青島港國際股份有限公司
QINGDAO PORT INTERNATIONAL CO., LTD.*

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

Stock Code: 06198

GLOBAL OFFERING

Joint Sponsors

BOC INTERNATIONAL

中信証券國際 CITIC Securities International

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Joint Global Coordinators

BOC INTERNATIONAL

CLSA A CITIC Securities Company

UBS

Joint Bookrunners and Joint Lead Managers

BOC INTERNATIONAL

CLSA A CITIC Securities Company

UBS

Deutsche Bank

*For identification purpose only

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.

Qingdao Port International Co., Ltd.*
青島港國際股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	: 776,380,000 H shares (comprising 705,800,000 H Shares to be offered by the Company and 70,580,000 H Shares to be offered by the Selling Shareholder, subject to the Over-allotment Option)
Number of Offer Shares in the International Offering	: 698,742,000 H shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 77,638,000 H shares (subject to adjustment)
Offer Price	: HK$3.76 per H share, plus brokerage of 1%, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per H share
Stock Code	: 06198

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

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK$3.76 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.003% and a Hong Kong Stock Exchange trading fee of 0.005%.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may, with our consent (for ourselves and on behalf of the Selling Shareholder) reduce the number of Hong Kong Offer Shares and/or the Offer Price stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the Offer Price will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.qingdao-port.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Share" in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn.

We are established, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-established businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of the Company. Such differences and risk factors are set out in "Risk Factors", "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Hong Kong Underwriting Arrangements — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

* *For identification purpose only.*

May 26, 2014

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Thursday, May 29, 2014
Application lists open[3]	11:45 a.m. on Thursday, May 29, 2014
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, May 29, 2014
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, May 29, 2014
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, May 29, 2014
Application lists close	12:00 noon on Thursday, May 29, 2014
Announcement of: • the level of application in the Hong Kong Public Offering; • the level of indications of interest in the International Offering; and • the basis of allocation of the Hong Kong Offer Shares to be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on our website at **www.qingdao-port.com**[5] and the website of the Hong Kong Exchanges and Clearing Limited at **www.hkexnews.hk**[6] on or before	Thursday, June 5, 2014
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares — 11. Publication of Results")	Thursday, June 5, 2014
Result of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at **www.iporesults.com.hk** with a "search by ID"	Thursday, June 5, 2014
H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7]	Thursday, June 5, 2014

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9] . . . . Thursday, June 5, 2014

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on . . . . Friday, June 6, 2014

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in "Structure of the Global Offering" in this prospectus.

(2) If you have already submitted your application through the designated website at **www.eipo.com.hk** and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 29, 2014, the application lists will not open on that day. Please see "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information in their Application Forms may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Thursday, June 5, 2014. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.

(8) Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Friday, June 6, 2014. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Qingdao Port International Co., Ltd. solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other person or party involved in the Global Offering. Information contained in our website, located at www.qingdao-port.com, does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

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.

BUSINESS OVERVIEW

We are the primary operator of the Port of Qingdao, one of the world's largest comprehensive ports. Occupying a central position among ports in Northeast Asia, the Port of Qingdao is an important hub of international trade in the West Pacific and maintained shipping routes with over 700 ports in over 180 countries and regions around the world as of December 31, 2013. The Port of Qingdao ranked seventh in total throughput, eighth in container throughput, and sixth in metal ore throughput in the world in 2012, and ranked seventh in container throughput in the world in 2013, according to Drewry. In 2011, 2012 and 2013, we handled approximately 88.1%, 83.4% and 76.4%, respectively, of the total cargo throughput of the Port of Qingdao. 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.

As a comprehensive port operator, 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 general cargo. We believe that our comprehensive service offerings and the diversity of our cargo types have attracted a broad customer base, which allows us to benefit from the growth in many industry sectors and mitigate the impact on us of periodic fluctuations in various aspects of China's economy. As of March 31, 2014, we operated 22 terminals with 69 berths at the Port of Qingdao, which included 47 berths dedicated to handling a single type of cargo and 22 berths capable of handling metal ore, coal and other general cargo. Leveraging our natural deep-water capacity for all of our major cargo types and our industry-leading facilities and equipment, we can accommodate some of the world's largest vessels, including container vessels with a loading capacity of 18,000 TEUs, oil tankers with a capacity of 440,000 DWTs and dry bulk vessels with a capacity of 300,000 DWTs. Our multi-purpose berths also give us sufficient flexibility to react timely to demand changes in the cargo types we handle. We also had the world's highest container stevedoring efficiency in 2012, according to *Port Productivity 2012* published by the *Journal of Commerce*. We attribute our world-leading operational efficiency to our advanced facilities and equipment and our outstanding operational team.

We are connected to a well-developed intermodal transportation system consisting of railways, highways, waterways and pipelines. Leveraging our central position in the flows of goods and information through our port areas, we strive to extend our service offerings along the value chain of modern logistics services, such as trucking services, agency and clearance services and bonded area services. We believe that our strategic location, transportation connectivity and modern logistics services will help reduce our customers' logistics time and costs and enhance our market position.

Through equity investments and other operational cooperation, we have established long-term strategic relationships with many of our major customers, including world-class shipping companies, major cargo owners such as energy and mining companies, port operators and logistics companies. We benefit from these long-term relationships in various aspects of our business, including cargo sourcing, port operations and management, development of new facilities and new service offerings.

OUR STRENGTHS

We believe we have the following competitive strengths that will continue to drive our future success:

- We are the primary operator of the Port of Qingdao, one of the leading comprehensive ports in the world.
- Our comprehensive port services and diverse cargo mix have enabled us to establish a broad customer base and effectively accommodate cyclical changes in the macro-economy as well as demand for cargo.
- Our strategic location, natural deep-water capacity and connection to a well-developed intermodal transportation network are key to our success and will continue to contribute significantly to our future growth.
- We significantly benefit from the strong economy of our hinterland and the PRC government's macro-economic planning.
- Our long-term cooperative relationships with leading international enterprises enhance our ability to source cargo and maintain sustainable growth in our throughput.
- We offer industry-leading operational efficiency by leveraging modern technologies and an outstanding operational team.
- We benefit from our experienced management team and our strong reputation in the industry.

OUR STRATEGIES

- We intend to increase and improve our cargo handling capacity and optimize our business resource allocation to enhance our leading position among the world's comprehensive ports.
- We intend to develop various port-based value-added services to meet customer needs in port-related business activities and add new drivers for our revenue growth.
- We will continue to explore strategic opportunities for joint ventures and acquisitions and seek to strengthen our cooperative relationships with key customers and partners.
- We will continue to recruit management talent and enhance our internal training to support our future growth.

RISK FACTORS

Our operations and this Global Offering involve certain risks, many of which are beyond our control, and which may affect your decision to invest in our Company and/or the value of your investment. These risk factors are set out in "Risk Factors" starting on page 34 of this prospectus. **You should read that section in its entirety carefully before you decide to invest in the Offer Shares.**

SUMMARY HISTORICAL OPERATING INFORMATION

The following table sets forth our throughput breakdown by port area for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Throughput (million tons)	% of Total Throughput	Throughput (million tons)	% of Total Throughput	Throughput (million tons)	% of Total Throughput
Dagang Port Area	35.2	10.2	36.2	10.1	36.3	10.0
Qianwan Port Area	239.3	69.1	248.6	69.1	250.7	68.7
Huangdao Oil Port Area	53.6	15.5	54.6	15.2	55.9	15.3
Dongjiakou Port Area	—	—	—	—	0.8	0.2
Container Terminals operated at the Port of Rizhao and Port of Weihai	18.1	5.2	20.1	5.6	21.3	5.8
Total	**346.2**	**100.0**	**359.5**	**100.0**	**365.0**	**100.0**

The following table sets forth our throughput breakdown and facility utilization rate by cargo type for the periods indicated:

	Year ended December 31,								
	2011			2012			2013		
	Throughput (million tons)	% of Total Throughput	Facility Utilization Rate(3) (%)	Throughput (million tons)	% of Total Throughput	Facility Utilization Rate(3) (%)	Throughput (million tons)	% of Total Throughput	Facility Utilization Rate(3) (%)
Container (1)	131.4	38.0	136.1	146.7	40.8	151.8	165.6	45.4	162.4
Metal ore and coal(2)	124.2	35.8	254.9	123.2	34.3	252.9	112.4	30.8	217.6
Liquid bulk	55.8	16.1	103.4	56.4	15.7	104.6	57.4	15.7	106.4
Other general cargo	34.8	10.1	346.4	33.2	9.2	330.8	29.6	8.1	295.0
Total	**346.2**	**100.0**	**—**	**359.5**	**100.0**	**—**	**365.0**	**100.0**	**—**

Notes:

(1) Our container throughput included throughput of container terminals we operate at the Port of Rizhao and the Port of Weihai. For more information on such container terminals, please see "Business — Location — Other Regional Ports" on page 141. Using "TEU" as the measuring unit, our container throughput was 12.9 million TEUs, 14.4 million TEUs and 15.4 million TEUs, respectively, for the years ended December 31, 2011, 2012 and 2013.

(2) Our Directors are of the view that handling and ancillary services for metal ore, coal and other cargo should be reported as a single business 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 and the throughput information of other cargo is presented separately in this prospectus. For further information regarding this segment, please see "Financial Information — Segment Results" on page 276.

(3) Facility utilization rate is calculated by dividing the aggregate annual or annualized throughput of respective cargo, as applicable, by the designed annual throughput capacity of the berths handling such cargo. In particular, facility utilization rate for container berths is calculated based on container throughput data in TEU. According to Drewry, in many cases terminals in China have actual throughput that is considerably higher than designed annual throughput capacity, resulting in a utilization rate above 100%. According to Drewry, "designed annual throughput capacity" of a berth is the theoretical amount of work that the berth is capable of handling in 365 calendar days based on the engineering design of the berth, assuming normal working hours and standard operating efficiency, and designed annual throughput capacities of berths are in many cases conservatively computed during the engineering design of port infrastructure in China.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganization, the principal operations and businesses of QDP were transferred to us, and certain assets and liabilities were retained by QDP namely, (i) the Dongjiakou Operations, comprising (a) the Dongjiakou Operation I, which was acquired by QDOT (our joint venture) in February 2014, subject to a supplementary and final acquisition effecting certain post-closing adjustments, and (b) the Dongjiakou Operation II, which was acquired by us in May 2014; and (ii) the Other Retained Operations, comprising (a) CIP Projects, which are not required for our current operations; (b) Other PPE which has either been purchased or leased back by us directly or through our joint ventures after the Reorganization, or is no longer required for our business; and (c) certain investment properties and land use rights, certain non-operating property, plant, and equipment and certain other assets and liabilities.

In addition to the operations and businesses transferred to us, the historical financial information included in the Accountant's Report set out in Appendix I to this prospectus and discussed in "Financial Information" starting on page 237 also includes certain assets, liabilities and results of operations of the Dongjiakou Operations and the Other Retained Operations. This is because, although the Dongjiakou Operations and the Other Retained Operations were not transferred to our Company at the Reorganization in November 2013, our Directors consider that (i) the Dongjiakou Operations and certain Other Retained Operations, namely the CIP Projects and Other PPE, are businesses similar to our Core Operations and their operations and financial records were under common management and control of QDP; and (ii) the operations and financial records of the remainder of the Other Retained Operations were under the common management and control of QDP. Accordingly, it is appropriate that the financial information included in "Financial Information" and elsewhere in this prospectus reflects all of the businesses under the common control of QDP that had been part of our Group's businesses and operations during the Track Record Period. As a result, the financial information included in "Financial Information" 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 in this prospectus, and may not be indicative of our future financial condition, results of operations or cash flows. 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 our Group 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 were accounted for as a distribution to QDP at the effective date of the Reorganization, which was 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. After November 15, 2013, the results of operations of the Dongjiakou Operations and the Other Retained Operations were 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 were not comparable to previous years. For further details, please see "Financial Information — Basis of Presentation of Financial Information" on page 238 and "Financial Information — Factors Affecting Comparability" on page 243.

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, 2011 and 2012 and the period from January 1, 2013 to November 14, 2013:

Dongjiakou Operation I:

	Year ended December 31,	Period from January 1 to November 14,
	2012	2013
	RMB'000	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**

The 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 following tables 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

Historical financial information of the Other Retained Operations

Results of operations

	Year ended December 31,		Period from January 1 to November 14,
	2011	2012	2013
	RMB'000	RMB'000	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,		As of November 15
	2011	2012	2013
	RMB'000	RMB'000	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 Group's financial records as of December 31, 2011 and 2012.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth the summary of consolidated financial information of our Group. We have derived the consolidated financial information for the years ended December 31, 2011, 2012 and 2013, and as of December 31, 2011, 2012 and 2013 from our audited consolidated financial information in the Accountant's Report set out in Appendix I to this prospectus.

Summary of Consolidated Income Statement

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	**5,078,591**	**5,740,504**	**6,526,264**
Gross profit	**1,616,777**	**1,673,721**	**2,051,622**
Share of profit of joint ventures	538,731	559,947	511,459
Profit before income tax	**1,475,699**	**1,548,224**	**1,939,962**
Profit for the year	**1,213,303**	**1,267,944**	**1,521,802**

Revenue by segment after inter-segment elimination

	Year ended December 31,					
	2011		2012		2013	
	(RMB'000)	% of Revenue	(RMB'000)	% of Revenue	(RMB'000)	% of Revenue
Segments						
- Container handling and ancillary services	51,760	1.0%	82,074	1.4%	81,635	1.3%
- Metal ore, coal and other cargo handling and ancillary services	2,472,133	48.7%	2,783,930	48.6%	3,073,125	47.1%
- Liquid bulk handling and ancillary services	366,915	7.2%	375,844	6.5%	261,018	4.0%
- Logistics and port value-added services	1,014,066	20.0%	1,394,338	24.3%	1,596,759	24.5%
- Port construction and other services	1,173,717	23.1%	1,104,318	19.2%	1,513,727	23.2%
Total	**5,078,591**	**100.0%**	**5,740,504**	**100.0%**	**6,526,264**	**100.0%**

Gross profit margin by segment after inter-segment elimination

	Year ended December 31,		
	2011	2012	2013
	%	%	%
Segments			
- Container handling and ancillary services	49.2%	33.8%	24.2%
- Metal ore, coal and other cargo handling and ancillary services	38.4%	34.1%	34.5%
- Liquid bulk handling and ancillary services	45.4%	38.9%	60.7%
- Logistics and port value-added services	24.8%	23.5%	25.5%
- Port construction and other services	19.1%	20.1%	26.8%
Total	**31.8%**	**29.2%**	**31.4%**

Share of profit of joint ventures by segment after inter-segment elimination

	Year ended December 31,					
	2011		2012		2013	
	(RMB'000)	%[1]	(RMB'000)	%[1]	(RMB'000)	%[1]
Segments						
- Container handling and ancillary services	370,659	68.7%	387,018	69.2%	304,243	59.5%
- Metal ore, coal and other cargo handling and ancillary services	19,291	3.6%	12,573	2.2%	4,422	0.9%
- Liquid bulk handling and ancillary services	114,540	21.3%	121,579	21.7%	157,027	30.7%
- Logistics and port value-added services	34,241	6.4%	38,777	6.9%	45,767	8.9%
- Port construction and other services	—	—	—	—	—	—
Total	**538,731**	**100.0%**	**559,947**	**100.0%**	**511,459**	**100.0%**

Note:

(1) Percentage of share of profit of joint ventures.

Key Consolidated Statement of Financial Position Information

	As of December 31,		
	2011	2012	2013
	(RMB' 000)	(RMB' 000)	(RMB' 000)
Assets			
Non-current assets	17,980,168	20,163,145	15,215,686
Current assets	7,213,757	6,070,889	3,735,627
Total assets	**25,193,925**	**26,234,034**	**18,951,313**
Liabilities			
Non-current liabilities	7,818,359	7,685,298	6,612,417
Current liabilities	3,003,231	3,578,732	4,306,864
Total liabilities	**10,821,590**	**11,264,030**	**10,919,281**
Total equity	**14,372,335**	**14,970,004**	**8,032,032**

Key Consolidated Statement of Cash Flows Information

	Years 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

Significant Non-Recurring Item

On March 31, 2013, we disposed of all assets of Yougang Branch to Qingdao Shihua through an equity investment in and an asset sale to Qingdao Shihua (the "**Yougang Disposal**"). Qingdao Shihua is our joint venture in which we hold a 50% equity interest. As a result of the Yougang Disposal, we recognized gains of RMB110.2 million from disposals of property, plant and equipment, land use rights and intangible assets for the year ended December 31, 2013. For further details regarding the Yougang Disposal, please see "Financial Information — Year Ended December 31, 2013 Compared to Year Ended December 31, 2012 — Revenue" on page 258.

OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, QDP, our Controlling Shareholder, owned 90.00% of the total issued share capital of our Company. Immediately following the completion of the Global Offering, QDP will hold approximately 75.00% of our then total issued share capital, assuming the Over-allotment Option is not exercised (or approximately 73.13% if the Over-allotment Option is exercised in full). As a result, QDP will continue to be our Controlling Shareholder of our Company immediately after the completion of the Global Offering.

