee benefit expenses also include retirement benefits, which may significantly increase our employee benefit expenses. We expect our employee benefit expenses to continue to rise along with the general labor costs increase in the PRC in the future.

Our development of the Dongjiakou Port Area

Our development of the Dongjiakou Port Area directly impacts our results of operations. The development of the Dongjiakou Port Area is expected to require significant capital investment, a considerable portion of which is expected to be contributed by us, in addition to those contributed by our joint venture partners. Based on the current development plan issued by the government, the Dongjiakou Port Area is expected to host a total of 112 berths with a maximum handling capacity up to 300 million tons per year. We are in the process of building more port facilities at the Dongjiakou Port Area through several of our joint ventures.

We expect that in 2014, (i) our total capital expenditures will amount to RMB2.8 billion, consisting of approximately RMB1,848.5 million for port construction, RMB203.0 million for replacement of fixed assets and RMB738.7 million for Dongjiakou Acquisition II; and (ii) our planned investment in our joint ventures will amount to approximately RMB1,421.4 million, which mainly involve development projects at the Dongjiakou Port Area and the Qianwan Port Area. The capital investment requirement at the Dongjiakou Port Area may divert capital resources from our other projects, and may require us to raise capital through borrowings which may incur substantial financing costs. As a result, the development of the Dongjiakou Port Area may significantly affect our profitability, especially in the next few years while many of the facilities at the Dongjiakou Port Area are either under construction or at the ramp-up stage. Once completed, we expect our expanded operations at the Dongjiakou Port Area will significantly increase our cargo handling capacity and enlarge our scope of services, which we believe will increase our profitability in the long term.

Operational efficiency

Operational efficiency significantly affects our ability to handle throughput within the capacity of our facilities, which in turn affects the revenues from our cargo handling services. When the demand for our cargo handling services exceeds the capacity of our port facilities at any given time, higher operational efficiency enables us to increase our throughput and revenue. Higher operational efficiency also increases the utilization of our existing facilities and equipment, and dilute the fixed cost for our cargo handling services, which makes our cargo handling services more profitable. Further, higher operational efficiency reduces our clients' logistics costs, which improves our appeal to the clients and helps us attract more business. For further information regarding our operational efficiency, please see "Business – Our Services."

FACTORS AFFECTING COMPARABILITY

The Dongjiakou Operations and the Other Retained Operations

Pursuant to the Reorganization, the Dongjiakou Operations and the Other Retained Operations were retained by QDP. However, the historical financial information included in the Accountant's Report set out in Appendix I to this prospectus and discussed in this section also includes assets, liabilities and results of operations of the Dongjiakou Operations and the Other Retained Operations, because such operations could not be clearly distinguished from our principal operations and their financial records were historically under common management and control with our Core Operations.

The assets and liabilities of the Dongjiakou Operations and the Other Retained Operations will be accounted for as a distribution to QDP at the effective date of the Reorganization, being November 15, 2013. As a result of such distribution, our financial position after November 15, 2013 will be significantly different from our financial position as of December 31, 2011, 2012, respectively. In addition, after November 15, 2013, the results of operations of the Dongjiakou Operations and the Other Retained Operations will no longer be consolidated into our results of operations. For this reason, our financial position as of December 31, 2013 and our results of operations for the year ended December 31, 2013 will not be comparable to previous years. For further information regarding the Dongjiakou Operations and the Other Retained Operations, please see Note 2 and Note 3 of the Accountant's Report set out in Appendix I to this prospectus.

The following table sets forth certain details of historical financial information of the Dongjiakou Operations.

Results of operations

The tables below reflect the operating results of the Dongjiakou Operations for each of the years ended December 31, 2012 and the period from January 1, 2013 to November 14, 2013:

Dongjiakou Operation I:

	Year ended December 31 2012 *RMB'000*	**Period from January 1 to November 14 2013** *RMB'000*
Revenue	241,245	569,856
Cost of sales	(187,029)	(389,549)
Selling and administrative expenses	(5,024)	(9,748)
Other gains/(losses) – net	17	(2)
Income tax expenses	(11,097)	(42,639)
Profit for the year/period	38,112	127,918

Dongjiakou Operation I did not incur any significant expense before January 2012 because the construction of the terminal facilities in relation to the Dongjiakou Operation I was completed and put into operation in January 2012.

Dongjiakou Operation II:

	Period from January 1 to November 14 2013 *RMB'000*
Revenue	11,327
Cost of sales	(11,242)
Income tax expenses	(21)
Profit for the period	64

Dongjiakou Operation II did not incur any significant expense before July 2013 because part of the construction of the terminal facilities in relation to the Dongjiakou Operation II was completed and put into trial operation in July 2013. The operating results of the Dongjiakou Operation II shown in the table above are mainly revenue and direct costs. Given that the scale of the Dongjiakou

Operation II in 2013 was insignificant, all the overhead expenses relating to the Dongjiakou Operations such as selling and administrative expenses were not allocated to the Dongjiakou Operation II.

Assets and liabilities

The tables below reflect the financial position of the Dongjiakou Operations as of December 31, 2011 and 2012 and November 15, 2013:

Dongjiakou Operation I:

	As of December 31,		As of November 15
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	2,686,296	3,373,266	3,707,824
Trade and other receivables	–	15,809	50,440
Inventories	–	3,691	733
Cash and cash equivalents	–	989	9,087
Trade and other payables	(861,241)	(387,198)	(25,460)
	1,825,055	3,006,557	3,742,624

Dongjiakou Operation II:

	As of December 31,		As of November 15
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	49,777	246,412	531,927
Trade and other receivables	–	–	–
Inventories	–	–	–
Trade and other payables	–	–	–
	49,777	246,412	531,927

The following table sets forth certain details of historical financial information of the Other Retained Operations.

Results of operations

	Year ended December 31, 2011 RMB'000	Year ended December 31, 2012 RMB'000	Period from January 1 to November 14, 2013 RMB'000
Rental income	18,388	22,013	22,983
Depreciation of investment properties	(9,749)	(9,749)	(8,416)
Business tax and surcharges	(6,436)	(6,351)	(6,692)
Depreciation and amortisation	(62,606)	(66,021)	(52,452)
Employee benefit obligations – current service cost and interest cost	(12,040)	(11,680)	(13,120)

Assets and liabilities

	As of December 31, 2011 RMB'000	As of December 31, 2012 RMB'000	As of November 15 2013 RMB'000
Land use rights	181,057	175,364	596,714
Property, plant and equipment	1,986,081	2,801,361	2,692,840
Investment properties	181,037	190,922	180,335
Intangible assets(1)	–	–	8,195
Investments in associates(1)	–	–	15,908
Available-for-sale financial assets	33,806	38,856	41,598
Deferred income tax assets(1)	–	–	44,591
Inventories(1)	–	–	19,131
Trade and other receivables(1)	–	–	3,140,461
Restricted bank deposits(1)	–	–	60,784
Cash and cash equivalents(1)	–	–	448,044
Borrowing(1)	–	–	(600,000)
Deferred income(1)	–	–	(204,357)
Early retirement and supplemental benefit obligations	(285,330)	(276,100)	(295,940)
Trade and other payables(1)	–	–	(523,095)
	2,096,651	2,930,403	5,625,209

Note:

(1) Certain assets and liabilities under the other retained operations cannot be distinguished from our financial records as of December 31, 2011 and 2012.

The carrying amount of the Dongjiakou Operations and the Other Retained Operations as of November 15, 2013 were as follows:

	As of November 15, 2013		
	Dongjiakou Operations	**Other Retained Operations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Land use rights	–	596,714	596,714
Property, plant and equipment	4,239,751	2,692,840	6,932,591
Investment properties	–	180,335	180,335
Intangible assets	–	8,195	8,195
Investments in associates	–	15,908	15,908
Available-for-sale financial assets	–	41,598	41,598
Deferred income tax assets	–	44,591	44,591
Inventories	733	19,131	19,864
Trade and other receivables	50,440	3,140,461	3,190,901
Restricted bank deposits	–	60,784	60,784
Cash and cash equivalents	9,087	448,044	457,131
Borrowing	–	(600,000)	(600,000)
Deferred income	–	(204,357)	(204,357)
Early retirement and supplemental benefit obligations	–	(295,940)	(295,940)
Trade and other payables	(25,460)	(523,095)	(548,555)
Total	4,274,551	5,625,209	9,899,760

Dongjiakou Acquisitions

Pursuant to the Reorganization, the Dongjiakou Operations were retained by QDP. Our joint venture, QDOT, in which we hold a 30% equity interest, acquired from QDP in February 2014 two berths at the Dongjiakou Port Area under the plan for the Dongjiakou Acquisition I. For further information on the Dongjiakou Acquisition I, please see "Our History, Reorganization and Corporate Structure – Dongjiakou Acquisitions – Dongjiakou Acquisition I."

The results of operations of the business acquired through the Dongjiakou Acquisition I have not been consolidated into our results of operations, and we have accounted for such results of operations as share of profit of our joint ventures.

In addition, we completed the Dongjiakou Acquisition II in May 2014, and the results of operations of the Dongjiakou Operation II are consolidated into our results of operations.

For further financial information on the business and assets acquired pursuant to the Dongjiakou Acquisitions, please see Note 3 of the Accountants' Report set out in Appendix I to this prospectus. For further information regarding the impact of the Dongjiakou Acquisitions on our financial condition, please see the pro forma financial information set out in "Appendix II – Unaudited Pro Forma Financial Information – (B) Unaudited Pro Forma Financial Information of the Enlarged Group" to this prospectus.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of our consolidated financial information requires selecting accounting policies and making estimates and assumptions that affect items reported in the consolidated financial information. The determination of these accounting policies is fundamental to our results of operations and financial position and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial position, results of operations or cash flows. For more information regarding our significant accounting policies and the summary of significant accounting judgments and estimates, see Note 4 and Note 6 of the Accountant's Report set out in Appendix I to this prospectus.

Revenue recognition

Our revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered and goods supplied. Our revenue is shown net of discounts, returns and value added taxes. We recognize revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to us; and when specific criteria have been met for each of our activities, as described below.

Specific recognition criteria for different nature of our revenue are disclosed below:

- Provision of services. Our revenue from provision of containerized and non-containerized cargo handling services are recognized in the period in which the services are rendered, provision of storage services is recognized on a straight-line basis over the period of the service.

- Sales of goods. Our revenue from sale of goods is recognized in the period when the goods are delivered and title has passed.

- Rental income. Our revenue from rental income from operating lease is recognized in the income statement on a straight-line basis over the term of the lease.

- Contract work. For our revenue recognition regarding contract work, please refer to the discussion on the contract work below.

Contract work

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Our contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

We use the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. On the balance sheet, we report the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Joint ventures

A joint venture is a contractual arrangement whereby we and other parties undertake an economic activity which is subject to joint control and none of the participating parties having unilateral control over the economic activity of the joint venture. Our interests in joint ventures are incorporated in the consolidated financial information using the equity method of accounting and are initially recognized at cost and adjusted thereafter to recognize our share of the post-acquisition profits or losses and movements in other comprehensive income. When our share of losses of a joint venture equals or exceeds our interests in the joint venture (which includes any long-term interests that, in substance, form part of our net investment in the joint venture), we do not recognize further losses, unless we have incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between our joint ventures and us are eliminated to the extent of our interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For further information, please see Note 12(a) of the Accountant's Report set out in Appendix I to this prospectus.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Our chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as our Board of Directors that makes strategic decisions.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful life	Estimated Residual value	Annual depreciation rate
– Buildings	30 years	4%	3.2%
– Terminal facilities	20-45 years	4%	2.1%-4.8%
– Storage facilities	30-45 years	4%	2.1%-3.2%
– Loading equipment	10 years	4%	9.6%
– Machinery and equipment	5-18 years	4%	5.3%-19.2%
– Vessels	18 years	5%	5.3%
– Transportation equipment	10-12 years	4%	8.0%-9.6%

Construction-in-progress mainly represents terminal facilities and storage facilities under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction and acquisition of the assets. No depreciation is provided for construction-in-progress until such time as the relevant assets are completed and ready for intended use. Construction-in-progress is transferred to relevant categories of property, plant and equipment upon the completion of their respective construction/installation and depreciated in accordance with the policy as stated above. The construction of terminal facilities involves various construction projects with different schedules. We transfer the construction-in-progress to relevant categories of property, plant and equipment in batches upon the completion of respective parts of the terminal facilities. The cost of terminal facilities may not be paid in full when the construction is completed and ready for its intended use. We estimate the completion progress, time to reach its intended use and the cost of the construction-in-progress to be transferred to property, plant and equipment where necessary. If the estimate differs significantly from the final settlement of the completed construction projects, the difference will impact the cost of property, plant and equipment and the depreciation charge.

Our management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realization of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses) – net" in the income statement.

Land use rights

Land use rights represent prepaid operating lease payments for land less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term or the operating license period, whichever is shorter.

Receivables impairment

Our management assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

For receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the income statement.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Early retirement and supplemental benefit obligations

We also provided supplementary pension and medical subsidies to retired employees and those to be retired prior to December 31, 2015. Such supplementary subsidies are considered to be defined benefit plans as we are obligated to provide post-employment benefits to these employees. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income.

Termination and early retirement benefits are payable when employment is terminated by us before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. We recognize termination and early retirement benefits when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

The present value of the early retirement and supplemental obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for early retirement and supplemental obligations include mainly the discount rate, salaries and welfare growth rate, and allowance growth rate. Any changes in these assumptions will impact the carrying amount of early retirement and supplemental obligations.

We determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, we consider the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related obligations.

DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

The following summarizes components of certain items appearing in the Accountant's Report set out in Appendix I to this prospectus, which we believe will be helpful in understanding the period-to-period discussion that follows below.

Revenue

We derive revenue mainly from providing cargo handling and other ancillary and extended services, including stevedoring, storing, towing, tallying, logistics and other services. We generate revenue from five business segments: (i) container handling and ancillary services, (ii) metal ore, coal and other cargo handling and ancillary services, (iii) liquid bulk handling and ancillary services, (iv) logistics and port value-added services and (v) port construction and other services. Our revenue is presented net of inter-segment sale.

Revenue from our container handling and ancillary services represents our revenue generated from providing handling and other related port services for containers.

Revenue from our metal ore, coal and other cargo handling and ancillary services represents our revenue generated from providing handling and other related port services for iron ore, bauxite, coal and other general cargo. The revenue generated from our coal handling business was RMB 260.5 million, RMB 274.1 million and RMB 323.4 million during the Track Record Period, representing only 5.1%, 4.8% and 5.0%, respectively, of our total revenue during the same period. Therefore, we consider that the coal handling business is not material to our operations as a whole and that the decline in the PRC coal industry has not had and is not expected to have any material adverse impact on our operations. During the Track Record Period, our revenue from metal ore, coal and other cargo handling and ancillary services also included the revenue of the Dongjiakou Operations in 2012 and the period from January 1, 2013 to November 14, 2013.

Revenue from our liquid bulk handling and ancillary services represents our revenue generated from providing handling and other related port services for crude oil, and to a lesser extent for liquefied chemical products.

Revenue from our logistics and port value-added services represents our revenue generated from tugging, barging, tally, cargo logistics, container vanning and devanning, shipping and cargo agency and other services.

Revenue from our port construction and other services mainly represents our revenue generated from (i) port construction work, (ii) manufacturing and maintenance of port equipment and machinery, (iii) land and port facilities rental services, (iv) port facilities maintenance services and (v) provision of fuel and electricity. During the Track Record Period, our revenue from our port construction and other services also included the rental income of the Other Retained Operations.

Cost of sales

Our cost of sales comprises of employee benefit expenses, raw material and consumables, fuel and heating expenditures, subcontracting costs, transportation costs, depreciation and amortization charges, rental cost, cost of oil and electricity for external sales and others.

Our employee benefit expenses mainly consist of salaries, wages, bonuses, contributions to pension plans, retirement benefits obligations, welfare, medical and other expenses, and housing benefits, and also includes the expenses we paid for contract workers.

Our cost of raw material mainly consists of the cost incurred for the raw materials we used for construction of port facility, manufacturing of port equipment and other raw materials we used in the ordinary course of business.

Our fuel and heating expenditures mainly consist of utilities consumed in the ordinary course of business, including fuel, electricity and heating expenses.

Our subcontract costs mainly consist of the cost incurred for our outsourced port construction works and cargo handling and related port services.

Our transportation costs mainly consist of the cost incurred for third parties' truck fleet in connection with our logistics services.

Our depreciation and amortization charges mainly consist of the depreciation of our property, plant and equipment, investment properties and amortization of land use rights.

Our rental costs mainly consist of the costs we incurred for renting storage facilities, port equipment and machinery, truck fleet and tugboat.

Our cost of oil and electricity sales mainly consists of the cost we incurred in connection with fuel and electricity sold.

Our other cost of sales mainly consists of repair and maintenance expenses, insurance fees, business tax and other tax expenses.

Other income

Our other income consists of primarily interest income and government grants, and to a lesser extent commission of port construction fees.

Selling and administrative expenses

Our selling and administrative expenses comprise primarily of employee benefits expenses, depreciation and amortization expenses, land use tax and other taxes, and other expenses such as office expenses and travelling expenses.

Other gains/(losses) –net

Other gains/(losses) – net consist primarily of gains/(losses) on disposal of property, plant and equipment, land use rights and intangible assets, donations and other expenses.

Finance costs

Finance costs represent the interest we incurred from loans from one of our fellow subsidiaries and commercial banks.

Share of profit of joint ventures

Share of profit of joint ventures is the profits, net of the losses, attributable to us from our joint ventures.

Share of profit of associates

Share of profit of associates is the profits, net of the losses, attributable to us from our associates, namely Qingdao Ganghua and Qingdao Gangsheng.

Income tax expenses

Under the PRC enterprise income tax law, the applicable corporate income tax rate was 25% during the Track Record Period. During the Track Record Period, our effective corporate income tax rate was lower than 25% because we share the post-tax profit from joint ventures and associates. Our share of profit from joint ventures and associates was not subject to the corporate income tax, which results in our effective corporate income tax rates being lower than 25%.

Since August 1, 2013, the PRC government adopted a new tax policy, which replaced business tax with value-added tax ("**VAT**") in the transportation industry and certain other modern services industries in the PRC (the "**VAT Introduction**"). As VAT is categorized as a tax excluded from price, and business tax is categorized as a tax included in price, our revenue decreased due to the VAT Introduction. On the other hand, since business tax payable was previously recorded as part of our cost of sales, our cost of sales also decreased due to this new policy. In addition, the VAT Introduction allows us to deduct input VAT on certain components of our cost of sales, which resulted in additional decrease in our cost of sales. Considering all the above effects on us, we believe that the VAT Introduction benefits us moderately. For further details, please see "Taxation Applicable to Joint-Stock Limited Companies – (iii) Value-added Tax (VAT)" in Taxation and Foreign Exchange set out in Appendix IV to this prospectus.

As of the Latest Practicable Date, we have paid all relevant taxes applicable to us and have no disputes or unresolved tax issues with relevant tax authorities.

RESULTS OF OPERATIONS

The following table sets forth our consolidated income statement for the periods indicated.

	Year Ended December 31,		
	2011	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	5,078,591	5,740,504	6,526,264
Cost of sales	(3,461,814)	(4,066,783)	(4,474,642)
Gross profit	1,616,777	1,673,721	2,051,622
Other income	172,367	177,252	144,393
Selling and administrative expenses	(852,999)	(853,946)	(865,122)
Other gains/(losses) – net	2,418	(7,230)	105,881
Finance costs	(2,053)	(2,800)	(10,070)
Share of profit of joint ventures	538,731	559,947	511,459
Share of profit of associates	458	1,280	1,799
Profit before income tax	1,475,699	1,548,224	1,939,962
Income tax expenses	(262,396)	(280,280)	(418,160)
Profit for the year	1,213,303	1,267,944	1,521,802

Our consolidated income statement also contains certain historical financial information about the Dongjiakou Operations and the Other Retained Operations. For further details, see "Financial Information – Basis of Presentation of Financial Information" and "Financial Information – Factors Affecting Comparability."

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue. The following table sets forth our revenue by business segment after inter-segment elimination for the periods indicated:

	Year Ended December 31,			
	2012		2013	
	(RMB'000)	*% of Revenue*	*(RMB'000)*	*% of Revenue*
Segments				
– Container handling and ancillary services	82,074	1.4%	81,635	1.3%
– Metal ore, coal and other cargo handling and ancillary services	2,783,930	48.6%	3,073,125	47.0%
– Liquid bulk handling and ancillary services(1)	375,844	6.5%	261,018	4.0%
– Logistics and port value-added services	1,394,338	24.3%	1,596,759	24.5%
– Port construction and other services	1,104,318	19.2%	1,513,727	23.2%
Total	5,740,504	100.0%	6,526,264	100.0%

Note:

(1) Prior to April 2013, we conducted liquid bulk handling services at the Huangdao Oil Port Area through the Yougang Branch. On March 31, 2013, we disposed of all of the assets of the Yougang Branch to Qingdao Shihua through a combination of equity investment in Qingdao Shihua and an asset sale to Qingdao Shihua (the "**Yougang Disposal**"). Qingdao Shihua is our joint venture in which we hold a 50% equity interest. For more information on Qingdao Shihua please refer to "Our History, Reorganization and Corporate Structure – Our Principal Joint Ventures – Qingdao Shihua" in this prospectus. Pursuant to the relevant transaction agreements, the revenue of the Yougang Branch was to be transferred to Qingdao Shihua upon completion of the registration of the transfer of our equity interest to Qingdao Shihua with the local Administration of Industry and Commerce. This registration was completed in late April 2013 and the revenue of the Yougang Branch was transferred to Qingdao Shihua starting from May 1, 2013. As a result of the Yougang Disposal, most of our liquid bulk handling and ancillary services business from May 1, 2013 onwards were and will continue to be conducted through Qingdao Shihua and the revenue from this business no longer consolidated into our operating results.

Our revenue increased by RMB785.8 million, or 13.7%, from RMB5,740.5 million in 2012 to RMB6,526.3 million in 2013.

Our revenue from our container handling and ancillary services remained stable in 2012 and 2013, which was RMB81.6 million in 2013 compared to RMB82.1 million in 2012.

Our revenue from our metal ore, coal and other cargo handling and ancillary services increased by RMB289.2 million, or 10.4%, from RMB2,783.9 million in 2012 to RMB3,073.1 million in 2013, which was primarily due to the increase in foreign trade metal ore throughput, which was mostly handled by the QDP Dongjiakou Branch due to the Qiangang Branch reaching its maximum handling capacity. In addition, we directed a large portion of the metal ore and coal throughput from West United to the QDP Dongjiakou Branch due to its higher operating efficiency and storage capacity, which further contributed to its revenue increase from RMB241.2 million in 2012 to RMB581.2 million in the period ended November 14, 2013. In addition, in response to the VAT Introduction in 2013, we increased our lump sum fee charged for metal ore and coal handling and ancillary services in August 2013 to offset the negative impacts of the VAT Introduction on our revenue.

Our revenue from our liquid bulk handling and ancillary services decreased by RMB114.8 million, or 30.5%, from RMB375.8 million in 2012 to RMB261.0 million in 2013. This decrease was because after the Yougang Disposal, most of our liquid bulk handling and ancillary services were provided through Qingdao Shihua. As Qingdao Shihua is our joint venture and its operating results were not consolidated into ours, our revenue from the liquid bulk handling and ancillary services decreased substantially. The decrease was partially offset by the increase in the Yougang Branch's throughput in the first four months of 2013.

Our revenue from logistics and port value-added services increased by RMB202.5 million, or 14.5%, from RMB1,394.3 million in 2012 to RMB1,596.8 million in 2013 primarily due to (i) the increase in revenue from tugging services as a result of the increase in port traffic during the period and (ii) the increase in road transportation volume to accommodate the increase in metal ore and coal throughput at the Dongjiakou Port Area.

Our revenue from port construction and other services increased by RMB409.4 million, or 37.1%, from RMB1,104.3 million in 2012 to RMB1,513.7 million in 2013 primarily due to (i) the increase in revenue from port construction services as a result of the construction of the Dongjiakou Port Area and certain container stacking yards at the Qianwan Port Area and (ii) the increase in revenue from manufacturing port equipment and machinery mainly for QQCTU's growth.

Cost of sales. Our cost of sales increased by RMB407.8 million, or 10.0%, from RMB4,066.8 million in 2012 to RMB4,474.6 million in 2013.

Container handling and ancillary services

	Year Ended December 31,			
	2012		2013	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of container handling and ancillary services segment				
Employee benefit expenses	13,407	24.7%	16,431	26.5%
Raw material	5,564	10.2%	6,356	10.3%
Fuel and heating expenditures	12,671	23.3%	11,996	19.4%
Depreciation and amortization charges	7,380	13.6%	9,139	14.8%
Others	15,313	28.2%	17,963	29.0%
Total	54,335	100.0%	61,885	100.0%

Our cost of sales of container handling and ancillary services segment increased by RMB7.6 million, or 14.0%, from RMB54.3 million in 2012 to RMB61.9 million in 2013, mainly due to the increase in employee benefit expenses and the increase in other expenses.

Metal ore, coal and other cargo handling and ancillary services

	Year Ended December 31,			
	2012		2013	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of metal ore, coal and other cargo segment				
Employee benefit expenses	712,755	38.8%	795,836	39.6%
Raw material	144,239	7.9%	181,115	9.0%
Fuel and heating expenditures	264,098	14.4%	291,900	14.5%
Subcontract costs	161,574	8.8%	114,994	5.7%
Depreciation and amortization charges	294,758	16.1%	330,336	16.4%
Others	255,958	14.0%	298,432	14.8%
Total	1,833,382	100.0%	2,012,613	100.0%

Our cost of sales of metal ore, coal and other cargo handling and ancillary services segment increased by RMB179.2 million, or 9.8%, from RMB1,833.4 million in 2012 to RMB2,012.6 million in 2013, which was mainly due to the increase in employee benefit expenses, depreciation and amortization charges, raw material and fuel and heating expenditures, the effect of which was partially offset by the decrease in subcontract costs.

The increase in depreciation and amortization charges was mainly due to the increase in depreciation charges for the port facilities and equipment used by the QDP Dongjiakou Branch, the increase in raw material was mainly due to (i) the increase in throughput handled by the QDP Dongjiakou Branch and (ii) the increase in maintenance and repairs works for our equipment; the increase in fuel and heating expenditure was mainly due to the increase in electricity price and the increase in throughput handled by the QDP Dongjiakou Branch; and the decrease in subcontract costs was mainly attributable to our declining need for such subcontract services from West United as a result of the expanded operations of the QDP Dongjiakou Branch. The cost of sales from the Dongjiakou Operations increased from RMB187.0 million in 2012 to RMB400.8 million in the period ended November 14, 2013 mainly due to the increase in the throughput handled by the QDP Dongjiakou Branch.

Liquid bulk handling and ancillary services

	Year Ended December 31,			
	2012		2013	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of liquid bulk handling and ancillary services				
Employee benefit expenses	33,551	14.7%	12,880	12.5%
Raw material	6,238	2.7%	2,235	2.2%
Fuel and heating expenditures	36,549	15.9%	11,782	11.5%
Subcontract costs	27,615	12.0%	29,130	28.4%
Rental cost	35,450	15.4%	14,874	14.5%
Depreciation and amortization charges	64,000	27.9%	20,896	20.4%
Others	26,099	11.4%	10,736	10.5%
Total	229,502	100.0%	102,533	100.0%

Our cost of sales of liquid bulk handling and ancillary services segment decreased by RMB127.0 million, or 55.3%, from RMB229.5 million in 2012 to RMB102.5 million in 2013, mainly due to the decrease in employee benefit expenses, depreciation and amortization charges and fuel and heating expenditures associated with the Yougang Disposal, the effect of which was partially offset by the increase in subcontract costs as a result of the limitation of our handling capacity.

Logistics and port value-added services

	Year Ended December 31,			
	2012		**2013**	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of logistics and port value-added services				
Employee benefit expenses	236,673	22.2%	284,052	23.9%
Raw material	61,006	5.7%	56,404	4.7%
Fuel and heating expenditures	168,295	15.8%	142,754	12.0%
Subcontract costs	187	–	137,223	11.5%
Transportation costs	444,194	41.6%	420,981	35.4%
Depreciation and amortization charges	49,496	4.6%	60,729	5.1%
Others	107,434	10.1%	88,112	7.4%
Total	1,067,285	100.0%	1,190,255	100.0%

Our cost of sales of logistics and port value-added services segment increased by RMB123.0 million, or 11.5%, from RMB1,067.3 million in 2012 to RMB1,190.3 million in 2013, mainly due to the increase in employee benefit expenses, depreciation and amortization charges and subcontract costs, the effect of which was partially offset by the decrease in transportation costs and fuel and heating expenditures.

The increase in depreciation and amortization charges was mainly due to the depreciation charges of the tug boats we purchased to expand our tugging services in 2013. The increase in subcontract costs was mainly because we subcontracted a reclamation work in 2013 while we did not have any material subcontract work in 2012. The decrease in fuel and heating expenditures and transportation costs was mainly due to the input VAT deduction resulting from the VAT Introduction.

Port construction and other services

	Year Ended December 31,			
	2012		2013	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of port construction and other services				
Cost of oil and electricity sales	229,650	26.0%	262,847	23.8%
Employee benefit expenses	79,940	9.1%	126,332	11.4%
Raw material	285,960	32.4%	409,572	37.0%
Subcontract costs	10,659	1.2%	61,048	5.5%
Depreciation and amortization charges	132,118	15.0%	122,337	11.0%
Others	143,952	16.3%	125,220	11.3%
Total	882,279	100.0%	1,107,356	100.0%

Our cost of sales of port construction and other services segment increased by RMB225.1 million, or 25.5%, from RMB882.3 million in 2012 to RMB1,107.4 million in 2013, mainly due to the increase in employee benefit expenses, subcontract costs, raw materials and costs of oil and electricity sales, the effect of which was offset by the decrease in depreciation and amortization charges.

The increase in subcontract costs was mainly due to the construction work at the Dongjiakou Port Area. The increase in raw materials was mainly due to (i) the construction work at the Dongjiakou Port Area and the Qianwan Port Area and (ii) the increase in port equipment and machinery manufacturing cost as a result of the increase in our sales of port equipment and machinery. The increase in cost of oil and electricity sales was in line with the construction of the Dongjiakou Port Area. The decrease in depreciation and amortization charges was mainly due to the carve-out of certain fixed assets as a result of the Reorganization.

Gross profit. Our gross profit increased by RMB377.9 million, or 22.6%, from RMB1,673.7 million in 2012 to RMB2,051.6 million in 2013. The gross margin increased from 29.2% in 2012 to 31.4% in 2013.

The following table sets forth our gross profit and gross profit margin information by segment for the periods indicated:

	Year Ended December 31,					
	2012			2013		
	(RMB'000)	*% of gross profit*	*Gross profit margin*	*(RMB'000)*	*% of gross profit*	*Gross profit margin*
Gross profit from						
– Container handling and ancillary services	27,739	1.7%	33.8%	19,750	1.0%	24.2%
– Metal ore, coal and other cargo handling and ancillary services	950,548	56.8%	34.1%	1,060,512	51.7%	34.5%
– Liquid bulk handling and ancillary services	146,342	8.7%	38.9%	158,485	7.7%	60.7%
– Logistics and port value-added services	327,053	19.5%	23.5%	406,504	19.8%	25.5%
– Port construction and other services	222,039	13.3%	20.1%	406,371	19.8%	26.8%
Total	1,673,721	100.0%	29.2%	2,051,622	100.0%	31.4%

Our gross profit from our container handling and ancillary services decreased by RMB7.9 million, or 28.5%, from RMB27.7 million in 2012 to RMB19.8 million in 2013. Our gross profit margin for our container handling and ancillary services decreased from 33.8% in 2012 to 24.2% in 2013 primarily due to the increase in domestic trade container throughput, for which we charged a lower handling fee compared to foreign trade container.

Our gross profit from our metal ore, coal and other cargo handling and ancillary services increased by RMB110.0 million, or 11.6%, from RMB950.5 million in 2012 to RMB1,060.5 million in 2013. Our gross profit margin for our metal ore, coal and other cargo handling and ancillary services increased from 34.1% in 2012 to 34.5% in 2013 primarily due to the increased revenue contribution by the Dongjiakou Operations, which was under a ramp-up period in 2012.

Our gross profit from our liquid bulk handling and ancillary services increased by RMB12.2 million, or 8.3%, from RMB146.3 million in 2012 to RMB158.5 million in 2013. Our gross profit margin for our liquid bulk handling and ancillary services increased from 38.9% in 2012 to 60.7% in 2013 primarily due to (i) the decrease in cost of sales as a result of the Yougang Disposal and (ii) the buyer bearing the cost of sales incurred during the post-closing transitional period associated with the Yougang Disposal.