DONGJIAKOU PORT AREA

As of March 31, 2014, we operated three terminals with four berths through our joint ventures, namely, QDOT, and Huaneng Qingdao at the Dongjiakou Port Area.

Our joint venture QDOT acquired from QDP in February 2014 two berths and related assets at the Dongjiakou Port Area for a total consideration of RMB2,989,024,400, and is expected to conduct a supplementary acquisition to effect certain post-closing adjustments, together referred to as Dongjiakou Acquisition I. These two berths are dedicated to metal ore and coal handling with a docking capacity of 300,000 DWTs and 200,000 DWTs, respectively. For the years ended December 31, 2012 and 2013, the total throughput of the two berths subject to Dongjiakou Acquisition I was 26.4 million tons and 46.0 million tons, respectively. Dongjiakou Acquisition I was funded through the paid-in capital of QDOT and bank borrowings incurred by QDOT. Our joint venture Huaneng Qingdao operated one terminal with two berths, each with a designed berthing capacity of 50,000 DWTs and 35,000 DWTs, respectively, for handling coal and other general cargo.

In addition, we acquired directly from QDP in May 2014 two multi-purpose berths and certain other assets at the Dongjiakou Port Area for a total consideration of approximately RMB738.7 million, referred to as the Dongjiakou Acquisition II, and together with Dongjiakou Acquisition I, the Dongjiakou Acquisitions. Each of the two berths has a docking capacity of 50,000 DWTs and is capable of handling various types of other general cargo. As of the Latest Practicable Date, berths subject to the Dongjiakou Acquisition II were still under trial operation. As a result of our major construction projects at the Dongjiakou Port Area, there was a significant increase in our raw material in the year ended December 31, 2013 compared to the same period in 2012. See also "Financial Information — Results of Operations — Year Ended December 31, 2013 Compared to Year Ended December 31, 2012 — Port construction and other services" on page 263.

CAPITAL EXPENDITURE AND INVESTMENT

We anticipate 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 the Dongjiakou Acquisition II; and (ii) our planned investment in our existing and new joint ventures will amount to approximately RMB1,421.4 million, which mainly involves development projects at the Dongjiakou Port Area and the Qianwan Port Area.

We will fund our capital expenditures and investment in joint ventures through (i) cash generated from operating activities; (ii) approximately HK$2,243.9 million from the net proceeds of the Global Offering; and (iii) additional drawdowns, if needed, from our available credit facility of RMB4.66 billion granted by Bank of Qingdao Co., Ltd. We expect that we will incur additional finance costs as a result of the incremental bank borrowings. In light of our revenue and our operating cash flow, we believe that such additional finance costs will not have a material adverse effect on our business, results of operations or financial condition.

RELOCATION OF OPERATIONS

The Qingdao municipal government is in the process of adopting a city planning initiative, which involves the relocation of our port operations at the Dagang Port Area to the Dongjiakou Port Area and the Qianwan Port Area. However, as of the Latest Practicable Date, this initiative is still at a preliminary stage and there is no concrete relocation plan. As of the Latest Practicable Date, we operated 18 berths at the Dagang Port Area. During the Track Record Period, our throughput at the Dagang Port Area accounted for approximately 10.2%, 10.1% and 10.0%, respectively, of our total throughput. Our major operations at the Dagang Port Area consist of the operations of the Dagang Branch, Port Machinery Branch* and Qingdao Gangrong, which generated a majority of our revenue at the Dagang Port Area during the Track Record Period. In addition to our major operations at the Dagang Port Area, there are also certain other operations at the Dagang Port Area that cannot be segregated and are not individually identifiable from our historical accounting records. During the Track Record Period, after elimination of intra-group transactions, our revenue generated from our major operations at the Dagang Port Area was RMB966.3 million, RMB1,079.9 million and RMB1,297.9 million, respectively, and the gross profit margin was 21.9%, 20.8% and 18.1%, respectively. We believe that any relocation, which may have some short-term unfavorable impact on our business, such as disruptions of our operations, decrease in revenue from such operations during the relocation process, logistical and management challenges, and additional costs in connection with the relocation, would be beneficial to our long-term development.

As part of another city planning initiative announced in 2014, the government of Qingdao Economic and Technology Development Zone is in the process of adopting a new city planning proposal, which may include the relocation of our port operations at the Huangdao Oil Port Area to the Dongjiakou Port Area and the relocation of certain of our customers' operations from the surrounding areas of the Huangdao Oil Port Area. However, as of the Latest Practicable Date, the city planning proposal is still at a preliminary stage and hence there is no concrete relocation plan for us. As of the Latest Practicable Date, we operated 11 berths at the Huangdao Oil Port Area. During the Track Record Period, our throughput at the Huangdao Oil Port Area accounted for approximately 15.5%, 15.2% and 15.3%, respectively, of our total throughput. Our major operation at the Huangdao Oil Port Area consists of the operation of the Yougang Branch and the operation of Qingdao Shihua, one of our joint ventures, which generated a majority of our revenue at the Huangdao Oil Port Area during the Track Record Period. In addition to our major operations at the Huangdao Oil Port Area, there are also certain other operations at the Huangdao Oil Port Area that cannot be segregated and are not individually identifiable from our historical accounting records. In March 2013, we disposed all assets of the Yougang Branch to Qingdao Shihua, see "Financial Information — Results of Operations — Year Ended December 31, 2013 Compared to Year Ended December 31, 2012" for further details. During the Track Record Period, after elimination of intra-group transactions, our revenue generated from our major operations at the Huangdao Oil Port Area was RMB330.6 million, RMB349.1 million and RMB239.2 million, respectively, and gross profit margin was 40.6%, 35.2% and 59.4%, respectively. During the Track Record Period, our share of profit from Qingdao Shihua was RMB114.5 million, RMB121.6 million and RMB157.8 million, respectively. If the relevant city planning proposal were to be adopted, the relocation may cause disruptions to our operations, decrease in revenue from such operations during the relocation process, logistical and management challenges, and additional costs in connection with the relocation.

Based on our current knowledge of the city planning proposal and our operations at the Dagang Port Area and the Huangdao Oil Port Area, we do not anticipate that the proposed relocations, if approved by competent governmental authorities, would have a material adverse impact on our overall business. For further details regarding the relocation of operations at the Dagang Port Area and the Huangdao Oil Port Area, please see "Risk Factors — Our operations are subject to relocation initiatives, which may present logistical and management challenges, incur additional cost for us and may adversely affect our business" on page 36, "Business — Our Facilities — Dagang Port Area" on page 153 and "Business — Our Facilities — Huangdao Oil Port Area" on page 156. We will disclose the progress of the relocation of the Dagang Port Area and the Huangdao Oil Port Area in our interim and annual reports following the Listing.

CUSTOMERS AND SUPPLIERS

We provide a full range of port services and have a diversified customer base from many industries including international shipping, trade, oil refining, petrochemicals, steel, coal and logistics. In each of the years ended December 31, 2011, 2012 and 2013, our five largest customers by revenue could be divided into two categories: customers who received our port services and related parties who purchased machinery or received construction services from us. During the same period, the aggregate revenues derived from our five largest customers did not exceed 30% of our total revenue. Our major suppliers supply us stevedoring equipment and IT systems. For the years ended December 31, 2011, 2012 and 2013, our single largest supplier accounted for approximately 25.4%, 12.1% and 16.1% of our purchases, respectively. Please see "Business — Our Customers, Sales and Marketing" on page 162 and "Business — Our Suppliers" on page 167 for more information on our customers and suppliers.

DIVIDEND POLICY

We paid dividends of RMB193.6 million and RMB127.3 million for the years ended December 31, 2011 and 2012, respectively. In addition, on November 15, 2013 our Shareholders approved our distribution of a special dividend which would be determined based on our audited consolidated net profits from the period from January 1, 2013 to November 15, 2013. Our Company intends to pay the special distribution to QDP within six months after the Listing from our cash generated from operating activities, prior to which such distribution is recorded in our accounts as dividend distribution. Such special distribution is approximately RMB1,303.2 million, approximately RMB270.7 million of which has been paid. Further, our Company also intends to pay another special dividend, which will be determined based on our audited consolidated net profits from November 16, 2013 to the last day of the calendar month immediately prior to the Global Offering to our current Shareholders. The actual amount of such special dividend will be determined upon the completion of an 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 distribution and special dividend before the payment. Please see "Financial Information — Dividend Distribution Prior to the Listing" on page 302 for more information on the special distribution and special dividend.

Dividends we have declared in the past may not be indicative of our future dividend policy or payments. 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, 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. Further information on the restrictions applicable to our payments of dividends is set out in "Financial Information — Dividend Policy" on page 301.

OFFER STATISTICS

The Global Offering comprises: (i) the Hong Kong Public Offering of 77,638,000 H Shares (subject to adjustment) in Hong Kong; and (ii) the International Offering of 698,742,000 H Shares (subject to adjustment and the Over-allotment Option) in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act, and outside the United States in reliance on Regulation S.

The following table sets out certain offering related data, assuming that: (a) the Global Offering has been completed and 776,380,000 H shares are in issue; and (b) the Over-allotment Option has not been exercised.

	Based on Offer Price of HK$3.76
Market capitalization of our Shares[(1)]	HK$17,693.8 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[(2)]	HK$2.66

Notes:

(1) The calculation of market capitalization is based on the 4,705,800,000 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is based on 4,705,800,000 Shares expected to be in issue immediately upon completion of the Global Offering.

LISTING EXPENSES

As of December 31, 2013, we incurred expenses of approximately RMB7.5 million for the Global Offering, and we expect to incur a total of expenses 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 operations for 2014.

USE OF PROCEEDS

Based on the Offer Price of HK$3.76 per H Share, we estimate that we will receive net proceeds of approximately HK$2,493.2 million from the Global Offering after deducting (i) the net proceeds from the sale of the Sale Shares in the Global Offering; and (ii) the underwriting commissions and other estimated expenses in connection with the Global Offering, if the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 90%, or HK$2,243.9 million, will be used to fund the construction of port facilities at the Dongjiakou Port Area, including:

  — approximately 36.7%, or HK$915.0 million, to fund the construction of oil tanks, which are expected to require a total investment of approximately RMB3,162.9 million;

  — approximately 23.2%, or HK$578.4 million, to fund the construction of an ore stacking yard with an area of approximately 494,250 sq.m. which is expected to require a total investment of approximately RMB459.1 million;

  — approximately 14.9%, or HK$371.5 million, to fund the construction of one crude oil berth with a docking capacity of 300,000 DWTs and one crude oil berth with a docking capacity of 100,000 DWTs, which is expected to require a total investment of approximately RMB1,331.0 million;

  — approximately 8.7%, or HK$216.9 million, to fund the construction of two general berths each with a docking capacity of 50,000 DWTs, which is expected to require a total investment of approximately RMB887.5 million; and

  — approximately 6.5%, or HK$162.1 million, to fund the construction of one liquid chemical berth with a docking capacity of 20,000 DWTs, one liquid chemical berth with a docking capacity of 30,000 DWTs and crude oil tanks, all of which are expected to require a total investment of approximately RMB797.1 million.

- the remaining 10%, or HK$249.3 million, will be used as general working capital.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis. Please see "Future Plans and Use of Proceeds — Use of Proceeds" on page 305 for further details.

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 under the Dongjiakou Acquisition I for a total consideration of RMB2,989.0 million. In addition, we completed the Dongjiakou Acquisition II for a total consideration of approximately RMB738.7 million in May 2014. Please also see "Our History, Reorganization and Corporate Structure — Our Principal Joint Ventures — QDOT" on page 120 and "Financial Information — Capital Commitments and Expenditure" on page 284 for more information on QDOT, "Business — Our Facilities — Dongjiakou Port Area" on page 159 and "Financial Information — Factors Affecting Comparability — Dongjiakou Acquisitions" on page 248 for more information on the Dongjiakou Acquisitions.

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.

Our Directors confirm that, since the last day of the Track Record Period, there has been no material adverse change in our financial position or business prospects 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.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in "Glossary of Technical Terms."

"Application Form(s)"	**WHITE, YELLOW** and **GREEN** application form(s) or, where the context so requires, any of them
"Articles of Association"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VI to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Board of Directors" or "Board"	the board of directors of our Company
"BOCI"	BOCI Asia Limited
"Bohai Rim" or "Bohai Rim Region"	the economic hinterland surrounding the Bohai Sea, which includes Beijing, Tianjin, Hebei, Liaoning and Shandong provinces
"Business Day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are normally open for normal banking business
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China. Except where the context requires, references in this prospectus to the PRC or China do not apply to Hong Kong, Macau or Taiwan

"China OST"	China Ocean Shipping Tally Company (中國外輪理貨總公司), which holds a 16% equity interest in Qingdao OST, our non-wholly owned subsidiary, and is therefore our connected person
"China Shipping Terminal"	China Shipping Terminal Development Co., Ltd. (中海碼頭發展有限公司), one of our Promoters
"CIETAC"	the China International Economic and Trade Arbitration Commission
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on November 15, 2013. Our Company has been registered in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong, the predecessor to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong))
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder" or "our Controlling Shareholder"	has the meaning ascribed thereto in the Hong Kong Listing Rules and also refers to QDP. Please see "Relationship with Our Controlling Shareholder" in this prospectus
"Core Operations"	has the meaning described in "Our History, Reorganization and Corporate Structure — Reorganization" in this prospectus
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
"COSCO Group"	COSCO Group (中遠集團), the controlling shareholder of China OST, a substantial shareholder of Qingdao OST, and is therefore our connected person
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC securities and futures markets

"Dagang Branch"	Dagang Branch of Qingdao Port International Co., Ltd.* (青島港國際股份有限公司大港分公司), a branch of our Company established on December 2, 2013
"Director(s)"	Director(s) of our Company
"Domestic Shares"	ordinary shares issued by our Company, with a Renminbi-denominated nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Donghuang Pipeline (Phase I)" (東黃管線)	the pipeline that runs from Dongying, Shandong to Huangdao, Shandong and commenced operations in 1974
"Donghuang Pipeline (Phase II)" (東黃複線)	the pipeline that runs from Dongying, Shandong to Huangdao, Shandong and commenced operations in 1986
"Dongjiakou Acquisition I"	the acquisition by QDOT of Dongjiakou Operation I from QDP for a total consideration of approximately RMB2,989.0 million, which was completed in February 2014, together with the proposed supplementary acquisition effecting certain post-closing adjustments. For further details, please see "Our History, Reorganization and Corporate Structure — Dongjiakou Acquisitions — Dongjiakou Acquisitions I" in this prospectus
"Dongjiakou Acquisition II"	the acquisition by our Company of Dongjiakou Operation II and certain other assets from QDP for a total consideration of approximately RMB738.7 million, which was completed in May 2014. For further details, please see "Our History, Reorganization and Corporate Structure — Dongjiakou Acquisitions — Dongjiakou Acquisition II" in this prospectus
"Dongjiakou Acquisitions"	Dongjiakou Acquisition I and Dongjiakou Acquisition II
"Dongjiakou Operation I"	the operating assets and liabilities of two metal ore and coal berths with a docking capacity of 300,000 DWTs and 200,000 DWTs, respectively
"Dongjiakou Operation II"	the operating assets and liabilities of two multi-purpose berths each with a docking capacity of 50,000 DWTs
"Dongjiakou Operations"	Dongjiakou Operation I and Dongjiakou Operation II
"Drewry"	Drewry Maritime Service (Asia) Pte Ltd., an independent industry advisor

"Dzungarian Gate"	a straight valley which penetrates the Dzungarian Alatau mountain range along the border between Kazakhstan and China and currently serves as a railway corridor between China and Central Asia
"Everbright Qingdao FLC"	Everbright (Qingdao) Financial Leasing Co., Ltd. (光大控股(青島)融資租賃有限公司), one of our Promoters
"Foreign Shares" or "foreign shares"	ordinary shares issued by our Company, with a Renminbi-denominated nominal value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi and include the H Shares
"Formal Notice"	means the press announcement in agreed form to be issued on or around May 26, 2014 in connection with the Hong Kong Public Offering pursuant to the Listing Rules
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by **WHITE** Form eIPO service provider, Computershare Hong Kong Investor Services Limited
"Group" or "our Group"	our Company, its branches and subsidiaries
"GTIS"	Global Trade Information Services, Inc., a leading supplier of international merchandise trade data
"H Share(s)"	Foreign Shares in the share capital of our Company, with a Renminbi-denominated nominal value of RMB1.00 each, for which an application has been made for listing and permission to deal in on the Hong Kong Stock Exchange, and which are subscribed for and traded in Hong Kong dollars
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKIAC"	Hong Kong International Arbitration Centre
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 77,638,000 H Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the related application forms
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering entered into by our Company, QDP, BOCI, CLSA Limited, CITIC Securities Corporate Finance (HK) Limited, UBS AG, Hong Kong Branch, UBS Securities Hong Kong Limited and Deutsche Bank AG, Hong Kong Branch dated May 23, 2014, as further described in "Underwriting" in this prospectus
"Huaneng Qingdao"	Huaneng Qingdao Port Operation Co., Ltd.* (華能青島港務有限公司), one of our joint ventures in which we hold a 49% equity interest
"Huangdao-National Reserve Facilities Pipeline" (黃島-國家儲備庫管線)	the pipeline that runs from the facilities at the Huangdao Oil Port Area to the National Strategic Petroleum Reserve (Phases I and II) located in Huangdao, Shandong
"Huangdao-Sinopec Refinery Pipeline" (黃島-中石化大煉油管線)	the pipeline that runs from facilities at the Huangdao Oil Port Area to Sinopec's refineries in Huangdao, Shandong
"Huangqing Pipeline" (黃青管線)	the pipeline that runs from Huangdao, Shandong to Qingdao, Shandong
"Huangwei Pipeline" (黃濰管線)	the pipeline that runs from Huangdao, Shandong to Weifang, Shandong
"IEA"	International Energy Agency

"IFRS"	International Financial Reporting Standards, which include the International Accounting Standards, amendments and interpretations issued by the International Accounting Standards Board
"independent third party(ies)"	persons who, as far as our Directors are aware after having made all reasonable enquiries, are not connected persons of our Company within the meanings of the Listing Rules
"International Offer Shares"	the H Shares offered by our Company and the Selling Shareholder pursuant to the International Offering
"International Offering"	the offer by our Company for subscription and the Selling Shareholder for sale of H Shares to institutional, professional, corporate and other investors, subject to adjustment and the Over-allotment Option, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	international underwriters expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering to be entered into by, among others, our Company, the Selling Shareholder and the International Underwriters on or around May 29, 2014
"Ji-Qing Highway" (濟青高速公路)	the highway that connects Jinan, Shandong with Qingdao, Shandong
"Jiao-Huang Rail Line" (膠黃線)	the railroad that runs from Jiaozhou Railway Station, in Shandong province to Harbour Railway Station (港灣站) at the Qianwan Port Area
"Jiao-Ji Rail Line" (膠濟線)	the railroad that runs from Qingdao Railway Station in Shandong province to Jinan Railway Station
"Jiao-Xin Rail Line" (膠新線)	the railroad that runs from Jiaozhou, Shandong to Xiyi, Jiangsu
"Jin-Zhong-Nan Rail Line" (晉中南線)	the railroad that runs from Lüliang, Shanxi to the Port of Rizhao in Shandong province
"Joint Bookrunners" and "Joint Lead Managers"	BOCI, CLSA Limited, UBS AG, Hong Kong Branch and Deutsche Bank AG, Hong Kong Branch
"Joint Global Coordinators"	BOCI, CLSA Limited and UBS AG, Hong Kong Branch
"Joint Sponsors"	BOCI, CITIC Securities Corporate Finance (HK) Limited and UBS Securities Hong Kong Limited

"*Journal of Commerce*"	a biweekly magazine published in the United States that focuses on global trade topics
"Latest Practicable Date"	May 19, 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about June 6, 2014, on which the H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Maersk"	A.P. Moller — Maersk Group, a Danish container ship operator and supply vessel operator and an independent third party
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Malai Storage"	Shenzhen Malai Storage Company Limited* (碼來倉儲(深圳)有限公司), one of our Promoters
"Mandatory Provisions"	the Mandatory Provisions for the Articles of Association of Companies Seeking a Listing Outside the PRC (到境外上市公司章程必備條款) promulgated on August 27, 1994 by the Securities Commission and the State Restructuring Commission, as amended, supplemented or otherwise modified from time to time
"Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Ministry of Transport"	the Ministry of Transport of the PRC (中華人民共和國交通運輸部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"Northeast Asia"	the northeastern subregion of Asia, including Japan, the Korean Peninsula, northeastern China and the Russian part of the Far East. For the purpose of this prospectus only, Northeast Asia also includes the southern coastal areas of the Bohai Sea and the Yellow Sea, including Hebei, Tianjin and Shandong provinces
"Northern China"	for the purpose of this prospectus only, Northern China refers to the region north of the Yangtze River, and ports in Northern China only refer to coastal ports
"Northwestern Provinces"	Shanxi, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang provinces
"NPC" or "National People's Congress"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會), the national legislative body of the PRC
"NSSF"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會), an organization set up by the State Council for the management and operation of the national social security fund of the PRC
"OFAC"	The U.S. Department of Treasury's Office of Foreign Assets Control
"Offer Price"	HK$3.76 per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%)
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"OPEC"	Organization of the Petroleum Exporting Countries
"Over-allotment Option"	the option to be granted by our Company and the Selling Shareholder to the International Underwriters and the Joint Bookrunners exercisable by the Joint Global Coordinators for themselves and on behalf of the International Underwriters and the Joint Bookrunners pursuant to which our Company and the Selling Shareholder may be required to issue or sell up to an aggregate of 116,457,000 additional H Shares (representing 15% of the H Shares initially being offered under the Global Offering) to, among other things, cover over-allocations in the International Offering, if any, details of which are described in "Structure of the Global Offering" in this prospectus

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pearl River Delta"	the low-lying area surrounding the Pearl River estuary where the Pearl River flows into the South China Sea
"percentage ratios"	has the meaning ascribed thereto under Rule 14.04(9) of the Listing Rules
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC government" or "Chinese government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Promoter(s)"	QDP, Malai Storage, Qingdao Ocean, China Shipping Terminal, Everbright Qingdao FLC and Qingdao IIC
"Province" or "province"	a province or, where the context requires, a provincial level autonomous region or municipality under the direct administration of the central government of the PRC
"QDOT"	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), one of our joint ventures in which we hold a 30% equity interest
"QDP"	Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), the Controlling Shareholder of our Company
"QDP Dongjiakou Branch"	Dongjiakou Branch of Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司董家口分公司), a branch of QDP established on February 28, 2012
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Qiangang Branch"	Qiangang Branch of Qingdao Port International Co., Ltd.* (青島港國際股份有限公司前港分公司), a branch of our Company established on December 3, 2013
"Qing-Lian Rail Line" (青連線)	the railroad that runs from Qingdao Station in Shandong province to Lianyungang Station in Jiangsu province
"Qing-Yin Highway" (青銀高速公路)	the highway that connects Qingdao, Shandong with Yinchuan, Ningxia

"Qingdao Dongjiakou IMC Logistics"	Qingdao Port Dongjiakou IMC Logistics Co., Ltd., (青島港董家口萬邦物流有限公司), a non-wholly owned subsidiary of our Company established on March 7, 2013 in which we hold 51% equity interest, but is not consolidated into our financial statements as our Company does not have control over it under criteria set out in "Notes to the Financial Information — 4. Summary of significant accounting policies — 4.2 Consolidation" of the Accountant's Report set out in Appendix I to this prospectus
"Qingdao Gangrong"	Qingdao Bonded Port Area Gangrong Storage Centre Co., Ltd.* (青島保税區港榮倉儲中心有限公司), a wholly owned subsidiary of our Company established on January 5, 1995
"Qingdao IIC"	Qingdao International Investment Co., Ltd. (青島國際投資有限公司), one of our Promoters
"Qingdao Merchants"	China Merchants International Container Terminal (Qingdao) Co., Ltd. (青島港招商局國際集裝箱碼頭有限公司), which holds a 49% equity interest in West United, our non-wholly owned subsidiary, and is therefore our connected person
"Qingdao Ocean"	Qingdao Ocean Shipping Co., Limited (青島遠洋運輸有限公司), one of our Promoters
"Qingdao OST"	Qingdao Ocean Shipping Tally Co., Ltd. (青島外輪理貨有限公司), a non-wholly owned subsidiary of our Company established on February 28, 2008 in which we hold a 84% equity interest
"Qingdao Port Engineering"	Qingdao Port (Group) Engineering Co., Ltd.* (青島港(集團)港務工程有限公司), a wholly owned subsidiary of our Company established on January 5, 1993
"Qingdao SASAC"	the State-owned Assets Supervision and Administration Commission of Qingdao (青島市人民政府國有資產監督管理委員會), the sole shareholder of QDP
"Qingdao Shihua"	Qingdao Shihua Crude Oil Terminal Co., Ltd.* (青島實華原油碼頭有限公司), one of our joint ventures in which we hold a 50% equity interest
"Qingdao Yongli"	Qingdao Yongli Insurance Agent Co., Ltd.* (青島永利保險代理有限公司), a wholly owned subsidiary of our Company established on May 31, 2001

"Qingwei Container"	Weihai Qingwei Container Terminal Co., Ltd.* (威海青威集裝箱碼頭有限公司), one of our joint ventures in which we hold a 49% equity interest
"QQCT"	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), one of our joint ventures in which we hold a 31% equity interest
"QQCTN"	New Qingdao Qianwan Container Terminal Co., Ltd. (青島新前灣集裝箱碼頭有限責任公司), a subsidiary of our joint venture QQCT, in which QQCT holds a 80% equity interest
"QQCTU"	Qingdao Qianwan United Container Terminal Co., Ltd. (青島前灣聯合集裝箱碼頭有限責任公司), a subsidiary of QQCTN in which QQCTN holds a 50% equity interest
"QQCTUA"	Qingdao Qianwan United Advance Container Terminal Co., Ltd. (青島前灣新聯合集裝箱碼頭有限責任公司), a subsidiary of QQCTU in which QQCTU holds a 70% equity interest
"Regulation S"	Regulation S under the Securities Act
"Reorganization"	the reorganization arrangements undergone by our Company and QDP in preparation for the Listing as described in "Our History, Reorganization and Corporate Structure — Reorganization" in this prospectus
"Reorganization Agreement"	the reorganization agreement dated November 25, 2013 entered into between our Company and QDP as described in "Our History, Reorganization and Corporate Structure — Reorganization" in this prospectus
"Riqing Container"	Rizhao Riqing Container Terminal Co., Ltd.* (日照日青集裝箱碼頭有限公司), one of our joint ventures in which we hold a 50% equity interest
"RMB" and "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the Securities Act of 1933 of the U.S., as amended, supplemented or otherwise modified from time to time
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"Sale Shares"	the 70,580,000 H Shares to be converted from an equal number of ordinary shares with a nominal value of RMB1.00 each held by the Selling Shareholder to be offered for sale by the Selling Shareholder as part of the International Offering at the Offer Price, subject to any adjustment and, where relevant, any additional ordinary shares which may be sold pursuant to the exercise of the Over-allotment Option, and references to "Sale Shares" shall include, where the context requires, the ordinary shares from which the Sale Shares are converted
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"Securities Commission"	the Securities Commission of the State Council of the PRC (中華人民共和國國務院證券委員會), which was abolished in March, 1998 when its functions were assumed by CSRC thereafter
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), promulgated by the Standing Committee of the National People's Congress on December 29, 1998 and which became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
"Selling Shareholder"	QDP, which will be selling the Sale Shares in the International Offering as further described in "Structure of the Global Offering — The Selling Shareholder" in this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shares"	shares of our Company, including both Domestic Shares and Foreign Shares
"Shen-Hai Highway" (瀋海高速公路)	the highway that connects Shenyang, Liaoning with Haikou, Hainan
"Sinopec"	China Petroleum & Chemical Corporation, an independent third party
"Southern China"	for the purpose of this prospectus only, Southern China refers to the region south of the Yangtze River, including Shanghai, and ports in Southern China only refer to coastal ports

"SPARCS"	an advanced marine terminal operating system developed by Navis, a global terminal operating solutions provider based in the United States, which is an independent third party
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"Stabilizing Manager"	BOCI
"State"	the government authorities authorized to perform specified duties in the name of the PRC according to the PRC laws, including without limitation the NPC and the State Council
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"State Restructuring Commission"	the State Commission for the Restructuring of the Economic System of the PRC (中華人民共和國國家經濟體制改革委員會), which was abolished in 1998 pursuant to the Notice of the State Council regarding organization structure (國務院關於機構設置的通知), and its functions were merged into the Restructuring Office of the State Council of the PRC (中華人民共和國國務院經濟改革辦公室)
"Supervisor(s)"	member(s) of the supervisory committee of our Company
"Supplemental Agreements"	the supplemental agreements to the Reorganization Agreement entered into on December 18, 2013 and January 4, 2014, respectively, between QDP and our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs
"Track Record Period"	the three years ended December 31, 2013
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "US dollars"	United States dollars, the lawful currency of the United States

"Vopak Logistics"	Vopak Logistics (Qingdao) Co., Ltd. (孚寶港務(青島)有限公司), one of our joint ventures in which we hold a 50% equity interest
"we," "us" or "our"	unless the context requires or is otherwise specified, i) our Company and, ii) when referring to the business, the risks relating to the business and the related industry, and the regulations such business is subject to as disclosed in this prospectus, the Group, and our Company's joint ventures and associates; where the context refers to any time or period prior to the establishment of any entity in our Group, our joint ventures or associates, "we," "us" or "our" also includes the business such entity's predecessor engaged in and subsequently assumed by the entity
"West United"	Qingdao Qianwan West Port United Terminal Co., Ltd. (青島前灣西港聯合碼頭有限責任公司), a non-wholly owned subsidiary of our Company in which we hold a 51% equity interest, but is not consolidated into our financial statements as our Company does not have control over it under criteria set out in "Notes to the Financial Information — 4. Summary of significant accounting policies — 4.2 Consolidation" of the Accountant's Report set out in Appendix I to this prospectus
"**WHITE** Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **WHITE** Form eIPO **www.eipo.com.hk**
"**WHITE** Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yangtze River Delta"	the low-lying area surrounding the Yangtze River estuary where the Yangtze River flows into the East China Sea, including Shanghai, southern Jiangsu province and northern Zhejiang province
"Yangtze River Provinces"	Shanghai, Jiangsu, Zhejiang, Jiangxi, Anhui, Hubei and Hunan provinces

This glossary contains explanations of certain terms used in this prospectus in connection with our businesses. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"berth"	a designated location where a vessel may be moored, usually for the purposes of loading and unloading cargo
"break bulk cargo"	cargo that must be loaded individually and are not transported in containers or in bulk, such as cars and other cargos transported in bags, barrels, boxes, crates and drums
"carrier"	an entity transporting passengers or goods for a profit
"container cargo"	cargo stored in transportation storage unit designed for ease of mechanical handling and recurrent use over a long period
"container freight station"	container freight station at loading ports refers to the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier. Container freight station at discharge or destination ports refer to the location designated by carriers for de-vanning of containerized cargo
"crude oil"	petroleum extracted from the earth or sea floor without any refinement
"customs clearance"	the process of clearing imports and exports through customs
"de-vanning"	a process through which a landed container is unsealed and all its contents are taken out
"dock"	a cargo handling area parallel to the shoreline
"dredging"	removal of sediment to deepen access channels and provide turning basins for ships and adequate water depth along waterside facilities
"dry bulk" or "dry bulk cargo"	major dry bulk, such as metal ore, coal and grains, and minor dry bulk, such as sugar, cement and fertilizer, usually transported in dry bulk ships or multi-functional ships
"dry port"	an inland intermodal terminal directly connected by road or rail to a seaport and operating as a centre for the transshipment of sea cargo to and from inland destinations
"dumper"	a type of large mechanical equipment used mainly for dumping railcars carrying coal

"DWTs"	deadweight ton, which is a measure of how much weight a vessel carrying or can safely carry. DWT is the sum of the weight of cargo, fuel, fresh water, ballast water, provisions, passengers, and crew, and the term is often used to specify a vessel's maximum permissible deadweight
"gantry crane"	a crane affixed to a berth and used to transfer cargo between ship and shore
"general cargo"	dry bulk cargo and break bulk cargo
"GFA"	gross floor area
"hinterland"	the inland region of cargo demand or supply connected with a port via transportation links
"IT"	information technology
"km"	kilometer
"knot"	a unit of speed equal to one nautical mile (1,852 km) per hour
"liquid bulk"	crude oil, refined petroleum products and liquefied gases, usually transported in specially designed vessels known as tankers
"m^3"	cubic meters
"multi-purpose berth"	a berth capable of handling multiple types of general cargo
"reclaimer"	a large feeding machine used for recovering and transporting bulk material from a stockpile to vessels or trucks through conveyor belt
"refined oil"	petroleum that has been processed and refined in refineries
"refrigerated container"	a type of container that is refrigerated for the transportation of temperature sensitive cargo
"regular international liner"	a merchant vessel that operates a regular scheduled service on a fixed international route between designated ports
"roll-on, roll-off"	the process of loading and discharging wheeled cargo, such as trailers and railway carriages, from vessels that are specifically designed to carry roll-on and roll-off cargo
"silo"	a structure for storing bulk materials such as grains, food products and sawdust
"sq.km." or "km^2"	square kilometer(s)

"sq.m." or "m^2"	square meter(s)
"stacking yard"	a yard used for stockpiling, storage and delivery of cargoes
"stevedoring"	loading and stowing or unloading a ship
"tank" or "oil tank"	a large, often metallic container for holding or storing liquids or gases
"tanker"	a merchant vessel designed to transport liquids or gases in bulk
"terminal"	an assigned area in which containers are prepared for loading onto a vessel, train, truck or plane or are stacked immediately after discharge from the vessel, train, truck or plane
"TEUs"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet and six inches and width of eight feet
"throughput"	a measure of the volume of cargo handled by a port. Where cargoes are transshipped, each unloading and loading process is measured separately as part of throughput
"transshipment"	a process in maritime transportation whereby cargo en route to its final destination is transferred from one vessel to another vessel at one or more intermediate destination(s) for purposes that include, amongst others, changing the size of the vessel
"tugboat"	a vessel used to tow or guide other vessels or assist such vessel in berthing and unberthing at a terminal

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- PRC port and shipping industry developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue;

- macro-economic measures taken by the PRC government to manage economic growth; and
- changes in the global economic conditions and material changes in the global shipping industry.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in H Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The market price of H Shares could decrease significantly due to any of these risks, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from those in other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, see "Regulations," "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association."