Our gross profit from our logistics and port value-added services increased by RMB79.4 million, or 24.3%, from RMB327.1 million in 2012 to RMB406.5 million in 2013. Our gross profit margin for our logistics and port value-added services increased from 23.5% in 2012 to 25.5% in

2013, which was mainly due to the increase in revenue from our tugging services, which has a relatively high margin, partially offset by (i) the increase in subcontract costs as a result of a reclamation work and (ii) the increased revenue contribution by the transportation services which usually carries a low gross profit margin as a result of our reliance on third party's truck fleet.

Our gross profit from port construction and other services increased by RMB184.4 million, or 83.1%, from RMB222.0 million in 2012 to RMB406.4 million in 2013. Our gross profit margin for our port construction and other services increased from 20.1% in 2012 to 26.8% in 2013 primarily due to the increased gross profit contribution from higher margin services, such as land and port facilities rental services.

Other income. Our other income decreased by RMB32.9 million, or 18.6%, from RMB177.3 million in 2012 to RMB144.4 million in 2013. This decrease was primarily attributable to a decrease in interest income as a result of the decrease in cash balance in connection with our business expansion during 2013.

Selling and administrative expenses. The following table shows information relating to our selling and administrative expenses for the periods indicated:

	Year Ended December 31,			
	2012		2013	
	(RMB'000)	*% of Selling and administrative expenses*	*(RMB'000)*	*% of Selling and administrative expenses*
Selling and administrative expenses				
Employee benefits expenses	630,250	73.9%	656,177	75.8%
Depreciation and amortization charges	50,701	5.9%	49,778	5.8%
Tax expenses	48,011	5.6%	44,486	5.1%
Others	124,984	14.6%	114,681	13.3%
Total	853,946	100.0%	865,122	100.0%

Our selling and administrative expenses increased by RMB11.2 million, or 1.3%, from RMB853.9 million in 2012 to RMB865.1 million in 2013 primarily due to the increase in employee benefits expenses, which was partially offset by the decrease in depreciation and amortization charges, as part of our office equipment had been fully depreciated in 2012. Our selling and administrative expenses represented 14.9% and 13.3% of our revenue for the years ended December 31, 2012 and 2013, respectively.

Other gains/(losses) – net. We had net other losses of RMB7.2 million in 2012 compared to net other gains of RMB105.9 million in 2013. The net other gains in 2013 was primarily attributable to a gain of RMB110.2 million from the Yougang Disposal.

Finance costs. Our finance costs increased by RMB7.3 million from RMB2.8 million in 2012 to RMB10.1 million in 2013. This is mainly attributable to the finance costs we incurred as a result of the RMB600.0 million bank loans we borrowed in August and September 2013. RMB323.0 million of such loans was used to pay land premium for certain land parcels at the Dongjiakou Port Area and Dagang Port Area, while the remainder was used for general working capital purposes along with our other funds.

Share of profit of joint ventures. The following table shows information relating to share of profit of joint ventures by segment for the periods indicated:

	Year Ended December 31,			
	2012		**2013**	
	(RMB'000)	*% of Share of profit of joint ventures*	*(RMB'000)*	*% of Share of profit of joint ventures*
Share of profit of joint ventures by segments				
– Container handling and ancillary services	387,018	69.2%	304,243	59.5%
– Metal ore, coal and other cargo handling and ancillary services	12,573	2.2%	4,422	0.9%
– Liquid bulk handling and ancillary services	121,579	21.7%	157,027	30.7%
– Logistics and port value-added services	38,777	6.9%	45,767	8.9%
– Port construction and other services	–	–	–	–
Total	559,947	100.0%	511,459	100.0%

Our share of profit of joint ventures decreased by RMB48.4 million, or 8.6% from RMB559.9 million in 2012 to RMB511.5 million in 2013.

Our share of profit of joint ventures from our container handling and ancillary services decreased by RMB82.8 million, or 21.4%, from RMB387.0 million in 2012 to RMB304.2 million in 2013 primarily as a result of the decrease in QQCT's net profit by RMB279.0 million, or 23.7%, from RMB1,174.8 million in 2012 to RMB895.8 million in 2013. QQCT's net profit decreased mainly because QQCT no longer enjoyed preferential enterprise income tax treatment since 2013, as a result, the applicable income tax rate for QQCT increased from 12.5% in 2012 to 25% in 2013, while QQCT's profit before income tax remained stable during the same period. Our share of profit from

QQCT in 2012 and 2013 amounted to RMB366.2 million and RMB281.3 million, respectively, representing 94.6% and 92.5% of share of profit of joint ventures from container handling and ancillary services segment during the same periods.

Our share of profit of joint ventures from our metal ore, coal and other cargo handling and ancillary services decreased by RMB8.2 million, or 65.1%, from RMB12.6 million in 2012 to RMB4.4 million in 2013 primarily due to a significant decrease in West United's net profit of RMB15.2 million, or 59.4% from RMB25.6 million in 2012 to RMB10.4 million in 2013, because we directed more metal ore and coal throughput from West United to the QDP Dongjiakou Branch due to the latter's large-scale berthing facilities and higher stacking and storage capacity. In addition, Huaneng Qingdao commenced operation in 2013 and incurred a net loss for the year ended December 31, 2013, which in turn resulted in our share of loss of RMB0.4 million from Huaneng Qingdao.

Our share of profit of joint ventures from our liquid bulk handling and ancillary services increased by RMB35.4 million, or 29.1%, from RMB121.6 million in 2012 to RMB157.0 million in 2013 primarily due to the increase in our share of profit from Qingdao Shihua of RMB36.2 million, or 29.8%, from RMB121.6 million in 2012 to RMB157.8 million in 2013, mainly as a result of the Yougang Disposal.

Our share of profit of joint ventures from logistics and port value-added services increased by RMB7.0 million from RMB38.8 million in 2012 to RMB45.8 million in 2013 primarily due to an increase in logistics services provided by our joint ventures as a result of the increase in throughput handled by the QDP Dongjiakou Branch during the same period.

Share of profit of associates. Our share of profit of associates increased by RMB0.5 million, or 38.5%, from RMB1.3 million in 2012 to RMB1.8 million in 2013.

Income tax expense. Our income tax expense increased by RMB137.9 million, or 49.2%, from RMB280.3 million in 2012 to RMB418.2 million in 2013, primarily as a result of the increase in our profit before income tax. Our effective corporate income tax rate, calculated as the income tax expenses divided by profit before income tax, was 21.6% in 2013, compared to 18.1% in 2012. The increase in our effective corporate income tax rate was primarily due to the significant current income tax effect arising from the Yongang Disposal.

Profit for the year. Our profit for the period increased by RMB253.9 million, or 20.0%, from RMB1,267.9 million in 2012 to RMB1,521.8 million in 2013. Our net profit margin increased from 22.1% in 2012 to 23.3% in 2013.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue. The following table sets forth our revenue by business segment after inter-segment elimination for the periods indicated:

	Year Ended December 31,			
	2011		2012	
	(RMB'000)	*% of Revenue*	*(RMB'000)*	*% of Revenue*
Segments				
Container handling and ancillary services	51,760	1.0%	82,074	1.4%
Metal ore, coal and other cargo handling and ancillary services	2,472,133	48.7%	2,783,930	48.6%
Liquid bulk handling and ancillary services	366,915	7.2%	375,844	6.5%
Logistics and port value-added services	1,014,066	20.0%	1,394,338	24.3%
Port construction and other services	1,173,717	23.1%	1,104,318	19.2%
Total	5,078,591	100.0%	5,740,504	100.0%

Our revenue increased by RMB661.9 million, or 13.0%, from RMB5,078.6 million in 2011 to RMB5,740.5 million in 2012.

Our revenue from our container handling and ancillary services increased by RMB30.3 million, or 58.5%, from RMB51.8 million in 2011 to RMB82.1 million in 2012 because we acquired Qingdao Yuangang International Container Terminal Co. Ltd ("**Yuangang Company**") in June 2011 (the "**Yuangang Acquisition**") and thus only consolidated seven months operating results of Yuangang Company in 2011.

Our revenue from our metal ore, coal and other cargo handling and ancillary services increased by RMB311.8 million, or 12.6%, from RMB2,472.1 million in 2011 to RMB2,783.9 million in 2012 primarily due to (i) the commencement of the QDP Dongjiakou Branch operation in 2012, and (ii) the increase in revenues from our metal ore, coal and other cargo handling and ancillary service in 2012 because while our lump sum fees for metal ore, coal and other cargo handling remained stable in 2011 and 2012, the port construction fees decreased by approximately 20% since October 2011, resulting in an increased recognized revenue in 2012. Revenue from the Dongjiakou Operations increased from zero in 2011 to RMB241.2 million in 2012, because the QDP Dongjiakou Branch commenced operation in January 2012.

Our revenue from our liquid bulk handling and ancillary services increased by RMB8.9 million, or 2.4%, from RMB366.9 million in 2011 to RMB375.8 million in 2012 primarily due to the increase in liquid bulk throughput in 2012.

Our revenue from logistics and port value-added services increased by RMB380.2 million, or 37.5%, from RMB1,014.1 million in 2011 to RMB1,394.3 million in 2012 primarily due to (i) the commencement of operation of Port Transportation Branch*, which was set up to accommodate the throughput handled at the Dongjiakou Port Area, (ii) the enlarged transportation network coverage, and (iii) the increase in revenue from tugging services due to the throughput increase.

Our revenue from port construction and other services decreased by RMB69.4 million, or 5.9%, from RMB1,173.7 million in 2011 to RMB1,104.3 million in 2012 primarily because the external sale of port equipment and machinery declined due to an increasing portion of our port equipment and machinery manufacturing capacity was used internally for the development of the Dongjiakou Port Area.

Cost of sales. Our cost of sales increased by RMB605.0 million, or 17.5%, from RMB3,461.8 million in 2011 to RMB4,066.8 million in 2012.

Container handling and ancillary services

	Year Ended December 31,			
	2011		**2012**	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of container handling and ancillary services segment				
Employee benefit expenses	4,216	16.0%	13,407	24.7%
Raw material	5,643	21.5%	5,564	10.2%
Fuel and heating expenditures	4,849	18.4%	12,671	23.3%
Depreciation and amortization charges	4,196	16.0%	7,380	13.6%
Others	7,389	28.1%	15,313	28.2%
Total	26,293	100.0%	54,335	100.0%

Our cost of sales of container handling and ancillary services segment increased by RMB28.0 million, or 106.5%, from RMB26.3 million in 2011 to RMB54.3 million in 2012, mainly due to the Yuangang Acquisition, which resulted in the increase in employee benefit expenses, depreciation and amortization charges, fuel and heating expenditures and transportation costs and other miscellaneous expenses.

Metal ore, coal and other cargo handling and ancillary services

	Year Ended December 31,			
	2011		2012	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of metal ore, coal and other cargo segment				
Employee benefit expenses	593,024	38.9%	712,755	38.8%
Raw material	118,110	7.8%	144,239	7.9%
Fuel and heating expenditures	206,521	13.6%	264,098	14.4%
Subcontract costs	189,620	12.4%	161,574	8.8%
Depreciation and amortization charges	221,164	14.5%	294,758	16.1%
Others	194,665	12.8%	255,958	14.0%
Total	1,523,104	100.0%	1,833,382	100.0%

Our cost of sales of metal ore, coal and other cargo handling and ancillary services segment increased by RMB310.3 million, or 20.4%, from RMB1,523.1 million in 2011 to RMB1,833.4 million in 2012, which was mainly due to the QDP Dongjiakou Branch commencing operation in 2012, which resulted in the increase in employee benefit expenses and depreciation and amortization charges, the effect of which was partially offset by the decrease in subcontract costs mainly caused by the lower demand for such subcontracting services in this segment as a result of the expanded operation of the Dongjiakou Operations.

The cost of sales from the Dongjiakou Operations increased from zero in 2011 to RMB187.0 million in 2012 because the QDP Dongjiakou Branch commenced operation in 2012.

Liquid bulk handling and ancillary services

	Year Ended December 31, 2011		2012	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of liquid bulk handling and ancillary services				
Employee benefit expenses	29,379	14.6%	33,551	14.7%
Raw material	3,328	1.7%	6,238	2.7%
Fuel and heating expenditures	27,574	13.8%	36,549	15.9%
Subcontract costs	27,097	13.5%	27,615	12.0%
Rental cost	24,950	12.5%	35,450	15.4%
Depreciation and amortization charges	66,074	33.0%	64,000	27.9%
Others	21,823	10.9%	26,099	11.4%
Total	200,225	100.0%	229,502	100.0%

Our cost of sales of liquid bulk handling and ancillary services segment increased by RMB29.3 million, or 14.6%, from RMB200.2 million in 2011 to RMB229.5 million in 2012, mainly due to the increase in employee benefit expenses, fuel and heating expenditures and rental cost for extra oil tank, which was in line with the increase in our liquid bulk throughout.

Logistics and port value-added services

	Year Ended December 31,			
	2011		2012	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of logistics and port value-added services				
Employee benefit expenses	164,008	21.5%	236,673	22.2%
Raw material	114,138	15.0%	61,006	5.7%
Fuel and heating expenditures	109,325	14.3%	168,295	15.8%
Transportation costs	239,150	31.4%	444,194	41.6%
Depreciation and amortization charges	46,166	6.1%	49,496	4.6%
Others	89,683	11.7%	107,621	10.1%
Total	762,470	100.0%	1,067,285	100.0%

Our cost of sales of logistics and port value-added services segment increased by RMB304.8 million, or 40.0%, from RMB762.5 million in 2011 to RMB1,067.3 million in 2012, mainly due to (i) the Port Transportation Branch* commencing operation in 2012 to provide transportation services to the Dongjiakou Port Area, which resulted in the increase in employee benefit expenses and transportation costs, (ii) the increase in fuel and heating expenditures as a result of the increase in our tugging services and (iii) the reassigning of certain personnel from port construction and other services segment to this segment, which resulted in the increase in employee benefit expenses.

Port construction and other services

	Year Ended December 31,			
	2011		2012	
	(RMB'000)	*% of segment cost of sales*	*(RMB'000)*	*% of segment cost of sales*
Cost of sales of port construction and other services				
Cost of oil and electricity sales	224,034	23.5%	229,650	26.0%
Employee benefit expenses	126,282	13.3%	79,940	9.1%
Raw material	276,955	29.2%	285,960	32.4%
Subcontract costs	51,059	5.4%	10,659	1.2%
Depreciation and amortization charges	113,558	12.0%	132,118	15.0%
Others	157,834	16.6%	143,952	16.3%
Total	949,722	100.0%	882,279	100.0%

Our cost of sales of port construction and other services segment decreased by RMB67.4 million, or 7.1%, from RMB949.7 million in 2011 to RMB882.3 million in 2012, mainly due to the decrease in employee benefit expenses and subcontract costs, the effect of which was partially offset by the increase in raw materials.

The decrease in employee benefit expenses was mainly due to the decrease in the number of our employees and contract workers in this segment according to our business plan, as a result of reassigning certain personnel to the logistics and value-added services segment. The decrease in subcontract costs was mainly due to the schedule of our construction work at the Dongjiakou Port Area. The increase in raw material was mainly due to the increase in the construction services we provided to the third parties and related parties.

Gross profit. Our gross profit increased by RMB56.9 million, or 3.5%, from RMB1,616.8 million in 2011 to RMB1,673.7 million in 2012.

The following table sets forth our gross profit and gross profit margin information by segment for the periods indicated:

	Year Ended December 31,					
	2011			2012		
	(RMB'000)	*% of gross profit*	*Gross profit margin*	*(RMB'000)*	*% of gross profit*	*Gross profit margin*
Gross profit from:						
– Container handling and ancillary services	25,467	1.6%	49.2%	27,739	1.7%	33.8%
– Metal ore, coal and other cargo handling and ancillary services	949,029	58.6%	38.4%	950,548	56.8%	34.1%
– Liquid bulk handling and ancillary services	166,690	10.3%	45.4%	146,342	8.7%	38.9%
– Logistics and port value-added services	251,596	15.6%	24.8%	327,053	19.5%	23.5%
– Port construction and other services	223,995	13.9%	19.1%	222,039	13.3%	20.1%
Total	1,616,777	100.0%	31.8%	1,673,721	100.0%	29.2%

Our gross profit from our container handling and ancillary services increased by RMB2.2 million, 8.6%, from RMB25.5 million in 2011 to RMB27.7 million in 2012. Our gross profit margin for our container handling and ancillary services decreased from 49.2% in 2011 to 33.8% in 2012 primarily due to the increase in domestic trade containers throughput, for which we charged a lower handling fee compared to foreign trade containers.

Our gross profit from our metal ore, coal and other cargo handling and ancillary services increased by RMB1.5 million, 0.2%, from RMB949.0 million in 2011 to RMB950.5 million in 2012. Our gross profit margin for our metal ore, coal and other cargo handling and ancillary services decreased from 38.4% in 2011 to 34.1% in 2012 primarily due to the QDP Dongjiakou Branch commencing operation in January 2012, which was going through a ramp-up period.

Our gross profit from our liquid bulk handling and ancillary services decreased by RMB20.4 million, 12.2%, from RMB166.7 million in 2011 to RMB146.3 million in 2012. Our gross profit margin for our liquid bulk handling and ancillary services decreased from 45.4% in 2011 to 38.9% in 2012 mainly as a result of the additional rental costs and fuel and heating expenditures we incurred for expanding our oil tanks storage capacity to meet our increased throughput.

Our gross profit from logistics and port value-added services increased by RMB75.5 million, 30.0%, from RMB251.6 million in 2011 to RMB327.1 million in 2012. Our gross profit margin for our logistics and port value-added services decreased from 24.8% in 2011 to 23.5% in 2012 primarily due to the increased revenue contribution by the transportation services provided by the Port Transportation Branch*, which usually carries a low gross profit margin.

Our gross profit from port construction and other services decreased by RMB2.0 million, 0.9%, from RMB224.0 million in 2011 to RMB222.0 million in 2012. Our gross profit margin for our port construction and other services increased from 19.1% in 2011 to 20.1% in 2012 primarily due to the increased gross profit contribution from higher margin services, such as land and port facilities rental service.

Other income. Our other income increased by RMB4.9 million, or 2.8%, from RMB172.4 million in 2011 to RMB177.3 million in 2012. This increase was primarily attributable to the increase in government grants and commission of port construction fees, which was increased in 2011.

Selling and administrative expenses. The following table shows information relating to our selling and administrative expenses for the periods indicated:

	Year Ended December 31,			
	2011		2012	
	(RMB'000)	*% of Selling and administrative expenses*	*(RMB'000)*	*% of Selling and administrative expenses*
Selling and administrative expenses				
Employee benefits expenses	599,938	70.3%	630,250	73.9%
Depreciation and Amortization	50,585	5.9%	50,701	5.9%
Tax expenses	66,130	7.8%	48,011	5.6%
Others	136,346	16.0%	124,984	14.6%
Total	852,999	100.0%	853,946	100.0%

Our selling and administrative expenses remained stable in 2011 and 2012, increasing by RMB0.9 million, or 0.1%, from RMB853.0 million in 2011 to RMB853.9 million in 2012. Our selling and administrative expenses represented 14.9% of our revenue for the year ended December 31, 2012, decreasing from 16.8% for the year ended December 31, 2011, mainly as a result of our business expansion and improved management cost control.

Other gains/(losses) – net. We had net other gains of RMB2.4 million in 2011 compared to net other losses of RMB7.2 million in 2012.

Finance costs. Our finance costs increased by RMB0.7 million, or 33.3%, from RMB2.1 million in 2011 to RMB2.8 million in 2012, which was due to a loan of RMB80.0 million from a fellow subsidiary we incurred in April 2011.

Share of profit of joint ventures. The following table shows information relating to our share of profit of joint ventures by segment for the periods indicated:

	Year Ended December 31,			
	2011		2012	
	(RMB'000)	*% of Share of profit of joint ventures*	*(RMB'000)*	*% of Share of profit of joint ventures*
Share of profit of joint ventures by segments				
– Container handling and ancillary services	370,659	68.7%	387,018	69.2%
– Metal ore, coal and other cargo handling and ancillary services	19,291	3.6%	12,573	2.2%
– Liquid bulk handling and ancillary services	114,540	21.3%	121,579	21.7%
– Logistics and port value-added services	34,241	6.4%	38,777	6.9%
– Port construction and other services	–	–	–	–
Total	538,731	100.0%	559,947	100.0%

Share of profit of joint ventures increased by RMB21.2 million, or 3.9%, from RMB538.7 million in 2011 to RMB559.9 million in 2012.

Share of profit of joint ventures from our container handling and ancillary services increased by RMB16.3 million, or 4.4%, from RMB370.7 million in 2011 to RMB387.0 million in 2012 primarily due to QQCT's net profit increasing by RMB28.6 million, or 2.5%, from RMB1,146.2 million in 2011 to RMB1,174.8 million in 2012, which in turn was attributable to the increase in its gain from asset disposals to QQCTU. Our share of profit from QQCT in 2011 and 2012 amounted to RMB353.7 million and RMB366.2 million, respectively, representing 95.4% and 94.6% of share of profit of joint ventures from container handling and ancillary services segment during the same periods.

Share of profit of joint ventures from our metal ore, coal and other cargo handling and ancillary services decreased from RMB19.3 million in 2011 to RMB12.6 million in 2012 primarily due to West United's net profit decreasing significantly by RMB13.2 million, or 34.0% from

RMB38.8 million in 2011 to RMB25.6 million in 2012, as a result of a significant increase in West United's finance costs in 2012 arising from additional loans it incurred in connection with its purchase of assets in 2012.

Share of profit of joint ventures from our liquid bulk handling and ancillary services increased by RMB7.1 million, or 6.2%, from RMB114.5 million in 2011 to RMB121.6 million in 2012 primarily due to Qingdao Shihua's net profit increasing by RMB14.1 million, or 6.2%, from RMB229.1 million in 2011 to RMB243.2 million in 2012, as a result of the increase in Qingdao Shihua's throughput in 2012.

Share of profit of joint ventures from logistics and port value-added services increased by RMB4.6 million, or 13.5% from RMB34.2 million in 2011 to RMB38.8 million in 2012 primarily as a result of the increase in logistics services provided by our joint ventures due to our increase in throughput during the same period.

Share of profit of associates. Our share of profit of associates increased by RMB0.8 million, or 160.0%, from RMB0.5 million in 2011 to RMB1.3 million in 2012. This is mainly attributable to the increase in share of profit from Qingdao Ganghua Logistics Co., Ltd.

Income tax expense. Our income tax expense increased by RMB17.9 million, or 6.8%, from RMB262.4 million in 2011 to RMB280.3 million in 2012. Our effective corporate income tax rate, calculated as the income tax expenses divided by profit before income tax remained stable during the period, which was 18.1% in 2012, compared to 17.8% in 2011.

Profit for the year. Our profit for the year increased by RMB54.6 million, or 4.5%, from RMB1,213.3 million in 2011 to RMB1,267.9 million in 2012. Our net profit margin decreased from 23.9% in 2011 to 22.1% in 2012.

SEGMENT RESULTS

Our segment results consist of revenue, cost of sales, selling and administrative expenses, other income, other gains/(losses)-net, share of profit of joint ventures and associates directly attributable to each segment. The following table shows the results for our segments before inter-segment elimination for the periods indicated:

	Year Ended December 31,					
	2011		2012		2013	
	(RMB'000)	*% of Total*	*(RMB'000)*	*% of Total*	*(RMB'000)*	*% of Total*
Container handling and ancillary services[1]	404,215	22.9%	398,596	21.6%	304,199	14.9%
Metal ore, coal and other cargo handling and ancillary services[2]	761,789	43.0%	735,177	39.7%	767,426	37.5%
Liquid bulk handling and ancillary services[3]	261,958	14.8%	249,905	13.5%	305,359	14.9%
Logistics and port value-added services	218,516	12.3%	306,147	16.6%	373,605	18.2%
Port construction and other services	141,817	8.0%	218,751	11.8%	354,568	17.3%
Elimination	(17,059)	(1.0%)	(59,044)	(3.2%)	(57,821)	(2.8%)
Total	1,771,236	100.0%	1,849,532	100.0%	2,047,336	100.0%

Note:

(1) Most of our container handling and ancillary services were provided through three of our joint ventures, namely, QQCT, Riqing Container and Qingwei Container, the operating results of which are not consolidated into ours. For further details regarding these three of our joint ventures, please see "History, Reorganization and Corporate Structure." The economic benefits we receive from those joint ventures are recorded as share of profit of joint ventures.

(2) Our Directors are of the view that our metal ore, coal and other cargo handling and ancillary services should be reported as a single segment because we usually use the same berthing and storage facilities, and deploy the same workforce to handle metal ore, coal and other cargo together. However, the throughput information of metal ore and coal, on the one hand, and other cargo, on the other hand, is presented separately in this prospectus. For further information, please see "Business – Our Services."

(3) A significant portion of our liquid bulk handling and ancillary services was provided through our joint venture, Qingdao Shihua, the operating results of which are not consolidated into ours. For further details regarding Qingdao Shihua, please see "History, Reorganization and Corporate Structure." The economic benefits we receive from Qingdao Shihua are recorded as share of profit of joint ventures.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Container handling and ancillary services. Segment results of our container handling and ancillary services decreased by RMB94.4 million, or 23.7%, from RMB398.6 million in 2012 to RMB304.2 million in 2013 primarily due to the decrease in share of profit from QQCT because QQCT no longer enjoys preferential enterprise income tax treatment since 2013.

Metal ore, coal and other cargo handling and ancillary services. Segment results of our metal ore, coal and other cargo handling and ancillary services increased by RMB32.2 million, or 4.4%, from RMB735.2 million in 2012 to RMB767.4 million in 2013. The increase was generally in line with the increase in revenue for this segment.

Liquid bulk handling and ancillary services. Segment results of our liquid bulk handling and ancillary services increased by RMB55.5 million, or 22.2%, from RMB249.9 million in 2012 to RMB305.4 million in 2013 primarily due to (i) the decrease in cost of sales as a result of the Yougang Disposal and (ii) the increase in shares of profit from Shihua, and (iii) the increase in throughput handled by the Yougang Branch during the first four months of 2013.

Logistics and port value-added services. Segment results of our logistics and port value-added services increased by RMB67.5 million, or 22.1%, from RMB306.1 million in 2012 to RMB373.6 million in 2013. The increase in segment results for this segment was generally in line with the increase in revenue for this segment.

Port construction and other services. Segment results of our port construction and other services increased by RMB135.8 million, or 62.1%, from RMB218.8 million in 2012 to RMB354.6 million in 2013. The increase in segment results for this segment was generally in line with the increase in revenue for this segment.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Container handling and ancillary services. Segment results of our container handling and ancillary services decreased by RMB5.6 million, or 1.4%, from RMB404.2 million in 2011 to RMB398.6 million in 2012. The decrease in segment results for this segment was due to the gains we recognized in 2011 as a result of the Yuangang Acquisition.

Metal ore, coal and other cargo handling and ancillary services. Segment results of our metal ore, coal and other cargo handling and ancillary services decreased by RMB26.6 million, or 3.5%, from RMB761.8 million in 2011 to RMB735.2 million in 2012 primarily due to the increase in employee benefit expenses and the decrease in share of profit from West United.

Liquid bulk handling and ancillary services. Segment results of our liquid bulk handling and ancillary services decreased by RMB12.1 million, or 4.6%, from RMB262.0 million in 2011 to RMB249.9 million in 2012 primarily due to an increase of cost of sales as a result of the increased tank rental expenses and fuel and heating expenditures.

Logistics and port value-added services. Segment results of our logistics and port value-added services increased by RMB87.6 million, or 40.1%, from RMB218.5 million in 2011 to RMB306.1 million in 2012. The increase in segment results for this segment was generally in line with the increase in revenue for this segment.

Port construction and other services. Segment results of our port construction and other services increased by RMB77.0 million, or 54.3%, from RMB141.8 million in 2011 to RMB218.8 million in 2012 partially due to the increase in governmental grants.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We operate in a capital intensive industry and have historically financed our working capital and other capital requirements mainly through income generated from our operating activities. Going forward, we intend to fund our working capital and other capital requirements through a combination of cash flow generated from our operating activities, bank borrowings and the proceeds from this Global Offering. Our principal uses of cash is expected to be funding our operating expenses, working capital, and capital expenditure in connection with the construction of projects in the Dongjiakou Port Area and the Qianwan Port Area.

Cash flow

The following table presents selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year Ended December 31,		
	2011	**2012**	**2013**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net cash generated from/(used in) operating activities	1,200,314	405,511	(244,272)
Net cash used in investing activities	(1,421,987)	(1,125,025)	(453,744)
Net cash generated from/(used in) financing activities	639,720	(757,597)	1,146,073
Net increase/(decrease) in cash	418,047	(1,477,111)	448,057

Net cash generated from or used in operating activities

We had net cash used in operating activities of RMB244.3 million in 2013, which was primarily attributable to our profit before income tax of RMB1,940.0 million generated in the year, (i) adjusted for certain non-cash items including depreciation of property, plant and equipment of RMB563.3 million, the share of profit of joint ventures of RMB511.5 million, the recognition of deferred income of RMB200.1 million and the gain on disposals of property, plant and equipment, land use rights and intangible assets of RMB112.3 million primarily associated with the Yougang Disposal, (ii) offset by changes in certain working capital items that negatively impact the cash flow from operating activities mainly including a decrease in trade and other payables of RMB187.8 million primarily associated with (a) the decrease in payable port construction fees and (b) the decrease in bills payable balance, an increase in trade and other receivables of RMB1,126.7 million primarily associated with (a) the increase in trade receivables in our metal ore and coal business as a result of the unfavorable general conditions of the steel industry and (b) the increase in bill receivables of RMB733.9 million reflecting our increasing acceptance of bill payment from our customers, we utilized RMB466.5 million of our bill receivables to settle our payment for expenses related to port construction work, (c) an increase in amounts due from customers for contract work of RMB128.2 million primarily associated with the manufacturing of port-related equipment for QQCTU and (iii) partially offset by income tax paid of RMB362.1 million.

We had net cash generated from operating activities of RMB405.5 million in 2012, which was primarily attributable to our profit before income tax of RMB1,548.2 million generated in the period, (i) adjusted for certain non-cash items including depreciation of property, plant and equipment of RMB576.0 million, the share of profit of joint ventures of RMB559.9 million, the recognition of deferred income of RMB205.2 million and the interest income from amounts due from related parties of RMB106.5 million, (ii) adjusted for changes in certain working capital items that positively impact the cash flow from operating activities mainly including an increase in trade and other payables of RMB399.1 million primarily associated with (a) the increase in payable port construction fees and (b) the increase in payables in connection with the development of the Dongjiakou Port Area, (iii) offset by changes in certain working capital items that negatively impact the cash flow from operating activities including an increase in trade and other receivables of RMB1,034.0 million primarily associated with the increase in bill receivables of RMB914.2 million as more customers chose bill payment method, we utilized RMB1,006.6 million of our bill receivables to settle our payment for expenses related to port construction work, and (iv) partially offset by income tax paid of RMB296.8 million.

We had net cash generated from operating activities of RMB1,200.3 million in 2011, which was primarily attributable to our profit before income tax of RMB1,475.7 million generated in the period, (i) adjusted for certain non-cash items including depreciation of property, plant and equipment of RMB482.3 million, the share of profit of joint ventures of RMB538.7 million, the recognition of deferred income of RMB205.2 million (ii) adjusted for changes in certain working capital items that positively impact the cash flow from operating activities mainly including a decrease in trade and other receivables of RMB266.2 million primarily associated with the settlement of our bill receivables, and (iii) partially offset by income tax paid of RMB256.8 million.

Net cash used in or generated from investing activities

We had net cash used in investing activities of RMB453.7 million in 2013. Our cash outflow for investing activities primarily consisted of (i) purchase of property, plant and equipment of RMB1,874.8 million primarily associated with the construction of the Dongjiakou Port Area, (ii) payments on behalf of related parties of RMB316.8 million primarily associated with the construction costs we incurred on behalf of our related parties and (iii) investment in our joint ventures of RMB419.6 million primarily associated with the establishment of our new joint ventures, namely

Qingdao Huaneng and Qingdao Dongjiakou IMC Logistics. Our cash inflow from investing activities primarily consisted of (i) proceeds from sale of property, plant and equipment of RMB1,049.2 million primarily associated with the Yougang Disposal and the advance received from a fellow subsidiary (ii) repayments received from related parties of RMB956.2 million.

We had net cash used in investing activities of RMB1,125.0 million in 2012. Our cash outflow for investing activities primarily consisted of (i) purchase of property, plant and equipment of RMB1,830.3 million primarily associated with the construction of the Dongjiakou Port Area and (ii) payments on behalf of related parties of RMB384.7 million primarily associated with the construction costs we incurred on behalf of our related parties. Our cash inflow from investing activities primarily consisted of (i) dividend received of RMB473.2 million, (ii) proceeds from sale of property, plant and equipment of RMB301.6 million primarily associated with the payment we received from the disposal of assets to West United, (iii) repayments received from related parties of RMB168.5 million, (iv) government grants received of RMB131.7 million, and (v) interest received of RMB106.5 million.

We had net cash used in investing activities of RMB1,422.0 million in 2011. Our cash outflow for investing activities primarily consisted of (i) purchase of property, plant and equipment of RMB1,500.1 million primarily associated with the construction of the Dongjiakou Port Area, (ii) amounts paid to related parties of RMB720.0 million primarily associated with entrusted loans we provided to our related parties, (iii) payments on behalf of related parties of RMB266.4 million primarily associated with the construction costs we incurred on behalf of our related parties and (iv) acquisition of additional interests in a subsidiary of RMB177.8 million associated with our acquisition of Yuangang in 2011. Our cash inflow from investing activities primarily consisted of (i) dividends received of RMB892.2 million, (ii) repayments received from related parties of RMB180.8 million and (iii) interest received of RMB96.3 million.

Net cash generated from or used in financing activities

We had net cash generated from financing activities of RMB1,146.1 million in 2013. Our cash outflow for financing activities primarily consisted of (i) deemed distribution of RMB250.0 million, (ii) retention by QDP of RMB457.1 million associated with the Reorganization, (iii) dividends paid of RMB291.0 million, and (iv) repayment to related parties of RMB153.9 million. Our cash inflow from financing activities primarily consisted of (i) shareholders' capital injection of RMB1,583.6 million, (ii) proceeds of RMB600.0 million from bank borrowings and (iii) contribution from government of RMB129.3 million associated with the development of the Dongjiakou Port Area.

We had net cash used in financing activities of RMB757.6 million in 2012. Our cash outflow for financing activities primarily consisted of (i) deemed distribution of RMB1,000.0 million associated with the Reorganization and (ii) dividends paid of RMB144.6 million. Our cash inflow from financing activities primarily consisted of contribution from government of RMB354.1 million associated with the development of the Dongjiakou Port Area and capital injection in the form of the rebate of port construction fees.

We had net cash generated from financing activities of RMB639.7 million in 2011. Our cash outflow for financing activities primarily consisted of dividends paid of RMB208.2 million. Our cash inflow from financing activities primarily consisted of (i) contribution from government of RMB757.8 million associated with the development of the Dongjiakou Port Area, and (ii) amounts due to related parties of RMB167.6 million primarily associated with loans from fellow subsidiaries.

Net current assets and liabilities

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated below:

	December 31,			March 31
	2011	**2012**	**2013**	**2014**
		(RMB'000)		
				(unaudited)
Current Assets				
Inventories	159,085	144,367	204,725	146,826
Trade and other receivables	4,642,245	4,975,818	2,087,569	2,255,534
Amounts due from customers for contract work	44,523	37,825	166,036	214,382
Restricted bank deposits	61,540	83,624	9	9
Cash and cash equivalents	2,306,364	829,255	1,277,288	1,435,040
Total current assets	7,213,757	6,070,889	3,735,627	4,051,791
Current Liabilities				
Early retirement and supplemental benefit obligations	127,990	139,610	132,528	132,528
Deferred income	211,249	212,225	212,308	213,854
Trade and other payables	2,329,274	2,969,732	3,915,487	4,316,047
Current income tax liabilities	334,718	257,165	46,541	89,737
Total current liabilities	3,003,231	3,578,732	4,306,864	4,752,166
Net current assets/(liabilities)	4,210,526	2,492,157	(571,237)	(700,375)

As of March 31, 2014, we had net current liabilities of RMB700.4 million, as compared to our net current liabilities of RMB571.2 million as of December 31, 2013. This change was mainly attributable to the increase in trade and other payables, which were primarily associated with our port development projects.

Our net current assets decreased by RMB3,063.4 million from net current assets of RMB2,492.2 million as of December 31, 2012 to net current liability RMB571.2 million as of December 31, 2013. The decrease in our net current assets was primarily due (i) the special distribution to QDP on November 15, 2013, as a result of the Reorganization and (ii) the increase in trade and other payables as a result of the consideration for storage facilities purchased from QDP.

Our net current assets decreased by RMB1,718.3 million from RMB4,210.5 million as of December 31, 2011 to RMB2,492.2 million as of December 31, 2012. This decrease in our net current assets was primarily due to a decrease in cash and cash equivalents of RMB1,477.1 million, primarily as a result of (i) the construction of the Dongjiakou Port Area and the increase in trade and other receivables and (ii) an increase in trade and other payables of RMB640.4 million, primarily as a result of the construction of the Dongjiakou Port Area, which was partially offset by the increase in trade and other receivables of RMB333.6 million mainly due to the increase in our trade receivables in our metal ore handling business due to unfavorable market conditions of the steel industry.

Working Capital Sufficiency

During the Track Record Period, we had net current assets as of each of December 31, 2011 and 2012; and net current liabilities as of December 31, 2013. We also had net current liabilities as of March 31, 2014. The declining trend of our net current assets and the increase in net current liabilities as of December 31, 2013 and March 31, 2014 were mainly because we utilized our internal financial resources to fund our development projects, mainly including the development of the Dongjiakou Port Area.

In addition, we had net cash generated from operating activities for the years ended December 31, 2011 and 2012 of RMB1,200.3 million and RMB405.5 million, respectively. The declining trend of our net cash generated from operating activities was mainly due to the significant amount of our bill receivables, which reflected our increasing acceptance of bill receivables from our customers, which are guaranteed by the banks, to improve the our overall collection. We also utilized the bills we received to pay the construction costs we incurred in connection with our development projects, mainly including the development of the Dongjiakou Port Area. We had net cash used in operating activities of RMB244.3 million for the year ended December 31, 2013 mainly due to the increase in bill receivables, part of which were utilized by us to settle our payment for expenses related to port construction work.

Furthermore, as of the Latest Practicable Date, we did not have any outstanding bank borrowings and we had a credit facility of up to RMB4.70 billion from Bank of Qingdao Co., Ltd., we utilized RMB40.3 million for issuing letter of credit and RMB4.66 billion of which remained unutilized and available. The facility is available for drawdown for one year from January 17, 2014. Each drawdown is negotiable for a term of up to five years, subject to extension, and the interest rate of each drawdown is expected to be fixed at the then prevailing base interest rate.

In 2014, we anticipate that (i) our total capital expenditures will amount to RMB2.8 billion, consisting of approximately RMB1,848.5 million for port construction, RMB203.0 million for replacement of fixed assets and RMB738.7 million for Dongjiakou Acquisition II; and (ii) planned investment in our joint ventures will amount to approximately RMB1,421.4 million, mainly including the development of the Dongjiakou Port Area and the Qianwan Port Area. In addition, we expect to pay the remaining special distribution of approximately RMB1,032.5 million to QDP within six months after our Listing and in addition, a special dividend of approximately RMB696.0 million to our current Shareholders. We also intend to pay other payables of RMB573.8 million to QDP, mainly representing the consideration for storage facilities purchased from QDP and certain payables to QDP to settle the outstanding tax payables incurred before the Reorganization. For further information regarding the other payables of RMB573.8 million to QDP, please see "Relationship with Our Controlling Shareholder."

Taking into account cash generated from operating activities, the available credit facilities and the estimated net proceeds from the Global Offering, our Directors confirm, and the Joint Sponsors concur, that we have sufficient working capital for our operations, including our contractual commitments and obligations, for at least the next 12 months from the date of this prospectus.

CAPITAL COMMITMENTS AND EXPENDITURE

Capital expenditures and investment in joint ventures

Our capital expenditures are used principally in connection with (i) additions of property, plant and equipment, such as the construction and acquisition of port facilities, which include terminals, berths, stacking yards, warehouses and port equipment and machinery and (ii) additions of land use rights. For the years ended December 31, 2011, 2012 and 2013, our total capital expenditures amounted to RMB3,106.3 million, RMB2,582.9 million and RMB2,756.5 million, respectively. Our investment in joint ventures is used principally in connection with the establishment or acquisition of joint ventures. For the years ended December 31, 2011, 2012 and 2013, our investment in joint ventures amounted to zero, RMB76.0 million and RMB819.6 million, respectively.

During the Track Record Period, our capital expenditures and investment in joint ventures were incurred mainly with respect to (i) the construction of terminals and berths mainly for metal ore, coal and liquid bulk handling at the Dongjiakou Port Area, (ii) the manufacturing of port equipment and machinery and purchase of land use rights in connection with our development of the Dongjiakou Port Area. For the year ending December 31, 2014, we expect (i) our total capital expenditures will be amounted to RMB2.8 billion, consisting of approximately RMB1,848.5 million for port construction, RMB203.0 million for replacement of fixed assets and RMB738.7 million for Dongjiakou Acquisition II; and (ii) our planned investment in joint ventures will amount to approximately RMB1,421.4 million. We expect to fund the capital expenditures and investment in joint ventures for the year ended December 31, 2014 with cash flows generated from our operations, loans drawdown from our credit facility and the net proceeds of the Global Offering.

Capital commitments

The table below sets out details relating to our capital commitments and our capital commitments of our joint ventures and associates as of the dates indicated below.

	As of December 31, 2011	2012	2013
		(RMB'000)	
Capital commitments			
– Property, plant and equipment	895,294	940,758	331,726
Capital commitments of joint ventures and associates			
– Property, plant and equipment	48,639	40,149	31,887
Total	943,933	980,907	363,613

The increase in our capital commitment from RMB943.9 million as of December 31, 2011 to RMB980.9 million as of December 31, 2012 was primarily associated with the increase in our investment for the construction of the Dongjiakou Port Area. The decrease in our capital commitment from RMB980.9 million as of December 31, 2012 to RMB363.6 million as of December 31, 2013 was primarily due to the distribution of certain construction-in-progress projects to QDP upon the Reorganization.

Investment commitments

The table below sets out details relating to our investment commitments as of the dates indicated below:

	As of December 31, 2011	2012	2013
		(RMB'000)	
Investment commitments			
Joint ventures and associates	2,400	540,000	540,000

Our investment commitments as of December 31, 2013 were primarily associated with our equity investment in QDOT.

Our investment commitments increased by RMB537.6 million from RMB2.4 million as of December 31, 2011 to RMB540.0 million as of December 31, 2012, primarily associated with our equity investment in Qingdao Shihua.

CERTAIN BALANCE SHEET ITEMS

The following table sets out our summary consolidated balance sheet as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Non-current assets			
Land use rights	187,976	182,575	598,365
Property, plant and equipment	13,601,917	15,582,849	8,668,552
Investment properties	190,141	198,619	221,986
Intangible assets	52,066	47,040	40,118
Investments in joint ventures	3,333,032	3,519,690	4,392,298
Investments in associates	19,720	20,493	5,488
Available-for-sale financial assets	82,014	111,064	72,208
Deferred income tax assets	86,677	101,938	936,694
Trade and other receivables	426,625	398,877	279,977
Total non-current assets	17,980,168	20,163,145	15,215,686
Current Assets			
Inventories	159,085	144,367	204,725
Trade and other receivables	4,642,245	4,975,818	2,087,569
Amounts due from customers for contract work	44,523	37,825	166,036
Restricted bank deposits	61,540	83,624	9
Cash and cash equivalents	2,306,364	829,255	1,277,288
Total current assets	7,213,757	6,070,889	3,735,627
Total assets	25,193,925	26,234,034	18,951,313
Non-current liabilities			
Deferred income	4,479,336	4,446,012	4,078,613
Early retirement and supplemental benefit obligations	3,336,150	3,238,720	2,533,750
Trade and other payables	2,873	566	54
Total non-current liabilities	7,818,359	7,685,298	6,612,417
Current Liabilities			
Early retirement and supplemental benefit obligations	127,990	139,610	132,528
Deferred income	211,249	212,225	212,308
Trade and other payables	2,329,274	2,969,732	3,915,487
Current income tax liabilities	334,718	257,165	46,541
Total current liabilities	3,003,231	3,578,732	4,306,864
Total liabilities	10,821,590	11,264,030	10,919,281

Our consolidated balance sheet also contains certain historical financial position of the Dongjiakou Operations and the Other Retained Operations. For further details, see "Financial Information – Basis of Presentation of Financial Information".

Property, plant and equipment

As of December 31, 2011, 2012 and 2013, our property, plant and equipment were RMB13,601.9 million, RMB15,582.8 million and RMB8,668.6 million, respectively.

Our property, plant and equipment included primarily buildings, terminal facilities, storage facilities, loading equipment, machinery and equipment, vessels, transportation equipment and construction-in-progress. As of December 31, 2013, our construction-in-progress projects primarily included our construction projects at the Dongjiakou Port Area.

Investments in joint ventures

During the Track Record Period, our investments in joint ventures primarily consisted of our investments in QQCT and Qingdao Shihua. As of December 31, 2011, 2012 and 2013, we had investments in joint ventures valued at RMB3,333.0 million, RMB3,519.7 million and RMB4,392.3 million, respectively. During the Track Record Period, the increase in our investments in joint ventures was primarily attributable to (i) our investment in newly established joint ventures and (ii) our capital increase to existing joint ventures to expand their operations.

Available-for-sale financial assets

The table below sets out details relating to our available-for-sale financial assets as of the dates indicated below:

	As of December 31,		
	2011	**2012**	**2013**
		(RMB'000)	
Listed equity securities, at fair value			
– PRC	33,806	33,856	–
Unlisted equity securities, at cost			
– PRC	48,208	77,208	72,208
Total	82,014	111,064	72,208

As of December 31, 2011, 2012 and 2013, our available-for-sale financial assets were RMB82.0 million, RMB111.1million and RMB72.2 million, respectively. Our available-for-sale financial assets consist of (i) the listed equity securities measured at the fair value based on quoted market price and (ii) unlisted equity securities measured at cost mainly representing our investment in certain companies, over which we have no control, joint control or significant influence. Such unlisted equity securities include (i) our 1% equity interests in Sinopec Qingdao Liquefied Natural

Gas Co., Ltd.* and (ii) our 10% equity interests in Shandong Binhai Hongrun Pipeline Logistics Co., Ltd.*. The main purpose of our investment in such unlisted equity securities was to (i) supplement our port services, (ii) strengthen our relationship with our business partners and (iii) improve our profitability. We intend to hold such unlisted equity securities as long-term investment. Pursuant to the Reorganization, all the listed equity securities were distributed to QDP on November 15, 2013. We do not anticipate to hold any listed equity securities going forward.

Inventories

Our inventories consist of primarily port operation materials, spare parts for equipment maintenance and unsold properties. As of December 31, 2011, 2012 and 2013, we had inventories valued at RMB159.1 million, RMB144.4 million and RMB204.7 million, respectively.

The following table sets forth the details of our inventories as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
		(RMB'000)	
Raw materials	115,960	100,338	160,275
Completed properties held for sale	44,450	44,450	44,450
	160,410	144,788	204,725
Less: Provision for inventories write-down	(1,325)	(421)	–
Total	159,085	144,367	204,725

The following table sets forth the turnover days of our inventories during the Track Record Period.

	As of December 31,		
	2011	**2012**	**2013**
Turnover days of inventories[(1)]	15	14	14

Note:

(1) Turnover days of inventories for a certain period is the arithmetic mean of the opening and closing balances of inventories for the relevant period divided by cost of sales for the relevant period and multiplied by 365 for each year.

During the Track Record Period, cost for inventories only accounted for a small portion of our cost of sales, and our inventories turnover days remained stable.

Trade and other receivables

As of December 31, 2011, 2012 and 2013, our trade and other receivables were RMB5,068.9 million, RMB5,374.7 million and RMB2,367.5 million, respectively.

The following table sets forth the details of our trade and other receivables as of the dates indicated:

	As of December 31,		
	2011	**2012**	**2013**
		(RMB'000)	
Trade receivables	412,973	556,236	903,301
Less: Provision for impairment	(10,260)	(9,951)	(10,409)
Trade receivables – net	402,713	546,285	892,892
Bill receivables	1,003,072	865,645	387,230
Other receivables – net	1,109,345	1,435,012	745,125
Amounts due from related parties	2,060,343	2,075,343	–
Taxes due on port facilities rental income	251,513	240,219	225,472
Prepayments	229,925	191,204	90,573
VAT recoverable	11,959	20,987	26,254
Trade and other receivables	5,068,870	5,374,695	2,367,546
Less: non-current portion:			
– Taxes due on port facilities rentals and others	(240,511)	(229,217)	(214,177)
– Prepayments	(165,114)	(148,660)	(64,800)
– Other receivables	(21,000)	(21,000)	(1,000)
Non-current portion	(426,625)	(398,877)	(279,977)
Current portion	4,642,245	4,975,818	2,087,569

Our trade receivables represented the outstanding amounts receivable by us from our third party customers and related parties incurred for merchandise sold or services performed in the ordinary course of our business. Our trade receivables increased from RMB413.0 million as of December 31, 2011 to RMB556.2 million as of December 31, 2012, and further increased to RMB903.3 million as of December 31, 2013, primarily due to the increase of trade receivables in our metal ore handling business as a result of the unfavorable general market conditions of the steel industry and the increase in trade receivables in our port construction business mainly because the contractual payment schedule for our port construction projects is longer than their construction schedule, which is in line with our revenue recognition.

The following table sets forth the aging analysis of trade receivables as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)		
Less than 3 months	350,343	458,078	673,594
3 to 6 months	17,678	58,697	143,729
6 to 12 months	14,674	22,491	56,210
1 to 2 years(2)	19,640	5,307	19,153
2 to 3 years	1,766	1,261	809
Over 3 years	8,872	10,402	9,806
	412,973	556,236	903,301
Turnover days of trade receivables(1)	26	30	40

Note:

(1) Turnover days of trade receivables for a certain period is the arithmetic mean of the opening and closing balances of trade receivables for the relevant period divided by revenue for the relevant period and multiplied by 365 for each year.

(2) None of our trade receivables outstanding beyond one year were related to our cargo handling business, and most of them were related to our port construction business.

We provide trade credit to our customers for periods of 30 to 90 days from the invoice date, depending on several factors, including the customer's financial position, volume, track record and other factors. Our trade receivables turnover days increased from 26 days in 2011 to 30 days in 2012 and further to 40 days for the year ended December 31, 2013 primarily due to delayed payments from our metal ore customers due to the unfavorable general market conditions of the steel industry and the longer contractual payment schedule for our port construction business as compared to its construction schedule, which equals its revenue recognition schedule.

Included in our trade receivable balance are debts with aggregate carrying amount of RMB62.6 million, RMB98.2 million and RMB229.7 million which were past due and represented 15.2%, 17.7% and 25.4% of our trade receivables balance as of December 31, 2011, 2012 and 2013, respectively, for which we recorded provision for impairment of RMB10.3 million, RMB10.0 million and RMB10.4 million, respectively. During the Track Record Period, most of our trade receivables that were past due were related to customers for whom there is no recent history of default. Our Directors are of the opinion that no provision for impairment is necessary as there has not been a significant change in credit quality and that the balances are still considered fully recoverable. Accordingly, we believe we have provided sufficient provision of impairment for trade receivables. Please see Note 23 of the Accountant's Report set out in Appendix I to this prospectus.

As of December 31, 2013, our trade receivables were RMB903.3 million. Of this amount, RMB694.9 million had been settled as of March 31, 2014. Subsequent to the Track Record Period and up to the Latest Practicable Date, we are not aware of any of our customers that are experiencing financing difficulties and have not experienced any general slowdown in the settlement of trade receivables. We have also implemented the following measures to improve the collection of our trade receivables:

- performing analysis of our trade receivables accounts with significant portion outstanding or are long past due; and

- assigning dedicated account managers to follow up the payment plan of such trade receivables accounts.

We have not experienced any material default or cancellation of sales contracts by customers during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, the significant amount of our bill receivables reflected our increasing acceptance of bill receivables from our customers, which are guaranteed by the banks, to improve the our overall collection. We utilized our bill receivables to pay the construction costs incurred in connection with our construction projects.

Our amounts due from related parties primarily included (i) the construction costs we paid on behalf of our related parties and (ii) entrusted loans we provided to our related parties, primarily including West United, QQCTU and QQCTN. Our entrusted loans to related parties are usually repayable within one year, subject to any extension, bearing an interest rate ranging from 5.68% to 6.00% per annum. Upon the Reorganization, all the amounts due from related parties were retained by QDP. As of December 31, 2013, there were no amounts due from related parties. During the Track Record Period, the interest income from such amounts due from related parties was RMB96.3 million, RMB106.5 million and RMB96.5 million, respectively.

Our net other receivables increased from RMB1,109.3 million as of December 31, 2011 to RMB1,435.0 million as of December 31, 2012 primarily due to the increase in land deposit. Our net other receivables decreased from RMB1,435.0 million as of December 31, 2012 to RMB745.1 million as of December 31, 2013 primarily as a result of the Reorganization and the land deposit being converted into land use rights.

Early retirement and supplemental benefit obligations

As of December 31, 2011, 2012 and 2013, the non-current portion of our early retirement obligations were RMB201.7 million, RMB203.4 million and RMB189.5 million, respectively. The current portion of our early retirement obligations amounted to RMB28.9 million, RMB27.3 million and RMB27.3 million as of December 31, 2011, 2012 and 2013, respectively.

As of December 31, 2011, 2012 and 2013, our other supplemental benefit obligations were RMB3,233.5 million, RMB3,147.6 million and RMB2,449.5 million, respectively. Of such obligations, the current portion amounted to RMB99.1 million, RMB112.3 million and RMB105.2 million as of December 31, 2011, 2012 and 2013, respectively.

Our early retirement and supplemental benefit obligations also contain obligations of the Other Retained Operations. As of December 31, 2011, 2012 and 2013, the obligations of the Other Retained Operations contained in our early retirement and supplemental benefit obligations were RMB285.3 million, RMB276.1 million and RMB295.9 million, respectively, which represented 8.2%, 8.2% and 11.1% of our total early retirement and supplemental benefit obligations, respectively.

Deferred income

Our deferred income primarily consists of the advance payment received from QQCT for leasing certain port facilities from us, such rental income will be recognized over the respective rental period. As of December 31, 2011, 2012 and 2013, our deferred income was RMB4,479.3 million, RMB4,446.0 million and RMB4,078.6 million, respectively.

Trade and other payables

As of December 31, 2011, 2012 and 2013, our trade and other payables were RMB2,329.3 million, RMB2,969.7 million and RMB3,915.5 million, respectively.

The following table sets out the details of our trade and other payables as of the dates indicated below:

	As of December 31,		
	2011	**2012**	**2013**
		(RMB'000)	
Trade payables	447,557	730,333	719,299
Advance from customers	89,526	39,346	11,668
Bills payable	–	72,000	–
Warranties	2,873	566	54
Payables for purchases of property, plant and equipment	1,227,847	1,184,106	1,403,084
Other taxes payables	288,462	243,123	22,462
Salary, bonus and staff welfare benefits payable	36,558	28,624	18,519
Amounts due to related parties	144,579	182,409	–
Other payables and accruals	94,745	489,791	1,740,455
	2,332,147	2,970,298	3,915,541
Less: non-current portion	(2,873)	(566)	(54)
	2,329,274	2,969,732	3,915,487

The balance of trade payables as of the respective year-end represented the outstanding amounts payable by us to our third party suppliers and related parties. As of December 31, 2011, 2012 and 2013, we had trade payables of RMB447.6 million, RMB730.3 million and RMB719.3 million, respectively. The increase in our trade payables from 2011 to 2012 was primarily due to the construction of the Dongjiakou Port Area.

The following table sets forth an ageing analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Less than 1 year	401,054	713,976	712,268
1 to 2 years	36,501	12,441	5,384
2 to 3 years	5,327	841	976
Over 3 years	4,675	3,075	671
	447,557	730,333	719,229
Turnover days of trade payables[1]	43	53	59

Note:

(1) Turnover days of trade payables for an arithmetic mean of the opening and closing balances of the trade payables for the relevant period divided by cost of sales for the relevant period and multiplied by 365 for each year.

Our trade payables primarily represent our purchase of port operation and construction materials and spare parts for equipment maintenance. Most of our trade payables are non-interest-bearing and are generally settled within one year. Turnover days for our trade payables increased from 43 days in 2011 to 53 days in 2012 and further to 59 days in 2013 because we incurred significant raw material costs in connection with our port construction during the same period.

As of December 31, 2011, 2012 and 2013, we had payables for purchases of property, plant and equipment of RMB1,227.8 million, RMB1,184.1 million and RMB1,403.1 million, respectively. Our payables for purchases of property, plant and equipment primarily represented purchases for our construction of the Dongjiakou Port Area.

Our amounts due to related parties included our loans borrowed from our fellow subsidiaries. One of such loans is interest-bearing, repayable within one year, subject to any extension, bearing an interest rate of 3.5% per annum. As of the Latest Practicable Date, there were no amounts due to related parties because we had repaid the sum or they were retained by QDP upon the Reorganization.

The increase in our other payables from RMB94.7 million as of December 31, 2011 to RMB489.8 million as of December 31, 2012 was primarily due to (i) the advance from Qingdao Shihua in connection with the Yougang Disposal, and (ii) the increase in port construction fees, which was charged by the government and collected through us. The increase in our other payables from RMB489.8 million as of December 31, 2012 to RMB1,740.5 million as of December 31, 2013 was primarily due to the Reorganization.

RELATED PARTY TRANSACTIONS

Amounts due from related parties

As of December 31, 2011, 2012 and 2013, the amounts due from related parties were RMB2,060.3 million, RMB2,075.3 million and zero, respectively. The amounts due from related parties during the Track Record Period primarily consisted of entrusted loans provided to and payment of construction costs on behalf of related parties. Upon the Reorganization, all the amounts due from related parties were retained by QDP.

Amounts due to related parties

As of December 31, 2011, 2012 and 2013, the amounts due to related parties were RMB144.6 million, RMB182.4 million and zero, respectively. The amounts due to related parties during the Track Record Period primarily consisted of loans from fellow subsidiaries. All the amounts due to related parties were repaid or retained by QDP upon Reorganization.

We will settle all non-trade balances with fellow subsidiaries before the Listing. For details regarding our related party transactions during the Track Record Period, please see Note 35 of the Accountant's Report set out in Appendix I in this prospectus.

Our Directors believe that such transactions with related parties were based on normal commercial terms in the ordinary course of business and were not materially different from the terms and conditions of the transactions entered into between the third parties and us.

INDEBTEDNESS

Borrowings

Our interest-bearing borrowings included bank loans with PRC banks denominated in RMB and loans from a fellow subsidiary. No collateral or security was required for any of our interest-bearing borrowings during the years ended December 31, 2011, 2012, 2013 and up to the indebtedness date.

The following table sets forth our outstanding interest-bearing borrowings as of the dates indicated:

	As of December 31,			As of March 31,
	2011	**2012**	**2013**	**2014**
		(RMB'000)		
				(unaudited)
Current:				
– Bank borrowings	–	–	–	–
– Amounts due to related parties	144,579	182,409	–	–
Total	144,579	182,409	–	–

We incurred interest-bearing bank borrowings in 2013 for general working capital purpose. The bank borrowings are unsecured, repayable within six months, bearing variable interest rate at approximately 4.9% per annum. The loans from a fellow subsidiary are unsecured, repayable within 12 months, bearing interest rate at approximately 3.5% per annum. As of the Latest Practicable Date, all of our bank borrowings were distributed to QDP in connection with the Reorganization and we had repaid all the outstanding amounts due to related parties.

In January 2014, we obtained a credit facility of up to RMB4.70 billion from Bank of Qingdao Co., Ltd. (the "**Bank of Qingdao Credit Facility**"), we utilized RMB40.3 million for issuing letter of credit and RMB4.66 billion under the Bank of Qingdao Credit Facility remained unutilized and available as of March 31, 2014. The Bank of Qingdao Credit Facility is available for drawdown for one year from January 17, 2014. Each drawdown is negotiable for a term of up to five year, subject to any extension, and the interest rate of each drawdown will be fixed at the then prevailing base interest rate. The drawdown under the Bank of Qingdao Credit Facility is to be used for investing activities and working capital purposes.

We expect to drawdown approximately RMB2.6 billion in 2014 under the Bank of Qingdao Credit Facility to (i) fund our business development plan, mainly including the development of the Dongjiakou Port Area, and (ii) pay the other payables of RMB573.8 million due to QDP, which mainly represented the consideration for storage facilities purchased from QDP and certain payables to QDP to settle the outstanding tax payables incurred before the Reorganization.

Except as disclosed in this section, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loan from government, debt securities or other similar indebtedness, finance lease on hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding as of March 31, 2014, being the latest practicable date for the purpose of this indebtedness statement.

As of March 31, 2014, being the latest practicable date for the purpose of the indebtedness statement, we had no outstanding indebtedness. We confirm that there had not been any material adverse change in our indebtedness and contingent liabilities since March 31, 2014 and up to the date of this prospectus.

As of the Latest Practicable Date, there were no material covenants on any of our outstanding debt and except as disclosed in the foregoing, we currently do not have any plans to raise material external debt in the foreseeable future.

Contingent Liabilities

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

Off-balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have retained or contingent interests in assets transferred to an unconsolidated entity or a similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholders' equity, or that are not reflected in our consolidated financial statements. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios as of the dates or for the periods indicated:

	As of December 31,		
	2011	**2012**	**2013**
Current ratio *(times)*	2.4	1.7	0.9
Quick ratio *(times)*	2.3	1.7	0.8
Gearing ratio *(%)*	N/A	N/A	N/A
Asset-liability ratio *(%)*	43.0	42.9	57.6

	Year Ended December 31,		
	2011	2012	2013
Return on equity *(%)*	8.9	8.6	13.2
Return on total assets *(%)*	5.0	4.9	6.7
Gross profit margin *(%)*	31.8	29.2	31.4
Net profit margin *(%)*	23.9	22.1	23.3

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period. Our current ratio decreased from 2.4 times to 1.7 times from December 31, 2011 to December 31, 2012, and further to 0.9 times as of December 31, 2013, primarily because (i) we financed our construction projects with our cash generated from our customers and (ii) our trade and other payables increased primarily as a result of the special distribution in connection with the Reorganization.

Quick ratio

Quick ratio is our current assets less inventories as a percentage of current liabilities at the end of each financial period. Our quick ratio decreased from 2.3 times as of December 31, 2011 to 1.7 times as of December 31, 2012, and decreased to 0.8 times as of December 31, 2013 primarily due to the same reason as for changes in our current ratio.

Gearing ratio

Gearing ratio is our total interest-bearing bank and other borrowings net of cash balance as a percentage of total equity at the end of each financial period. As of December 31, 2011 and 2012, our cash balance exceeded our total interest-bearing bank and other borrowings. As of December 31, 2013, we did not have any interest-bearing bank and other borrowings.

Asset-liability ratio

Asset-liability ratio is calculated by dividing total liabilities by total assets. Our asset-liability ratio as of December 31, 2011 and 2012, was 43.0% and 42.9%, respectively. It increased to 57.6% as of December 31, 2013 primarily due to the assets distribution in connection with the Reorganization.

Return on equity

Return on equity is our profit divided by the arithmetic mean of the total equity at the beginning and the end of each financial period. Our return on equity was fairly stable at 8.9% in 2011 and 8.6% in 2012. Our return of equity increased to 13.2% in 2013 was mainly due to the Reorganization.

Return on total assets

Return on total assets is our profit divided by the arithmetic mean of the opening and closing balances of our total assets financial period. Our return on total assets was fairly stable at around 5.0% in 2011 and 2012. Our return on total assets increased to 6.7% in 2013 was mainly due to the Reorganization.

Gross profit margin

Gross profit margin is our gross profit divided by our revenue for each financial period. Our gross profit margin decreased from 31.8% in 2011 to 29.2% in 2012, due to: (i) the QDP Dongjiakou Branch commencing operation and going through a low margin ramp-up period in 2012, and (ii) revenue from logistics and port value-added services increasing substantially, which carries a relatively lower margin as compared to container and other cargo handling services. Our gross profit margin improved to 31.4% in 2013 was primarily due to the substantial increase in throughput handled by the QDP Dongjiakou Branch.

Net profit margin

Net profit margin is our net profit before non-controlling interests divided by our revenue for each financial period. Our net profit margin decreased from 23.9% in 2011 to 22.1% in 2012, then recovered to 23.3% in 2013, primarily due to the same reasons for the changes in our gross profit margin.