There are certain risks and uncertainties involved in our operations and this Global Offering, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and results of operations are susceptible to fluctuations in the economic conditions of the PRC and our major hinterland, which affect the demand for commodities and trade volume.

Our business and results of operations are dependent upon our throughput, which in turn depends on PRC macro-economic conditions, demand for commodities as well as domestic and foreign trade volumes. For example, our container throughput depends on overall domestic and foreign trade volumes, our metal ore and coal throughput is affected by the development of the steel industry and public infrastructure industry in the PRC, and our liquid bulk throughput is correlated with the energy industry in the PRC. PRC macro-economic conditions, PRC demand for commodities and PRC and foreign trade volumes are significantly affected by numerous factors beyond our control, including, among other things, macro-economic growth and development of the PRC, trade disputes and the imposition of trade barriers, sanctions, boycotts and other measures and fluctuations in exchange rates.

We also depend on the economic conditions of our major hinterland in the PRC, particularly Shandong province, in sustaining our throughput. For the years ended December 31, 2011, 2012 and 2013, our throughput originating from Shandong province consistently accounted for over 60.0% of our total throughput.

In recent years, the PRC economy has been growing at a decreasing rate. The growth rate of the PRC's GDP during 2010, 2011, 2012 and 2013 were 10.4%, 9.3%, 7.8% and 7.7%, respectively, according to the National Bureau of Statistics of China. Should the PRC's economic growth or the economic growth of our major hinterland slows down further, PRC demand for commodities may further decline, as may the demand for the services we offer, which could materially and adversely affect our business and results of operations.

In addition, PRC domestic and foreign trade volumes have experienced fluctuations in recent years. For example, both PRC domestic and foreign trade volumes declined in 2009 due to the global recession caused by the global financial crisis. Although PRC domestic and foreign trade volumes rebounded in 2010 and continued to increase in 2011 and 2012, such increase was limited due to the slowdown in PRC economic growth and the slow recovery of the global economy. There can be no assurance that PRC domestic and foreign trade volumes will increase soon or at all and if they remain stalled or experience any further declines in the future, our throughput may stall or even decline, which could materially and adversely affect our business, financial condition and results of operations.

Implementing our expansion plans may expose us to certain challenges.

As part of our strategic plan, we have been undertaking and plan to further undertake in the future a number of construction and expansion projects on our own or through our joint ventures, which generally require a significant amount of capital investment and take years to complete. For example, we commenced the construction of the Dongjiakou Port Area in 2008 and we are also constructing new berths and terminal facilities at the Qianwan Port Area. For further details, please see "— We are exposed to certain risks in respect of the development and construction of the Dongjiakou Port Area" and "Business — Our Facilities — Qianwan Port Area." For the years ended December 31, 2011, 2012 and 2013, we incurred capital expenditure and investments in joint ventures of RMB3,106 million, RMB2,659 million and RMB3,576 million, respectively, and we anticipate that the total capital expenditure and investment in joint ventures in 2014 under our expansion plan will be approximately RMB2.8 billion and RMB1,421.4 million, respectively. Such capital expenditure and investments in joint ventures will cause us to incur high depreciation expenses, maintenance expenses and additional borrowings and interest expenses for extended future periods, which may in turn negatively affect our profitability.

We typically conduct feasibility studies to determine whether to undertake significant expansion plans. However, actual results may differ significantly from those anticipated by our feasibility studies. There are significant challenges involved in our expansion plans, including whether (i) we will be able to complete our expansion plan on schedule and within the anticipated budget, or at all; (ii) we will be able to generate anticipated revenues and profits from the operation of newly constructed ports, berths or terminal facilities to cover our indebtedness, costs or contingent liabilities associated with such expansion; and (iii) our expansion plan will be in line with the market demand in the future. If our expansion plan proves to be unsuccessful in the future, our business, financial condition and results of operations could be materially and adversely affected.

Our business and operations require significant capital resources on an ongoing basis. Any failure to obtain sufficient and sustained funding may materially and adversely affect our business, financial condition and results of operations.

Our operations are generally capital-intensive. We require significant and sustained capital resources to fund our operations and to construct, maintain and operate the terminals, berths, storage facilities and logistic facilities for our business. To the extent that our funding requirements exceed our existing financial resources, we will be required to seek external debt or equity financing or to defer planned expenditures. In the past, we have funded our capital requirements primarily with cash generated from our operations. As we further grow our businesses, we expect our capital requirements to increase significantly in the future. We cannot assure you that cash generated from our operations will be sufficient to fund our future development and expansion. If we are unable to obtain financing in a timely manner or at a reasonable cost, if at all, our expansion plans may be delayed, our projects may be hindered, and our financial performance and growth prospects may be materially and adversely affected. The availability of external funding is subject to various factors, including governmental policies, market conditions, credit availability, interest rates and the performance of our operations. If the PBOC raises the benchmark lending rates in order to control the inflation of the Chinese economy or for other policy objectives, the cost of our external funding could significantly increase and our fund-raising ability may thus be limited.

Our operations are subject to relocation initiatives, which may present logistical and management challenges, incur additional cost for us and may adversely affect our business.

As part of our business expansion plan and the city planning initiative of the Qingdao municipal government, our cargo handling business currently conducted at the Dagang Port Area may be gradually relocated to the Qianwan Port Area and Dongjiakou Port Area. The potential relocation involves directing cargo ships to our other port areas and removing or modifying our equipment at the Dagang Port Area. Our business conducted at the Dagang Port Area accounted for approximately 10.2%, 10.1% and 10.0% of our total throughput for the years ended December 31, 2011, 2012 and 2013, respectively. We expect to gradually cease all of our cargo handling business at the Dagang Port Area, and complete the relocation to the Qianwan Port Area and Dongjiakou Port Area over several years in a deliberate and organized manner. During the relocation process, cargo throughput redirected to the Qianwan Port Area and Dongjiakou Port Area might not fully compensate for the loss of cargo throughput in the Dagang Port Area. There can be no assurance that the time to complete the relocation will not be materially extended due to reasons beyond our control, nor can we assure you that our existing customers at the Dagang Port Area will be willing to continue to use our services after such relocation. The relocation process presents a number of logistical and management challenges, including resettlement for our employees, relocation and reassembly of heavy equipment and the redirection of cargo flow that, if not properly addressed, could have an adverse effect on our business operations. We may also incur additional costs in connection with the relocation such as employee-related costs and costs for replacing and moving certain equipment. Furthermore, we may not be able to generate anticipated revenue from such relocated business. The occurrence of any such event may adversely affect our business and results of operations.

As part of another recent city planning initiative in 2014, the government of Qingdao Economic and Technology Development Zone is in the process of adopting a new city planning proposal, which may include the relocation of our port operations at the Huangdao Oil Port Area to the Dongjiakou Port Area and the relocations of certain of our customers' operations from the surrounding areas of the Huangdao Oil Port Area. If such measures were adopted, the relocations may present a number of logistical and management challenges, and we may also incur additional costs or revenue loss as a result of such relocations, which may adversely affect our business and results of operations. Our operations at the Huangdao Oil Port Area accounted for approximately 15.5%, 15.2% and 15.3% of our total throughput for the years ended December 31, 2011, 2012 and 2013, respectively.

As we do not have a concrete timetable for either of the potential relocations, we are not yet in a position to ascertain or quantify the potential disruption and negative impact on our operations from the potential relocations.

A substantial part of our operations are conducted through joint ventures, in which we either do not have management control or do not hold a majority equity interest.

We derived 44.4%, 44.2% and 33.6% of our net profits during each of the years ended December 31, 2011, 2012 and 2013, respectively, from the share of profits of joint ventures. We expect the share of profits of joint ventures to further increase following completion of the Dongjiakou Acquisition I. We do not have management control over or do not hold a majority equity interest of such joint ventures. As a result, we may not be able to fully control the management and operation of these businesses. To the extent that we do not have management control or do not hold a majority equity interest, a joint venture through which we conduct our operations may take action that is not in accordance with our best interests, and we may not be able to ensure that the operation of these businesses will be in compliance with relevant PRC laws and regulations. Differences in opinion or views among our joint venture partners can result in delayed decision-making and failure to agree on material issues, which could adversely affect the business and operations of such joint ventures. A dispute with our joint venture partners may cause the loss of business opportunities or disruption to or termination of the relevant business. Such dispute may also give rise to litigation or other legal proceedings, which will divert our management attention and other resources, and if a decision or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and suspend or terminate the related project or operations. In addition, if these businesses were to be managed poorly, the profits that we realize from them may fail to grow as anticipated or may even fall. As a result, our business, financial condition and results of operations could be materially and adversely affected.

In the event that we encounter any of the foregoing problems, our business, financial condition and results of operations may be materially and adversely affected.

Any decline in or restrictions on the ability of our operating subsidiaries and joint ventures to pay dividends to us could adversely affect our cash flow, earnings and ability to pay dividends to our shareholders.

We conduct some of our operations through our operating subsidiaries and joint ventures in the PRC. A significant portion of our assets is held by, and a significant portion of our earnings and cash flows are attributable to, our operating subsidiaries and joint ventures in the PRC. If the earnings from our operating subsidiaries and joint ventures were to decline, our earnings and cash flow could be adversely affected. The ability of our operating subsidiaries and joint ventures to pay dividends depends on business considerations and regulatory restrictions, including the cash flow and articles of association of these companies, relevant shareholders' agreements and applicable PRC laws and regulations. In particular, under PRC law, our operating subsidiaries and joint ventures may only pay dividends after they have made up for any accumulated losses and 10.0% of their net profit has been set aside as a statutory reserve fund, unless the amount set aside for the reserve fund accounts for 50.0% or more of their registered capital. In addition, distributions by our operating subsidiaries and joint ventures to us other than dividends may be subject to governmental approval, approval by other shareholders and taxation. These restrictions could reduce the amount of distributions that we receive from our operating subsidiaries and joint ventures, which could restrict our ability to fund our operations, generate revenue and pay dividends. There can be no assurance that our operating subsidiaries and joint ventures will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable us to pay dividends to our Shareholders.

We are exposed to certain risks in respect of the development and construction of the Dongjiakou Port Area.

We are developing our operations at the Dongjiakou Port Area both on our own and through current and future joint ventures. The Dongjiakou Port Area is expected to have a throughput capacity of approximately 300 million tons per year upon completion. There is no assurance that we will be able to complete the development and construction of the Dongjiakou Port Area within budget or in a timely manner, or at all. As a result, we may not grow as rapidly as we expect, and our competitiveness may be adversely affected.

In addition, the development and construction of the Dongjiakou Port Area require substantial capital expenditure. There is no assurance that we will be able to obtain sufficient funding. Further, the development and construction of port infrastructure at the Dongjiakou Port Area also face other risks commonly associated with construction projects, such as shortage or delay in the supply of labor, materials and equipment, cost overruns, natural disasters, accidents or other unforeseen circumstances.

The development and construction of the Dongjiakou Port Area is also subject to various governmental approvals from local, provincial and central governments including environmental agencies, land authorities and NDRC. There is no assurance that pertinent regulatory authorities would grant such approvals or that there will not be a delay in securing such approvals.

Although we conducted a detailed business analysis with respect to our expansion plan for the development and construction of the Dongjiakou Port Area, the macro-economic conditions are beyond our control and cannot be predicted with any degree of certainty. As a result, we cannot assure you that demand for our services will continue to grow at historical rates to justify our investment for the Dongjiakou Port Area. If future demand for our services does not match our growth in capacity, our business, financial condition and results of operations will be materially and adversely affected.

Our operations and facilities, especially those that handle oil, natural gas and other flammable materials, expose us to operating risks that could materially and adversely affect our business, financial condition and results of operations.

Due to the nature of our business, our operations are exposed to certain hazards associated with storing and transporting oil, petrochemicals, liquid chemicals, coal, cotton and waste materials, including (i) fires; (ii) explosions; (iii) chemical spills or other discharges or releases of toxic or hazardous substances or gases; (iv) storage tank leaks; and (v) other environmental risks. These hazards can result from a number of factors including (i) misconduct and improper operation; (ii) severe weather and natural disasters; (iii) equipment aging and mechanical failure; (iv) unscheduled downtime; (v) transportation interruptions; and (vi) terrorist attacks.

Furthermore, improper operations, machinery breakdown or other incidents in the course of our terminal operations may result in accidents, which may involve (i) serious injuries to, or even death of, our employees; or (ii) monetary losses to our customers due to cargo damages or property loss to us. If we fail to exercise sufficient caution on safe operation, it could have a material and adverse effect upon our business operations. For more information on workplace safety accidents during the Track Record Period, please see "Business — Risk Management — Workplace Health and Safety."

Despite compliance with requisite safety requirements and standards, we are still subject to risks surrounding these factors. These hazards can cause personal injury and loss of life, catastrophic damage to or destruction of property and equipment and environmental damage, and may result in a suspension of operations and the imposition of civil or criminal penalties. We could become subject to environmental claims brought by governmental entities or third parties. The loss or shutdown over an extended period of operations of our facilities would have a material adverse effect on us.

We are connected to third parties' transportation networks and any significant disruptions to or changes in the operations of such transportation networks could adversely affect our business operations.

Our business and operations rely upon the various means of transportation through which cargo arrives at and departs from our port, including railway, highway, waterway and pipeline transportation, and which affect the timing and volume of our cargo flow. A disruption to or delay of operations of our transportation network or reduction of its carrying capacity due to maintenance or otherwise would directly affect the arrival and departure of cargo at our port, which would in turn affect our cargo throughput and could have a material and adverse effect on our business and results of operations.

Furthermore, natural disasters, terrorist attacks, accidents, adjustments to schedules or capacity, inclement weather, dramatic and unexpected changes in transportation costs or other circumstances affecting our transportation network could in turn affect the timing and volume of cargo arriving at and departing from our port, and have a material adverse impact on our business and results of operation.

On November 22, 2013, a crude oil pipeline explosion occurred in Donghuang Pipeline (Phase II) (東黃複線) owned and operated by Sinopec in Qingdao, which is connected to our port facilities and is one of the primary means of transporting crude oil from our facilities, resulted in 62 deaths and 136 injuries and significant property damage. As a result of such pipeline explosion, a portion of Donghuang Pipeline (Phase II) (東黃複線) is permanently shut down, several oil tankers were ordered to temporarily evacuate our berthing facilities for safety reasons and the operation of certain refinery and petrochemical plants in Qingdao was disrupted. We cannot assure you that future accidents or other safety-related incidents will not result in any prolonged disruption of our transportation network, which in turn may adversely affect our business and results of operations.

We face competition from other port operators.

Our major competitors include port operators in the Bohai Rim Region and the Yangtze River Delta, as well as the Port of Busan in South Korea. Our competitors are expanding their capacity and modernizing their port facilities. Some of these ports share a fairly large area of overlapping hinterlands and attract similar types of customers and cargo to us. Our competitors may develop advanced technologies, employ advanced equipment or management techniques in processing and handling various types of cargo, develop transportation networks to enjoy greater inland accessibility, or reduce fee rates. Some of our competitors may have greater and broader operational experience and longer standing relationships with international and domestic shipping companies and cargo owners than us. There is no assurance that our current or potential competitors will not provide services comparable or superior to those we provide or adapt more quickly than we do to evolving industry trends or changing market requirements, and we may have to compete more vigorously with these port operators. If we fail to maintain our competitive position, our business and prospects will be materially and adversely affected.

Our net current liabilities position and our planned business expansions expose us to liquidity risks.

We completed our Reorganization and were established on November 15, 2013, on which date the assets and liabilities of the Dongjiakou Operations and the Other Retained Operations were accounted for as a distribution to QDP. In addition, after November 15, 2013, the results of operations of the Dongjiakou Operations were no longer consolidated into our results of operations. As a result of the distribution to QDP in connection with the Reorganization, the funding of our development projects using internal financial resources and the increase in trade and other payables, we had a net current liabilities position as of December 31, 2013 and March 31, 2014. Please see "Financial Information — Factors Affecting Comparability" for further information regarding the Dongjiakou Operations and the Other Retained Operations.

We intend to expand our business through developing additional port facilities that are primarily located at the Dongjiakou Port Area either on our own or through our joint ventures. We have commenced the construction of several development projects. Please see "Business — Construction in Progress" for more information on our development projects. We expect to incur additional capital expenditure for these and other planned construction of port facilities.

We have mainly relied on cash generated from our operations to fund our capital expenditure and to finance our business expansion. We expect to incur both long-term and short-term borrowings to fund a substantial portion of our future capital requirement. Our leverage could materially and adversely affect our liquidity. For example, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;

- increase our vulnerability to adverse economic or industry conditions;

- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- potentially restrict us from pursuing strategic business opportunities;
- limit our ability to incur additional debt; and
- increase our exposure to interest rate fluctuations.