LISTING EXPENSES

As of December 31, 2013, we incurred approximately RMB7.5 million expenses for the Global Offering, and we expect to incur a total of RMB127.7 million until the completion of the Global Offering, of which approximately RMB17.8 million is expected to be charged to our consolidated income statement and approximately RMB109.9 million is expected to be capitalized as deferred expenses and charged against equity upon the Listing under the relevant accounting standards. We do not expect these expenses to have a material impact on our results of operation for 2014.

MARKET RISK DISCLOSURE

Our activities expose us to a variety of financial risks, market risk including currency risk, fair value interest rate risk, cash flow interest rate risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Foreign exchange risk

Our operations and customers are primarily located in the PRC with most of the assets/liabilities and transactions denominated and settled in RMB. We would be exposed to foreign exchange risk arising where commercial transactions settle in U.S. dollars or other foreign currencies. As our commercial transactions settled in foreign currencies are not material, the Directors are of the view that our exposure to foreign exchange risk is immaterial.

As of December 31, 2011, 2012 and 2013, if RMB had strengthened/weakened by 5% against the U.S. dollar with all other variables held constant, our profit before income tax for the respective years/period then ended would have been higher/lower by approximately RMB190,000, RMB104,000 and RMB38,000, respectively, mainly as a result of foreign exchange gains/losses arising from the translation of U.S. dollar-denominated cash and cash equivalents, trade receivables and payable balances.

Cash flow and fair value interest rate risk

Our interest rate risk arises primarily from cash in bank, amounts due from related parties, amounts due to fellow subsidiaries and bank borrowings. Bank borrowings, amounts due from related parties and cash at bank are issued at variable rates, which expose us to cash flow interest rate risk. The amounts due to fellow subsidiaries are issued at fixed rates, which expose us to fair value interest rate risk.

At December 31, 2011, 2012 and 2013, if interest rate had been 50 basis points higher/lower with all other variables held constant, our profit for the year would have been approximately RMB15,159,000, RMB13,653,000 and RMB10,097,000 higher/lower.

Credit risk

Credit risk primarily arises from cash and cash equivalents, restricted bank deposits and trade and other receivables (including notes receivables), except for prepayment.

For deposits with banks and financial institutions (including restricted bank deposits and cash and cash equivalents), we have limited its credit exposure by restricting our selection of banks and financial institutions to reputable local joint-stock commercial banks or state-owned banks. Our management believes these financial institutions are reputable and there is no significant credit risk of losses on such assets.

For customers, our management assesses the credit quality of customers, taking into account their financial position, past experiences and other factors. Individual risk limits are set and regularly reviewed by management, and the utilization of which is monitored regularly. Except provisions made individually for the receivable of Tiantong Securities Limited Company ("**Tiantong Securities**", see Note 23 of the Accountant's Report set out in Appendix I to this prospectus), we have no concentration of credit risk in respect of trade and other receivables.

Liquidity risk

We aim to maintain sufficient cash and cash equivalents to meet operational needs.

The table below analyses our non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the respective balance sheet dates to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows (including the estimated interest expenses on the related borrowings up to their maturities).

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
			(RMB'000)		
Our Group					
As of December 31, 2011					
Financial liabilities as included in trade and other payables	1,914,728	–	–	–	1,914,728
Our Group					
As of December 31, 2012					
Financial liabilities as included in trade and other payables	2,658,639	–	–	–	2,658,639
Our Group					
As of December 31, 2013					
Financial liabilities as included in trade and other payables	3,862,838	–	–	–	3,862,838
Our Company					
As of December 31, 2013					
Financial liabilities as included in trade and other payables	3,981,607	–	–	–	3,981,607

PROPERTY INTEREST AND PROPERTY VALUATION

Particulars of our selective property interests are in the Property Valuation Report set out in Appendix III to this prospectus. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has valued our selective property interests as of February 28, 2014. A summary of values and valuation certificates issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited are included in the Property Valuation Report set out in Appendix III to this prospectus.

A reconciliation of our selective property interests as of February 28, 2014 and such property interests in our consolidated financial statements as of December 31, 2013 as required under Rule 5.07 of the Hong Kong Listing Rules is set forth below:

	RMB in millions
Net book value of selective property interests as of December 31, 2013	6,028.6
Additions	0
Depreciation	(34.5)
Net book value as of February 28, 2014	5,994.1
Valuation surplus as of February 28, 2014	3,287.1
Valuation as of February 28, 2014[(1)]	9,281.2

Note:

(1) Including commercial value and reference value of the selective property interests in the consolidated financial statements as of February 28, 2014.

DIVIDEND POLICY

Our Directors are responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' General Meeting for approval. Whether we pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Directors deems relevant.

According to our Articles of Association, we will pay dividends out of our distributable profit after tax of the year only after we have made the following allocations from our profit after tax of the year:

- recovery of accumulated losses, if any;
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required; and
- upon allocations to the statutory reserve and authorizing board resolutions, allocations to the discretionary reserve.

In accordance with our Articles of Association, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS or the accounting rules of the listing venue, whichever is lower.

We paid dividends of RMB193.6 million, RMB127.3 million and RMB270.7 million to our Shareholders for the years ended December 31, 2011, 2012 and 2013, respectively.

In the future, we expect to distribute no less than 40% of our annual distributable profit as dividends. There is, however, no assurance that we will be able to distribute dividends of such amount or any amount each year or in any year. Our future dividend policy will be determined by our Board of Directors based on our results of operations, cash flows, financial position, capital adequacy ratio, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us, and other factors that our Board of Directors may consider relevant.

DIVIDEND DISTRIBUTION PRIOR TO THE LISTING

Our accumulated distributable profits prior to the Global Offering are distributed as follows:

- In accordance with the Provisional Regulation Relating to Corporate Reorganization of Enterprises and Related Management of State-owned Capital and Financial Treatment (企業公司制改建有關國有資本管理與財務處理的暫行規定) issued by MOF and the resolution of the Shareholders' meeting dated November 15, 2013, QDP was entitled to special distribution, the amount of which shall be determined based on our consolidated net profits attributable to equity owner/shareholders of our Company for the period from January 1, 2013 (our assets were valued on December 31, 2012 for the establishment of our Company as a joint stock limited liability company) to November 15, 2013, the date of our establishment, in accordance with PRC GAAP. Such special distribution is RMB1,303.2 million, RMB270.7 million of which has been paid. We intend to pay such special distribution to QDP within six months after the Listing. We will make an announcement regarding the actual amount of such special distribution before we pay such special distribution.

- In accordance with the resolution of the Shareholders' meeting dated November 15, 2013, the Shareholders were entitled to special dividends, the amount of which shall be determined based on our consolidated net profits attributable to equity owner/shareholders of our Company for the period from November 16, 2013, the date immediately after the date of our establishment, to the last day of the calendar month immediately prior to the Global Offering, in accordance with PRC GAAP or IFRS, whichever is lower. The actual amount of such special dividend will be determined upon the completion of our audit in 2014. Based on the latest available management accounts of our Company, we currently estimate such special dividend to be approximately RMB696.0 million. We will make an announcement regarding the actual amount of such special dividend before we pay such special dividend.

- Our Directors are of the view that we will have sufficient cash resources to pay such special distribution and special dividend in 2014 from (i) cash inflow from operating activities, (ii) dividends received from our joint ventures and associates and (iii) cash received in connection with our construction-in-progress projects.

DISTRIBUTABLE RESERVES

As of December 31, 2013, our distributable reserves were RMB103.6 million.

RECENT DEVELOPMENTS

Our joint venture, QDOT, was established on January 9, 2014 and acquired from QDP in February 2014 two berths and related assets at the Dongjiakou Port Area for a total consideration of RMB2,989.0 million, and is expected to conduct a supplementary acquisition to effect certain post-closing adjustments, together referred to as the Dongjiakou Acquisition I. In addition, we completed the Dongjiakou Acquisition II for a total consideration of approximately RMB738.7 million in May 2014.

For the three months ended March 31, 2014, our revenue, gross profit and gross profit margin were RMB1,773.3 million, RMB555.1 million and 31.3%, respectively. The unaudited financial information as of and for the three months ended March 31, 2014 has been reviewed by the reporting accountant in accordance with International Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. Our gross profit margin was 31.3% for the three months ended March 31, 2014, as compared to 31.4% in 2013.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since December 31, 2013 and up to the date of this prospectus, there has been no material adverse change in our financial position or prospects, throughput or revenue, gross profit margin and no event has occurred that would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of our adjusted net tangible assets prepared on the basis of the notes set forth below for the purpose of illustrating the effect of the Global Offering on our net tangible assets attributable to equity holders of our Company as of December 31, 2013 as if the Global Offering had taken place on December 31, 2013, assuming the Over-allotment option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of December 31, 2013 or any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of our Company as at December 31, 2013(1)	**Estimated net proceeds from the Global Offering(2)**	**Unaudited pro forma adjusted net tangible assets attributable to owners of our Company**	**Unaudited pro forma adjusted net tangible assets per Share(3)(4)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on the Offer Price of HK$3.76 per H Share	7,967,966	1,989,911	9,957,877	2.12	2.66

Note:

(1) The audited consolidated net tangible assets of the Group attributable to owners of our Company as at December 31, 2013 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Company attributable to owners of our Company as at December 31, 2013 of RMB8,008,084,000 with an adjustment for intangible assets as at December 31, 2013 of RMB40,118,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.76 per H Share, after deduction of estimated related fees and expenses (excluding listing expenses of RMB7.5 million which has already been charged to income statement, and do not take into account of any H Shares that may be issued pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, the unaudited pro forma adjusted net tangible assets attributable to owners of our Company and unaudited pro forma adjusted net tangible assets per Share will increase. The estimated net proceeds are converted into RMB at the exchange rate for foreign exchange transactions published daily by the People's Bank of China (the "**PBOC Rate**") of HK$1.00 to RMB0.79501 prevailing on May 16, 2014.

(3) No adjustment has been made to reflect any trading results or other transactions of our Company entered into subsequent to December 31, 2013. In addition, no adjustment has been made to reflect the special dividend that QDP and our other promoters are entitled to, in an amount equal to the distributable profit of our Company generated from November 16, 2013 to the last day of the month prior to the listing of our Company's shares. Our Directors preliminarily estimated that the special dividend would amount to approximately RMB696.0 million, which would further be adjusted based on an audit of the Group's financial statements for the five months ended May 31, 2014. If the aforementioned special dividend is taken into account, the unaudited pro forma adjusted net tangible assets per Share would be reduced.

(4) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 4,705,800,000 Shares are issued and outstanding, and that the Over-allotment Option has not been exercised. The unaudited pro forma adjusted net tangible assets per share is converted into Hong Kong dollars at the PBOC Rate of HK$1.00 to RMB0.79501.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Hong Kong Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

2. For the year ended 31 December 2014

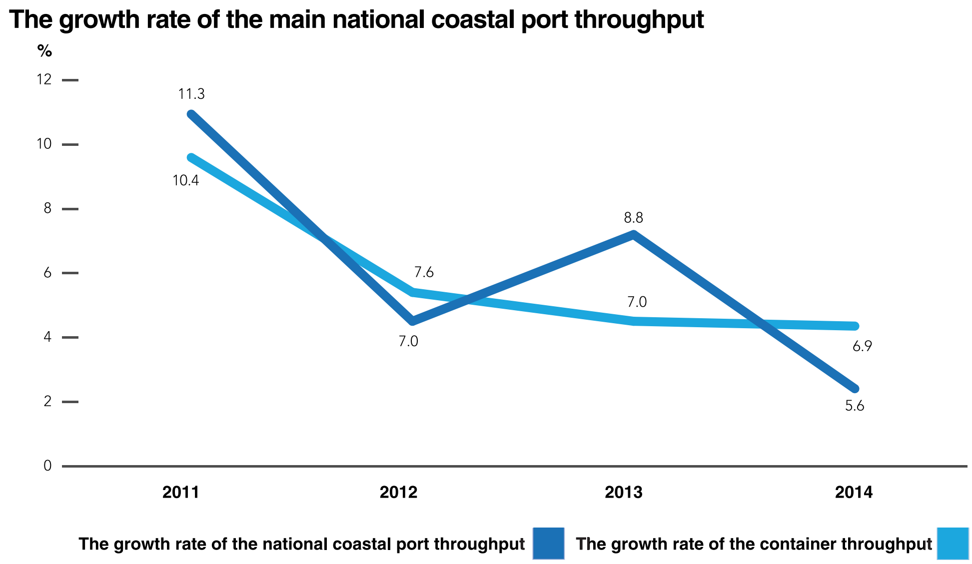
I. MACRO SITUATION AND INDUSTRY OVERVIEW

1. General Situation

In 2014, with the economy development in advanced economies become increasingly uneven and developing economies experienced a slower growth, the global economy recovery suffered setbacks. The economy of the PRC faced with greater pressure under the impact of factors such as overcapacity, a decline in the growth rate of fixed asset investment, an increase in labor costs and a cyclical correction in the real estate industry. The growth rate of the gross domestic product (GDP) for the full year was 7.4%, representing a decrease of 0.3 percentage point compared to the same period. The growth rate of total export trade value of the PRC for the full year was 5.1%, representing a decline of 1.1 percentage point compared to the same period, and the growth rate of total import trade value was -0.5%, representing a fall of 5.9 percentage point compared to the same period (Statistical Communiqué of the PRC 2014).

2. Operation of Port Industry

With a slowdown in the growth rate of import and export trade of the PRC, the growth rate of the port throughput has also entered into a "new normal" characterised by a single-digit moderate-growth from a two-digit high-growth era over the past years. The growth rate of the national coastal port throughput from 2011 to 2014 was 11.3%, 7.0%, 8.8% and 5.6%, respectively. The growth rate of the container throughput was 10.4%, 7.6%, 7.0% and 6.9%, respectively (statistics from the Ministry of Transport, the figures for 2014 are accumulative ones from January to November).



II. REVIEW OF BUSINESS AND FINANCIAL CONDITION

Being confronted with the new normal of the PRC economy, to create new competitive advantages, maintain the continuous increase in earnings and returns for the shareholders, the Group has swiftly adjusted its development strategy and fully leveraged the core position of ports in the logistics chain on the basis of further reinforcing its position as a leading terminal operator in the world. With the advantages of ports in cargo supply control and resource allocation in supply chain and focusing on the port logistics business, the Group fully expanded functions and enhanced value-added services to create a modern whole-process comprehensive logistics service provider integrating stevedoring, agency, transportation, trading, logistics, finance and the Internet, form a new pattern of mutual promotion between the principal business of stevedoring and logistics value-added services, continously improve the Group's core competitiveness and create a diversified and sustainable profit model.

1. Overall Review of Business and Results

The Company was established on 15 November 2013 (i.e. the date of incorporation of the Company) through a reorganisation and the contribution of principal bussiness operations and corresponding assets and liabilities by its controlling shareholder, QDP. Therefore, the compared financial information of the Group for the year ended 31 December 2013 was prepared as if the existing structure of the Group had been in existence throughout the period from 1 January 2013 to 31 December 2013 or since the incorporation date of each member of the Consolidated Group Companies or the date on which each member of the Consolidated Group Companies was brought under the control of QDP for the first time, whichever is earlier.

As a result of the above reorganisation of QDP (please refer to the Prospectus for details), the consolidated income statement of the Company for the period ended 31 December 2013 included: (1) gains on the assets held by the Company at the date of its establishment during the period from 1 January 2013 to 31 December 2013; and (2) earnings from Dongjiakou Operation I, Dongjiakou Operation II and Other Retained Operations (which were not transferred to the Company at the date of its establishment) during the period from 1 January 2013 to 14 November 2013. Earnings generated by the aforementioned Dongjiakou Operation I, Dongjiakou Operation II and Other Retained Operations during the period from 15 November 2013 to 31 December 2013 and subsequent period were not included in the audited consolidated income statement of the Group any more.

In May 2014, the Company completed the acquisition of Dongjiakou Operation II from QDP, which is accounted for as a business combination under common control. Therefore, the financial information of the same period as provided in the consolidated financial statements of the Group for the year ended 31 December 2014 have been restated. Accordingly, Dongjiakou Operation II does not have any impact on the financial results of the Group.

In February 2014, the Company acquired Dongjiakou Operation I from QDP through QDOT, a 30% owned joint venture of the Company. Therefore, Dongjiakou Operation I was not consolidated into the financial statements of the Group for the year ended 31 December 2014 but is included in share of profit of joint ventures instead. In addition, as of 31 December 2014, Other Retained Operations were not transferred to the Group. Therefore, the results of operations of the Group for the year ended 31 December 2014 will not be comparable to those for the year ended 31 December 2013, which included earnings generated by Dongjiakou Operation I and Other Retained Operations during the period from 1 January 2013 to 14 November 2013.

Based on the above, for the convenience of the shareholders and investors of the Company to compare the results of the Group for the year ended 31 December 2014 with that of the year ended 31 December 2013, the management of the Company have adjusted the consolidated income statement of the Group for the year ended 31 December 2013 and produced the adjusted unaudited consolidated income statement figures for the year ended 31 December 2013 based on the earnings arising from Dongjiakou Operation I and Group Loans, which is the main profitable asset of Other Retained Operations, during the period from 1 January 2013 to 14 November 2013. In this report, the financial information and related analysis provided in the consolidated income statement which are marked up with "adjusted" refer to the financial information provided in the unaudited income statement after adjusting the impact of Dongjiakou Operation I and Group Loans.

The adjustments to profit for the year ended 31 December 2013 are as follows:

Unit: RMB'000

	Note	
Profit for the year ended 31 December 2013		1,521,802
Attributable to: owners of the Company		1,500,499
Adjustment to Dongjiakou Operation I		
Adjustment to subcontract gross profit	*(a)*	(180,307)
Adjustment to selling and administrative expenses	*(b)*	9,748
Adjustment to other losses – net	*(b)*	2
Impact of income tax expenses	*(b)*	42,639
Adjustment to share of profit of joint ventures	*(c)*	38,375
Adjustment to Group Loans		
Other income	*(d)*	(96,458)
Impact of income tax expenses	*(d)*	24,115
Adjusted profit for the year ended 31 December 2013		1,359,916
Attributable to: owners of the Company		1,338,613

(a) The operating model of Dongjiakou Operation I during the period from 1 January 2013 to 14 November 2013 and subsequent period is to handle subcontract business of QDP Qiangang Branch or Qiangang Branch (the details of which are set out in the Prospectus), therefore, the gross profit of Dongjiakou Operation I during the period from 1 January 2013 to 14 November 2013 (the relevant figures of which are set out in Note 3 to the Accountant's Report as set forth in Appendix I of the Prospectus) is deemed to be operation costs of the Group, which represents a reduction of the profit of the Group for 2013.

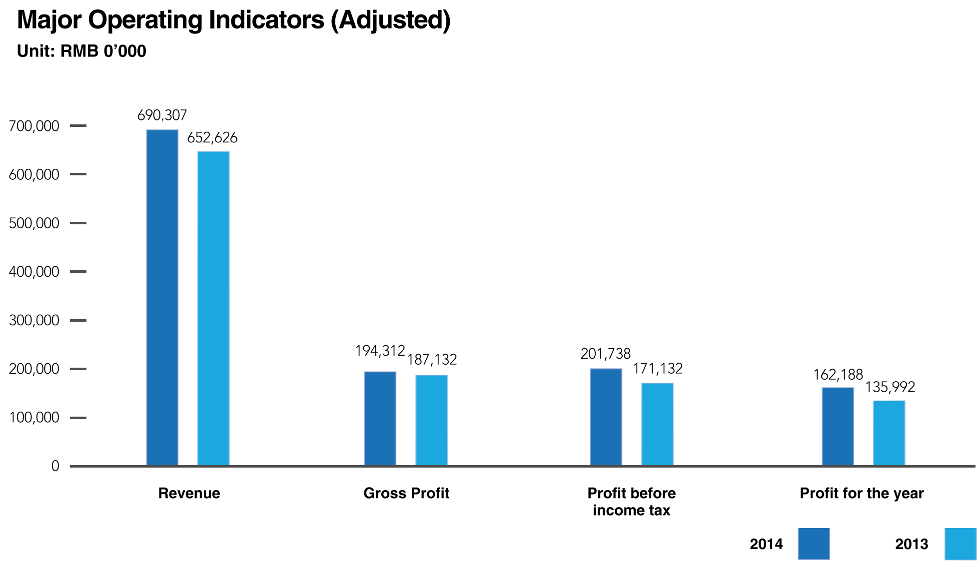
(b) Selling and administrative expenses, etc. (the relevant figures of which are set out in Note 3 to the Accountant's Report as set forth in Appendix I of the Prospectus) and income tax expense of Dongjiakou Operation I incurred during the period from 1 January 2013 to 14 November 2013 represent an increase of the profit of the Group for 2013.

(c) Based on the profit of Dongjiakou Operation I during the period from 1 January 2013 to 14 November 2013, we calculated the share of profit of the joint ventures attributable to the Group on a 30% equity basis (i.e. the shareholding percentage of the Company in QDOT).

(d) Interest income from Group Loans (the relevant figures of which are set out in Note 8 to the Accountant's Report as set forth in Appendix I of the Prospectus) and income tax expense of Dongjiakou Operation I incurred during the period from 1 January 2013 to 14 November 2013 represent a reduction of the profit of the Group for 2013.

Unless otherwise specified, references to the operational data or information such as throughput and berthing and storage capacity of the Group shall include the aggregate of such operational data or information of the Group and the joint ventures and associates of the Company, without regard to the proportion of interest held by the Company in such joint ventures and associates.

The Group is the primary operator of the Port of Qingdao, and is mainly engaged in container, metal ore, coal, crude oil and other cargo handling and ancillary services, logistics and port value-added services, port ancillary services and financial services.



For 2014, the Group handled a cargo throughput of 394.09 million tons, representing an increase of 8.0% over the same period, mainly due to the acquisition of Dongjiakou Operation I through QDOT, a joint venture in which the Group holds 30% interest, and the acquisition of Dongjiakou Operation II through the Company. The Group handled a container throughput of 16.48 million TEUs, representing an increase of 7.0% over the same period of last year.

For 2014, the Group recorded a revenue of RMB6,903 million, representing an increase of RMB377 million or 5.8% over the same period of last year, and revenue from all services (including interest income of Qingdao Finance) of RMB6,986 million, representing an increase of 7.0% compared to the same period, mainly due to the increase in revenue from the segments including logistics and port value-added services, port ancillary services and financial services.

For 2014, the Group recorded a gross profit of RMB1,943 million, representing an increase of RMB72 million or 3.8% over the adjusted figure for the same period of last year, mainly due to the increase in gross profit from the segments including logistics and port value-added services and port ancillary services.

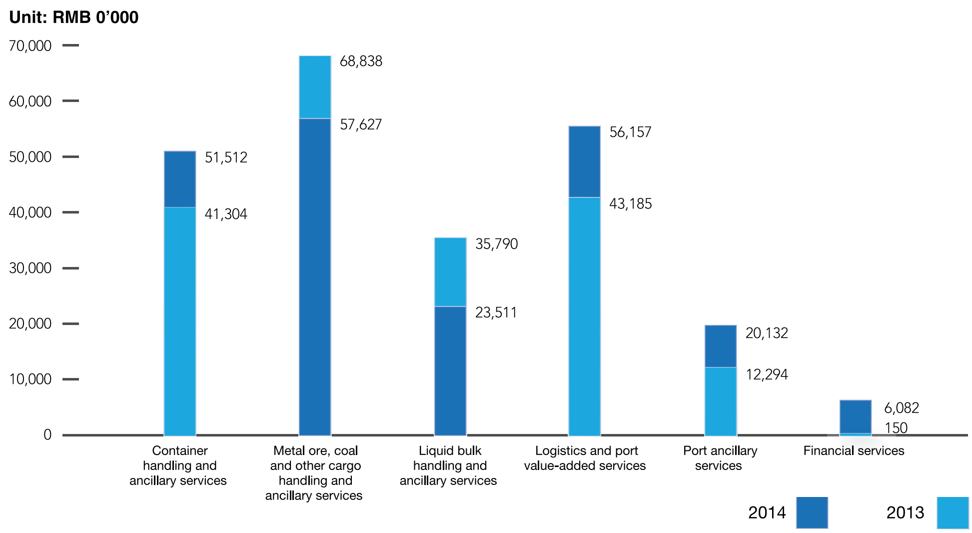
For 2014, the selling and administrative expenses of the Group decreased RMB177 million or 20.7% over the adjusted figure for the same period of last year, mainly due to the improvement in internal operation management, the cut down in administrative expenses and the reform in staff compensation and recruitment system.

For 2014, the share of profit of joint ventures and associates amounted to RMB611 million, representing an increase of RMB60 million or 10.9% over the adjusted figure for the same period, which was mainly due to the significant increase in the results from container handling and ancillary services.

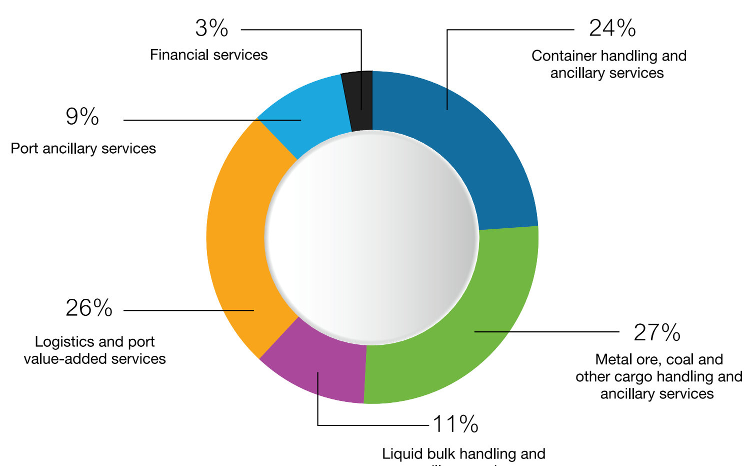
Based on the above, net profit attributable to the Company's owners amounted to RMB1,586 million, representing an increase of RMB248 million or 18.5% over the adjusted figure for the same period of last year.

2. Review of Business and Results by Segments

Comparison of Segment Results (Adjusted)



Breakdown of segment results for 2014



(1) Container handling and ancillary services

Business Review

Leveraging on our advantages including deep-water container berths, world-leading operational efficiency and central position among Northeast Asia ports cluster, the Group strengthened connections with headquarters of shipping companies, and have container vessels with a loading capacity over 18,000 TEUs normally anchored at Qingdao Port in 2014, which further enhanced our advantages and position in face of the larger vessels trend.

We took the initiatives to operate "48 hours forecasting and 24 hours reporting" ports jointly with operation centers of shipping companies, so as to achieve seamless connection and satisfy the economic speed demands of shipping companies. During the year, we have increased 11 international lines and 3 feeder ports, which further enhanced our position as the biggest northern port in the PRC and the hub port of Northeast Asia ports cluster.

We seized opportunities arising in marketization reform of the PRC railway industry and enhanced business cooperation. We have launched 10 sea-railway intermodal container transportation trains in Shandong province, and realized port operation of "Jiaozhou Center (膠州中心站)". We have also launched container transportation trains to Zhengzhou, Luoyang, Xi'an and Urumqi, etc. Meanwhile, we constantly strengthen the operations of cross-border trains to Central Asia and Europe through Dzungarian Gate and Khorgas. The sea-railway intermodal container transportation traffic grew 16% as compared to the same period of last year.

Meanwhile, the Group accelerated the progress of automatic container port construction project, so as to further enhance operational efficiency with automatic control and intelligent production and reduce labor costs, in order to speed up the process of building the Company as the international shipping logistics center of Northeast Asia.

Results Review

Unit: RMB'000

Item	2014	2013	Increase over 2013	Change (%)
Consolidated Group Companies				
Revenue	196,825	192,954	3,871	2.0%
Cost	60,794	64,359	-3,565	-5.5%
Gross profit	136,031	128,595	7,436	5.8%
Profit of Consolidated Group Companies	116,973	108,800	8,173	7.5%
Joint ventures *(Note)*				
Revenue	2,962,738	2,652,250	310,488	11.7%
Cost	1,192,188	1,185,619	6,569	0.6%
Share of profit of joint ventures	398,147	304,243	93,904	30.9%
Segment results	515,120	413,043	102,077	24.7%

Note: Revenue and cost of joint ventures are extracted from the financial statements of joint ventures including QQCT Riqing Container and others, without taking into account the shareholding percentage of the Company has in those joint ventures.

Container handling and ancillary services are primarily operated through one of our joint ventures QQCT, and its joint ventures such as QQCTU. In 2014, we have achieved throughput of 16.48 million TEUs, representing an increase of 7.0% over the same period, and a segment results of RMB515 million, representing an increase of RMB102 million or 24.7% over the same period. The significant increase in profit is primarily due to the following reasons:

(1) The logistics network are further improved, which drove the growth in handling volume of international trade full containers and the steady increase in cross handling volume with other ports in the hinterland;

(2) Leveraging on our position as the largest container port in northern China and our advantage with normal anchor port for large container ships, we have strengthened the bargaining power of QQCT and its joint ventures with shipping companies and adjusted commercial preferential policy when appropriate, which promoted the increase in both volume and price and significantly increased our earnings; and

(3) We have filed value-added tax exemption for shipping companies which enable QQCT and its joint ventures to entitle certain governmental tax incentives and therefore increased our earnings.

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

Business Review

In 2014, through the acquisition of Dongjiakou Operation I by QDOT, the Group acquired ore and coal handling berths with a capacity of 300,000 DWTs (the hydraulic structures of the terminal were constructed to allow for docking of bulk cargo vessels with a capacity of 400,000 DWTs) as well as the relevant auxiliary assets at the Dongjiakou Port Area, whereby the Group has the capacities of loading and unloading from large-scale ore vessels and establishes an auxiliary transshipment network for water transportation. This laid a foundation for the subsequent docking of full-loaded ore vessels with a capacity of 400,000 DWTs at ports in China as well as for the construction of an ore transshipment base catering to the needs of the Northeastern Asia.

In addition, through expansion of stacking yards and investment in distribution processing equipment, the Group has a warehousing capacity of 55 million tons, (a bonded warehousing capacity of 6.8 million tons) and a distribution processing capacity of 60 million tons per year in order to meet individual needs of customers.

Through acquisition of two multi-purpose berths with docking capacity of 50,000 tons in Dongjiakou Port Area, the Group have radiated to the new hinterland of the southwest part of Shandong province. We have realized layout for various cargo types, including crops, timber, construction material, chemical fertilizer and steel. For the year, there were break cargos of 2,710,000 tons handled in Dongjiakou Port Area, representing a new breakthrough.

The Group have quickly taken the advantage of the policy benefits from Qianwan Bonded Port Area, which was approved in 2013 as one of the finished automobile importing ports, with an importation of 5,800 finished automobiles and became an up-rising star among the PRC finished automobile importing ports.

We have grasped opportunities brought by the growth in timber import and implemented special areas and professional handling strategy. We handled timber of 1,260,000 cubic meters, representing an increase of 67% as compared to the same period of last year.

Through expanding railway transportation networks, actively coordinating and promoting Handan-Jinan line to accelerate the regulation of flow and expansion of capacity, developing new hinterlands along the line, the Group have achieved railway transportation of 51,000,000 tons of metal ore, grains and oil products, and maintained its position as the largest PRC port in terms of railway transportation. Leveraging on the highly efficient railway network, the Group has expanded the coal hinterland to Shannxi province, and attracted railway port container of over 2,000,000 tones, which is five times of the figure of the same period of last year. We have further made use of the distance advantage of railway transportation and expanded the chemical fertilizer and grains export business in the hinterland.

Results Review

Unit: RMB'000

Item	2014	2013	2013 (Adjusted) (Unaudited)	Increase over 2013 (Adjusted)	Change (%)
Consolidated Group Companies					
Revenue	2,962,380	3,083,625	3,083,625	-121,245	-3.9%
Cost	2,123,793	2,012,613	2,192,920	-69,127	-3.2%
Gross profit	838,587	1,071,012	890,705	-52,118	-5.9%
Profit of Consolidated Group Companies	570,642	773,504	645,586	-74,944	-11.6%
Joint ventures *(Note)*					
Revenue	954,285	413,970	983,826	-29,541	-3.0%
Cost	790,304	317,630	707,179	83,125	11.8%
Share of profit of Joint ventures	5,629	4,422	42,797	-37,168	-86.8%
Segment results	576,271	777,926	688,383	-112,112	-16.3%

Note: Amount of revenue and cost of joint ventures represents the total amount of revenue and cost in the financial statements of joint ventures of the Company such as QDOT, West United and Huaneng Qingdao without taking into account the shareholding percentage the Company has in those joint ventures.

Metal ore, coal and other cargo handling and ancillary services business segment was operated primarily through Dagang Branch, Qiangang Branch and joint ventures of the Company such as QDOT, West United and Huaneng Qingdao. In 2014, the Group handled a throughput of 166 million tons and recorded segment results of RMB576 million, representing a decrease of RMB112 million or 16.3% over the same period of last year (adjusted).