We cannot assure you that we will always be able to continue to refinance our future debt when they become due, repay our debt upon maturity and/or raise the necessary funding to finance our current liabilities and our capital commitments.

In addition, we cannot assure you that we will be able to comply with all the requirements under our credit facility, or that we will be able to obtain waivers if we fail to comply with them. Failure to service our debt or comply with the terms, conditions and covenants of our credit facility could result in penalties, including increases in our interest rates, accelerated repayment of loans and interest, termination of the credit facility and legal action against us by our creditors, any of which could have a material and adverse effect on our business, results of operations and financial condition.

Furthermore, our liquidity depends on the amount of cash we generate from operations and our access to further financial resources to fulfill our short-term payment obligations, which may be affected by our future operating performance, prevailing economic conditions and other factors, many of which are beyond our control.

We had negative net operating cash flow for the year ended December 31, 2013. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially adversely affected.

For the year ended December 31, 2013, we recorded negative net cash flow from operating activities of approximately RMB244.3 million, 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. For further information, please refer to "Financial Information — Liquidity and Capital Resources" in this prospectus. We cannot assure you that we will not experience negative net cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to develop our development projects as planned. As a result, our business, financial condition and results of operations may be materially adversely affected.

Our operations depend on our management team and other professional personnel and our business may suffer if we are unable to retain or replace them.

The success of our business depends on, to a large extent, the continued service of the members of our senior management team, who are critical to the development and implementation of our corporate strategy and our continued growth. We devote considerable resources to recruiting and retaining these personnel. As a result of ever-increasing market competition, the market demand and competition for experienced management personnel and other professional personnel has intensified. Our business and results of operations could suffer if we are unable to retain our senior management or other high-quality professional personnel, or cannot adequately and timely replace them upon their departure. Moreover, we may be required to increase substantially the number of such personnel in connection with any future growth plans, and we may face difficulties in doing so due to the intense competition in the PRC port industry for such personnel. Our failure to retain, replace or recruit competent personnel could materially impair our ability to implement any plan for growth and development.

Our historical financial information in this prospectus may not be indicative of our future financial condition, results of operations or cash flows.

We were established on November 15, 2013 as a result of the Reorganization, pursuant to which QDP transferred to us a significant portion of its assets, liabilities and interests in relation to its port operations in exchange for an equity interest in us in the form of state-owned shares. In addition to the businesses transferred to us from QDP, the historical financial information included and discussed in this prospectus also includes assets, liabilities and results of operations of certain Retained Operations. Although such operations were not transferred to our Company at the Reorganization, our Directors consider that they were engaged in similar businesses with the Core Operations, and their operations and financial records were under common management and control of QDP, thus 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 Group's businesses and operations during the Track Record Period. Therefore, our historical financial information in this prospectus may not be indicative of our future financial condition, results of operations or cash flows. For more information, please see "Financial Information — Basis of Presentation of Financial Information."

We are subject to a wide variety of environmental regulations, and our failure to control the costs associated with any increased standards of these regulations could materially and adversely affect our business.

Our operations are subject to a wide variety of national and local laws and regulations governing environmental protection, the management, transportation, discharge and release of hazardous substances and human health and safety, all of which are subject to change at any time. Any increased standards of these regulations may require us to incur substantial additional costs to comply with such increased environmental and other regulatory obligations including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. In addition, the construction of our port facilities may have an adverse environmental impact on the surrounding sea areas and thus subject us to more stringent governmental surveillance, inspections and regulations. Any failure by us to control the costs associated with any increased standards in these regulations could have a material adverse effect on our business, financial condition and results of operations.

Potential oil spills or similar accidents at our port facilities could disrupt our business and operations.

An oil spill or similar accidents near our port or facilities, regardless of the cause or the responsible party, could disrupt our business and operations during the repair or remediation period, which could negatively impact our business and operations. The oil pipeline explosion which occurred on November 22, 2013 in Huangdao District of Qingdao resulted in certain oil spills near our port facilities. As a result of such oil spill, several oil tankers temporarily left our terminals for safety reasons. We were also requested by local government to assist in cleaning up the oil spill near our port. In order to prevent any such accident or oil spill and to enhance our ability to mitigate and remediate any such accident or oil spill, we maintain a fleet of service vessels, which provide a number of emergency services at our port. However, there can be no assurance that we will be able to handle such incidents without damage to our facilities, contamination of our port or other property or environmental damage, and any failure to avoid, mitigate or resolve such incidents or any significant loss we may incur in connection with our effort to mitigate or resolve such incident could adversely affect our business, financial condition and results of operations.

We are currently subject to maritime safety and customs standards, and our failure to control the costs associated with any enhancement of these standards could materially and adversely affect our business.

We are currently required by the Ministry of Transport, State Administration for the Supervision of Work Safety, State Administration of Quality Supervision, Inspection and Quarantine, Maritime Safety Administration, the Customs General Administration and other government authorities of the PRC to maintain certain security and customs standards at our facilities, including safety assessment schemes for port construction; safety assessment schemes for specific projects involving liquid bulk terminals and storage tank areas, dangerous cargo terminals and storage facilities; and assessment schemes for safety conditions initiated by port operators in respect of uncertainty in operation safety at terminals for the loading and unloading of other dangerous cargo. In addition, personnel responsible for any inbound or outbound vessels entering or leaving from maritime points are required to arrange for declarations to the maritime authority and submission of related documentation, and the vessel is required to undergo supervision and inspection by the maritime authority. No inbound or outbound vessels berthing at maritime points are allowed to leave from a port without prior approval by the maritime authority. Consignees of imported cargo and consignors of exported cargo must arrange declaration to the customs authority and submission of import and export permits and relevant documentation. Cargo that are subject to national restrictions on import and export may not be released without evidence of import and export permits. Should we fail to fulfill these requirements, a penalty may be imposed or we may be subject to confiscation of income, if any, from such non-compliance. Were we to incur such a penalty, our business, financial condition, results of operations and our reputation may be materially and adversely affected. Any failure by us to control the costs associated with the enhancement of security and customs standards could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, as a result of terrorist activities and increased security concerns, there is a global move towards enhanced inspection procedures and tighter import/export controls and safety regulations. If the additional compliance costs of any such regulations or procedures cannot be recovered through higher ports fees and charges, our business and results of operations may be adversely affected.

We may not have sufficient insurance coverage for the risks associated with the operation of our business.

Our operations involve certain risks, for which full insurance cover is either not available or not available on commercially reasonable terms. In addition, the severity and frequency of various events, such as accidents and other mishaps, business interruptions, environmental damage, personal injuries and fatalities, or damage to our facilities, property and equipment caused by inclement weather, human error, pollution, labor disputes and acts of God, as well as risks relating to our provision of services to customers may result in losses or expose us to liabilities in excess of our insurance coverage or significantly impair our reputation. We cannot assure you that our insurance coverage will be sufficient to cover the loss arising from any or all such events or that we will be able to renew existing insurance cover on commercially reasonable terms, if at all.

Should an incident occur in relation to which we have no insurance cover or inadequate insurance cover, we could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed and, in certain cases, we may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against us in excess of any related insurance cover that we may maintain, our assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on our business, financial condition and results of operations.

The port industry in the PRC is a highly regulated industry and we are subject to various regulations imposed by the PRC government.

The PRC port industry is highly regulated. Port operators are required to obtain a port operation license as well as to comply with strict regulations in respect of, among other things, operational management, supervision, inspection and the loading, unloading and storage of hazardous cargo. For further information, please see "Regulations."

Certain fees and charges with respect to our stevedoring services for containers in domestic trade and all the other cargo types in foreign trade are subject to fee schedules set by the PRC government. The Ministry of Transport, the administrative body in charge of the port industry in the PRC, is responsible for setting the schedule of port fees and charges. Port operators set their fees and charges for services with reference to the fees and charges schedule determined by the Ministry of Transport, and related rules include the Port Charge Rules (Foreign Trade) of the Ministry of Transport of the People's Republic of China (《中華人民共和國交通部港口收費規則(外貿部分)》), the Port Charge Rules (Domestic Trade) of the People's Republic of China (《中華人民共和國港口收費規則(內貿部分)》) and the Measures for the Collection of Port Fees on Containers Carried by Inland Maritime Transport (《國內水路集裝箱港口收費辦法》). If the PRC government adjusts fee standards in the future in ways that are adverse to our business interests or if there is any change to the current system regulating port fees and we are not able to effectively adapt to the new system, our business operations could be adversely affected.

We are required to obtain qualifications or licenses to undertake our business operations and any revocation, cancellation or non-renewal of these qualifications or licenses could have a material and adverse impact on our business.

We need qualifications and licenses issued by relevant government agencies to conduct our businesses. We must comply with certain restrictions and conditions imposed by various levels of government to maintain our qualifications and licenses. See "Regulations" for more information on the PRC laws and regulations regarding qualifications and licenses applicable to us. If we fail to comply with any of the conditions required for obtaining and maintaining our qualifications and licenses, our qualifications and licenses could be cancelled or revoked, or the renewal of our licenses, upon expiry of their original terms, may be delayed, which could directly and adversely impact our business operations. In addition, as a result of the Reorganization, we are applying for or amending several licenses and permits that were previously held by QDP, including but not limited to the Certificate for Enterprises in Construction Industry, the Certificate for Power Facility Installation, Repair and Testing and the Work Safety License for our Power Supply Branch*. In the opinion of our PRC legal advisor, Jia Yuan Law Offices, we made these applications and amendments in accordance with applicable regulatory requirements. However, we may face certain potential penalties, such as fines, confiscation of relevant income, and suspension of operations, prior to our obtaining these licenses and permits. Please see "Our History, Reorganization and Corporate Structure — Reorganization" for more information about our Reorganization and "Business — Regulatory Compliance" for more information about our license applications.

We may not be able to benefit from the establishment of a free trade zone as it is uncertain whether and when the PRC government would set up a free trade zone in Qingdao.

In September 2013, the PRC government officially launched a pilot free trade zone in Shanghai, which, among other things, liberalizes certain financial, trade and investment restrictions within the zone, particularly removing certain restrictions on foreign shareholding on international shipping companies and international transshipment. The PRC government also indicated that it intended to promote and launch free trade zones in other cities in the PRC within two to three years. In light of this, many PRC local governments are in the process of applying for free trade zone status. In December 2013, the Shandong Provincial Government announced that it had submitted a proposal to the State Council for the establishment of a Qingdao Free Trade Zone (青島貿易自由港區) ("**Qingdao FTZ**") in May 2013. Pursuant to the proposal, our Qianwan Port Area, which includes the Qianwan Bonded Port Area, would be designated as a pilot zone for trade facilitation reforms. In preparation for the Qingdao FTZ, we have adjusted our development strategies to accommodate and embrace opportunities that may result from the Qingdao FTZ. However, it is uncertain whether and when the PRC government would approve the establishment of a Qingdao FTZ. If a Qingdao FTZ is not approved for establishment, or if there is any material delay in establishing a Qingdao FTZ, or if the approved plan is substantially different from the original proposal, we may not be able to benefit from the Qingdao FTZ as we expected and our business prospects could be adversely affected. We may also face increased competition from other ports that receive free trade zone status, which may affect our ability to attract and retain customers compared to these competitors.

Failure in our information and technology systems could interrupt our business operations.

We implement modern information and technology systems to control and manage our operations. These information and technology systems are intended to enable us to improve efficiencies and monitor and control all aspects of our operations and are fundamental to ensuring that we maintain our competitiveness in our industry. For example, we are constructing automated container terminals at the Qianwan Port Area, which we believe will enable us to increase our container handling operation efficiency. Any failure or breakdown in these systems could interrupt our normal business operations and result in a significant slowdown in operational and management efficiency during such failure or breakdown. Any prolonged failure or breakdown could dramatically impact our ability to offer services to our customers, which could have a material adverse effect on our business and results of operations.

We rely on security procedures at other port facilities and by cargo owners and shipping companies, which may expose us to third party liabilities that are beyond our control.

We rely upon the security procedures implemented at other port facilities and by cargo owners and shipping companies to supplement to varying degrees our own inspection of the cargo to be shipped or transshipped. However, there can be no assurance that the cargo that passes through our port will not be affected by breaches in security or acts of terrorism, either directly or indirectly, at other points of the logistics chain. Any security breach or act of terrorism that occurs at one or more of the facilities, or on a shipping line or other port facility that has handled cargo prior to the cargo arriving at our port facilities, could subject us to significant third party liabilities, including the risk of litigation and loss of goodwill.

In addition, any major security breach or act of terrorism that occurs at our facilities or at the facilities of other port operators may result in a temporary shutdown of the port terminals and/or the introduction of additional or more stringent security measures and other regulations affecting the port industry. The costs associated with any such events could materially and adversely affect our business, financial condition, results of operations and prospects.

Legal defects relating to certain properties or sea areas owned or leased by us could materially and adversely affect our ability to use such properties and sea areas.

We, or our lessors, have not yet obtained valid title certificates for some of the properties we occupy in the PRC that would allow us to use or freely transfer such properties. For example, with regard to our owned properties, as of April 30, 2014, we have not obtained the land use right certificate for one out of 23 parcels of owned land with a total area of approximately 890,064 sq.m., representing 8.08% of the total site area of land used by our Group, we also have not obtained the building ownership certificates for seven out of 116 owned buildings with a total GFA of approximately 4,994 sq.m., representing approximately 1.04% of the total GFA of buildings used by our Group. As of the same date, with regard to our leased properties, in respect of three out of 20 parcels of land with a total site area of approximately 21,534 sq.m., representing 0.20% of the total site area of land used by our Group, the related lessor who is an independent third party has obtained the relevant land use right certificates but has not completed its internal procedures of leasing the parcels of land to us. In respect of one out of 28 buildings with a total GFA of approximately 196 sq.m., representing approximately 0.04% of the total GFA of buildings used by our Group, QDP, the lessor has not obtained the relevant building ownership certificate. In addition, we may not be able to obtain sea area use rights for all the sea area surrounding one of our terminals.

We use these properties for various purposes, including berths, offices, transportation facilities, and storage facilities. We cannot predict how our rights as owner, lessee or occupier of these properties and our business operations may be adversely affected as a result of the absence of vested legal title in these properties or right to lease these properties. We may be subject to fines and penalties. For example, our failure to obtain the sea area use right for the sea area surrounding one of our terminals may result in a fine ranging from five to 15 times of the sea area use grant premium as determined by the Ocean Bureau, orders to cease operation at the relevant terminal and confiscation of illegal gains. We may be required to cease some of our business operations currently carried out on properties that we do not have unassailable legal rights to use or occupy temporarily or permanently, and such relocation could adversely affect our business, financial condition and results of operations. See "Business — Properties" in this prospectus for details of the properties and sea areas we occupy.

Any reduction in our operation capacity or interruption to our operations due to equipment replacement, remodeling or upgrade and any significant costs associated with replacing failed, aging or obsolete equipment could have an adverse effect on our results of operations.

Our port services rely on the proper functioning of critical pieces of complex equipment such as dumpers, loaders, gantry cranes, stackers and reclaimers. Such equipment may require replacement, remodeling or upgrading as they age or experience unanticipated failures, any of which could reduce our cargo handling capacity or efficiency. We rely on independent third parties for certain maintenance and repair services, whose work quality or promptness may be beyond our control. We cannot assure you that we will not experience any material shutdowns or periods of material reductions in our cargo handling capacity due to equipment failures. Any such reduction in our capacity or interruption to our operation could have a material adverse effect on our business and results of operations.

Moreover, if our equipment ages, fails or becomes obsolete, we may incur additional costs to maintain, repair or replace such equipment, and such costs could also increase due to any number of factors beyond our control. Any of these factors could cause our operating margins to decline.

We will be controlled by QDP, our controlling shareholder, whose interests may differ from those of our other Shareholders.

Upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised, QDP, our Controlling Shareholder, will beneficially own and control approximately 75.0% of our share capital. Subject to the Articles of Association, QDP will continue to have the ability to exercise a controlling influence over the management, policies, business and affairs of us by controlling the composition of our Board, determining the timing and amount of dividend distributions, approving material transactions such as major overseas investments, approving our annual budgets and amending the Articles of Association. We cannot guarantee that QDP will not cause us to enter into transactions, to take or fail to take any other actions or make decisions that conflict with the best interests of our other shareholders. Furthermore, as several of our Directors and Supervisors may serve concurrently as managers or officers of QDP, there may be potential conflicts of interest in certain circumstances. Please see "Relationship with Our Controlling Shareholder" and "Connected Transactions" for further information.

We are exposed to credit risk with respect to our customers, and our business could be adversely affected if our customers default on their obligations.

While we seek to limit our credit risk by setting maximum credit terms for certain customers, taking financial guarantees from certain customers and monitoring outstanding receivables, our customers may in the future default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. Our credit risk is increased by the fact that our largest customers operate in the same industry and therefore may be similarly affected by changes in economic and other conditions. 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. The recent unfavorable general market conditions of the PRC steel industry has delayed the settlement of bills by some of our metal ore customers, which in turn increased our trade receivables and our trade receivable turnover days, which increased from 26 days as of December 31, 2011 to 30 days as of December 31, 2012 and further to 40 days as of December 31, 2013. See "Financial Information — Major Factors Affecting Our Results of Operations" and "Financial Information — Certain Balance Sheet Items — Trade and other receivables." In addition, we are often unable to obtain reliable information regarding the financial condition of many of our customers because they are privately-held companies and have no obligation to make such information publicly available. Delayed payment, non-payment or non-performance on the part of one or more of our major customers, or a number of our smaller customers, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain risks in respect of labor interruptions and increase in labor costs.

Our port operations are labor-intensive and our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees. For example, our cargo stevedoring operations rely on our vessel loading and discharging staff. Any labor unrest with respect to our vessel loading and discharging staff could prevent us from loading and unloading operations, which could have a material adverse effect on our business and competitive position. In addition, if we face labor interruption or significant increases in labor costs as a result of changes to labor laws and regulations, our operating costs could increase and our results of operations may be materially and adversely affected.

We face uncertainties due to economic sanctions imposed by the U.S. and other jurisdictions, as some of our customers may engage in certain transactions in or with countries or persons that are the subject of these economic sanctions.

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries or governments, such as Iran, Cuba, Sudan and Syria, and with certain persons or businesses that have been specially designated by OFAC or other U.S. government agencies. The U.S. has also imposed less comprehensive sanctions on North Korea and Myanmar. Other governments and international or regional organizations, such as the United Kingdom, Australia, the European Union, and the United Nations Security Council, also impose similar economic sanctions.

Some of our customers, including international shipping companies and cargo owners, may engage in transactions in or with countries or persons to which certain OFAC-administered and other sanctions apply, such as Iran. While we do not believe that we are in violation of any applicable U.S. sanctions or that any of our activities are currently sanctionable under applicable U.S. legal and regulatory requirements, we cannot predict the interpretation or implementation of any country or international institution's sanctions policies and there can be no assurance that existing sanctions laws will not change or that we will not be subject to sanctions in the future. If it were to be determined that our port services to certain customers were activities targeted by U.S. or other trade restrictions, we could be subject to sanctions or other restrictions, including limitations on U.S. exports or bank financing or outright blocking of our property within U.S. jurisdiction, and our reputation and business prospects in the U.S. or other jurisdictions, or with persons in those jurisdictions, could be adversely affected. Further, U.S. investors in the Global Offering could incur reputational risk or other risks as a result of our and our customers' dealings in or with countries or persons that are the subject of U.S. or other jurisdictions' sanctions. If the most extreme U.S. sanction, blocking, were applied to our property, we could be prohibited from engaging in business activities in the U.S. or with U.S. individuals or entities, and U.S. transactions in our securities and distributions to U.S. individuals and entities with respect to our securities could also be prohibited.

Our international expansion may be risky, costly, time consuming and difficult, and our profitability and prospects may be materially and adversely affected.

We may explore opportunities in the international port business through investment in port-related businesses abroad. In expanding our business internationally, we may enter markets in which we have no experience. In addition, we are exposed to a number of potential risks associated with international operations, including political instability, economic instability and recessions, increased labor costs and shortage of labor supply, difficulties of administering foreign operations generally, obligations to comply with a wide variety of foreign laws and other regulatory requirements, potentially adverse tax consequences, foreign exchange fluctuation and losses, and inability to effectively enforce contractual or legal rights. If our overseas expansion efforts are unsuccessful, our profitability and prospects may be materially and adversely affected.

We lease a significant portion of the properties that are important to our business from our Controlling Shareholder.

As of the Latest Practicable Date, we leased a significant portion of our properties that are important to our business from our Controlling Shareholder, including land, buildings, tugboats and non-building structures. If our Controlling Shareholder becomes unwilling to continue to lease these properties to us and if we are unable to lease other similar properties on similar commercial terms, our business operations may be adversely affected. See "Connected Transactions — Non-exempt continuing connected transactions — 1. QDP Lease Framework Agreement," "Relationship with Our Controlling Shareholder — Operational Independence," and "Business — Properties — Leased Properties."

Our business may be harmed by climatic change in Qingdao or elsewhere or natural disasters.

If climatic change or weather conditions of any type was to force the Port of Qingdao to close down for a period of time, our business would be materially and adversely affected. Furthermore, abnormal changes to the weather, hydrology, terrain, geology and other natural disasters such as earthquakes, astronomical tides, storm tides, tsunami and silt accumulation, may limit the use of some maritime navigational routes towards our port terminals and make certain channels leading to our port terminals impassible, which could cause a decrease in the use of our port services and harm the our business operations.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions and government policies could affect our business, financial condition and results of operations.

We conduct substantially all of our business operations in the PRC. Accordingly, our business, financial condition and results of operations are, to a significant degree, subject to economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including, among others, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although the economy of the PRC has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC by allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. Although the PRC government has implemented economic reform measures to introduce market forces and establish sound corporate governance system and modern management system in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, we may not benefit from certain of such measures.

The PRC government has the power to implement macroeconomic control measures affecting the Chinese economy. The PRC government has implemented various measures in an effort to control the growth rate and structure of certain industries and limit inflation such as increasing the People's Bank of China's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which have had the effect of slowing the growth of credit availability. The various macroeconomic measures adopted by the PRC government to guide economic growth may not be effective in sustaining the current growth rate of the PRC economy. The PRC has been one of the world's fastest growing major economies, as measured by GDP growth, in recent years. However, The PRC may not be able to sustain such a growth rate. The growth rate of China's GDP decreased to 7.7% in 2013 from 7.8% in 2012 and 9.3% in 2011. If the PRC economy experiences any decrease in growth rate or a significant downturn, the unfavorable business environment and economic condition for our customers could negatively impact their demand for our products and our business, financial condition and results of operations could be materially and adversely affected.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you. Holders of H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. While prior court decisions may be cited for reference, they have limited precedential value. Since 1979, the PRC Government has promulgated laws, rules and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws, rules and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws, rules and regulations involve significant uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or senior officers, arising out of our Articles of Association or any rights or obligations conferred or imposed upon us by the PRC Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to either the CIETAC or the HKIAC in accordance with its applicable rules. Pursuant to the Arrangement on the Mutual Enforcement of Arbitration Award between Mainland and Hong Kong Special Administrative Region, awards that are made by the PRC arbitral authorities under the PRC Arbitration Law can be recognized and enforced by Hong Kong courts. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. Hong Kong arbitration awards pursuant to the Arbitration Ordinance (Chapter 609 of the laws of Hong Kong) may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H shares to enforce an arbitral award and no assurance can be given as to the outcome of any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favor of holders of H shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H shares of their rights under the articles of association of any PRC issuer or the PRC Company Law. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections, and our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company established under the laws of the PRC, and all of our assets and all of our subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and members of senior management reside within the PRC, and the assets of our Directors, Supervisors and members of senior management may be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon most of our Directors, Supervisors and members of senior management, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

In addition, although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and Takeovers Code and must rely on the Hong Kong Stock Exchange or the SFC to enforce its rules. The Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share buy-back in Hong Kong.

Fluctuation of the Renminbi may adversely affect our operations and financial results.

Substantially all of our revenue and expenses are denominated in Renminbi, a currency not freely convertible into other currencies. The value of Renminbi against other foreign currencies is subject to changes in the PRC's policies and international economic and political developments. On July 21, 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. Renminbi appreciated more than 20% against U.S. dollars over the following three years. From July 2008 to June 2010, Renminbi traded within a narrow range against U.S. dollars. On June 19, 2010, the PBOC announced that the PRC Government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. Since June 2010, Renminbi has appreciated against U.S. dollars, from approximately RMB6.83 per U.S. dollar to RMB6.23 per U.S. dollar on December 31, 2012. It is difficult to predict how the Renminbi exchange rates may change. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in further and more significant appreciation of Renminbi against U.S. dollars. We cannot assure you that Renminbi will not experience significant appreciation against U.S. dollars in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of our foreign currency denominated revenue and assets and could materially and adversely affect our business, financial condition, results of operations and prospects.

You will be subject to PRC taxation.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of our Company ("**non-PRC resident individual holders**") are subject to PRC individual income tax on dividends received from us. The tax on dividends must be withheld at source. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (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) (Guo Shui Han [2011] No. 348) dated June 28, 2011 issued by the SAT, the tax rate applicable to dividends paid to non-PRC resident individual holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. For additional information, please see "Appendix III — Taxation and Foreign Exchange — Taxation in the PRC" to this prospectus. In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon sale or other disposition of H Shares. However, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. To our knowledge, as of the Latest Practicable Date, in practice the PRC tax authorities had not sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to a Notice promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. See "Appendix III — Taxation and Foreign Exchange — Taxation in the PRC" for details. There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC enterprise holders' investments in H Shares may be materially and adversely affected.

Government control of currency conversion may adversely affect the value of your investments.

Substantially all of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares. Under China's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with various procedural requirements.

However, if the PRC Government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, most of foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

Furthermore, the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, results of operations and financial condition.

Payment of dividends is subject to restrictions under PRC law and regulations.

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, our operating subsidiaries and joint ventures in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries and joint ventures for us to pay dividends. Failure by our operating subsidiaries and joint ventures to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business operations, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by avian influenza or swine influenza, may restrict business activities in the areas affected and materially and adversely affect our business and results of operations. For example, in 2009 and 2013, there were reports of the occurrence of two types of avian influenza in certain regions of the world, including the PRC and Hong Kong, where we operate our business. Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC Government or other countries in response to such disasters and epidemics, will not seriously disrupt our operations or those of our clients, which may have a material and adverse effect on our business and results of operations.

Certain facts and statistics contained in this prospectus have come from official government sources or other industry publications, the reliability of which cannot be assumed or assured.

We have derived certain facts and other statistics in this prospectus relating to the PRC, its economies, as well as the port industry from various government publications and other publicly available sources. However, we cannot guarantee the quality or reliability of such source materials. While our Directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Selling Shareholder, each of the Sponsors, the Joint

Global Coordinators, the Underwriters or any of our or their respective affiliates or advisors and, therefore, we and the Selling Shareholder make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside of the PRC. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this prospectus being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such facts or statistics.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price was the result of negotiations between us (for ourselves and on behalf of the Selling Shareholder) and the Joint Global Coordinators on behalf of themselves and the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or our Shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Future sales or perceived sales of a substantial number of our shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

The market price of H Shares could decline as a result of future sales of a substantial number of H Shares or other securities relating to H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales or perceived sales of a substantial number of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us. In addition, our Shareholders would experience dilution in their shareholdings upon offer or sale of additional share capital or share capital-linked securities by our Company in future offerings. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a pro rata basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

A certain number of our Shares currently outstanding are or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. Please see "Underwriting — Hong Kong Underwriting Arrangements — Hong Kong Public Offering — Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules" and "Underwriting — Hong Kong Underwriting Arrangements — Hong Kong Public Offering — Undertakings Pursuant to the Hong Kong Underwriting Agreement." After the lapse of the abovementioned restrictions or if they are waived or breached, future sales, or perceived sales, of substantial number of those Shares could negatively impact the market price of H Shares and our ability to raise capital in the future.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. This could further increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

As the Offer Price of our H Shares is higher than our net tangible book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases. Purchasers of H Shares may also experience further dilution in shareholdings if we issue additional Shares in the future.

As the Offer Price of our H Shares is higher than the net tangible assets per share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets of HK$1.1 per H Share (based on the Offer Price of HK$3.76 per H Share, and assuming the Over-allotment Option for the Global Offering is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There was, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained or may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purpose of giving information with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus materially misleading.

CSRC APPROVALS

We have obtained the approval from the CSRC for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange on April 21, 2014. In granting such consent, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in "Underwriting" in this prospectus. The International Offering is expected to be fully underwritten by the International Underwriters. For further details about the Underwriters and the underwriting arrangements, see "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or by his/her acquisition of Hong Kong Offer Shares be deemed to confirm, that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered for subscription or sale solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisors, agents or representatives or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, please see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus and the relevant Application Forms.

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in our H Shares to be issued and sold pursuant to the Global Offering (including the additional H Shares which may be issued and sold pursuant to the exercise of the Over-allotment Option).

Save as disclosed in the prospectus, no part of our Share is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them, you should consult an expert. It is emphasized that none of us, the Selling Shareholder, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, advisors, agents or representatives nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them.

STABILIZATION

For details of stabilizing actions by the Stabilizing Manager, please see "Underwriting — Stabilization."

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" of this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering."

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued and sold pursuant to applications made in Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agrees with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

CURRENCY CONVERSIONS

Unless otherwise specified, amounts denominated in RMB and US$ have been converted, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK$1.0000 : RMB0.79501 (set by the PBOC for foreign exchange transactions prevailing on May 16, 2014)

HK$7.7520 to US$1.0000 (the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve Board of the United States on May 16, 2014)

No representation is made that any amounts in RMB, US$ or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

ENTITY NAMES

If there is any inconsistency between the Chinese names of entities established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names of entities in Chinese or another language which are marked with "*" and the Chinese translation of names of entities in English which are marked with "*" is for identification purposes only.

OPERATIONAL DATA AND INFORMATION

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.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Hong Kong Listing Rules, our Company must have sufficient management presence in Hong Kong. This usually means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Hong Kong Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Hong Kong Stock Exchange in its discretion.

Our headquarters and substantially all of our business operations are based, managed and conducted in the PRC. As the executive Directors play very important roles in our Company's business operations, it is in our best interests for them to be based in the places where our Group has significant operations. Therefore, our Company does not, and in the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong. Currently, all of our executive Directors, Mr. ZHENG Minghui and Mr. JIAO Guangjun, are ordinarily resident in the PRC.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules. We have made the following arrangements in order to maintain effective communication between the Hong Kong Stock Exchange and us:

- we have appointed Mr. ZHENG Minghui, one of our Company's executive Directors and Ms. LAI Siu Kuen, one of our joint company secretaries, as our authorized representatives and they will serve as our Company's principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by the Hong Kong Stock Exchange, and if required, will be able to meet with the Hong Kong Stock Exchange to discuss any matters in relation to our Company on short notice;

- we have provided the authorized representatives and the Hong Kong Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and fax numbers. Both of our authorized representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors for any reason;

- each of the Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time when requested by the Hong Kong Stock Exchange; and

- we have appointed Crosby Securities Limited as our compliance advisor who will serve as an additional channel of communication of our Company with the Hong Kong Stock Exchange from the Listing Date to the date when our Company distributes our annual reports to our shareholders for the first full financial year immediately after the listing of our H Shares.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Hong Kong Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Hong Kong Listing Rules. According to Rule 3.28 of the Hong Kong Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Hong Kong Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

(a) a Member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Hong Kong Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. CHEN Fuxiang as our company secretary. He joined our Company in 2013 and has 25 years of experience in the port industry with sound understanding of the operations and management of port companies. Mr. CHEN Fuxiang, however, does not possess the specified qualifications required by Rule 3.28 of the Hong Kong Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. CHEN Fuxiang will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Hong Kong Listing Rules organized by our Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules;

- we have appointed Ms. LAI Siu Kuen who meets the requirements under Note 1 to Rule 3.28 of the Hong Kong Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. CHEN Fuxiang in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date, so as to enable Mr. CHEN Fuxiang to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Hong Kong Listing Rules) to discharge the duties and responsibilities as company secretary; and

- upon expiry of the three-year period, the qualifications and experience of Mr. CHEN Fuxiang will be re-evaluated. Mr. CHEN Fuxiang is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. LAI Siu Kuen's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. CHEN Fuxiang will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Hong Kong Listing Rules can be satisfied. In the event that Mr. CHEN Fuxiang has obtained relevant experience under Note 2 to Rule 3.28 of the Hong Kong Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

CONNECTED TRANSACTIONS

Members of our Group have entered into, and are expected to continue after the listing of our H Shares, certain connected transactions, which will constitute continuing connected transactions under the Hong Kong Listing Rules upon the listing of our H Shares. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver pursuant to Rule 14A.42(3) of the Hong Kong Listing Rules to exempt (i) the QDP Lease Framework Agreement, QDP General Framework Agreement, the Qingdao Gangsheng General Framework Agreement and the COSCO General Framework Agreements (in respect of the provision of goods and services by our Group to the COSCO Associates) from compliance with the announcement requirement under Rule 14A.47 of the Hong Kong Listing Rules; and (ii) the COSCO General Framework Agreements (in respect of the provision of goods and services by the COSCO Associates to us) from compliance with the announcement requirement under Rule 14A.47 of the Hong Kong Listing Rules and/or the independent shareholders' approval requirement under Rules 14A.48 to 14A.54 of the Hong Kong Listing Rules. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39, 14A.40, 14A.45 and 14A.46 of the Hong Kong Listing Rules. For the definitions used herein, please see "Connected Transactions."

SUBSCRIPTION OF H SHARES BY MINORITY EXISTING SHAREHOLDER AND CONNECTED PERSONS AS ORDINARY PLACEES IN THE INTERNATIONAL OFFERING

According to Rule 9.09 of the Listing Rules, there must be no dealing in Shares by any of our connected person from four clear business days before the expected hearing date until the Listing is granted.