In particular, segment revenue of Consolidated Group Companies amounted to RMB2,962 million, representing a decrease of 3.9% over the same period of last year, while segment gross profit of Consolidated Group Companies amounted to RMB838 million, representing a decrease of 5.9% over the same period of last year (adjusted), which was mainly attributable to decrease in imported bauxite and coal due to the impact of government policies.

Segment share of profit of joint ventures amounted to RMB5.6 million, representing a decrease of RMB37 million over the same period of last year (adjusted), which was mainly attributable to increase in QDOT's operation costs of RMB106 million as compared to Dongjiakou Branch, its processor group, due to the additions of a number of assets, staff and new loans since the commencement of QDOT's operations in March 2014. As a large dry bulk terminal company, QDOT achieved a good performance by recording a profit of RMB12 million in the year when it was established. Capacities of QDOT will be further released and its profit model is expected to be optimized constantly along with the continuous improvement of the infrastructure at Dongjiakou Poat Area.

(3) Liquid bulk handling and ancillary services

Business Review

In 2014, the Group completed the construction of 2 new crude oil berths and some oil tanks with a capacity of 0.4 million m^3 as supporting facilities at the Dongjiakou Port Area, with oil tanks with a capacity of 2.0 million m^3 under construction, which formed the capacity of docking of and unloading from the world's largest full-loaded obtained the crude oil vessels with a capacity of 450,000 DWTs and an auxiliary transshipment system for water transportation. They were put into trial operation in October 2014.

The Group enhanced its communication with the government and cargo owners, and fully promoted the planning and construction of oil product transportation pipelines at the Dongjiakou Port Area, which created certain conditions for the further expansion of imported oil hinterland at the Dongjiakou Port Area to the refineries along the Yangtze River and in Henan province. In addition, the Group launched the transportation pipeline from Huangdao to Weifang, with a designed capacity of 15 million tons per year in the first quarter of 2014, as a result of which the amount of imported oil products in Weifang, Shandong province has increased significantly.

Results Review

Unit: RMB'000

Item	2014	2013	Increase over 2013	Change (%)
Consolidated Group Companies				
Revenue	89,749	322,009	-232,260	-72.1%
Cost	15,423	110,984	-95,561	-86.1%
Gross profit	74,326	211,025	-136,699	-64.8%
Profit of Consolidated Group Companies	73,569	200,871	-127,302	-63.4%
Joint ventures *(Note)*				
Revenue	765,026	596,769	168,257	28.2%
Cost	282,017	233,378	48,639	20.8%
Share of profit of joint ventures	161,537	157,027	4,510	2.9%
Segment results	235,106	357,898	-122,792	-34.3%

Note: Information on revenue and cost of joint ventures was extracted from the financial statements of Qingdao Shihua, a joint venture of the Company, without taking into account the shareholding percentage of the Company has in the joint venture.

The liquid bulk handling and ancillary services business segment was operated primarily through Qingdao Shihua, a joint venture of the Company. In 2014, the Group handled a throughput of 52.37 million tons, representing a decrease of 8.76% over the same period of last year, which was mainly attributable to decrease in the import volume of oil products resulting from, among other things, decrease in imported fuel oil of local refinery plants and four refinery plants suspending production due to repairing and maintenance of equipment. With further release of capacities of crude oil terminal at the Dongjiakou Port Area and Huangwei Pipeline, the liquid bulk handling and ancillary services business segment is expected to increase in volume and revenue in the future. For 2014, the segment results amounted to RMB235 million, representing a decrease of RMB35 million or 13% over the same period of last year, after taking into account factors such as transfer of operations and assets of QDP Yougang Branch of the Group (assuming 50% of the profit of QDP Yougang Branch of the Group for the same period of last year had been converted into share of profit of joint ventures), which was mainly attributable to decrease in the throughput of Qingdao Shihua.

(4) Logistics and port value-added services

Business Review

In 2014, the Group put great efforts on the development of its container transshipment hub business, established a new container cargo loading base for shipping companies, and achieved a handling volume of export full containers of 630,000 TEUs, representing an increase of 30% over the same period of last year. The Group actively conducted the LCL business in respect of grain, ore, coal and pulp, facilitated the optimal allocation of various transportation ways at the port and achieved 50,000 TEUs in the LCL business.

Through accelerating the layout of inland ports and fully expanding the efficient and intensive railway transportation network, the Group located and operated some inland ports in Zhengzhou, Dongying, Linyi and Urumqi, which expanded its inland hinterland of cargo sources.

Through the coordination of import and export cargo sources and road transportation capacity in the Port of Qingdao and the optimization of matching of trucks and cargoes, the Group realized its benefit growth while reducing the logistics costs. The Group has successfully developed an "intelligent dispatching platform for cargo collection and distribution at our port" in relation to terminals, truck fleets and transshipment hub resources, which recorded a reloading rate of over 60%. Through fully promoting the intelligent dispatching platform for long-distance transportation, expanding the operation of exclusive lines and focusing on the improvement of full loading rate of transportation, the Group established a safe, high quality, intensive, efficient and low-cost transportation model. The truck fleets of the Group realized an ore transportation volume of 32 million tons, representing an increase of 60% over the same period of last year.

The Group initially developed ocean shipping business and carried out ocean shipping of containers and dry bulk by chartering ships, realising a revenue of RMB36 million. It accumulated experience and laid a good foundation for the Group to expand its international line ocean shipping business in the future.

The Group has integrated logistics elements and resources, developed shipping agency business, provided third party logistics solutions and expanded a full chain of comprehensive logistics services. During the year, the Group's ship agency business amounted to 1,787 ships, representing a market share of 10% in the ship agency market of Qingdao Port. The Group has expanded Japan line booking business, represents a market share of 15% of Qingdao Port. The Group also launched the development of "HI-DAO.com", a shipping electric commerce platform, to establish the first comprehensive and public third party platform of Qingdao Port.

The Group has optimised its operation process, reduced the intermediate operation links, enforced business of "Direct Access of Heavy Containers" and "Direct Collection of Empty Containers" and created new business models and profit growth points.

On the basis of strictly controlling risks, the Group cooperated with banks and expanded its new logistics finance supervision service, and has completed cargo pledge supervision of 3.66 million tons.

Results Review

Unit: RMB'000

Item	2014	2013	Increase over 2013	Change (%)
Consolidated Group Companies				
Revenue	2,078,955	1,658,257	420,698	25.4%
Cost	1,471,934	1,193,511	278,423	23.3%
Gross profit	607,021	464,746	142,275	30.6%
Profit of Consolidated Group Companies	514,959	384,281	130,678	34.0%
Joint ventures and associates *(Note)*				
Revenue	614,023	502,831	111,192	22.1%
Cost	422,486	326,093	96,393	29.6%
Share of profit of joint ventures and associates	46,615	47,566	-951	-2.0%
Segment results	561,574	431,847	129,727	30.0%

Note: Amount of revenue and cost of joint ventures and associates represents the total amount of revenue and cost in the financial statements of joint ventures and associates of the Company conducting the bussiness of providing logistics and port value-added services without taking into account the shareholding percentage of the Company has in those joint ventures and associates.

The logistics and port value-added services business segment was operated primarily through the Consolidated Group Companies, such as Logistic Branch, Tugboat and Barge Branch, Qingdao Port Logistics and Qingdao OST, which are companies primarily engage in the provision of services such as transshipment hub, transportation, warehousing, cold chain, agency, inland ports, tallying and tugging, which are the growth points for the transformation and upgrade of the business of the Group. In 2014, the Group recorded segment results of RMB561 million, representing an increase of RMB129 million or 30.0% over the same period of last year, which was mainly due to the followings:

(1) As the Group consolidated container transshipment hub resources and builds up an advantageous position in providing "one-stop" services in order to drive increase in handling volume of containers, the gross profit increased by RMB62 million;

(2) As the Group coordinated the transportation capacity of highway, railway and waterway in respect of the transportation of dry bulk, provided "door-to-door" logistics services and extended logistics value chain, the gross profit increased by RMB21 million;

(3) As the Group explored new profit models and provided new services such as centralised dispatching of vehicles arriving at and departing from our port, direct entry of full containers and direct taking of empty containers, the gross profit increased by RMB22 million;

(4) As the Group expanded new tugging and tallying business as well as business volume increased, the gross profit increased by RMB23 million.

As the Group is accelerating the process of transforming the logistics business to full logistics business and expanding value-added services, the profit contribution from this segment to the Group will further increase.

(5) Port ancillary services

Unit: RMB'000

Item	**2014**	**2013**	**Increase over 2013**	**Change (%)**
Consolidated Group Companies				
Revenue	1,571,937	1,267,379	304,558	24.0%
Cost	1,287,056	1,092,485	194,571	17.8%
Gross profit	284,881	174,894	109,987	62.9%
Segment results	201,316	122,943	78,373	63.7%

Port ancillary services segment, which are entirely operated through Consolidated Group Companies, engages in power supply, oil supply, port construction, port machinery manufacturing and terminal facilities leasing services and other businesses. The segment results of the Group from port ancillary services amounted to RMB201 million for 2014, representing an increase of RMB78 million or 63.7% over the same period of last year, mainly due to the increase in business volume of power supply, oil supply and port construction.

(6) Financial services

Unit: RMB'000

Item	**2014**	**2013**	**Increase over 2013**	**Change (%)**
Consolidated Group Companies				
Revenue	86,312	2,040	84,272	4,131.0%
Cost	9,241	690	8,551	1,239.3%
Gross profit	77,071	1,350	75,721	5,609.0%
Segment results	60,815	1,500	59,315	3,954.3%

Financial service was a newly developed business segment for the year which mainly engages in deposits and loans, interbank deposits, insurance agency and other businesses through Consolidated Group Companies such as Qingdao Finance and Yongli Insurance Agent Company. Since the establishment and commencement of operations of Qingdao Finance in July 2014, Qingdao Finance has a daily average deposit amount of RMB4,100 million through enhancement of prompt collection of its members' funds, and increased its capital gains through credit, interbank deposits and other businesses.

The Group's segment results throughout 2014 increased to RMB60.82 million from RMB1.50 million for the same period, mainly due to Qingdao Finance's earnings of RMB58.33 million.

3. Financial Status

Unit: RMB'000

Item	**2014**	**2013**	**Increase over 2013**	**Change (%)**
Land use rights	751,859	598,365	153,494	25.7%
Property, plant and equipment	10,686,050	9,204,664	1,481,386	16.1%
Intangible assets	74,412	40,118	34,294	85.5%
Cash and cash equivalents	4,534,746	1,277,288	3,257,458	255.0%
Trade and other payables (current)	8,674,060	3,915,487	4,758,573	121.5%

Land use rights of the Group increased by RMB153 million or 25.7% over the same period of last year, mainly due to the increase in land use rights of RMB108 million and RMB57 million was resulting from our acquisition of Mercuria Oil Terminal and Datang Port respectively during the Period.

Properties, machines and equipments of the Group increased by RMB1,481 million or 16.1% over the same period of last year, mainly due to the increase in construction in progress of RMB1,463 million as compared with that of 31 December 2013, of which RMB431 million, RMB496 million, RMB223 million, RMB171 million and RMB142 million are attributable to Datang Port, Mercuria Logistics and Mercuria Oil Terminal (all are recently acquired subsidiaries), break bulk cargo berth construction at Dongjiakou Port Area and dredging and deepening works at Qianwan Port Area respectively.

Intangible assets of the Group increased by RMB34 million or 85.5% over the same period of last year, mainly due to an increase in sea area use rights through our acquisition of Datang Port during the Period.

Cash and cash equivalents of the Group increased by RMB3,257 million or 255% over the same period of last year, mainly due to the proceeds from the initial public offering of the Company and cash generated from operating activities.

Trade and other payables (current) of the Group increased by RMB4,758 million over the same period of last year, mainly due to the increase of RMB1,241 million in bills payable and the increase of RMB3,887 million in deposits from members as absorbed by Qingdao Finance.

4. Cash Flow Analysis

The Group's net cash flow amounted to RMB3,262 million in 2014. In particular, Qingdao Finance obtained QDP's investment in the amount of RMB300 million and generated net cash inflow of RMB1,196 million in total through business activities including deposit taking and interbank deposit. In order to facilitate the understanding of shareholders and investors, without considering the impact of Qingdao Finance on the Group's cash flow, the net cash flow of the Group amounted to RMB1,066 million (not including the term deposits with initial term of over three months of RMB1 billion as deposited by the Company with Qingdao Finance).

Net cash inflow from operating activities amounted to RMB813 million, mainly derived from the operating profit of Consolidated Group Companies. Net cash outflow from investing activities amounted to RMB778 million, mainly due to placing term deposits with initial term of over three months of RMB1 billion. Net cash flow from financing activities amounted to RMB1,031 million, mainly due to the proceeds from the offering of H shares and net of the payment of QDP's special dividends.

5. Liquidity and Financial Resources

As at 31 December 2014, the balance of the Group's cash and cash equivalents amounted to RMB4,535 million. After deducting Qingdao Finance's effect, our self-owned funds amounted to RMB2,343 million which was mainly RMB denominated deposit. The Group's total interest-bearing bank borrowings amounted to RMB188 million, all of which were RMB-denominated borrowings at floating rates.

Gearing ratio represents the percentage of total interest-bearing bank and other borrowings at the end of each financial period (after deduction of cash balance) in total equity. As at 31 December 2014, the amount of the Group's cash balance exceeded the total interest-bearing bank and other borrowings.

6. Capital Structure

As at 31 December 2014, total equity of the Group amounted to RMB12,418 million, increased by RMB3,849 million as compared with that of 31 December 2013, among which, 778 million new shares were issued, and thus share capital increased by RMB778 million and share premium increased by RMB1,434 million; a decrease of RMB566 million in reserves mainly resulted from consolidation of enterprises under common control; an increase of RMB1,426 million of retained earnings mainly resulted from comprehensive income for the year, an increase of RMB777 million of non-controlling interests mainly resulted from the acquisition and investment to subsidiaries.

The proposed final dividend for 2014 will be subject to the approval of shareholders of the Company at the 2014 annual general meeting.

As at 31 December 2014, 4,778,204,000 shares of the Company have been issued, of which 856,025,000 shares are H shares. The total market capitalisation and H share market capitalisation of the Company were RMB16,055 million and RMB2,876 million respectively (based on the closing price of HK$3.36 per share on 31 December 2014).

7. Interest rate and exchange rates risks

As at 31 December 2014, restricted bank deposits, certain portion of the cash and cash equivalents, amounts due from related parties, amounts due to related parties and bank borrowings of RMB875 million, RMB1,783 million, RMB154 million, RMB3,554 million and RMB188 million respectively are subjected to floating interest rates. The Group has commenced an assessment of the interest risk and anticipate that interest risk will have no material impact on the results and financial position of the Group. Details of interest rate risk are set out in Note 3.1(a)(ii) to the financial statements.

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

The Group continue to closely monitor interest rate and exchange rates risks, and the Group did not enter into any hedging arrangements to hedge against exposure in interest rate and exchange rates risks during the year.

8. Financial indicators

	2014	**2013**	**2013 (Adjusted)**	**Change (%) over 2013 (Adjusted)**
Return on total assets	6.8%	6.7%	6.0%	0.8 percentage point
Return on net assets	15.5%	12.9%	13.9%	1.6 percentage points

Return on total assets was 6.8%, representing an increase of 0.8 percentage point over the adjusted figure for the same period of last year. Return on net assets was 15.5%, representing an increase of 1.6 percentage points over the adjusted figure for the same period of last year. The Company recorded an increase in the rate of return over the same period of last year and remained at the advanced level in the industry, which collectively embodied the Company's business ideas focused on economic efficiency. This was mainly due to (i) the clear business sectors, both comprehensive and highly complementary, each of which has strong profitability; and (ii) the Company's scientific management, high efficiency in asset operation, faster turnaround, and strong asset profitability.

III. SIGNIFICANT CAPITAL EXPENDITURES

Significant capital expenditures refer to the settlements of new capital contributions/ investments in joint ventures and associates, expenditure on construction in progress (including terminals) and expenditure for the purchases of property, plant and equipment.

During the year, the significant capital expenditures of the Group is RMB2,270 million.

Among the significant capital expenditures, the equity investment in joint ventures and associates is RMB600 million, which are mainly contribution to newly-established QDOT and capital increase to Qingdao Bay Liquid Chemical Port Operation Co., Ltd., West United and Vopak Logistics (Qingdao) Co., Ltd.

Capital expenditures for long-term assets such as property, plant and equipment is RMB1,670 million. The property, plant and equipment mainly included 1# and 2# multi-purpose berth of the No. 3 north jetty, phase 1 of the crude oil storage tank, 1# and 2# berth of the No. 2 north jetty at Dongjiakou Port Area, the phase 1 and 2 construction works of Datang and channels dredging and deepening construction works at Qianwan Port Area and other equipment investment and so on.

IV. SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

For details of the significant acquisitions and disposal of subsidiaries, joint ventures and associates please refer to the Note 36 to the financial statements.

V. EMPLOYEES

As of 31 December 2014, the Company had 7,805 employees and its subsidiaries and principal joint ventures had 5,105 employees. Employees' remunerations of the Group include basic salaries, wages and performance-based bonuses, which are determined by their working performance, human resource market condition and economic environment, under the Group's "two matches" principle to match the employees' income growth with the growth of the Company's results and raise of production rate. The Group's remuneration policy is reviewed on a regular basis. In addition, the Company remains committed to its "people-focused" approach, safeguards the legitimate rightsand interests of employees, and contributes social insurances as required by the relevant regulations of PRC. The Company also sets up enterprise annuity to provide extra welfare scheme to its employees. Finally, the Company offers internal trainings to the employees for their self-elevation and improvement on skills related to their positions.

VI. PLEDGE OF ASSETS

As at 31 December 2014, none of the Group's assets were pledged.

VII. CORPORATE SOCIAL RESPONSIBILITY

1. Environment protection

The Company makes it a mission to assume social responsibility by insisting on implementing "blue sky, green land and clean water" (藍天、綠地、碧水) projects and pushing forward the construction of green-low carbon emission ports. It has actively promoted the application of cleanenergy by upgrading to LED green-lighting technology and purchasing 100 LNG new energy transportation vehicles. It has proactively pushed forward the application of low-carbon emission technology by developing ten key low-carbon emission technologies including mixed-power container tire lifting technology (集裝箱輪胎吊混合動力技術), portal crane energy feedback technology (門機能量回饋技術) and electric room heat exchange system technology for ship unloaders (卸船機電氣室換熱系統技術), in order to lower energy consumption in its ports. It has advanced the development of its energy management systems and finished the building of its port energy management system, which has helped to realise real-time monitoring of energy consumption and improve intelligent energy management. It has endeavoured to build environment friendly ports by strictly implementing the "three all" (三個全部) policy, being all goods stacks must be covered; all stacking yards must undergo spraying; and all tires of handling vehicles must be washed (貨垛全部苫蓋、堆場全部噴淋、搬倒市提車輛全部沖洗車輪), so as to minimise dust in the air, sand on the land and floating debris in the water. The Company's port environment management is in leading position in the PRC.

The Company attaches great importance to green management of its port areas. It has enlarged its green area by 20,381 sq.m. and planted 38,600 sprouts and trees of various species. In 2014, it passed the occupational health review made by State Administration on Work Safety and was once again recognised as a "Provincial Advanced Hygiene Unit" (省級衛生先進單位).

2. Employee Care

The Company always attaches great importance to growth and development of employees. In 2014, it appointed external experts to provide trainings on management and internal control of listed companies for the Company's management team and hold seven specialized training courses on modern logistics, port English and modern corporate management, which has helped to improve the capability of its employees holding key positions. The Company also cooperated with The Open University of China and China University of Petroleum to provide credential education of associate degree, bachelor degree and master degree on logistics management to improve academic qualifications of its employees. The Company also arranged key staff to attend specialised training courses held by China Ports & Harbours Association on production coordination, safety management, freight quality, modern logistics, customer services and legal knowledge.

The Company always attaches great importance to employees' physical and mental health. It has health seminars on a regular basis and carries out health and science education activities. It has formed scientific, comprehensive and optimized physical examination standards and provides physical examination to its employees once a year, and will follow up and interfere therapies of illness. By adhering to its "people and safety-oriented" (以人為本、平安是福) philosophy, the Company continued to enhance port safety management. It has advanced the development of its safety culture system focusing on regulating safe employee behaviours by putting in place safety culture system development and implementation plans, holding a production safety "micro-movie" (微電影) competition and a cartoon exhibition on production safety, organizing the filming of 26 educational videos on safety culture, standardizing safety warning signals, and preparation of 217 safety operation practice tips by type of goods and machines. It strengthened safety trainings and education for all employees by regulating the contents, duration and examination requirements of "five types of training" (五項培訓) (being off-job safety training for all employees, key points training, specialized training, on-board training and position training) to provide tailor-made education varying by levels and positions. It arranged safety trainings for all administrative and technical staff, technical workers, handlers and employees holding other positions at two levels of the Company. It implemented position safety skill testing at its handling company, prepared safety training materials by areas and positions, and held 596 training courses at nine phases. It prepared and distributed 2,900 copies of training materials introducing and promoting the new Production Safety Law, attended five specialised trainings on legal education in Qingdao, and appointed experts to hold seven-phases trainings on legal education for its employees holding key positions in the Group.

3. Community Care

The Group actively participates in public welfare activities. It has organized over 40 teams of volunteers to participate in public welfare activities such as helping the elderly, the disabled and the poor, arranged 30 volunteers to provide volunteering services at the opening ceremony of the International Horticultural Exposition 2014 Qingdao, and organized its employees to donate blood on a regular basis. It cooperated with Huangdao District Xindao Community (黃島區辛島社區), Shibei District Luoyang Road Community (市北區洛陽路社區), Shibei District Hai'an Road Community (市北區海岸路社區) and Huangdao District Experimental School (黃島區實驗小學) in Qingdao to provide one-on-one volunteering services. It organized on a regular basis volunteers to examine electric circuits and repair electric appliances for community residents and help the elderly without company of children at home to learn how to surf the Internet and use modern electric products in order to enrich their spiritual life. The volunteers pick garbage and promote ideas of environment protection in the communities. The Qingdao Port Love Elementary School (青島港慈愛小學) in Maliuwan, Wude Township, Zhenxiong County, Zhaotong City, Yunnan Province, whose construction was sponsored by the Group, has been completed and put into use, providing a desirable environment for learning for children in poor mountainous areas.

VIII. OUTLOOK FOR 2015

In 2015, the global economy will continue to undergo a period of deep adjustment following the international financial crisis and China's economy will maintain a new normal of moderate to rapid growth. The Group will face many difficulties and pressures in development as well as the state's significant strategic opportunities such as implementation of "One Belt and One Road (一帶一路)" strategy and building of China-South Korea Free Trade Zone.

While striving to develop its stevedoring operations, the Group will continue to enhance strategic innovation, build up a diversified profit model, boost profit contribution ratio of business segments such as logistics and finance, maintain a sustained and steady development, create a complete port logistics industry chain integrated with terminal stevedoring, transportation and distribution, online settlement and financial support, and seize the national strategic opportunities to explore the internationalisation development.

To enlarge stevedoring operations. We will grasp a development trend of large-size ships and alliance of shipping companies in container business with a focus on promoting international transshipment, adding shipping lines and developing domestic trade so as to maintain our leading position as the top container hub port in northern China. We will enhance cooperation with major steel mills and mines in ore and coal dry bulk business to boost bonded warehousing, futures delivery, mixed screening, processing trade and other businesses and build an ore distrubition base. We will continue to increase transportation capacities of pipelines, railways and highways in liquid bulk business to further release the capacities of new Dongjiakou terminal.

To expand modern logistics. We will, under the leadership of Qingdao Port Logistics, our wholly-owned subsidiary, continue to integrate resources inside and outside the port by utilising the port' advantages as a logistics hub for import and export with inland port as bridgehead and ocean-railway transportation network as channel, develop agency businesses such as shipping agency, freight forwarder and cargo booking agency business as well as transportation businesses such as those in relation to dry bulk, oil products fleet and container, design personalized logistics solutions for our customers, provide a full chain of comprehensive logistics services and supply sufficient sources of goods for stevedoring operation business of the Group. Meanwhile, we will strengthen cooperation with famous magnates in refrigeration industry such as Eimskip, Iceland in expansion of cold chain distribution, chilled trade and other extended services.

To build an intelligent port. We will promote the integration of internet technology and port operations to build an intelligent port that features intelligence operation of port production, logistics and electronic commerce network services, flat and coordinated operation and information sharing and intelligent analysis. We will accelerate the construction of automatic container terminals through active promotion of intelligent operations of cargoes such as dry bulk and liquid bulk, drive the transfer of modern logistics business from offline to online (從線下到線上) through application of advanced technologies such as big data and cloud platform to build a world's leading online port, and upgrade the traditional management process with information technology to further improve management efficiency.

To further expand financial sector. We will promote the integration of finance and logistics to foster a new growth pole for port development. The Group will continuously enrich port's financial organisational modes, expand port's financial functions, actively develop a high end financial service system consisting of financial companies, insurance brokerages and other modes and actively develop port-shipping related financial services such as logistics, investment and financing by leveraging port advantages to build a new source of profit growth for our port.

To explore overseas development. We will take initiative to "go global (走出去)" based on the national strategies to pursue a development abroad. With the advantages of the Port of Qingdao in geographical location, shipping route and management as "a northern gateway to the Maritime Silk Road (海上絲綢之路北方門戶)" and "an East Bridgehead of Silk Road Economic Belt (絲綢之路經濟帶東方橋頭堡)", we will work with our strategic partners to participate in development, construction and business management of ports in countries and regions along "One Belt and One Road (一帶一路)" through capital contribution, management output, business cooperation and other means. Meanwhile, we will seize the opportunities arising from the signing of the China–South Korea Free Trade Agreement to further increase cargo transportation volume between Qingdao and South Korea by leveraging such favorable situation where Qingdao has initiated an all-round construction of China–South Korea Trade Cooperation Zone and accelerated its declaration as a free trade port area.

To enhance internal management. We will enhance our internal management and control to ensure healthy operation of the Group in compliance with the laws and regulations; optimize institution setting, improve work efficiency and lower management cost; strengthen risk prevention measures to ensure controllable safety of operational activities; and perfect incentive mechanism, optimize the allocation of human resources and conducting normalised training to cultivate diversified talents.

3. For the year ended 31 December 2015

I. MACRO SITUATION AND INDUSTRY OVERVIEW

In 2015, the macro economy of China confronted numerous difficulties and significant challenges. The economic downward pressure continued to increase, and the growth rate of Gross Domestic Product (GDP) for the year 2015 declined by 0.4 percentage points to 6.9% as compared to the prior year (statistics from the National Bureau of Statistics of the PRC). The growth rate of demand for export-import goods further slowed down. In particular, the growth rate of total amount of export trade and import trade for the year 2015 decreased by 8.8 percentage points to -2.8% and 14.7 percentage points to -14.2%, respectively, as compared to the prior year (statistics from General Administration of Customs of the PRC).

The growth of throughput among ports in China remained slow. From January to November in 2015, the total amount of cargo throughput of the above-scale coastal ports increased by 1.1% as compared to the prior year, among which, the throughput of containers and crude oil rose by 3.8% and 10.3%, respectively, and the throughput of metal ore decreased by 0.2%, as compared to the prior year (statistics from Ministry of Transport of the PRC). The increasingly intensive competition among port operators prompted the port industry to develop in depth. Those operators who are equipped with superior docking capacity, integrated port industry chain and diversified profit model will stand out from the competitors.

II. REVIEW OF BUSINESS AND FINANCIAL CONDITION

In 2015, the Group positively coped with the changes in the macro economy, and actively transformed and upgraded its business model. The Company remained as a leading first-class domestic port operator by relying on its terminal business as the foundation, and logistics, finance and other new businesses as the driver. In the New Normal, the Company achieved fast growth and provided satisfactory returns to its shareholders.

In the aspect of terminal business, the Group accurately grasped business opportunities, such as the permission of berth of Valemax in China and the regional refineries' obtaining of crude oil processing and import quota. Relying on its deep water terminals, vast storage yards and comprehensive cargo distribution and transportation networks, the Group designed "door-to-door" comprehensive logistics services, turned its advanced infrastructure to its competitive advantage and layed the foundation for a sustainable development.

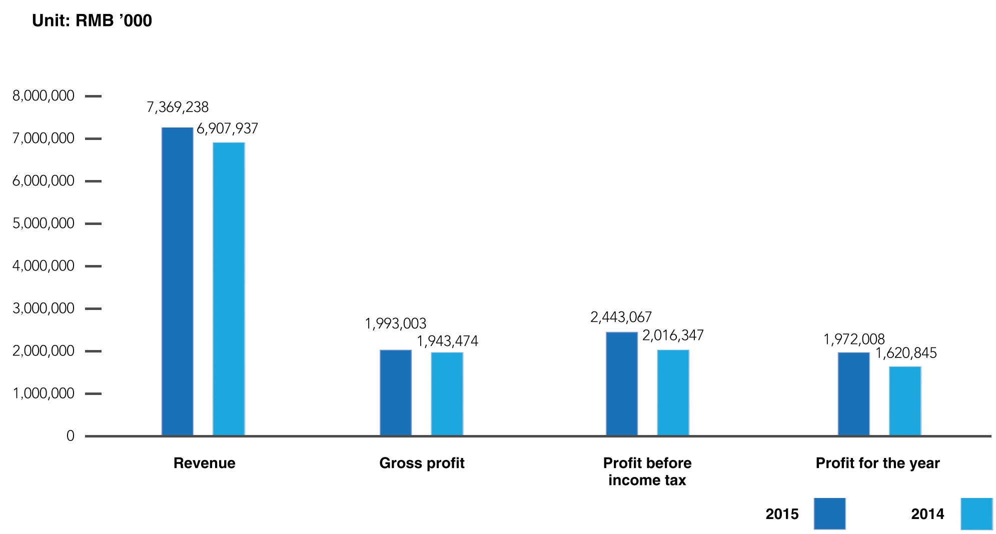
In the aspect of new businesses, the Group reasonably planned its investment portfolio to take full advantage of its ability in terms of cargo sources control and supply chains resources allocation; integrated various social resources through light-assets cooperation model to provide customers an industry-wide comprehensive port service covering agency, container management hubs, transportation and other service areas. Meanwhile, by efficiently integrating, matching the financial resources and funding needs of port-related entities and providing financial services such as deposit, loan, electronic banking papers and letter of guarantee, the Group managed to diversify its source of income and further stimulate its growth.

1. Overall Review of Business and Results

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

Unless otherwise specified, references to the operational data or information such as throughput, berthing and storage capacity of the Group shall include the aggregation of such operational data or information of the Group, the joint ventures and an associate of the Company, without taking into account the proportion of interest held by the Company in such joint ventures and associate.

Comparison of Major Operating Indicators



The Group's total revenue for the year ended 31 December 2015 was RMB7,369 million, representing an increase of RMB461 million or 6.7% compared to the prior year. Revenue and income from all services (including interest income of Qingdao Finance) was RMB7,615 million, representing an increase of RMB624 million or 8.9% compared to the prior year. Such increase was primarily due to an increase in revenue from logistics and port value-added services, financial services and port ancillary services.

The Group's gross profit for the year ended 31 December 2015 was RMB1,993 million, representing an increase of RMB50 million or 2.6% compared to the prior year. Such increase was primarily due to an increase in gross profit from logistics and port value-added services and port ancillary services.

The Group's selling and administrative expenses for the year ended 31 December 2015 decreased by RMB34 million or 5% compared to the prior year. Such decrease was primarily due to an decrease of RMB98 million in early retirement and other supplemental retirement benefit expenses, offset by the increase of RMB84 million in provision for asset impairment.

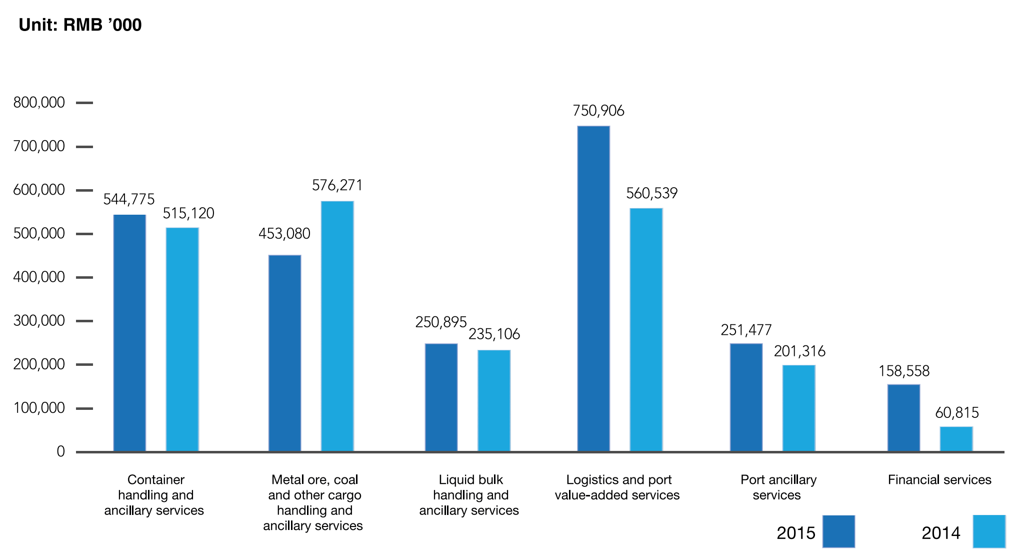
The Group's share of after-tax profit of joint ventures and an associate for the year ended 31 December 2015 was RMB674 million, representing an increase of RMB62 million or 10.1% compared to the prior year. Such increase was primarily due to a stronger performance of the container handling and ancillary services.

The Group's profit before income tax for the year ended 31 December 2015 was RMB2,443 million, representing an increase of RMB427 million or 21.2% compared to the prior year. In particular, the profit before income tax attributable to Consolidated Group Companies was RMB1,616 million, accounting for 70.6% of the total amount of the profit before income tax (excluding the gain from disposal of equity interests in Riqing Container), and representing an increase of 15.1% compared to the prior year.

The profit attributable to the owners of the Company for the year ended 31 December 2015 was RMB1,905 million, representing an increase of RMB320 million or 20.2% compared to the prior year; after excluding the gain from disposal of equity interests in Riqing Container, the profit attributed to owners of the Company was RMB1,790 million, representing an increase of RMB205 million or 12.9% compared to the prior year.

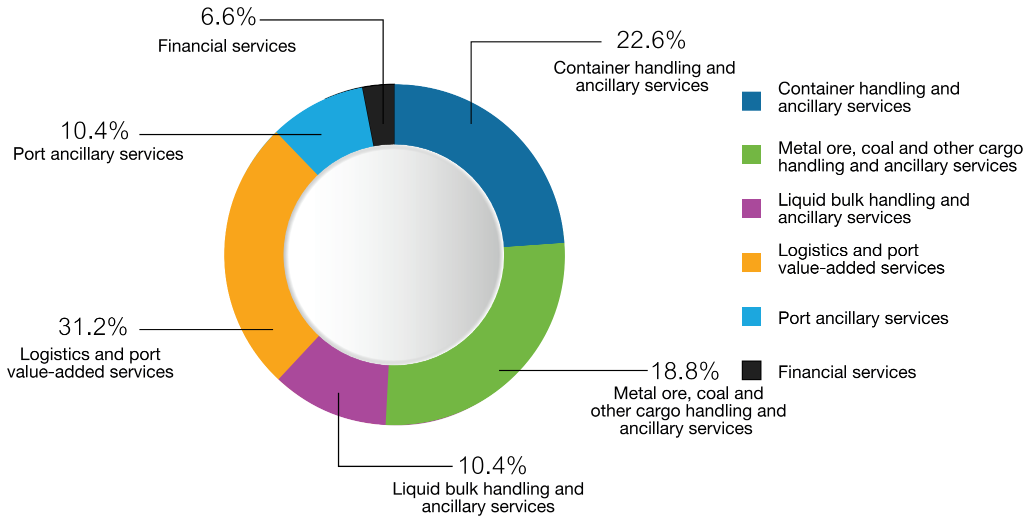
2. Review of Business and Results by Segments

Comparison of Segment Results



Note: Segment results for the year ended 31 December 2015 have excluded the gain from disposal of equity interests in Riqing Container.

Breakdown of Segment Results for 2015



Note: Segment results for the year ended 31 December 2015 have excluded the gain from disposal of equity interests in Riqing Container

The Group took full advantages of its port resources, reasonably planned its investment portfolio, and established a diversified enterprise group covering terminal business, logistics business and financial business. In particlar, after excluding the gain from disposal of equity interests in Riqing Container, the terminal business segment (including container handling and ancillary services, metal ore, coal and other cargo handling and ancillary services, and liquid bulk handling and ancillary services) contributed 51.8% of the total results, representing a decrease of 9.9 percentage points compared to the prior year. The logistics and port value-added services segment contributed 31.2% of the total results, representing an increase of 5.1 percentage points compared to the prior year. The financial services segment contributed 6.6% of the total results, representing an increase of 3.8 percentage points compared to the prior year. The Group relied on its terminal business and gradually established a diversified business model.

The details are set out below:

(1) Container handling and ancillary services

Unit: RMB'000

Item	2015	2014	Year-on-year comparison	Changes
Consolidated Group Companies				
Revenue	190,343	196,825	-6,482	-3.3%
Cost	61,091	60,794	297	0.5%
Gross profit	129,252	136,031	-6,779	-5.0%
Profit of Consolidated Group Companies	115,969	116,973	-1,004	-0.9%
Joint ventures				
Revenue	3,035,206	2,962,738	72,468	2.4%
Cost	1,121,722	1,192,188	-70,466	-5.9%
Share of profit of joint ventures	428,806	398,147	30,659	7.7%
Gain from disposal of a joint venture	153,157	–	153,157	–
Segment results	697,932	515,120	182,812	35.5%

Note: Amount of revenue and cost of joint ventures represents the total amount of revenue and cost in the financial statements of the joint ventures such as QQCT and Qingwei Container, without taking into account the respective shareholding percentage the Company has in those joint ventures. See Note 13 to the financial statements for more details on QQCT's financial information.

The Group's container throughput was 17.34 million TEUs for the year ended 31 December 2015, representing an increase of 5.2% compared to the prior year. The Group also recorded a segment result of RMB698 million, representing an increase of RMB183 million or 35.5% compared to the prior year. After excluding the RMB153 million gain from the disposal of the equity interests in Riqing Container, the segment result was RMB545 million, representing an increase of 5.8% compared to the prior year.

The container handling and ancillary services segment was operated primarily through relevant joint ventures of the Company. Such change in results was mainly attributable to the following reasons:

(1) the Group strengthened its bargaining power and adjusted commercial preferential policies where appropriate with shipping companies, which increased stevedoring charges of main routes by 5%; and

(2) the Group enhanced financial management and decreased the financial costs of the joint ventures by RMB28 million.

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

Unit: RMB'000

Item	2015	2014	Year-on-year comparison	Changes
Consolidated Group Companies				
Revenue	2,942,473	2,962,380	-19,907	-0.7%
Cost	2,282,180	2,123,793	158,387	7.5%
Gross profit	660,293	838,587	-178,294	-21.3%
Profit of Consolidated Group Companies	435,656	570,642	-134,986	-23.7%
Joint ventures				
Revenue	1,220,429	954,285	266,144	27.9%
Cost	908,223	790,304	117,919	14.9%
Share of profit of joint ventures	17,424	5,629	11,795	209.5%
Segment results	453,080	576,271	-123,191	-21.4%

Note: Amount of revenue and cost of joint ventures represents the total amount of revenue and cost in the financial statements of the joint ventures such as QDOT, West United and Huaneng Qingdao, without taking into account the respective shareholding percentage the Company has in those joint ventures.

The Group's throughput of metal ore, coal and other cargo for the year ended 31 December 2015 was 194 million tons, representing an increase of 8.2% compared to the prior year. The segment result was RMB453 million, representing a decrease of RMB123 million or 21.4% compared to the prior year.

Such change in results was attributable to the following reasons:

(1) the throughput of the newly launched "door to door" ore transshipment services with relatively lower charge increased while the throughput of the coal business with higher charge decreased, and the adjustment in domestic port charges decreased the average charges of ore, coal and other dry bulk by 6.2%;

(2) the increase in handling of break bulk cargo of the Group, the independent operation of the Dongjiakou Branch, and the newly launched "door to door" ore transshipment services caused the increase of operating costs, such as labor, material consuming and transshipment freight expenses; and

(3) the Group's share of post-tax profit from QDOT, a joint venture of the Company, increased by RMB12 million due to an increase in QDOT's revenue resulted from the expansion of the stevedoring business for Valemax as well as ancillary businesses including ore mixing, ore distribution and duty-free business.

(3) Liquid bulk handling and ancillary services

Unit: RMB'000

Item	**2015**	**2014**	**Year-on-year compansion**	**Changes**
Consolidated Group Companies				
Revenue	99,149	89,749	9,400	10.5%
Cost	17,512	15,423	2,089	13.5%
Gross profit	81,637	74,326	7,311	9.8%
Profit of Consolidated Group Companies	81,299	73,569	7,730	10.5%
Joint Ventures				
Revenue	834,365	765,026	69,339	9.1%
Cost	330,759	282,017	48,742	17.3%
Share of profit of joint ventures	169,596	161,537	8,059	5.0%
Segment results	250,895	235,106	15,789	6.7%

Note: Amount of revenue and cost of joint ventures represents the total amount of revenue and cost in the financial statements of the joint ventures such as Qingdao Shihua, without taking into account the respective shareholding percentage the Company has in those joint ventures. See Note 13 to the financial statements for more details on Qingdao Shihua's financial information.

The Group's throughput of liquid bulk for the year ended 31 December 2015 was 57.71 million tons, representing an increase of 10.2% compared to the prior year. The segment result was RMB251 million, representing an increase of RMB16 million or 6.7% compared to the prior year.

The liquid bulk handling and ancillary services segment was operated primarily through Qingdao Shihua, a joint venture of the Company. Such change in the result was mainly attributable to the following reasons:

(1) benefiting from adjustment in national crude oil import policy, the regional refineries in Shandong Province obtained the crude oil import and processing quota, and thus imported more crude oil to substitute fuel oil, with the transportation shifting from small tonnage ships to large tonnage ships, which drived the increase of business amount and revenue of Qingdao Shihua; and

(2) the new crude oil terminal of Qingdao Shihua in Dongjiakou Port Area and the operation capacity has not been fully released due to inadequate infrastructure, however, the fixed costs still increased. Following the completion of ancillary oil tanks and pipelines and other infrastructures, revenue from such crude oil terminal should increase accordingly.

(4) Logistics and port value-added services

Item	2015	2014	Year-on-year compansion	Changes
Consolidated Group Companies				
Revenue	2,417,114	2,083,822	333,292	16.0%
Cost	1,613,247	1,476,443	136,804	9.3%
Gross profit	803,867	607,379	196,488	32.4%
Profit of Consolidated Group Companies	692,142	513,924	178,218	34.7%
Joint ventures and an associate				
Revenue	674,409	614,023	60,386	9.8%
Cost	460,634	422,486	38,148	9.0%
Share profit of joint ventures and an associate	58,764	46,615	12,149	26.1%
Segment results	750,906	560,539	190,367	34.0%

Note: Amount of revenue and cost of the joint ventures and associate represents the total amount of revenue and cost in the financial statements of the joint ventures and associate which provided logistics and port value-added services, without taking into account the respective shareholding percentage the Company has in those joint ventures and associate.

The segment result for the year ended 31 December 2015 was RMB751 million, representing an increase of RMB190 million or 34.0% compared to the prior year.

The change in the result was mainly attributable to an increase in profits before income tax in terms of the following aspects:

(1) RMB31 million, due to the steady growth of towing and tallying businesses as a result of the growth in terminal business;

(2) RMB46 million, due to the increase of hub and storage business by an effective cooperation among the Group's and other container management hubs and shipping companies, which brought out scale effect;

(3) RMB74 million, due to the increase in agency business as a result of the synergies with terminal business: the container shipping agency already covers 15 shipping companies and 16 shipping lines; furthermore, the freight agency established leading positions in seven types of cargo which include fertilizers and frozen fish; and

(4) RMB41 million, due to the strong performance of the transport discharging business, which relied on its information advantages to optimize the pairing between cargos and trucks, thereby covering 50% of users inside the port areas and improving the loading rate by 14 percentage points.

(5) Port ancillary services

Unit: RMB'000

Item	2015	2014	Year-on-year comparison	Changes
Consolidated Group Companies				
Revenue	1,714,324	1,571,937	142,387	9.1%
Cost	1,397,924	1,287,056	110,868	8.6%
Gross profit	316,400	284,881	31,519	11.1%
Profit of Consolidated Group Companies	251,477	201,316	50,161	24.9%
Segment results	251,477	201,316	50,161	24.9%

While making full use of port resources and providing satisfactory port ancillary services, the port ancillary services business segment facilitated the expansion of business scope and sought out new opportunities so as to optimize a market-oriented, industrialised and capitalised business model.

The segment result was RMB251 million for the year ended 31 December 2015, representing an increase of RMB50 million or 24.9% compared to the prior year. Such increase was mainly attributable to an increase in profit before income tax from oil supply, power supply and port project construction businesses.

(6) Financial services

Unit: RMB'000

Item	2015	2014	Year-on-year increase	Changes
Consolidated Group Companies				
Revenue	251,911	86,312	165,599	191.9%
Cost	35,613	9,241	26,372	285.4%
Gross profit	216,298	77,071	139,227	180.6%
Profit of Consolidated Group Companies	158,558	60,815	97,743	160.7%
Segment results	158,558	60,815	97,743	160.7%

The Group formulated implemented the port financial industry development plan to expand the function of financial services and established a port-oriented financial service system. The segment result was RMB159 million for the year ended 31 December 2015, representing an increase of RMB98 million or 160.7% compared to the prior year.

The increase in financial services segment result was mainly attributable to Qingdao Finance as it operated seven more months compared to the prior year and its business lines and profitability expanded and improved accordingly.

3. Financial Status Analysis

Unit: RMB'000

Item	31 December 2015	31 December 2014	Increase in amount	Change
Cash and cash equivalents	4,760,409	4,534,822	225,587	5.0%
Investments in joint ventures and an associate	4,698,040	4,453,664	244,376	5.5%
Property, plant and equipment	11,767,904	10,686,994	1,080,910	10.1%
Trade and other payables (current)	10,219,099	8,675,322	1,543,777	17.8%

As at 31 December 2015, the Group's cash and cash equivalents increased by RMB226 million compared to the prior year, mainly due to the net cash inflow of RMB1,429 million from operating activities, net cash outflow of RMB3,158 million from investing activities and net cash inflow of RMB1,950 million from financing activities.

As at 31 December 2015, the Group's investments in the joint ventures and an associate increased by RMB244 million or 5.5% compared to the prior year, mainly due to the Group's investment income as recognised under equity method, and the increase in the Group's investment costs exceeded the dividends as declared by the joint ventures and an associate during the year ended 31 December 2015.

As at 31 December 2015, the Group's properties, plant and equipment increased by RMB1,081 million or 10.1% compared to the prior year, mainly due to the increased investment in construction of multi-purpose berths, crude oil tanks and other infrastructures in Dongjiakou Port Area.

As at 31 December 2015, the Group's trade and other payables (current) increased by RMB1,544 million or 17.8% compared to the prior year, mainly due to the increase in the deposit of members with Qingdao Finance.

4. Cash flow analysis

For the year ended 31 December 2015, the Group's net cash inflow amounted to RMB226 million (including the exchange gain). The detailed analysis is set out below:

Net cash inflow from operating activities amounted to RMB1,429 million, mainly derived from the operating profit of Consolidated Group Companies. Net cash outflow from investing activities amounted to RMB3,158 million, mainly comprising cash inflow of RMB556 million through dividends from joint ventures; cash inflow of RMB486 million from decrease in mandatory reserve deposit of Qingdao Finance; cash inflow of RMB320 million from the disposal of equity interests in Riqing Container; cash inflow of RMB291 million from receipt of interests; cash outflow of RMB2,081 million from acquisition of properties, plants and equipment; cash outflow of RMB2,261 million from loans advanced to members of the Group; and cash outflow of RMB348 million from increase of term deposits with initial term of over three months. Net cash inflow from financing activities amounted to RMB1,950 million, mainly due to cash inflow of RMB2,397 million from an increase in net deposits absorbed by Qingdao Finance, offset by cash outflow of RMB469 million from the Company's distributions of dividends.

5. Liquidity and Financial Resources

As at 31 December 2015, the balance of the Group's cash and cash equivalents, term deposits with initial term of over three months and restricted bank deposits amounted to RMB7,556 million, which mainly comprised RMB-denominated deposits. The Group's total interest-bearing bank borrowings amounted to RMB492 million, which were all RMB-denominated borrowings and included RMB183 million of borrowings at floating rates. As at 31 December 2015, the gearing ratio was 13%.

6. Capital Structure

As at 31 December 2015, total equity of the Group amounted to RMB13,332 million, increased by RMB898 million as compared with that of 31 December 2014. Such net increase mainly comprised an increase of RMB1,905 million in retained earnings as a result of higher operating profit for the year ended 31 December 2015; a decrease of RMB946 million in retained earnings due to the declaration of a special dividend and a final dividend of year 2014 by the Company; and a decrease of RMB130 million in capital reserves due to the remeasurement of supplemental benefit obligations.

As at 31 December 2015, the total issued share capital of the Company was 4,778,204,000 shares, of which 856,024,000 shares were H shares. The total market capitalisation and H share market capitalisation of the Company were HK$16,533 million and HK$2,962 million, respectively.

7. Interest rates and exchange rates risks

As at 31 December 2015, restricted bank deposits, certain portion of cash and cash equivalents, amounts due to related parties, certain portion of amounts advanced to related parties and certain portion of bank borrowings of the Group were RMB434 million, RMB1,310 million, RMB2,219 million, RMB5,843 million and RMB183 million respectively, and are subjected to floating interest rates. The Company has assessed the interest rates risk and anticipates that interest rates risk will not have material impact on the results and financial position of the Group.

The Group's business activities are mainly conducted in the PRC and settled in RMB. Changes in exchange rates do not have a material effect on the Group. The Group will continue to closely monitor interest rates and exchange rates risks, and did not enter into any hedging arrangements to hedge against exposure in interest rates and exchange rates risks during the year ended 31 December 2015.

8. Risk in relation to the dependence on the economic development of the hinterland

Our Group is principally engaged in the cargo handling as well as ancillary services including logistics and financial service. Our business operation closely relates to the economic development of the hinterland. Factors such as the economic growth of the hinterland, the development of the export-oriented economic, the industrial structure and the transport and logistics of the hinterland will have a direct or indirect impact on the Group's operation.

The main economic hinterland of the Group is the Bohai Rim Region, which is one of the developed economic areas of the PRC. Based on the consolidation of the traditional hinterland, the Group continues to strengthen the construction of the transportation system and inland network and provide its customers with an "one-stop" comprehensive logistics service utilizing the "door-to-door" method to expand its service area into the areas along the "One Belt and One Road" and the Yangtze river basin, avoiding the risk in relation to the dependence on the economic development of the hinterland to the largest extend.

9. Financial indicators

Indicators	2015 January to December	2014 January to December	Change over 2014
Return on total assets	6.6%	6.8%	-0.2 percentage points
Return on net assets	15.3%	15.4%	-0.1 percentage points

For the year ended 31 December 2015, return on total assets of the Group was 6.6%, representing a decrease of 0.2 percentage points; and return on net assets was 15.3%, representing a decrease of 0.1 percentage points compared to the prior year. The Company's rate of return on total assets and net assets remained at the top level in the industry, which reflects the company's business philosophy that focusing on economic efficiency. Such rate of return was mainly due to (i) allocation of terminal investments based on market demand, which increased the utilization rate of designing capacity to 150%; (ii) high return on investments from improved operating efficiency and profitability of major joint ventures, such as QQCT and Qingdao Shihua; and (iii) fast growth of modern logistics, financial and other light-assets businesses, which generated 37.8% of the total profits with use of 27.6% of the net assets.

10. The influence of Qingdao Finance to the consolidated statements of the Group

	2015	**2014**
Consolidated Balance Sheet		
Cash and cash equivalents	2,391,277	2,192,349
Term deposits with initial term of over three months	2,207,450	977,000
Restricted bank deposits	388,172	874,552
Trade and other receivables (current)	279,488	62,254
Trade and other receivables (non-current)	1,472,366	88,980
Trade and other payables (current)	6,287,072	3,885,462
Other reserves	77,670	33,107
Consolidated Income Statement		
Other income	246,076	83,088
Finance costs	(31,332)	(8,287)
Consolidated Statement of Cash Flow		
Loans advanced to related parties	(1,700,728)	(150,980)
Loans repaid by related parties	71,020	–
Increase in term deposits with initial term of over three months	(1,230,450)	(977,000)
Decrease/(increase) in mandatory reserve deposit as included in restricted bank deposits	486,380	(874,552)
Interest received	243,984	17,880
Increase in amounts due to related parties	2,396,753	3,883,889
Interest paid	(26,624)	(6,888)

III. SIGNIFICANT CAPITAL EXPENDITURES

During the year of 2015, the Group's significant capital expenditures amounted to RMB1,543 million. Among those, equity investment was RMB112 million, mainly comprising investments in Binzhou Port-Qingdao Port International Terminal Company, Qingdao Port Dongjiakou Sinotrans Logistics Co., Ltd. and Vopak Logistics (Qingdao) Co., Ltd., and acquisition of Qingdao City Qingdao Port Commodity Trading Center Co., Ltd. and Evergreen (Qingdao) Container Storage & Transportation Co., Ltd.; capital expenditures for long-term assets such as terminals, oil tanks and equipment was RMB1,431 million, mainly comprising investment in construction terminals, tanks and other equipment at Dongjiakou Port Area.

IV. SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

On 10 February 2015, the Group entered into a share transfer agreement with Rizhao Port Group Co., Ltd. The Group transferred its 50% equity interests in Riqing Container to Rizhao Port Group Co., Ltd. at a consideration of RMB639 million. The Board has resolved and approved such transaction. As at 31 December 2015, such transaction has been completed.

On 20 March 2015, the Company acquired from Qingdao Port Investment and Construction (Group) Co., Ltd., a subsidiary of QDP, its 100% equity interests in Qingdao City Qingdao Port Commodity Trading Center Co., Ltd. at a cash consideration of RMB15.312 million. The Board has resolved and approved such transaction. Please refer to the announcement of the Company dated 20 March 2015 for detailed information of the transaction. As at 31 December 2015, such transaction has been completed.

On 27 July 2015, the Company acquired 100% equity interests in Qingdao Port International Development (Hong Kong) Co., Ltd. from QDP at a cash consideration of RMB31.18 million. The Board has resolved and approved such transaction. Please refer to the announcement of the Company dated 27 July 2015 for detailed information of the transaction. As at 31 December 2015, such transaction has been completed.

V. EMPLOYEES

As of 31 December 2015, the Company had 6,981 employees and its subsidiaries and principal joint ventures had 5,700 employees. Employees' remunerations of the Group include basic salaries, wages and performance-based bonuses. The growth of employees' remunerations are determined by their working performance, economic environment, and supply and demand conditions of human resource market, under the "two matches" principle to match the employees' income growth with the growth of the Company's results and the raise of production rate. The Group's remuneration policy is reviewed on a regular basis. Remaining committed to its "people-focused" approach and safeguarding the legitimate rights and interests of employees, the Group contributes social insurances as required by the relevant regulations of the PRC and also sets up enterprise annuity to provide extra welfare scheme to its employees.

VI. PLEDGE OF ASSETS

As at 31 December 2015, bank acceptance bills of the Group with a value of approximately RMB62.732 million have been pledged as the security for issuance of bank acceptance notes.

VII. CORPORATE SOCIAL RESPONSIBILITY

1. Environment Protection

The Group makes it a mission to assume social responsibility by insisting on implementing "blue sky, green land and clean water" (藍天、綠地、碧水) projects and pushing forward the construction of green low-carbon emission ports. It obtained an excellent grade in its energy management for the annual evaluation in Qingdao City.

The Group has proactively pushed forward the application of low-carbon emission technology. The Group's comprehensive production energy consumption reduced by 2% by accomplishing energy-saving programs such as online monitoring of electric energy, feedback on energy of the large-scale port machinery and electric harmonic control, and upgrading to LED green lighting technology to a full extent.

The Group has laid emphasis on the building of an environment-friendly port by requiring that all goods stacks must be covered, that all stacking yards must undergo spraying, and that all tires of handling vehicles must be washed (貨垛全部苫蓋、堆場全部噴淋、搬倒市提車輛全部沖洗車輪) in the port areas, and completing exhaust testing for 847 motor vehicles inside and outside the port so as to minimize dust in the air, sand on the land and floating debris in the water. The Group planted 12,000 sprouts and trees of various species, in an effort to build a green ecological environment.

The Group continued to enhance health and epidemic prevention management. It assisted the Entry-Exit Inspection and Quarantine Department to struggle with Middle East Respiratory Syndrome (MERS), checking 31 ships and 5,253 persons. It also kept organizing people to exterminate pest and virus vectors. The epidemic prevention area is 351,400 squared meters.

2. Employee Care

The Group attached great importance to management team building. The Group engaged external experts to hold seven high-end training classes for the its management team and provide trainings on listed companies' management and internal control focusing on the Company's development strategy, covering topics on financial management, internet, safety culture, risk management, and legal risk prevention, aiming to improve the decision-making ability of its management team.

The Group proactively carried out ability improvement trainings to all employees for constantly enhancing employees' ability by successively holding 46 specialized training courses on finance, human resources, logistics, equipment technology and safety quality management. The Group also cooperated with The Open University of China and China University of Petroleum to provide credential education to improve its employees' quality. To develop employees' thinking in the frontier field, the Group also arranged key staff to attend specialized training courses held by China Ports & Harbours Association on production coordination, safety management, freight quality, modern logistics, customer services, commercial charge collection, and legal issues.

The Group cared the employees' physical and mental health. It held health seminars on a regular basis and carried out health and science education activities. It had formed scientific, comprehensive and optimized physical examination standards and provided, funds to its employees for physical examination once a year, and followed up therapies of illness.

The Group intensified intrinsic safety construction in key points. The Group advanced to a full extent the construction and implementation plan of its safety culture system, actively mitigating safety risks by means of video "surveillance for site safety, being enclosed and isolated for high-risk" work areas, and man-machine separation. The Group also carried out diagnostic expert evaluation in key points such as in the operation of dangerous goods and held 142 specialized training classes for working staff of dangerous goods and 26 emergency drills, improving standardization, proceduralization and operability in safety management.

3. Community Care

The Group actively participated in public welfare activities, such as helping the elderly, the poor and the young. It has organized its employees to donate blood on a regular basis and donated more than 50,000 milliliter of blood in the year 2015. The Group also organized its employees to participate in voluntary tree-planting activities themed as "Youth Green Promotion, Build Beautiful Qingdao", to examine electric circuits and repair electric appliances for community residents on a regular basis, and giving warmth to the elderly. The Group participated in the project of national youth healthy personality education demonstration base and the project of "Bluetree Valley", for, the teenagers social and professional experience center and undertook summer tour themed as "All Young Hand in Hand to Fulfill Beautiful Chinese Dream" to the port organized by the Central Committee of the Communist Youth League.

VIII. OUTLOOK FOR 2016

The global economy will continue to recover at a slow pace, with a great deal of uncertainty and instability in 2016. The International Monetary Fund, the World Bank and the Organization for Economic Co-operation and Development had lowered the expected global economic growth rate for 2016, but still anticipated a growth rate between 2.9% and 3.4%. Meanwhile, the domestic economy will confront greater downward pressures. However, the long-term trend of economic growth remains unchanged, with the expected growth rate to be between 6.5% and 7%.

The Group will closely monitor changes in the economy. The Group will also take advantage of Qingdao Port's various strengths, such as cargo diversity and services comprehensiveness, to effectively respond to changes in different aspects of domestic or global economy. Meanwhile, the Group will continue to transform and upgrade its businesses. While improving its traditional businesses and for the purpose of maintenance of a sustainable growth, the Group will expand new businesses, establish a modern logistics industrial chain, diversify the financial services, integrate its businesses into "One Belt and One Road" initiative and explore its oversea business opportunities to maintain a stable development. As such, the Group will concentrate its efforts on the following six aspects:

Firstly, the Group will continue to strengthen the terminal stevedoring business. The Group will leverage on its advantages in owning the world's first-class specialized deep berths for containers, crude oil, ore, coal and grains, being the world's top rating operation efficiency and alliance with internationally renowned strategic partners and maintain high-level communications with key clients, implement headquarter marketing strategy, so as to expand and improve businesses involving its core cargo types. In particular, as to the container business, the Group will add new international routes, enhance its waterway network, develop international transshipment business provide accurate forecast of berthing time to shipping companies and the comprehensive logistics services so that the Group will maintain its leading position as the top container hub port in Northern China with a steady and increasing cargo services; as to the dry bulk business, the Group will take advantage of its 400,000 ton-class and 200,000 ton-class terminals, large stock yards, large bonded zones, comprehensive logistics services and enhance cooperation with major miners, major traders and major steel mills, to operate bonded ore, mixed processing, logistics transportation, futures settlement and other businesses, in order to form an "ore supermarket", and increase grain import through the use of new grain berths and ancillary grain tanks at the Dongjiakou Port Area; as to the liquid bulk business, the Group will accelerate the construction of 2.46 million cubic meter oil storage tanks and inland oil pipelines, so as to increase its storage and transportation capacity, and strive to increase its market share by relying on its bonded storage tanks and strategic alliance with major traders. Besides, by making full use of its vast stock yards in Dongjiakou Port Area, the Group will achieve higher volume and revenue from steel, wood, constructive materials and other cargos.

Secondly, the Group will continue to expand the "door-to-door" comprehensive logistics service. By utilizing the strengths of ports as a hub in the logistics chain and the port resources, the Group will integrate relevant logistics resources to provide "door-to-door" comprehensive logistics service for its customers. In particular, firstly the Group will expand the agency business and cooperate with world-class shipping companies to gradually gain competitive edges in large containers, ore, and cruiser agency businesses. Secondly, by developing public transportation business, the Group will integrate and appropriate transportation resources and capacity through the use of the Qingdao Port Road Transport E-commerce Platform, thereby decreasing costs for the customers and benefiting the Group. Thirdly, the Group will accelerate the construction of inland ports and establish regional marketing center and logistics service center, to enhance its control over the flow of goods on inland area. Forthly, the Group will improve its sea-railway network and enhance cooperation with the railway departments, to add new routes and transportation capacity. Finally, the Group will improve the international logistics channel that connects to Middle Asia and Europe, increase the number of direct lines from Qingdao to Middle Asia and Europe, and construct an "Oriental Bridgehead."

Thirdly, the Group will further implement its financial strategy. The Group will take advantage of the port as a logistics center, cash flow center and information flow center, to deepen integration between finance and industry, and improve the Group's financial services and profitability. Specifically, through strengthening the treasury management of Qingdao Finance, the Group will further improve the service businesses, expand the business scope and strengthen the function of financial services. Secondly, the Group will make full use of Qingdao Financial Leasing, to continue operating movable leasing business, such as large equipment, thereby reducing the Group's financial cost. Meanwhile, the Group will use its port resources to explore external markets and cooperate with other financial institutions to operate united lease, sublease and business factoring, to increase the Group's revenue. Thirdly, the Group will use "Yin Gang Tong", a system designed by the Group and Qingdao Banking Regulatory Bureau, to share information among banks, ports and cargo owners, to operate cargo collaterals supervising business, and provide an efficient monitoring platform for banks and a convenient financing channel for cargo owners, thereby increasing the Group's cargo volume and revenue.

Forthly, the Group will vigorously implement the Internet strategy. The Group will integrate in depth internet technology with stevedoring, port logistics and internal control, to construct the intelligent port. In particular, the Group will develop a terminal intelligent operation system, establish two world-class automatic container berths and be able to conduct a trial run of the terminals by the end of this year. At the same time, the Group will upgrade the operation management system of other terminals to improve efficiency and reduce cost. Additionally, the Group will design logistics e-commerce network service system and to drive the transfer of logistics services from offline to online for the benefit of the clients and create value for the Group. Finally, the Group will improve administrative efficiency and facilitate intelligent administration by coordinating the construction of administrative and internal management system.

Fifthly, the Group will steadily implement globalization strategy. The Group will grasp the opportunity of the "One Belt and One Road" initiative by forming a strategic alliance with major domestic and foreign shipping companies, international terminal operators and other partners, to complement their respective strengths and explore overseas opportunities. In particular, the Group will explore sister ports around the world and share information, technologies, management and other know-hows. Moreover, by the steadily output of its management and capital, the Group will look for opportunities to invest in and operate oversea projects such as terminals and logistics parks.

Finally, the Group will continue to improve corporate governance. The Group will strictly abide by the relevant laws and regulations, the listing rules and corporate governance rules. The Group will continue to adjust and improve its corporate governance rules to ensure regulatory measures and control activities for every operation activity, every position and every potential risk. Furthermore, the Group will establish a comprehensive risk management system that entails risk prevention, financial supervision, legal compliance and internal audit. The Group will continue to improve and standardize its operation to increase efficiency and reduce overall costs. The Group will enhance incentive mechanisms, optimize allocation of human resource, control the scale of workforce, enhance employee training, and form a committed, loyal, innovative and efficient team.