Pursuant to Rule 10.04 of the Listing Rules, a person who is an existing Shareholder may only subscribe for or purchase any H Shares which are being marketed by or on behalf of our Company either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled, that is, that no H Shares are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of securities and the minimum public float in our H Shares is achieved. Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules also provides that no allocation will be permitted to our Directors or existing Shareholders or their associates, whether in their own names or through nominees under the conditions set out in Rules 10.03 and 10.04 are fulfilled.

Malai Storage is an existing Shareholder of our Company, holding 2.8% equity interest in our Company immediately before the Global Offering. Malai Storage is an indirect wholly owned subsidiary of China Merchants Holding (International) Company Limited (招商局國際有限公司) ("**CMHI**"). Therefore, CMHI is an associate of an existing Shareholder of our Company pursuant to Rules 1.01 of the Hong Kong Listing Rules. In addition, CMHI is also a connected person of our Company pursuant to Rules 1.01 and 19A.04 of the Hong Kong Listing Rules as Qingdao Merchants, an indirect wholly owned subsidiary of CMHI, holds 49% equity interest in West United, a non-wholly owned subsidiary of our Company.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 9.09 and 10.04 of and paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules so as to permit CMHI or its associates to subscribe for H Shares as an ordinary placee in the International Offering.

Such waiver has been granted by the Hong Kong Stock Exchange on the conditions that:

(i) CMHI or its associates cannot influence the share allocation process and have no representation at our Board;

(ii) no H Shares are offered to CMHI or its associates on a preferential basis and no preferential treatment is given to them in the allocation of H Shares;

(iii) compliance with the minimum public float requirement of 15%, or a higher percentage after the exercise of the Over-allotment Option; and

(iv) information on the number of H Shares allocated to CMHI or its associates will be disclosed in the allotment results announcement and the placee lists to be submitted to the Hong Kong Stock Exchange before the Listing.

IMC Dongjiakou Logistics Pte. Ltd. (萬邦董家口物流有限公司) ("**Dongjiakou IMC**") is a substantial shareholder with 49% in Qingdao Dongjiakou IMC Logistics, a non-wholly owned subsidiary of our Company. Dongjiakou IMC is a subsidiary of IMC Group Holdings Limited (萬邦集團控股有限公司) ("**IMC Group**"). Therefore, IMC Group is a connected person of our Company pursuant to Rules 1.01 and 19A.04 of the Hong Kong Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 9.09 of the Hong Kong Listing Rules so as to permit IMC Group or its associates to subscribe for H Shares as an ordinary placee in the International Offering.

The H Shares that may be subscribed for by CMHI and IMC Group or their respective associates in the International Offering will not be counted as part of the public float under the Hong Kong Listing Rules. We have made an application to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 8.08 of the Hong Kong Listing Rules, which took into account the fact that the H Shares that may be subscribed for by CMHI and IMC Group or their respective associates in the International Offering will not be counted as part of the public float under the Hong Kong Listing Rules. For further information, please refer to "— Public Float Requirements."

PUBLIC FLOAT REQUIREMENTS

We have applied to the Hong Kong Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted us, a waiver that the minimum public float requirement under Rule 8.08(1)(a) be reduced and the minimum percentage of our Company's H Shares (being the securities for which listing on the Hong Kong Stock Exchange is sought) from time to time held by the public to be the highest of:

(a) 15% of the total issued share capital of our Company;

(b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised); or

(c) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option (if any).

H Shares that may be subscribed for by CMHI and IMC Group or their respective associates, which is not expected to exceed 1.5% in aggregate of the total registered capital of our Company immediately upon completion of the Global Offering, will not be counted as public float under the Hong Kong Listing Rules. For further details, please refer to "— Subscription of H Shares by Minority Existing Shareholder and Connected Persons as Ordinary Placees in the International Offering."

We will disclose the lower public float percentage referred in this prospectus in an appropriate manner and confirm sufficient public float has been maintained in the annual reports published after the Listing.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. ZHENG Minghui (鄭明輝)	House 502, Unit 2, Block 2 No. 37A Longjiang Road City South District Qingdao Shandong Province PRC	Chinese
Mr. JIAO Guangjun (焦廣軍)	House 503 No. 58 Qutang Gorge Road City South District Qingdao Shandong Province PRC	Chinese
Non-executive Directors		
Mr. CHENG Xinnong (成新農)	House 502, Unit 3, No. 12 Pingan Road Sifang District Qingdao Shandong Province PRC	Chinese
Mr. SUN Yafei (孫亞非)	House 102, Block 1 No. 2 Fushan Bypass City South District Qingdao Shandong Province PRC	Chinese
Mr. WANG Shaoyun (王紹雲)	House 402, Unit 1, Block 6 No. 7 Fulongshan City South District Qingdao Shandong Province PRC	Chinese
Mr. MA Baoliang (馬寶亮)	House 102, Unit 1, Block 31 No. 17 Xianggang West Road City South District Qingdao Shandong Province PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. XU Guojun (徐國君)	House 302, Unit 2 No. 4 Changting Road City South District Qingdao Shandong Province PRC	Chinese
Mr. WANG Yaping (王亞平)	House 601, Unit 1, Block 1 No. 22 Minjiang Road City South District Qingdao Shandong Province PRC	Chinese
Mr. CHAU Kwok Keung (鄒國強)	Flat 9B, Block 2 Royal Peninsula 8 Hung Lai Road Hung Hom Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. FU Xinmin (付新民)	House 301, Unit 1 No. 80 Yan'an Road City North District Qingdao Shandong Province PRC	Chinese
Mr. CHI Dianmou (遲殿謀)	House 401, Unit 2, Block 6 No. 20 Donghai West Road City South District Qingdao Shandong Province PRC	Chinese
Ms. XUE Qingxia (薛清霞)	House 302, Unit 5 No. 15A Dayao'er Road City South District Qingdao Shandong Province PRC	Chinese

Please see "Directors, Supervisors and Senior Management" in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
	CITIC Securities Corporate Finance (HK) Limited 26/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
	UBS Securities Hong Kong Limited 42/F One Exchange Square 8 Connaught Place Central, Hong Kong
Joint Global Coordinators	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	UBS AG, Hong Kong Branch 52/F, 2 International Finance Centre 8 Finance Street Central, Hong Kong
Joint Bookrunners	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	UBS AG, Hong Kong Branch 52/F, 2 International Finance Centre 8 Finance Street Central, Hong Kong
	Deutsche Bank AG, Hong Kong Branch Level 52, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong

Joint Lead Managers	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	UBS AG, Hong Kong Branch 52/F, 2 International Finance Centre 8 Finance Street Central, Hong Kong
	Deutsche Bank AG, Hong Kong Branch Level 52, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
Legal advisors to our Company	*As to Hong Kong and United States law* Davis Polk & Wardwell 18th Floor The Hong Kong Club Building 3A Chater Road Hong Kong
	As to PRC law Jia Yuan Law Offices F408, Ocean Plaza 158 Fuxing Men Nei Ave Xicheng District Beijing, PRC
Legal advisors to the underwriters	*As to Hong Kong and United States law* Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square 8 Connaught Place Central, Hong Kong
	As to PRC law Grandall Law Firm (Shanghai) 45-46/F, Nanzheng Building 580 Nanjing West Road Shanghai, PRC

Reporting accountant	PricewaterhouseCoopers Certified Public Accountants 22/F Prince's Building Central Hong Kong
Property valuer and consultant	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong
Industry consultant	Drewry Maritime Service (Asia) Pte Ltd. 15 Hoe Chiang Road #13-02 Tower Fifteen Singapore
Compliance advisor	Crosby Securities Limited 5/F, AXA Centre 151 Gloucester Road, Wanchai Hong Kong
Sole receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

Registered office and Headquarters in the PRC	7 Ganghua Road City North District Qingdao Shandong Province PRC
Principal place of business in Hong Kong	8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Company's website	http://www.qingdao-port.com (This website and the information contained on this website do not form part of this prospectus)
Joint Company secretaries	Mr. CHEN Fuxiang (陳福香) Room 303, Building 1 47 Hailun Road, Sifang District Qingdao Shandong Province PRC Ms. LAI Siu Kuen (黎少娟) *(FCIS, FCS)* 8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Authorized representatives	Mr. ZHENG Minghui (鄭明輝) House 502, Unit 2, Block 2 No. 37A Longjiang Road City South District Qingdao Shandong Province PRC Ms. LAI Siu Kuen (黎少娟) *(FCIS, FCS)* 8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

Strategy and Development Committee	Mr. ZHENG Minghui (鄭明輝) *(Chairman)* Mr. CHENG Xinnong (成新農) Mr. SUN Yafei (孫亞非) Mr. WANG Shaoyun (王紹雲) Mr. JIAO Guangjun (焦廣軍) Mr. MA Baoliang (馬寶亮)
Audit Committee	Mr. CHAU Kwok Keung (鄒國強) *(Chairman)* Mr. SUN Yafei (孫亞非) Mr. XU Guojun (徐國君)
Remuneration Committee	Mr. WANG Yaping (王亞平) *(Chairman)* Mr. CHENG Xinnong (成新農) Mr. XU Guojun (徐國君)
Nomination Committee	Mr. ZHENG Minghui (鄭明輝) *(Chairman)* Mr. XU Guojun (徐國君) Mr. WANG Yaping (王亞平)
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor, Hopewell Center 183 Queen's Road East Wanchai Hong Kong
Principal bankers	**Bank of Qingdao Co., Ltd., Headquarters** No. 68 Xianggang Middle Road City South District Qingdao Shandong Province PRC
	Bank of Communications Co., Ltd., Qingdao Branch No. 6 Zhongshan Road City South District Qingdao Shandong Province PRC

The information set forth in this section has been derived from an industry report we commissioned from Drewry and various government and private publications. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors, officers, representatives, affiliates or advisors or any other party involved in the Global Offering and no representation is given as to its accuracy or completeness.

OVERVIEW OF GLOBAL PORT INDUSTRY

Major participants in global port industry

The following table sets forth the ranking of the world's top ten ports in 2012 by total throughput, container throughput, major dry bulk throughput and metal ore throughput[1]:

	Total throughput	million tons	Container	million TEUs	Major dry bulk[3]	million tons	Metal ore	million tons
1	Ningbo-Zhoushan[2]	744.0	Shanghai	32.5	Tangshan	296.5	Port Hedland	254.4
2	Shanghai	637.4	Singapore	31.7	Ningbo-Zhoushan	277.4	Ningbo-Zhoushan	180.0
3	Singapore	538.0	Hong Kong	23.1	Port Hedland	254.4	Tangshan	151.6
4	Tianjin	477.0	Shenzhen	22.9	Qinhuangdao	244.5	Dampier	144.9
5	Rotterdam	442.0	Busan	17.0	Shanghai	202.4	Rizhao	137.9
6	Guangzhou	435.2	Ningbo-Zhoushan	16.2	Tianjin	192.3	Qingdao	132.5
7	Qingdao	406.9	Guangzhou	14.6	Rizhao	172.2	Tubarao	109.5
8	Dalian	374.3	Qingdao	14.5	Qingdao	149.6	Ponta da Madeira	105.0
9	Tangshan	365.1	Dubai	13.3	Dampier	144.9	Tianjin	98.3
10	Busan	311.0	Tianjin	12.3	Huanghua	122.3	Shanghai	94.0

Source: Drewry, various port authorities, Ministry of Transport

Notes:

(1) Ranking of the world's top ports by crude oil throughput is not available as major OPEC countries do not disclose their ports' crude oil throughput.

(2) Ningbo-Zhoushan are two separate port areas, but the two port areas are grouped together in statistics from the Ministry of Transport of China.

(3) Major dry bulk is defined to include metal ore and coal.

Driven by China's strong economic growth in the past few decades, Chinese ports have played an increasingly important role in the global port industry as evidenced by their rising port throughput. In 2012, seven of the world's top ten ports by total throughput were located in mainland China.

Major Chinese ports have also achieved industry-leading container handling efficiency. According to *Journal of Commerce*, the five most efficient container ports in 2012 were all located in mainland China. The following table sets forth the ranking of ports by container handling productivity in 2012:

	Port	Country	Productivity(1)
1	Qingdao	China	96
2	Ningbo	China	88
3	Dalian	China	86
4	Shanghai	China	86
5	Tianjin	China	86
6	Yokohama	Japan	85
7	Jebel Ali	United Arab Emirates	81
8	Busan	South Korea	80
9	Nhava Sheva (Jawaharlal Nehru)	India	79
10	Yantian	China	78

Source: Journal of Commerce

Note:

(1) Productivity is defined as the number of total container moves, including on-load, off-load, and re-positioning, divided by the number of hours during which the vessel is at berth, being the time elapsed between berth arrival, or "lines down" and berth departure, or "lines up," without adjustments for equipment and labour down time.

OVERVIEW OF THE PORT INDUSTRY IN CHINA

Development of the coastal port industry in China

Driven by China's robust economic growth and rapid industrialization, the total throughput of China's coastal ports had grown from 4,295 million tons in 2008 to 6,652 million tons in 2012, representing a CAGR of 11.6%. Container, coal and metal ore are the top three cargo types by throughput, accounting for 26.5%, 20.8% and 16.7%, respectively, of the total throughput of China's coastal ports in 2012. Crude oil is also a key cargo type for China's coastal ports and recorded a total throughput of 368 million tons in 2012, accounting for 5.5% of the total throughput of China's coastal ports in the same year.

The following table sets forth historical throughput by major cargo type for China's coastal ports for the periods indicated:

	2008	2009	2010	2011	2012	2008-2012 CAGR
	(in million tons except percentages and PRC GDP)					
Container[(1)] *(million* TEUs)	117	110	131	146	158	7.8%
Container[(1)] *(million tons)*	1,147	1,144	1,371	1,580	1,760	11.3%
Metal ore	676	866	931	1,015	1,110	13.2%
Coal	889	949	1,163	1,369	1,381	11.6%
Crude oil	258	304	360	381	368	9.3%
Others	1,325	1,492	1,659	1,818	2,033	11.3%
Total Throughput	4,295	4,755	5,484	6,163	6,652	11.6%
Foreign trade throughput	1,783	1,979	2,269	2,523	2,762	11.6%
Domestic trade throughput	2,513	2,776	3,215	3,640	3,890	11.5%
Total throughput growth rate	10.7%	10.7%	15.3%	12.4%	8.0%	—
PRC GDP[(2)] *(billion Yuan)*	11,723	12,804	14,141	15,456	16,661	9.2%
PRC GDP growth rate	9.6%	9.2%	10.4%	9.3%	7.8%	—

Source: China Transport Statistical Yearbook

Notes:

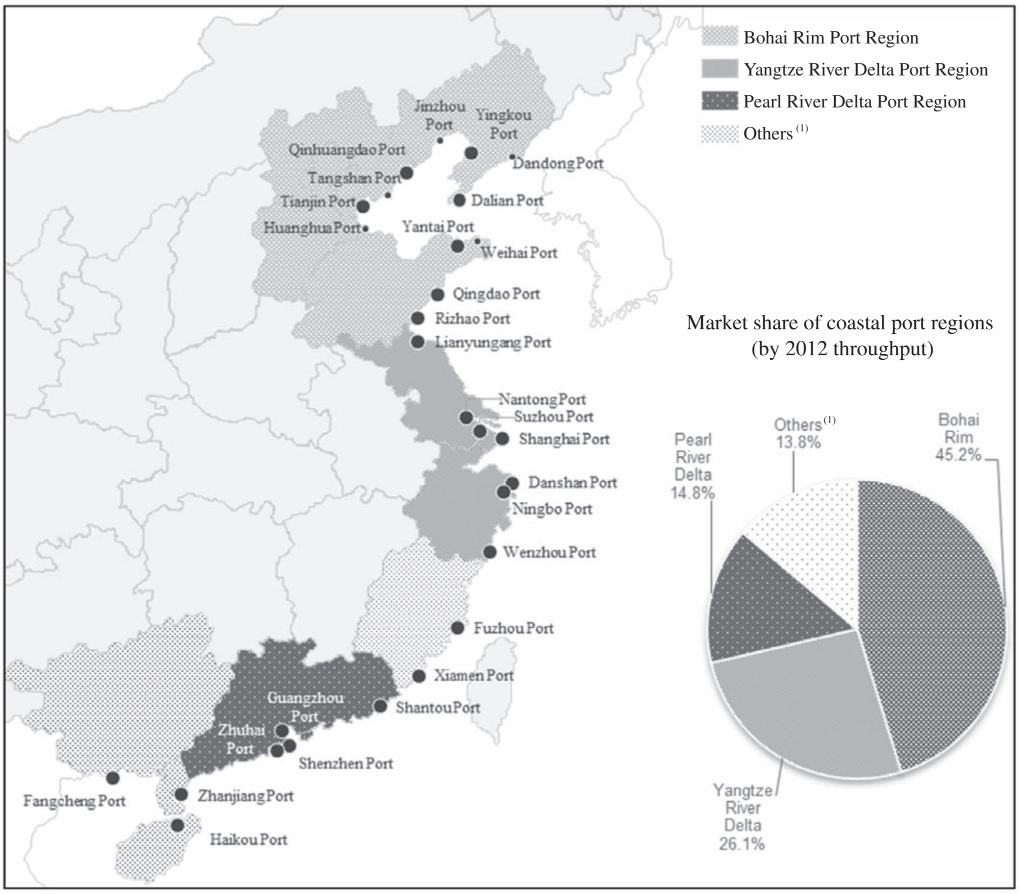
(1) Port container throughput does not represent seaborne trade container volume, as port container throughput includes at least one lift-on and one lift-off, and for the case of transshipment, an additional lift-on and an additional lift-off. Therefore global port container throughput would be significantly larger than global seaborne trade container volume for the same period.