IX. PROPOSED FINAL DIVIDEND FOR THE YEAR AND CLOSURE OF REGISTER

The Board has proposed the distribution of a final dividend of approximately RMB664.55 million or RMB139.08 per thousand shares (tax inclusive) for the year ended 31 December 2015 to the shareholders whose names appear on the register of members of the Company on 17 June 2016, before 5 August 2016. The payment of the final dividend shall be subject to approval by the Company's shareholders at the forthcoming annual general meeting.

In order to determine the eligibility of being entitled to the proposed final dividend, the share register of the Company will be closed from Sunday, 12 June 2016 to Friday, 17 June 2016 (both days inclusive), during which no share transfer will be registered. The shareholders whose names appear on the register of members of the Company on Friday, 17 June 2016 are entitled to the proposed final dividend. Holders of the Company's shares who wish to receive the proposed final dividend are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or at the Company's registered office in the PRC, at 7 Ganghua Road, City North District, Qingdao, Shandong Province, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Friday, 10 June 2016 for registration.

X. DISTRIBUTION OF FINAL DIVIDEND AND WITHHOLDING OF CORPORATE INCOME TAX AND INDIVIDUAL INCOME TAX

(1) Overseas enterprise shareholders

In accordance with the Corporate Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends to non-resident enterprise shareholders, it is required to withhold 10% corporate income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of dividends as corporate income tax, distribute the dividends to non-resident enterprise Shareholders, i.e. any Shareholders who hold the Company's Shares in the name of non-individual Shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

(2) Individual shareholders

Pursuant to the Notice of the PRC State Administration of Taxation Concerning the Collection and Management of Individual Income Tax after the Abolition of the Circular SAT No. [1993] 045 (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the SAT on 4 January 2011, dividends paid by a PRC non- foreign-funded company listed in Hong Kong are generally subject to a 10% individual income tax. For residents in a country where a tax treaty is signed, if the applicable tax rate is lower than 10%, the Company may apply for treaty benefits on their behalf and claim a refund of the excessively withheld tax subject to approval by the competent tax authorities. However, if the tax rate applicable to the dividends to be distributed to the residents of a country where a tax treaty is signed is between 10% and 20%, the Company will withhold such residents' individual income tax at the tax rate stipulated under the tax treaty. For residents of a country which has not entered into a tax treaty with the PRC or in other cases, the Company will withhold individual income tax at the tax rate of 20%.

XI. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2015.

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

The Company has adopted the Model Code as its own code of conduct for securities transactions by directors and supervisors of the Company. Specific enquiries have been made to all the directors and supervisors of the Company and each of the directors and supervisors of the Company has confirmed that he/she has complied with the Model Code for the year ended 31 December 2015.

XIII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

No purchase, sale and redemption of any listed securities of the Company was made by the Company or any of its subsidiaries for the year ended 31 December 2015.

XIV. AUDIT COMMITTEE

The Audit Committee has reviewed, with management, the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2015.

XV. AMENDMENTS OF CONSTITUTIONAL DOCUMENT

The Company made amendments to the Articles of Association at the annual general meeting held on 6 June 2015. The revised version came into effect upon approval by the shareholders at the aforesaid annual general meeting. The current effective Articles of Association have been published on the websites of the Company and the Hong Kong Stock Exchange.

XVI. CLOSURE OF REGISTER

In order to determine the eligibility of shareholders who are entitled to attend the annual general meeting of the Company, the share register of the Company will be closed from Saturday, 7 May 2016 to Monday, 6 June 2016 (both days inclusive), during which no share transfer will be registered. The shareholders whose names appear on the register of members of the Company on Monday, 6 June 2016 are entitled to attend and vote at the annual general meeting. Holders of the Company's shares who wish to attend the annual general meeting but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or at the Company's registered office in the PRC, at 7 Ganghua Road, City North District, Qingdao, Shandong Province, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Friday, 6 May 2016 for registration.

XVII. MATERIAL LITIGATIONS

Other than the litigations to which the Company was involved as disclosed in the announcements of the Company published on 28 July 2014, 15 August 2014 and 5 September 2014, respectively, the Group was not involved in any material litigation or arbitration from the Listing Date to 31 December 2015.

The Company does not expect the aforesaid litigations and relevant judgments and orders to have a material adverse impact on the Group's business and operations.

XVIII. SUBSEQUENT EVENTS

On 16 March 2016, the Company issued the first tranche of the corporate bonds of 2016 of the Company (the "First Tranche Domestic Corporate Bonds"). The First Tranche Domestic Corporate Bonds has an aggregate amount of RMB1,500,000,000. Details of the issue of the bonds were published on the website of the Shanghai Stock Exchange (www.sse.com.cn). The Company intends to apply the proceeds from the issue of the First Tranche Domestic Corporate Bonds to the complement the liquidity of the Company.

4. For the six months ended 30 June 2016

I. INTERNATIONAL AND DOMESTIC SITUATION

1. General Situation

In the first half of 2016, the global economy's recovery faltered and the global trade continued shrinking. The import and export trade in China still faced a sluggish global trading environment. The gross domestic product (GDP) of China increased by 6.7% on a year-on-year basis. The total export and import trade value of China for the first half of 2016 decreased by 2.1% and 4.7% on a year-on-year basis, respectively. *(Sources: Statistics from National Bureau of Statistics of the PRC and the General Administration of Customs of the PRC)*

2. Operation of the Port Industry

With a slowdown in economy growth and the decrease in the total value of the import and export trade in China, the growth rate of national coastal ports throughput has also entered into a "new normal" phase characterised by moderate, single-digit growth rate. In the first half of 2016, the national coastal ports throughput and the container throughput increased by 1.7% and 3.6% on a year-on-year basis, respectively. *(Source: Statistics from the Ministry of Transport of the PRC)*

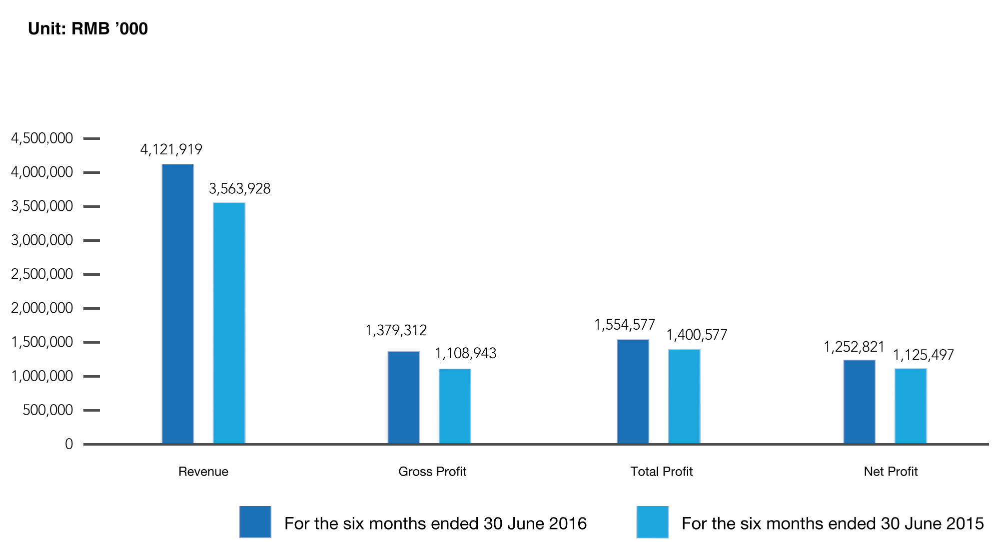
II. REVIEW OF BUSINESS AND FINANCIAL RESULTS OF THE GROUP

1. Overall Review

Faced with the "new normal" of the PRC's economic development, the Group has accelerated the expansion of its logistics and port value-added services on the basis of consolidating and expanding its port stevedoring business, further optimized the profit structure and made efforts to create the edge for a new round of development and a diversified and sustainable profit model.

For the six months ended 30 June 2016, the Group's cargo throughput was 221.48 million tons, representing an increase of 6.1% over the same period of last year. During the same period, the Group realized a container throughput of 8.86 million TEUs, representing an increase of 3.6% over the same period of last year.

Comparison of Major Operating Indicators



For the six months ended 30 June 2016, the Group recorded a revenue of RMB4,122 million, representing an increase of RMB558 million, or 15.7%, over the same period of last year, mainly due to the increase in the revenue from the logistics and port value-added services and port ancillary services segments.

For the six months ended 30 June 2016, the Group recorded a gross profit of RMB1,379 million, representing an increase of RMB270 million, or 24.3%, over the same period of last year, mainly due to the increase in gross profit from the logistics and port value-added services, metal ore, coal and other cargo handling and ancillary services and port ancillary services segments.

For the six months ended 30 June 2016, the selling and distribution expenses and general and administrative expenses of the Group amounted to RMB279 million, representing an increase of RMB28 million, or 11.2%, over the same period of last year, mainly due to the increase in the provision for early retirement benefit obligation for new participants during the reporting period.

For the six months ended 30 June 2016, the share of post-tax profit of an associate and joint ventures of the Group amounted to RMB399 million, representing an increase of RMB48 million, or 13.7%, over the same period of last year, which was mainly due to the increase in the investment income of the container handling and ancillary services, and liquid bulk handling and ancillary services segments.

For the six months ended 30 June 2016, the Group realised a total profit of RMB1,555 million, representing an increase of RMB154 million, or 11.0%, over the same period of last year. After deducting the gain from the disposal of equity interest in Riqing Container, the total profit of the Group increased by RMB307 million, or 24.6%, over the same period of last year.

For the six months ended 30 June 2016, the net profit attributable to shareholders of the Company amounted to RMB1,200 million, representing an increase of RMB113 million, or 10.4%, over the same period of last year. After deducting the gain from the disposal of equity interest in Riqing Container, the net profit attributable to shareholders of the Company increased by RMB228 million, or 23.5%, over the same period of last year.

2. Segment Review

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

Proportion of Segment Results

Unit: RMB'000

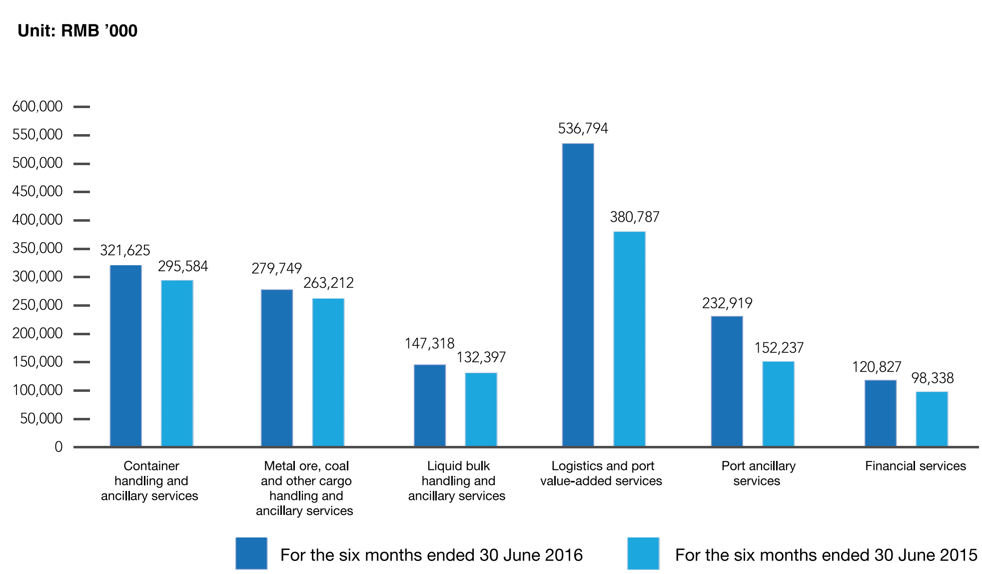
	For the six months ended 30 June				
	2016		2015		
Business Segments	**Amount**	**Proportion**	**Amount**	**Proportion**	**Change**
Container handling and ancillary services	321,625	19.6%	448,741	30.4%	-28.3%
Metal ore, coal and other cargo handling and ancillary services	279,749	17.1%	263,212	17.8%	6.3%
Liquid bulk handling and ancillary services	147,318	9.0%	132,397	9.0%	11.3%
Logistics and port value-added services	536,794	32.7%	380,787	25.8%	41.0%
Port ancillary services	232,919	14.2%	152,237	10.3%	53.0%
Financial services	120,827	7.4%	98,338	6.7%	22.9%
Total results before inter-segment elimination	1,639,232	100.0%	1,475,712	100.0%	11.1%

Proportion of Segment Results
(After deducting the gain from the disposal of equity interest in Riqing Container in the same period of last year)

Unit: RMB'000

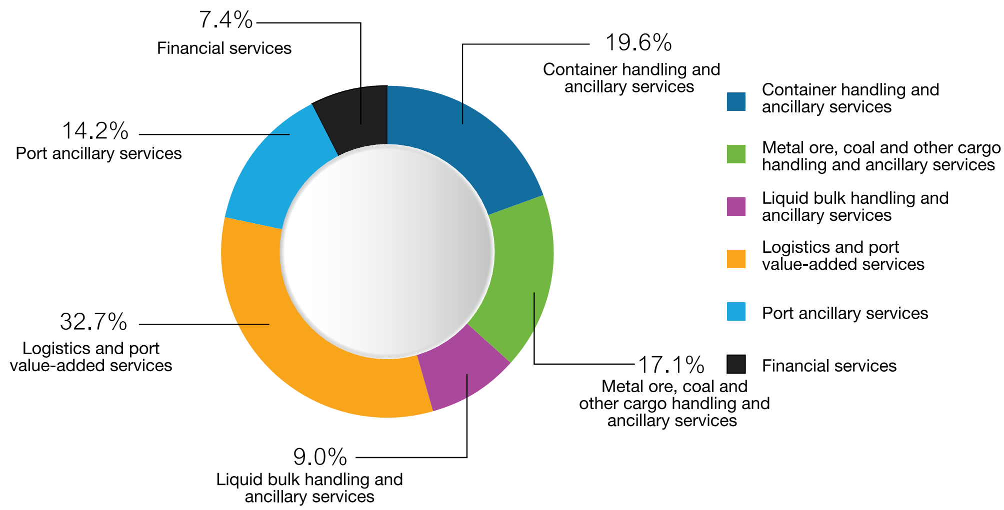
	For the six months ended 30 June				
	2016		2015		
Business Segments	Amount	Proportion	Amount	Proportion	Change
Container handling and ancillary services	321,625	19.6%	295,584	22.4%	8.8%
Metal ore, coal and other cargo handling and ancillary services	279,749	17.1%	263,212	19.9%	6.3%
Liquid bulk handling and ancillary services	147,318	9.0%	132,397	10.0%	11.3%
Logistics and port value-added services	536,794	32.7%	380,787	28.8%	41.0%
Port ancillary services	232,919	14.2%	152,237	11.5%	53.0%
Financial services	120,827	7.4%	98,338	7.4%	22.9%
Total results before inter-segment elimination	1,639,232	100.0%	1,322,555	100.0%	23.9%

Comparison of Segment Results



Note: Segment results for the six months ended 30 June 2015 are after deducting the gain from the disposal of equity interest in Riqing Container.

Breakdown of segment results for the six months ended 30 June 2016



Fully leveraging on the port resources and scientifically planning the investment structure, the Group developed into a diversified enterprise group consisting of three fields, i.e. terminal business, logistics business and financial business, and gradually built up a diversified development model relying on the main business of stevedoring. The particulars are as follows:

(1) Container handling and ancillary services

Unit: RMB'000

Item	For the six months ended 30 June 2016	2015	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	95,461	97,188	-1,727	-1.8%
Cost of sales	36,203	32,634	3,569	10.9%
Gross profit	59,258	64,554	-5,296	-8.2%
Profit of Consolidated Group Companies	58,348	58,931	-583	-1.0%
Joint Ventures				
Revenue	1,665,235	1,602,633	62,602	3.9%
Cost of sales	538,957	542,984	-4,027	-0.7%
Share of post-tax profit of joint ventures	263,277	236,653	26,624	11.3%
Disposal of equity interest in Riqing Container	–	153,157	-153,157	-100.0%
Segment result	321,625	448,741	-127,116	-28.3%

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

For the six months ended 30 June 2016, the Group achieved a container throughput of 8.86 million TEUs, representing an increase of 3.6% over the same period of last year, and the segment result was RMB322 million, representing a decrease of RMB127 million over the same period of last year. After deducting the gain of RMB153 million from the disposal of equity interest in Riqing Container, the segment result increased by RMB26 million, representing an increase of 8.8% over the same period of last year.

The result of this segment mainly originated from relevant joint ventures of the Company, and the changes in the result were mainly due to the following reasons:

(1) The Group further implemented the headquarters strategy for shipping companies, and opened ten international shipping lines including, among others, United States East Coast, Middle East, India and Pakistan, and Southeast Asia lines, the container vessels with a loading capacity over 13,000 TEUs calling at the port increased by 30%, and the international transit shipment grew by 20% over the same period of last year with newly-developed international transshipment channel.

(2) The Group seized the opportunity of "One Belt and One Road" national strategy, expanded the capacity of sea-rail intermodal transportation system and established presence in inland ports. The sea-rail intermodal transportation routes increased to 31 and the container volume attributable to sea-rail intermodal transportation increased by 51.3% over the same period of last year, further enhancing our competitive influence in the hinterland market of inland China.

(3) The increased handling volume as well as adjusted and optimized business policies resulted in an increase in the investment income from QQCT by 13.0%.

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

Unit: RMB'000

Item	For the six months ended 30 June 2016	2015	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	1,364,351	1,462,244	-97,893	-6.7%
Cost of sales	936,463	1,075,130	-138,667	-12.9%
Gross profit	427,888	387,114	40,774	10.5%
Profit of Consolidated Group Companies	272,267	265,595	6,672	2.5%
Joint ventures				
Revenue	631,627	593,738	37,889	6.4%
Cost of sales	471,342	474,821	-3,479	-0.7%
Share of post-tax profit of joint ventures	7,482	-2,383	9,865	–
Segment result	279,749	263,212	16,537	6.3%

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

For the six months ended 30 June 2016, the Group achieved metal ore, coal and other cargo throughput of 91.53 million tons, representing an increase of 10.1% over the same period of last year. The segment result was RMB280 million, representing an increase of RMB17 million, or 6.3%, over the same period of last year.

The changes in the result were mainly due to the following reasons:

(1) The adjustment of the mix of the cargo types and business policies decreased the revenue of subcontract business of Consolidated Group Companies by RMB80 million, and the provision of "volume and price guarantee" policy to clients in order to respond to the market competition and enhance market share resulted in a decrease of average rates.

(2) The decrease in the subcontract business cost of Consolidated Group Companies resulting from the adjustment of the mix of the cargo types and business policies, and the decrease in the labor cost of Consolidated Group Companies resulting from employee relocating to align with the above adjustment, as well as the decrease in the cost of equipment maintenance and energy consumption, making the cost of sales of Consolidated Group Companies decreased.

(3) 18 Valemax ore carriers berthed Dongjiakou Port Area, which symbolized a normalized berthing, and the value-added businesses including ore mixing, ore distribution and bonded storage expanded, which brought an increase in the income of joint ventures and the share of post-tax profit of joined ventures increased by RMB10 million.

(3) Liquid bulk handling and ancillary services

Unit: RMB'000

Item	For the six months ended 30 June 2016	2015	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	55,816	52,774	3,042	5.8%
Cost of sales	8,466	8,898	-432	-4.9%
Gross profit	47,350	43,876	3,474	7.9%
Profit of Consolidated Group Companies	46,305	43,576	2,729	6.3%
Joint Ventures				
Revenue	501,319	414,533	86,786	20.9%
Cost of sales	202,074	153,168	48,906	31.9%
Share of post-tax profit of joint ventures	101,013	88,821	12,192	13.7%
Segment result	147,318	132,397	14,921	11.3%

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

For the six months ended 30 June 2016, the Group achieved liquid bulk throughput of 33.75 million tons, representing an increase of 12.4% over the same period of last year. The segment result was RMB147 million, representing an increase of RMB15 million, or 11.3%, over the same period of last year.

The result of such segment mainly originated from relevant joint ventures of the Company, and the changes in the result were mainly due to the following reasons:

(1) The Group seized the opportunity that the import quota and process quota of crude oil were released for local refineries in Shandong province, and fully accelerated the four-mode transportation efficiency including railway, pipeline, highway and waterway, and gave full play to the terminal resources, achieving an increase in the handling volume and revenue of Qingdao Shihua.

(2) The crude oil terminal of Qingdao Shihua in Dongjiakou Port Area increased its production and achieved profit. In the future, the ancillary oil tanks in the Dongjiakou Port Area and the pipelines from Dongjiakou to the middle and northern areas in Shandong province will be successively completed and put into use, which will gradually increase the throughput of crude oil terminal in Dongjiakou Port Area.

(4) Logistics and port value-added services

Unit: RMB'000

Item	For the six months ended 30 June 2016	2015	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	1,597,728	1,120,120	477,608	42.6%
Cost of sales	1,020,295	726,465	293,830	40.4%
Gross profit	577,433	393,655	183,778	46.7%
Profit of Consolidated Group Companies	509,939	353,243	156,696	44.4%
Joint ventures and an associate				
Revenue	369,408	329,808	39,600	12.0%
Cost of sales	261,162	225,218	35,944	16.0%
Share of post-tax profit of joint ventures and an associate	26,855	27,544	-689	-2.5%
Segment result	536,794	380,787	156,007	41.0%

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

On basis of strengthening our position as a traditional terminal operator, the Group adopted vertically-integrated development policy, vigorously developed "door-to-door" whole-process logistics services by focusing on its traditional stevedoring businesses and extending the port logistics industry chain, aiming to transform to a modern logistics services provider and logistics supply chain operations organizer and create a healthy and sustainable profit model.

For the six months ended 30 June 2016, the Group recorded a segment result of RMB537 million, representing an increase of RMB156 million, or 41.0%, over the same period of last year.

The changes in the result were mainly due to the following reasons:

(1) Agency business provided "one-stop" whole-process services to clients covering booking shipping space, transportation, storage and settlement, and strengthened branding operation, resulting in the business volume of shipping agency and freight forwarding of Consolidated Group Companies amounted to over three times compared to the same period of last year, with an increase of the profit before income tax by RMB85 million.

(2) The strong alliance in CFS business exerted synergies and strengthened competiveness. With four newly-established joint CFS, the total import and export container handling volume increased by 93%, the market share increased by 12 percentage points and the profit before income tax increased by RMB70 million, compared to the same period of last year.

(3) Following the development of stevedoring business, the tallying business developed steadily, increasing the profit before income tax by RMB14 million.

(4) The Group adjusted the charging standard of tugging fees in towing business due to the port charging standard reform in China, decreasing the profit before income tax by RMB13 million.

(5) Port ancillary services

Unit: RMB'000

Item	For the six months ended 30 June 2016	2015	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	998,826	829,068	169,758	20.5%
Cost of sales	743,247	611,462	131,785	21.6%
Gross profit	255,579	217,606	37,973	17.5%
Profit of Consolidated Group Companies	232,919	152,237	80,682	53.0%
Segment result	232,919	152,237	80,682	53.0%

For the six months ended 30 June 2016, the segment result of the Group from port ancillary services amounted to RMB233 million, representing an increase of RMB81 million, or 53.0%, compared to the same period of last year.

The changes in the result were mainly due to the following reasons:

The traditional businesses such as power supply and port engineering construction services led to the increase in the profit before income tax by RMB34 million; the new businesses such as information technology, property management and culture and media services led to the increase in the profit before income tax by RMB20 million; and the newly-established Consolidated Group Companies engaging in trade and security services led to the increase in the profit before income tax by RMB11 million.

(6) Financial services

Unit: RMB'000

Item	For the six months ended 30 June 2016	2015	Amount Changed	Percentage Changed
Consolidated Group Companies				
Revenue	146,974	141,958	5,016	3.5%
Cost of sales	18,691	15,198	3,493	23.0%
Gross profit	128,283	126,760	1,523	1.2%
Profit of Consolidated Group Companies	120,827	98,338	22,489	22.9%
Segment result	120,827	98,338	22,489	22.9%

The Group regarded the integrative development model of "Industry Plus Finance" as the main thread, vigorously innovated business model, focused on improving profitability and diversified financial business, to form a financial ecosystem of the port with Qingdao Finance as the core and other financial services such as financial leasing, asset management and insurance agency services as the supplement.

For the six months ended 30 June 2016, the segment result of the Group from financial services amounted to RMB121 million, representing an increase of RMB22 million, or 22.9% compared to the same period of last year.

The changes in the result were mainly due to the following reasons:

(1) The fast growth of the basic businesses such as the proprietary lending and entrusted loans, as well as the start-up of the intermediary businesses such as transfer discount business and rediscount business of Qingdao Finance led to the increase in the profit before income tax by RMB15 million.

(2) Business such as the sale and leaseback of Qingdao Financial Leasing led to the increase in the profit before income tax by RMB5 million.

3. Financial Position Analysis

Unit: RMB'000

Item	As at 30 June 2016	As at 31 December 2015	Amount Changed	Percentage Changed
Cash at bank and on hand	8,653,483	7,558,190	1,095,293	14.5%
Long-term receivables	3,718,332	1,679,671	2,038,661	121.4%
Long-term equity investments	4,757,799	4,698,040	59,759	1.3%
Fixed assets	8,669,061	8,479,171	189,890	2.2%
Construction in progress	3,955,454	3,490,376	465,078	13.3%
Other payables	8,333,964	8,241,744	92,220	1.1%
Bonds payable	3,500,000	–	3,500,000	–

As at 30 June 2016, the Group's Cash at bank and on hand increased by RMB1,095 million, or 14.5%, mainly due to the increase from operating activities amounted to RMB330 million, the decrease from investing activities amounted to RMB4,179 million, the increase from financing activities amounted to RMB4,146 million, and the increase from restricted funds for the maturity of the term deposits with initial term of over three months amounted to RMB797 million compared to the beginning of the year.

As at 30 June 2016, the Group's long-term receivables increased by RMB2,039 million, or 121.4%, compared to the beginning of the year, due to the Group provided loans to its related parties.

As at 30 June 2016, the Group's long-term equity investments increased by RMB60 million, or 1.3%, compared to the beginning of the year, mainly due to the investment income as recognized by the Group under the equity method has exceeded the dividends as declared by joint ventures and an associate for the six months ended 30 June 2016.

As at 30 June 2016, the Group's fixed assets increased by RMB190 million, compared to the beginning of the year, mainly due to the additional fixed assets increased by RMB415 million, and the provision for depreciation of fixed assets decreased by RMB225 million.

As at 30 June 2016, the Group's construction in progress increased by RMB465 million, or 13.3%, compared to the beginning of the year, mainly due to the berth project for dry bulk and general cargo in Dongjiakou Port Area increased by RMB412 million, the oil tanks project in Dongjiakou Port Area increased by RMB348 million, the yard and other projects in Dongjiakou Port Area increased by RMB72 million and the decrease of RMB367 million by port basin deepening and dredging projects in Qianwan Port Area transferred to fixed assets.

As at 30 June 2016, the Group's other payables increased by RMB92 million, or 1.1%, compared to the beginning of the year, mainly due to the increase of RMB113 million in the deposits of members with Qingdao Finance.

As at 30 June 2016, the Group's bonds payable increased by RMB3,500 million, compared to the beginning of the year, as the Group issued corporate bonds of RMB3,500 million in the reporting period.

4. Cash Flow Analysis

For the six months ended 30 June 2016, the Group's net cash inflow amounted to RMB298 million. Net cash inflow from operating activities amounted to RMB330 million, mainly derived from the operating profit of Consolidated Group Companies. Net cash outflow from investing activities amounted to RMB4,179 million, mainly comprising cash inflow of RMB334 million through the receipt of dividends from joint ventures and an associate, cash inflow of RMB150 million from receipt of interests, cash outflow of RMB1,873 million for loans advanced to members, cash outflow of RMB1,160 million for purchasing principal-guaranteed wealth management products and deposits with initial term of over three months, cash outflow of RMB1,273 million for purchasing and construction of port assets, cash outflow of RMB345 million arising from the increase of mandatory reserve deposit by Qingdao Finance. Net cash inflow from financing activities amounted to RMB4,146 million, mainly due to cash inflow of RMB3,500 million from issuing the corporate bonds, cash inflow of RMB336 million from a discount of acceptance bills before its maturity, cash inflow of RMB274 million from equity investment of non-controlling interests of Consolidated Group Companies.

In order to facilitate the understanding of shareholders and investors, after eliminating the impact of Qingdao Finance and the Group's purchases of the principal-guaranteed wealth management products and the deposits with initial term of over three months on cash flow, the net cash inflow of the Group amounted to RMB2,324 million.

5. Liquidity and Financial Resources

As at 30 June 2016, the Group's cash at bank and on hand amounted to RMB8,653 million, and the principal-guaranteed wealth management products amounted to RMB850 million, which were mainly denominated by RMB. After eliminating the impact of Qingdao Finance, the Group's self-owned cash at bank and on hand amounted to RMB4,139 million, and the principal-guaranteed wealth management products amounted to RMB850 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing liabilities amounted to RMB3,927 million, including liabilities at fixed rates of RMB3,751 million and liabilities at floating rates of RMB176 million.

As at 30 June 2016, relevant information of the gearing ratio of the group was disclosed in note 14 to the financial statements.

As at 30 June 2016, after eliminating the impact of Qingdao Finance, the amount of the Group's cash at bank and on hand exceeded its total interest-bearing borrowings.

6. Capital Structure

As at 30 June 2016, total equity of the Group amounted to RMB14,295 million, representing an increase of RMB747 million as compared with that of 31 December 2015, among which, the operating profit for the six months ended 30 June 2016 increased the total equity by RMB1,200 million, the declaration of year-end dividend by the Company for 2015 decreased the total equity by RMB665 million, the increase of non-controlling interests increased the total equity by RMB303 million, the payment for acquisition of corresponding assets group regarding as business combination under common control decreased the total equity by RMB198 million, and actuarial gains from supplemental retirement benefits increased the total equity by RMB99 million.

As at 30 June 2016, the Company has issued 4,778,204,000 shares, of which 856,024,000 shares are H shares. The total market capitalization and H share market capitalization of the Company was HK$16,771 million and HK$3,005 million, respectively (calculated based on the closing price as at 30 June 2016).

7. Interest Rate and Exchange Rates Risks

As at 30 June 2016, cash at bank and on hand, receivables, payables and bank borrowings of RMB2,793 million, RMB2,324 million, RMB6,236 million and RMB176 million are subjected to floating rates, respectively. The Group has assessed the interest rate risk and anticipated that interest rate risk will have no material impact on the results and financial position of the Group.

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

The Group will continue to closely monitor interest rate and exchange rates risks. The Group did not enter into any hedging arrangements to hedge against exposures to interest rate and exchange rates risks for the six months ended 30 June 2016.

8. Financial Indicators

	For the six months ended 30 June		
Indicators	**2016**	**2015**	**Change**
Return on total assets	3.7%	4.0%	-0.3 percentage point
Return on equity	9.0%	8.9%	0.1 percentage point
Current ratio	1.12	1.16	-0.04
Quick ratio	1.08	1.13	-0.05
Account receivables turnover	3.25	2.55	0.70
Account receivables turnover days	56 days	71 days	-15 days

For six months ended 30 June 2016, return on total assets of the Group was 3.7%, representing a decrease of 0.3 percentage point over the same period of last year, mainly due to issue of corporate bonds of RMB3,500 million, leading the growth rate of total assets exceeded the growth rate of net profit. Return on equity of the Group was 9.0%, representing an increase of 0.1 percentage point over the same period of last year. The account receivables turnover ratio of the Group was 3.25, representing an increase of 0.70 over the same period of last year, and the account receivables turnover days was 56 days, representing a decrease of 15 days over the same period of last year, mainly due to we enhanced to monitor and collect the account receivables to ensure the total amount of account receivables within control under the situation of growth in revenues.

Summarized Financial Information of Joint Ventures

Set out below are the summarised financial information of joint ventures which are accounted for using the equity method, and are material to the Group in the view of the Directors.

Unit: RMB'000

	QQCT For the six months ended 30 June		Qingdao Shihua For the six months ended 30 June	
	2016	**2015**	**2016**	**2015**
Revenue	1,596,121	1,534,829	499,956	414,533
Cost of sales	(500,731)	(504,538)	(201,149)	(153,168)
Total profit	1,088,747	968,288	273,002	240,290
Income tax expenses	(258,888)	(245,558)	(68,335)	(59,608)
Net profit	829,860	722,730	204,667	180,682
Attributable to non-controlling interests	(8,888)	3,925	–	–
Net profit attributable to shareholders of joint ventures	820,972	726,655	204,667	180,682
Equity interest held by the Group	31%	31%	50%	50%
Share of post-tax profit by the Group before elimination	254,501	225,263	102,333	90,341
Unrealised profit	–	–	(1,010)	(1,424)
Other adjustment	(296)	(386)	–	–
Share of post-tax profit by the Group	254,205	224,877	101,323	88,917

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

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

Unit: RMB'000

Consolidated balance sheet	30 June 2016	31 December 2015
Cash at bank and on hand	4,514,397	4,986,899
Interests receivable	20,793	11,389
Other receivables	285,925	241,127
Current portion of non-current assets	44,400	26,972
Long-term receivables	1,815,862	1,481,175
Other payables	6,388,043	6,274,574
Interests payable	10,251	6,430
General reserve	77,670	77,670

Unit: RMB'000

	For the six months ended 30 June	
Consolidated income statement	2016	2015
Finance expenses – interest income	137,237	139,424
Finance expenses – interest expenses	(20,759)	(14,802)

III. SIGNIFICANT CAPITAL INVESTMENT

For the six months ended 30 June 2016, the Group had significant capital investment of RMB1,106 million (including a payment of RMB180 million due to purchasing the tugboat assets group from Qingdao Port Investment Shipping Co., Ltd, one of the subsidiaries of Qingdao Port Investment and Construction (Group) Co., Ltd), mainly attributable to the terminal projects of Dongjiakou Port Area, oil tanks projects in Dongjiakou Port Area, pipeline project from Dongjiakou to the middle and northern areas of Shandong province and other projects and equipment investment.

IV. SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

For the six months ended 30 June 2016, there is no significant acquisition and disposal relating to subsidiaries, joint ventures and associates of the Group.

V. MORTGAGE AND PLEDGE OF ASSETS

As at 30 June 2016, none of the Group's assets were mortgaged or pledged.

VI. CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

VII. EMPLOYEES

As at 30 June 2016, the Company had 6,839 employees and its subsidiaries and principal joint ventures had 5,703 employees. The Group implements a "two match" policy to match the growth of employees' income with the growth of the Company's results and match the increase in labor remuneration with the increase in production rate so as to link the remunerations of employees with the results of the Company. Employees' remunerations are adjusted annually in accordance with working performance of the employees, human resources market condition and the economic environment. We implement a basic salary and a performance-based salary system for our senior management of the Company. In addition, to actively establish a learning enterprise and cultivate employees with active learning, the Company offers internal trainings on safety and security, business operations and technical skills to the employees for their self-improvement of skills related to their positions.

VIII. DESCRIPTION OF OTHER MATTERS

Dagang Port Area is planned to be transformed and upgraded into a home port for cruise liners, therefore, the operations at Dagang Port Area will gradually be relocated to Dongjiakou Port Area and Qianwan Port Area. As at 30 June 2016, the construction of the international home port for cruise liners had no effect on the operation of Dagang Port Area.

The government of Qingdao Economic and Technological Development Zone is in the process of adopting a new urban planning scheme that may relocate the port operations in Huangdao Oil Port Area and operations of certain clients around Huangdao Oil Port Area to Dongjiakou Port Area. As at 30 June 2016, the Group has not received any relocation plan or related notice, and not obtained any information that surrounding clients and businesses be relocated to Dongjiakou Port Area, hence the operation of Huangdao Oil Port Area was not affected.

IX. SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after 30 June 2016.

X. OUTLOOK FOR THE SECOND HALF OF 2016

In the second half of 2016, the Group will actively respond to the external situation of economic growth slowdown and comparative downward pressure, adhere to the innovation-driven philosophy, complete port functions by strengthening traditional advantages and developing new businesses, expand space for diversified profit, and speed up in developing into a whole-process logistics service provider and an organizer of the logistics supply chain, to maintain a healthy and sustainable development. As such, the Group will put emphasis on the following six aspects:

1. To creatively develop stevedoring operations as main business

For the container business, we will further implement the headquarters' strategy and optimize brands to attract shipping companies to add international shipping lines and expand feeder-line network in Qingdao port to increase international transshipment businesses and maintain the first place in the quantity and density of shipping lines among other ports in Northern China.

For the dry bulk and break bulk business, we will further intensify our strategic cooperation with major miners, major traders and major steel mills and enhance bonded businesses, blending, processing, distribution, and futures delivery businesses to speed up the building of ore distribution center in Northeast Asia.

For the liquid bulk business, we will break through the bottleneck in capacities and improve the storage capacity and pipeline transportation capacity to meet the import demand of local refineries in Shandong province. We will put the newly-built oil tanks of 2.46 million cubic meters in Dongjiakou Port Area into trial operation and target to complete the construction of oil pipelines from Dongjiakou to Weifang and put them into use by the end of this year.

2. To expand and strengthen comprehensive logistics services

We will continue to strengthen the agency and CFS business, by taking freight forwarding as a leading business, and pushing forward a multi-link and collaborative operation of shipping agency, booking shipping space, terminals, CFS, storage, transportation and distribution, in order to create overall advantage, lower clients' cost and expand the market share.

We will promote the application of dispatching platform in the long-haul, make full use of about 16,000 trucks and 350 distribution stations being registered on the platform to cover the majority of long-distance transportation hubs related to the Port of Qingdao. We will further optimize truck-cargo matching and provide consolidated dispatching services for cargo sources, flow directions and trucks to extend the road transportation profit chain.

3. To steadily expand the financial sector

We will enhance capital operation ability with the full license layout of Qingdao Finance. We will consummate the centralized operation functions of the bill pool and intensify the use of bill financing tools to lift working capital gains, promote the development of spot foreign exchange transaction, buyers' credit business and financial product investment business, and further expand the development space of Qingdao Finance.

We will accelerate industry-finance integration and build up a platform to share the service of industrial finance, innovate new mode of pledge supervision to enhance the integration of finance and trading, so as to strengthen financing support to downstream industries and promote the development of our main businesses. We will actively develop the new projects, such as financial leasing, asset management, industry fund, to enhance our service functions, and improve our profitability.

4. To accelerate the construction of intelligent port

We have been implementing the automatic container port project and will strive to meet the trial operation conditions by the end of this year.

We will step up the construction of logistics e-commerce ecosystem. We will speed up the upgrading of business and production management system and the construction of a logistics e-commerce network service system, in order to realize more online port service business and unmanned and intelligent upgrading in tallying and storage management.

Speed up the construction of the cooperative office system, upgrade the OA system, expand the professional office platform, promote the mobile internet and online approval system to improve the intelligence management level of the port.

5. To step up the implementation of global layout

We will promote the strategic cooperation with large domestic and overseas shipping companies, international terminal operators and policy banks to benefit from complementary advantages, and prudently carry forward cooperative projects on port terminals and logistics parks in Africa and Southeast Asia.

6. To continuously improve corporate management

We will strengthen cost and comprehensive budget management based on key performance index analysis to improve operation process, and improve the efficiency and the profit.

We will intensify risk control in all port operation processes, improve risk control mechanism, and strengthen our risk management in a multi-layered and wide-ranging way.

We will lay emphasis on human resources reform with the orientation of management organization flattening and resource allocation intensification, optimize staff allocation, integrate organizations and positions, boost outsourcing transformation, improve incentive mechanism, and tap the potential of human resources.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group (the "**Unaudited Pro Forma Financial Information**") which has been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Acquisition and the Disposal as if they had taken place on 30 June 2016 on the unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition and the Disposal been completed as at 30 June 2016 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2016	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Non-current assets					
Property, plant and equipment	2,424,632	–	–	–	2,424,632
Investment properties	24,856	–	–	–	24,856
Land use rights	213,618	–	–	–	213,618
Intangible assets	5,321	–	–	–	5,321
Joint ventures and associates	2,790,506	(175,123)	874,445	–	3,572,492
			82,664		
Loans to joint ventures and an associate	89,163	–	–	–	89,163
Available-for-sale financial assets	164,428	–	39,234	–	120,998
			(82,664)		
Deferred income tax assets	1,396	–	–	–	1,396
Other non-current assets	45,961	–	–	–	45,961
	5,759,881	(175,123)	913,679	–	6,498,437

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2016	Pro forma adjustments			Unaudited pro forma consolidated statement of assets and liabilities of the Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
Current assets					
Inventories	9,078	–	–	–	9,078
Trade and other receivables	239,712	482,364	(482,364)	–	239,712
Current income tax recoverable	730	–	–	–	730
Restricted bank deposits	215	–	–	–	215
Cash and cash equivalents	894,415	(39,634)	(392,081)	(10,482)	452,218
	1,144,150	442,730	(874,445)	(10,482)	701,953
Total assets	6,904,031	267,607	39,234	(10,482)	7,200,390
Liabilities					
Non current liabilities					
Deferred income tax liabilities	51,918	(10,015)	9,913	–	51,816
Long term borrowings	1,229,274	–	–	–	1,229,274
Loans from a fellow subsidiary	51,029	–	–	–	51,029
Other long term liabilities	28,973	–	–	–	28,973
	1,361,194	(10,015)	9,913	–	1,361,092
Current liabilities					
Trade and other payables	433,550	–	–	–	433,550
Current income tax liabilities	16,647	–	–	–	16,647
Current portion of long term borrowings	68,139	–	–	–	68,139
Short term bank loans	186,293	–	–	–	186,293
	704,629	–	–	–	704,629
Total liabilities	2,065,823	(10,015)	9,913	–	2,065,721
Net assets	4,838,208	277,622	29,321	(10,482)	5,134,669

Notes To Unaudited Pro Forma Financial Information of The Group

(1) The unadjusted consolidated statement of assets and liabilities of the Group as at 30 June 2016 is extracted from the unaudited condensed consolidated balance sheet of the Group as set out in the interim report of the Company as at 30 June 2016.

(2) The Disposal

The Disposal involves the sale of the entire 20% equity interest in QQCT to QPI at a consideration of RMB3,198,650,840 (equivalent to approximately US$482,364,000).

The pro forma adjustments represent:

- the exclusion of the carrying amount of the Group's investment in QQCT as at 30 June 2016;
- the proceeds receivable from the Disposal amounted to RMB3,198,650,840 (equivalent to approximately US$482,364,000);
- certain taxes related to the Disposal amounted to RMB261,823,000 (equivalent to approximately US$39,634,000); and
- the reversal of approximately US$10,015,000 deferred income tax liabilities provided in previous years in relation to undistributed earnings.

Since the carrying value of QQCT as at the date of completion of the Disposal may be substantially different from the amount used in the preparation of the Unaudited Pro Forma Financial Information, the final amount of the carrying value of QQCT to be recognised in connection with the Disposal may be different from the amount presented above.

(3) The Acquisition

The Acquisition involves the subscription of 1,015,520,000 non-circulating domestic shares by the Group at a total consideration of RMB5,798,619,200 (equivalent to approximately US$874,445,000), of which RMB2,599,968,360 (equivalent to approximately US$392,081,000) will be settled in cash and the rest will be offset with the proceeds receivable from the Disposal.

In addition to the Acquisition, the Group reclassified the investment, 96,000,000 non-circulating domestic shares in QPI held by the Group, from available-for-sale financial asset to an investment in an associate, i.e. step up acquisition. As part of the step-up acquisition, fair value of available-for-sale financial asset was re-measured based on fair market value as of 30 June 2016, with recycle of relevant other comprehensive income to profit and loss.

Upon completion of the Acquisition, QPI will become an associate of the Company. In accordance with Hong Kong Accounting Standard 28 "Investments in Associates and Joint Ventures", the interests in an associate will be accounted for using the equity method. The acquirer should re-measure its investment to fair value at the acquisition date.

The pro forma adjustments represent:

- the adjustment on the previously held interests in QPI as available-for-sale financial asset with a carrying value of approximately US$43,429,000 as at 30 June 2016 to fair value, resulting in an increase in fair value of approximately US$39,234,000. For the purpose of the Unaudited Pro Forma Financial Information, this has been remeasured based on the agreed price per share in the acquisition, i.e. RMB5.71;

- the reclassification of the Group's previously held interests in QPI from an available-for-sale financial asset to an associate;

- the fair value of the additional 1,015,520,000 non-circulating domestic shares in QPI amounted to RMB5,798,619,200 (equivalent to approximately US$874,445,000); and

- the provision of deferred income tax liabilities in relation to the release of available-for-sale-financial assets reserve to profit and loss amounted approximately US$9,913,000.

(4) The adjustment represents the estimated transaction costs of approximately US$10,482,000, which are mainly professional fees payable by the Group in connection with the Transaction.

(5) For the purpose of preparing the Unaudited Pro Forma Financial Information, the translation of RMB into US$ was made at the exchange rate of US$1.00 to RMB6.6312.

(6) Apart from the Transaction, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2016. In particular, the Unaudited Pro Forma Financial Information has not taken into account (a) the acquisition of equity interests in a container terminal in Rotterdam as disclosed in the announcement of the Company dated 11 May 2016; (b) the proposed payment of an interim dividend of HK$18.0 cents per share for the six months ended 30 June 2016 by the Company on 24 August 2016, with an option to receive newly fully paid Shares in lieu of cash; and (c) the acquisition of equity interests in the terminals in Italy as disclosed in the announcement of the Company dated 17 October 2016.

(C) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of COSCO SHIPPING Ports Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of COSCO SHIPPING Ports Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2016, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-4 of the Company's circular dated 13 February 2017, in connection with the proposed acquisition of shares in Qingdao Port International Co., Ltd. and disposal of equity interest in Qingdao Qianwan Container Terminal Co., Ltd. (collectively, the "**Transactions**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transactions on the Group's financial position as at 30 June 2016 as if the Transactions had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2016, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 13 February 2017

The following is the particulars of the four Directors to retire, and proposed to be re-elected at the SGM:

(1) FENG Boming ("Mr. FENG")

Mr. FENG, aged 47, has been a Non-executive Director of the Company since October 2016. He is also the General Manager of the Strategic and Corporate Management Department of COSCO SHIPPING (an indirect controlling Shareholder), and a Non-executive Director of COSCO SHIPPING Holdings (an indirect controlling Shareholder), COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Energy Transportation Co., Ltd. (all of which are dual listed in Hong Kong and Shanghai), a Director of COSCO SHIPPING Bulk Co., Ltd., COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Financial Holdings Co., Limited and Piraeus Port Authority S.A. (listed in Athens, Greece), all of which are subsidiaries of COSCO SHIPPING. He served as Manager of the Commercial Section of the Ministry of Trade Protection of COSCO SHIPPING Lines Co., Ltd., the General Manager of COSCO Container Hong Kong Mercury Co., Ltd., the General Manager of the Management and Administration Department of COSCO Holdings (Hong Kong) Co., Ltd., the General Manager of COSCO International Freight (Wuhan) Co., Ltd./COSCO Logistics (Wuhan) Co., Ltd. and Supervisor of the Strategic Management Implementation Office of China Ocean Shipping (Group) Company/COSCO SHIPPING Holdings (both being indirect controlling Shareholders). Mr. FENG has over 20 years of work experience in the shipping industry. Mr. FENG has extensive experience in enterprise strategy management, business management and container shipping management. He holds a Master of Business Administration degree from The University of Hong Kong. He is an economist.

Save as disclosed herein, Mr. FENG did not hold any directorships in any other listed public companies during the past three years. Mr. FENG does not hold any other positions with the Company or other members of the Group and does not have any other relationships with any of the other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

Pursuant to the letter of appointment entered into between the Company and Mr. FENG, Mr. FENG was appointed as a Non-executive Director of the Company for the initial period from 24 October 2016 to the conclusion of the SGM. Subject to his re-election by the Shareholders, the term of appointment of Mr. FENG shall then be for approximately three years commencing from the date of the SGM and subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Pursuant to the letter of appointment, the Director's fee of Mr. FENG is HK$120,000 per annum (or a pro rata amount for the duration of his directorship for an incomplete year). The Director's fee of Mr. FENG is recommended by the Remuneration Committee of the Company and determined by the Board with reference to his duties and responsibilities and prevailing market conditions.

As at the Latest Practicable Date, Mr. FENG did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, Mr. FENG has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his proposed re-election and there is no other information that should be disclosed pursuant to rule 13.51(2) of the Listing Rules.

(2) ZHANG Wei (張煒) ("Mr. ZHANG")

Mr. ZHANG, aged 50, has been a Non-executive Director of the Company since October 2016. He is currently the Deputy General Manager of Operation and Management Department (person in charge) of COSCO SHIPPING (an indirect controlling Shareholder), a Non-executive Director of COSCO SHIPPING Holdings (an indirect controlling Shareholder) and COSCO SHIPPING Energy Transportation Co., Ltd. (both are dual listed in Hong Kong and Shanghai), a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. (listed in Shanghai) and a Director of COSCO SHIPPING Lines Co., Ltd. ("**COSCO SHIPPING Lines**") and COSCO SHIPPING Bulk Co., Ltd., all of which are subsidiaries of COSCO SHIPPING. Mr. ZHANG previously served as a Deputy General Manager of Asia-Pacific Trade Division and Manager of Australia-New Zealand Operation Department of COSCO SHIPPING Lines, Deputy General Manager of European Trade Division of COSCO SHIPPING Lines, Deputy General Manager of the Enterprise Information Development Department of COSCO SHIPPING Lines, Deputy General Manager of Florens Container Holdings Limited (now known as Florens International Limited) and Executive Vice-President of Piraeus Container Terminal S.A., a wholly owned subsidiary of the Company. Mr. ZHANG has nearly 30 years of working experience in shipping enterprises and has extensive experience in container transportation marketing management and terminal operation management. Mr. ZHANG holds a Master of Business Administration degree from Shanghai Maritime University. He is an engineer.

Save as disclosed herein, Mr. ZHANG did not hold any directorships in any other listed public companies during the past three years. Mr. ZHANG does not hold any other positions with the Company or other members of the Group and does not have any other relationships with any of the other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

Pursuant to the letter of appointment entered into between the Company and Mr. ZHANG, Mr. ZHANG was appointed as a Non-executive Director of the Company for the initial period from 24 October 2016 to the conclusion of the SGM. Subject to his re-election by the Shareholders, the term of appointment of Mr. ZHANG shall then be for approximately three years commencing from the date of the SGM and subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Pursuant to the letter of appointment, the Director's fee of Mr. ZHANG is HK$120,000 per annum (or a pro rata amount for the duration of his directorship for an incomplete year). The Director's fee of Mr. ZHANG is recommended by the Remuneration Committee of the Company and determined by the Board with reference to his duties and responsibilities and prevailing market conditions.

As at the Latest Practicable Date, Mr. ZHANG beneficially owned 30,000 Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, Mr. ZHANG has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his proposed re-election and there is no other information that should be disclosed pursuant to rule 13.51(2) of the Listing Rules.

(3) CHEN Dong ("Mr. CHEN")

Mr. CHEN, aged 42, has been a Non-executive Director of the Company since October 2016. He is also the General Manager of Financial Management Department of COSCO SHIPPING (an indirect controlling Shareholder), a Non-executive Director of COSCO SHIPPING Holdings (an indirect controlling Shareholder) and COSCO SHIPPING Development Co., Ltd. (both are dual listed in Hong Kong and Shanghai), a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. (listed in Shanghai) and a Director of COSCO SHIPPING Bulk Co., Ltd., all of which are subsidiaries of COSCO SHIPPING. Mr. CHEN previously served as the Deputy Head of Risk Control Section under the Planning and Finance Department of China Shipping (Group) Company ("**China Shipping**", a wholly owned subsidiary of COSCO SHIPPING), Deputy Head of the Finance Section under Planning and Finance Department of China Shipping, Senior Manager of Finance and Taxation Management Office of China Shipping, Assistant to the General Manager of the Finance Department of China Shipping and the Deputy General Manager of the Finance Department of China Shipping. Mr. CHEN has nearly 20 years of working experience in shipping enterprises and has extensive experience in risks control, taxation management and finance. Mr. CHEN holds a Master Degree in Economics from Shanghai University of Finance and Economics. He is a senior accountant.

Save as disclosed herein, Mr. CHEN did not hold any directorships in any other listed public companies during the past three years. Mr. CHEN does not hold any other positions with the Company or other members of the Group and does not have any other relationships with any of the other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

Pursuant to the letter of appointment entered into between the Company and Mr. CHEN, Mr. CHEN was appointed as a Non-executive Director of the Company for the initial period from 24 October 2016 to the conclusion of the SGM. Subject to his re-election by the Shareholders, the term of appointment of Mr. CHEN shall then be for approximately three years commencing from the date of the SGM and subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Pursuant to the letter of appointment, the Director's fee of Mr. CHEN is HK$120,000 per annum (or a pro rata amount for the duration of his directorship for an incomplete year). The Director's fee of Mr. CHEN is recommended by the Remuneration Committee of the Company and determined by the Board with reference to his duties and responsibilities and prevailing market conditions.

As at the Latest Practicable Date, Mr. CHEN did not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, Mr. CHEN has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his proposed re-election and there is no other information that should be disclosed pursuant to rule 13.51(2) of the Listing Rules.

(4) CHAN Ka Lok ("Prof. CHAN")

Prof. CHAN, aged 55, has been an Independent Non-executive Director of the Company since October 2016. He is a member of the Remuneration Committee of the Company. Prof. CHAN is currently the Dean of The Chinese University of Hong Kong ("**CUHK**") Business School. He is also a member of a number of committees, including the Hang Seng Index Advisory Committee, Hong Kong Housing Authority, Hong Kong Monetary Authority Financial Infrastructure Sub-Committee and Hong Kong Tracker Fund Supervisory Committee, and an Independent Non-executive Director of GF Securities Co., Ltd. (dual listed in Hong Kong and Shenzhen). Prof. CHAN has been Chairman of the Organising Committee of the "Outstanding Financial Management Planner Awards" of The Hong Kong Institute of Bankers since 2009. He was the Chair Professor of Finance and Acting Dean of the Hong Kong University of Science and Technology ("**HKUST**"). He was also Head of HKUST's Finance Department from 2003 to 2013 and the President of Asian Finance Association from 2008 to 2010. Prof. CHAN obtained his Bachelor of Social Science degree in Economics from CUHK and Doctor of Philosophy degree in Finance from Ohio State University in the USA.

Save as disclosed herein, Prof. CHAN did not hold any directorships in any other listed public companies during the past three years. Prof. CHAN does not hold any other positions with the Company or other members of the Group and does not have any other relationships with any of the other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

Pursuant to the letter of appointment entered into between the Company and Prof. CHAN, Prof. CHAN was appointed as an Independent Non-executive Director of the Company for the initial period from 24 October 2016 to the conclusion of the SGM. Subject to his re-election by the Shareholders, the term of appointment of Prof. CHAN shall then be for approximately three years commencing from the date of the SGM and subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Pursuant to the letter of appointment, the Director's fee of Prof. CHAN, for also being a member of the Remuneration Committee of the Company, is HK$290,000 per annum (or a pro rata amount for the duration of his directorship for an incomplete year). The Director's fee of Prof. CHAN is recommended by the Remuneration Committee of the Company and determined by the Board with reference to his duties and responsibilities and prevailing market conditions.

As at the Latest Practicable Date, Prof. CHAN did not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, Prof. CHAN has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his proposed re-election and there is no other information that should be disclosed pursuant to rule 13.51(2) of the Listing Rules.

Save as disclosed above, the Board is not aware of any information that is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules or any other matters that need to be brought to the attention of the Shareholders in respect of the proposed re-election of the above retiring Directors.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS

(a) As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of Shares held as at the Latest Practicable Date	Percentage of total number of issued Shares as at the Latest Practicable Date
Mr. ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	564,062	0.019%

(ii) Long positions in underlying shares of equity derivatives of the Company

Options granted under the share option scheme approved by the Shareholders on 23 May 2003 (the "**2003 Share Option Scheme**"):

Name of Director	Exercise price *(HK$)*	Number of share options outstanding as at the Latest Practicable Date	Percentage of total number of issued Shares as at the Latest Practicable Date	Exercisable period	*Notes*
Dr. WONG Tin Yau, Kelvin	19.30	500,000	0.017%	18.4.2007 –17.4.2017	*(1), (2)*

Notes:

(1) The share options were granted during the period from 18 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30 per Share. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "**Commencement Date**"). The Commencement Date of these options was from 18 April 2007 to 19 April 2007.

(2) These share options represent personal interest held by the relevant Director as beneficial owner.

(iii) Long positions in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of H shares held as at the Latest Practicable Date	Percentage of total number of issued H shares of the associated corporation as at the Latest Practicable Date
COSCO SHIPPING Holdings	Dr. FAN HSU Lai Tai, Rita	Beneficial Owner	Personal	10,000	0.0004%
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. Adrian David LI Man Kiu	Beneficial Owner	Personal	508,000	0.04%

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of A shares held as at the Latest Practicable Date	Percentage of total number of issued A shares of the associated corporation as at the Latest Practicable Date
COSCO SHIPPING Development Co., Ltd.	Mr. FENG Boming	Beneficial Owner	Personal	29,100	0.0004%

(iv) Long positions in underlying shares of equity derivatives of associated corporations

Name of associated corporation	Name of Director	Capacity	Nature of interest	Exercise Price *(HK$)*	Number of units of share appreciation rights outstanding as at the Latest Practicable Date	Percentage of total number of issued H shares of the associated corporation as at the Latest Practicable Date
COSCO SHIPPING Holdings	Mr. ZHANG Wei (張為)	Beneficial Owner	Personal	9.540	75,000	0.003%
	Mr. DENG Huangjun	Beneficial Owner	Personal	9.540	260,000	0.010%
	Mr. FENG Boming	Beneficial Owner	Personal	9.540	35,000	0.001%
	Mr. WANG Haimin	Beneficial Owner	Personal	9.540	75,000	0.003%

Note:

The share appreciation rights were granted on 4 June 2007 by COSCO SHIPPING Holdings in units with each unit representing one H share of COSCO SHIPPING Holdings pursuant to the share appreciation rights plan adopted by COSCO SHIPPING Holdings on 16 December 2005 (the "**Plan**"). Under the Plan, no shares of COSCO SHIPPING Holdings will be issued. The share appreciation rights are exercisable at HK$9.540 per unit at any time between 4 June 2009 and 3 June 2017.

(b) As at the Latest Practicable Date, save as disclosed below, so far as was known to the Directors, no Director was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

COSCO SHIPPING

Name of Director	Post held
Mr. HUANG Xiaowen	Executive vice president and party committee member
Mr. FENG Boming	General manager of the strategic and corporate management department
Mr. ZHANG Wei (張煒)	Deputy general manager of the operation and management department (person in charge)
Mr. CHEN Dong	General manager of the financial management department
Mr. WANG Haimin	Director

COSCO SHIPPING Holdings

Name of Director	Post held
Mr. HUANG Xiaowen	Vice chairman and executive director
Mr. ZHANG Wei (張為)	Executive director and deputy general manager
Mr. FANG Meng	Supervisor representing employees
Mr. DENG Huangjun	Chief financial officer
Mr. FENG Boming	Non-executive director
Mr. ZHANG Wei (張煒)	Non-executive director
Mr. CHEN Dong	Non-executive director
Mr. XU Zunwu	Executive director, general manager and deputy party secretary (in charge of the general affairs)
Mr. WANG Haimin	Executive director and deputy general manager
Dr. FAN HSU Lai Tai, Rita	Independent non-executive director

(c) Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, (i) none of the Directors or chief executives of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and (ii) none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors namely Mr. HUANG Xiaowen, Mr. ZHANG Wei (張為), Mr. FANG Meng, Mr. DENG Huangjun, Mr. FENG Boming, Mr. ZHANG Wei (張煒), Mr. CHEN Dong, Mr. XU Zunwu and Mr. WANG Haimin held directorships and/or senior management positions in COSCO SHIPPING and its associates and/or other companies which have interests in terminals operation and management business (the "**Terminal Interests**").

The Board is of the view that the Group is capable of carrying on its businesses independently of the Terminals Interests. When making decisions on the terminals business of the Group, the relevant Directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group. Other than as disclosed above, none of the Directors and their respective associates has interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTOR'S INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular and whose opinion or advice is contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, PwC was not beneficially interested in the share capital of any member of the Group, nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, PwC did not have any direct or indirect interest in any assets which had been, since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

PwC has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report or letter and references to its name in the form and context in which they respectively appear.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. LITIGATION

There was no litigation or claim of material importance pending or threatened against any member of the Group as at the Latest Practicable Date.

10. MATERIAL CONTRACTS

The members of the Group have entered into the following material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular:

(a) a sale and purchase agreement dated 11 December 2015 between the Company as purchaser and China Shipping Container Lines Company Limited (now known as COSCO SHIPPING Development Co., Ltd.) and China Shipping (Hong Kong) Holdings Co., Limited (now known as COSCO SHIPPING Financial Holdings Co., Limited) as sellers in relation to acquisition of the entire issued share capital of China Shipping Ports Development Co., Limited for an initial consideration of US$1,161,963,000 (subject to completion accounts adjustments), which has been deducted by an amount equal to US$33,222,000 in relation to the incompletion of sale of entire 20% equity interest in Damietta International Port Company S.A.E., details of which are set out in the announcement of the Company dated 11 December 2015 and the circular of the Company dated 31 December 2015;

(b) a sale and purchase agreement dated 11 December 2015 between the Company as seller and China Shipping Container Lines (Hong Kong) Co., Limited (now known as COSCO SHIPPING Development (Hong Kong) Co., Limited) as purchaser in relation to the disposal of the entire issued share capital of Florens Container Holdings Limited (now known as Florens International Limited) for an initial consideration of RMB7,784,483,300 (subject to completion accounts adjustments) and assignment of the shareholder's loans in the amount of US$285,000,000 for a consideration of US$285,000,000, details of which are set out in the announcement of the Company dated 11 December 2015 and the circular of the Company dated 31 December 2015;

(c) the Transaction Agreement; and

(d) the Strategic Co-operation Agreement.

Save as disclosed above, no other material contract has been entered into by the members of the Group within the two years immediately preceding the date of this circular.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday (other than public holidays) from the date of this circular up to and including 10 March 2017:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in the section headed "Material Contracts" in this Appendix;

(c) the report from PwC on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;

(d) the written consent from the expert referred to under the section headed "Expert and Consent" in this Appendix;

(e) the annual reports of the Company for each of the two financial years ended 31 December 2014 and 2015; and

(f) a copy of each circular issued by the Company under Chapters 14 and/or 14A of the Listing Rules since 31 December 2015, being the date of the latest published audited accounts of the Company.

12. GENERAL

(a) The General Counsel & Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified in England and Wales.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of COSCO SHIPPING Ports Limited (the "**Company**") will be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on Friday, 10 March 2017 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**:

(a) (i) the entering into of the agreement dated 20 January 2017 by Shanghai China Shipping Terminal Development Co., Ltd. (上海中海碼頭發展有限公司) ("**SCSTD**"), a wholly-owned subsidiary of the Company, with Qingdao Port International Co., Ltd. (青島港國際股份有限公司) ("**QPI**") in relation to the subscription by SCSTD for shares in QPI in consideration for the transfer by SCSTD of its 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司) to QPI and cash; (ii) the entering into of the strategic co-operation agreement dated 20 January 2017 by the Company with QPI in relation to the share subscription referred to above and other matters; and (iii) in each case, the transactions contemplated thereunder (together, the "**Transactions**") be and are hereby approved, ratified and confirmed; and

(b) the directors of the Company be and are hereby authorised for and on behalf of the Company, amongst other matters, to sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and to do all such things as they may in their absolute discretion consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the Transactions and to be in the interests of the Company."

(2) "**THAT**:

Mr. FENG Boming (馮波鳴) be re-elected as a director of the Company."

(3) "**THAT**:

Mr. ZHANG Wei (張煒) be re-elected as a director of the Company."

(4) "**THAT**:

Mr. CHEN Dong (陳冬) be re-elected as a director of the Company."

(5) "**THAT**:

Prof. CHAN Ka Lok (陳家樂) be re-elected as a director of the Company."

By Order of the Board
COSCO SHIPPING Ports Limited
HUNG Man, Michelle
General Counsel & Company Secretary

Hong Kong, 13 February 2017

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:
49/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Notes:

1. Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Monday, 6 March 2017. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 6 March 2017.

2. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint one or more (if the relevant member holds more than one share) proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.

3. To be valid, the proxy form together with any power of attorney or other authority under which it is signed or a certified copy of such power or authority must be deposited at the principal place of business of the Company at 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. Completion and return of the proxy form will not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjourned meeting thereof if the shareholder of the Company so desires, and in such event, the proxy form will be deemed to be revoked.

5. Where there are joint holders of any share in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

6. Unless the context requires otherwise, terms defined in the circular of the Company dated 13 February 2017 of which this notice forms part have the same meanings in this notice.