(2) Calculated based on the real price of 1990.

China's coastal port regions

The *National Coastal Port Layout Planning* issued by the Ministry of Transport categorizes China's coastal ports into five regional groups, namely the Bohai Rim, Yangtze River Delta, Pearl River Delta, Southeast Coastal and Southwest Coastal port regions, based on geographic location, regional economic development, transport network, key cargo types and other port characteristics. Bohai Rim, Yangtze River Delta and Pearl River Delta are the three most significant port regions, collectively accounting for 86.2% of the total throughput of China's coastal ports in 2012.

The following map sets forth the key coastal ports and port regions in China:



Source: Ministry of Transport

Note:

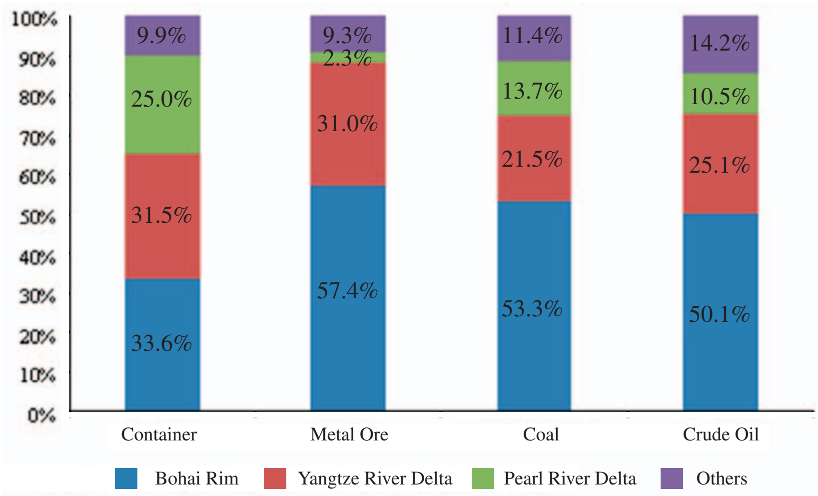
(1) Includes the Southeast Coastal and the Southwest Coastal port regions

The Bohai Rim port region is the largest among China's five coastal port regions by total cargo throughput in 2012. Benefitting from its large hinterland that stretches beyond the Bohai Rim and into northeastern and northwestern China, the Bohai Rim port region contributed 45.2% of the total throughput tonnage of China's coastal ports in 2012. Given their proximity to heavy industries, Bohai Rim ports handle large amounts of metal ore and coal. Coal, metal ore and container contributed 24.6%, 21.2% and 19.6%, respectively, of Bohai Rim ports' total throughput in 2012.

The Yangtze River Delta port region is the second largest port region, accounting for 26.1% of the total throughput of China's coastal ports in 2012. Coastal ports in the Yangtze River Delta port region serve as gateway ports for their hinterland and as transshipment hubs for river ports along the Yangtze River. Containers, metal ore and coal are the main cargo types for the Yangtze River Delta port region, contributing 31.8%, 19.9% and 17.2%, respectively, of the total throughput of this port region in 2012.

The Pearl River Delta port region is the primary port region in South China, accounting for 14.8% of the total throughput of China's coastal ports in 2012. Given the strong manufacturing industry in their hinterland, coastal ports in Pearl River Delta handle primarily containers and coal, which contributed 42.6% and 18.1%, respectively, of the total throughput of the Pearl River Delta port region in 2012.

The chart below illustrates the distribution of total throughput among different tonnage by port regions for the cargo types indicated in 2012.



Source: China Transport Statistical Yearbook

Major cargo types for China's coastal ports

Container

Container throughput for China's coastal ports is primarily driven by overseas demand for goods manufactured in China and increasing containerization for both domestic and foreign trade. Container throughput of China's coastal ports grew from 45 million TEUs in 2003 to 158 million TEUs in 2012, representing a CAGR of 15.0%. Measured by tonnage, container throughput of China's coastal ports grew from 401.8 million tons in 2003 to 1,755.5 million tons in 2012, representing a CAGR of 17.8%. China's container throughput is expected to grow at a rate in line with China's GDP. The Chinese government has implemented various policies to boost domestic consumption, and the resulting increase in domestic trade volume has contributed to container throughput increase. Prospect for recovery of the European and US economies in the near to medium future is expected to support the growth of China's international container trade.

Metal Ore

Iron ore accounted for approximately 90% of China's metal ore imports between 2002 to 2012. The demand for iron ore in China is primarily driven by steel production, which in turn is driven by demand from various industries including construction, automotive manufacturing and shipbuilding. Driven by China's continuing industrialization and urbanization, the steel industry is expected to continue to grow at a moderate rate and metal ore throughput at China's coastal ports is expected to further increase accordingly. The annual growth rate of steel plate price from 2010 to 2013 was 13.3%, -13.8% and -7.1%, while the annual growth rate of crude steel production from 2010 to 2013 was 9.2%, 3.6% and 9.3%, indicating a lack of correlation between steel production and steel price, or between steel price and iron ore trade volume as shown in the table below. As a result of the PRC government's policies in 2013 to optimize industrial structure, the PRC steel industry is expected to face certain challenges, including industry consolidation as well as requirements for more efficient production and better environmental control, which may have resulted in working capital pressures on steel manufacturers in China. However, despite the policy changes, China's iron ore import has increased from 122.0 million tons in January and February of 2013 to 148.0 million tons during the same period in 2014, according to the General Administration of Customs of China.

In 2012, 71.4% of China's iron ore consumption came from imports and 28.6% from domestic production. Australia is China's largest trading partner for iron ore import, taking a 47.2% market share in 2012. Brazil, South Africa and India accounted for 22.1%, 5.5% and 4.5%, respectively, of China's total iron ore import in 2012. The high proportion of imported iron ore was largely due to a combination of better quality and lower prices, which domestic iron ore was not able to provide. The following table sets forth China's iron ore domestic production, domestic consumption, import and export for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012 CAGR
	(in million tons)										
Domestic production[(1)]	191	192	272	330	373	323	274	326	338	299	5.1%
Domestic consumption	339	400	547	657	757	767	903	945	1,024	1,044	13.3%
Import	148	208	275	326	384	444	628	619	687	745	19.7%
Export[(2)]	—	—	—	—	—	—	—	—	—	—	N/A

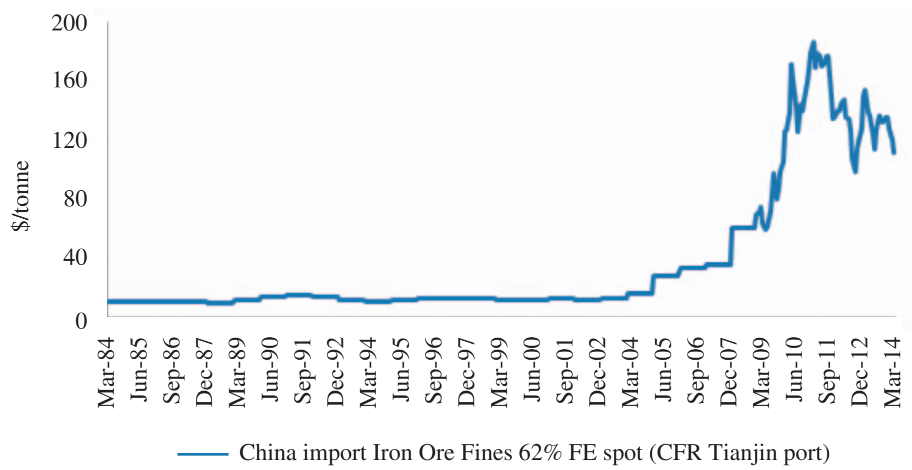
Source: Drewry, National Bureau of Statistics of China

Notes:

(1) Domestic iron ore production is presented as the quantity of concentrated iron ore with quality equivalent to imported iron ore.

(2) China iron ore export was less than 0.1 million tons in each year from 2003 through 2012.

The chart below sets forth the trend of iron ore price for the periods indicated:



Note:

(1) CFR Tianjin port means the lumpsum price of Iron Ore Fines 62% FE delivered to Tianjin Port

China's steel plants are mainly located in Northern China and the Yangtze River Delta area. As a result, ports in the Bohai Rim and the Yangtze River Delta port regions handle large volumes of imported iron ore. Due to the predominance of iron ore in China's metal ore throughput, each port's throughput for metal ore largely reflects its iron ore throughput. Ports along central and northern Bohai Rim, such as the ports of Tianjin and Tangshan, primarily handle metal ore import for steel plants in Hebei province and northeastern China. Ports along southern Bohai Rim, such as the ports of Qingdao and Rizhao, as well as ports in the Yangtze River Delta port region, primarily handle metal ore for steel plants in Shandong, Jiangsu, Southern Hebei, Henan, and Shanxi provinces, and provide transshipment service for metal ore for smaller ports in the upper reaches of the Yangtze River. Driven by China's continuing industrialisation and urbanisation, metal ore throughput at China's coastal ports is expected to further increase. According to *Drewry Dry Bulk Forecaster* published in the second quarter of 2013, China's iron ore consumption is expected to grow at approximately 8% annually for the next five years.

Coal

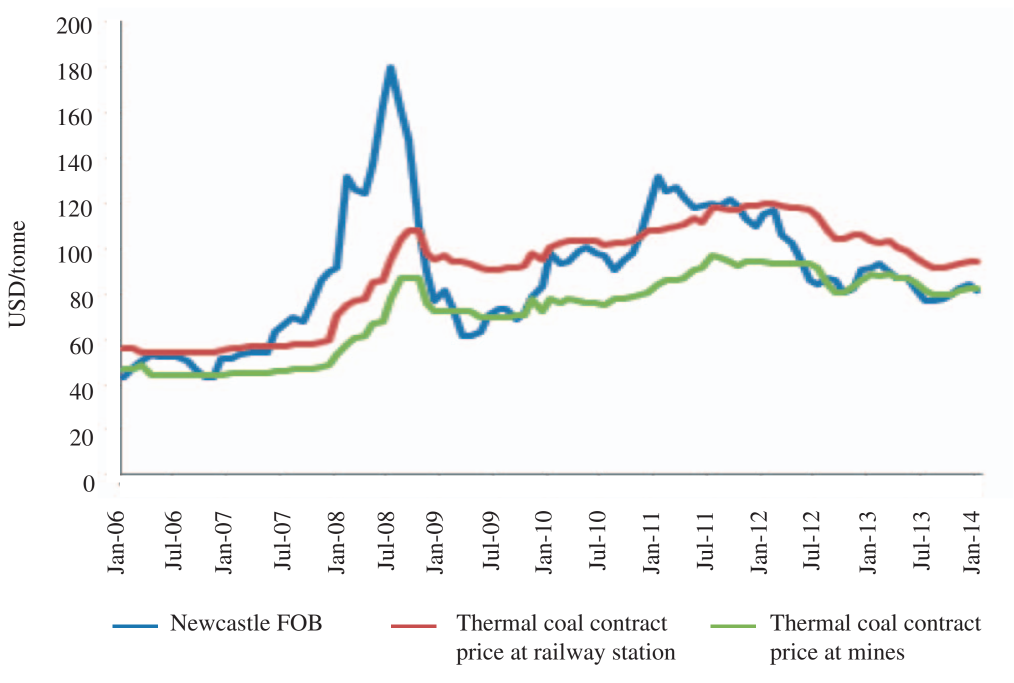
Coal accounted for 67% of the total primary energy consumption in China in 2012, according to National Bureau of Statistics of China. China is the largest coal producing and consuming country in the world, accounting for approximately 45.3% of the world's coal production in 2012, according to the World Coal Association, and 47.1% of the world's coal consumption in 2011, according to the IEA. China's coal consumption is largely driven by power generation and industrial needs. In 2012, power generation accounted for 50% of China's total coal consumption, while the steel, construction and chemical industries collectively accounted for approximately 30%.

The following table sets forth China's coal domestic production, domestic consumption, import and export for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012 CAGR
	(in million tons)										
Domestic Production	1,835	2,123	2,350	2,529	2,692	2,802	2,973	3,235	3,516	3,660	8.0%
Domestic consumption	1,806	2,076	2,319	2,551	2,728	2,811	2,958	3,122	3,430	3,511	7.7%
Import	11	19	26	38	51	40	126	163	222	288	43.7%
Export	94	87	72	63	53	45	22	19	15	9	-22.9%

Source: Drewry, National Bureau of Statistics of China

The chart below sets forth the trend of coal price for the periods indicated:



Domestic trade is the primary contributor to coal throughput of China's coastal ports. Most of China's coal production is in central and western China, including Inner Mongolia, Shanxi and Shaanxi provinces, while most of China's coal consumption is in the coastal regions. Due to the Bohai Rim port region's proximity to the coal production areas and a well-developed transportation network, large quantities of coal from Northern China is transported via railway to ports in the Bohai Rim port region, such as the ports of Qinhuangdao, Qingdao, Tianjin and Huanghua, for seaborne shipment to Southeast China and river ports along the Yangtze River. The Bohai Rim ports handled approximately 53.3% of the total coal throughput of China's coastal ports in 2012. Coal ports in the Yangtze River Delta, the Pearl River Delta port regions and other port regions typically are smaller in scale and are generally coal off-loading ports for power plants.

China imports coal mainly from Indonesia, Russia and Australia, which accounted for 70.3%, 12.5% and 10.4%, respectively, of China's coal import volume in 2012. Major discharging ports for coal are located in Southern China, such as the Port of Guangzhou.

Coal is expected to remain China's primary energy source in the foreseeable future according to IEA. Coal demand from power plants is expected to remain strong, and coal demand from steel mills is expected to remain steady. Imported coal has been growing at a CAGR of 43.7% from 2003 through 2012. Imported coal is expected to play an increasingly important role in China's coal consumption due to its high quality and cost advantages. China's coal import is projected to be growing at 15% annually from 2014 through 2018, according to *Drewry Dry Bulk Forecaster* published in the second quarter of 2013. The faltering global demand and low freight rate have contributed to a larger supply and lower price of international coal, which has led to falling domestic coal prices and a slowdown in the domestic coal industry.

Crude Oil

Petroleum is China's second largest energy source and accounted for approximately 19% of China's energy consumption in 2012, according to National Bureau of Statistics of China. Similar to other energy sources, demand for crude oil is also driven by China's continued industrialization and urbanization.

The following table sets forth China's crude oil consumption, production, import and export for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2012 CAGR
	(in million tons)										
Consumption	249	287	301	322	340	355	381	429	440	467	7.2%
Production	170	176	181	185	186	190	189	203	203	207	2.2%
Import	91	123	127	145	163	179	204	239	253	271	12.9%
Export	8	5	8	6	4	4	5	3	3	2	-14.3%

Source: Drewry, GTIS, National Bureau of Statistics of China

According to the National Bureau of Statistics of China, imported crude oil accounted for 58% of the total crude oil consumption in China in 2012. Northern China, the Yangtze River Provinces and South China accounted for 60.1%, 23.1%, 16.8%, respectively, of China's total crude oil consumption in 2011, according to CEIC data.

China's crude oil consumption generated 368.2 million tons of crude oil throughput for China's coastal ports in 2012, including 251.2 million tons of imported crude oil via seaborne transportation, which represented 68.2% of total crude oil throughput of China's coastal ports. Coastal ports in the Bohai Rim port region, located close to both the production and consumption regions for crude oil, handled 50.1% of crude oil throughput of China's coastal ports, followed by 25.1% for Yangtze River Delta and 10.5% for Pearl River Delta.

China imports crude oil mainly from Saudi Arabia, Angola, Russia and Iran, which accounted for 19.9%, 14.8%, 9.0% and 8.1%, respectively, of China's total import in 2012.

China is expected to have steady demand for crude oil in the foreseeable future. The *Drewry Tanker Forecaster* published in the second quarter of 2013 has projected 2% to 4% annual growth of crude oil consumption from 2014 through 2018.

Major coastal ports in China

The following table sets forth the top ten coastal ports in China by total throughput by tonnage, container throughput, major dry bulk throughput, metal ore throughput and crude oil throughput in 2012.

	Port	Total throughput by tonnage	Market share[1]	Port	Container	Market share[1]	Port	Major dry bulk	Market share[1]	Port	Metal ore	Market share[1]	Port	Crude oil	Market share[1]
		(million tons)	(%)		(million TEUs)	(%)		(million tons)	(%)		(million tons)	(%)		(million tons)	(%)
1	Ningbo-Zhoushan	744.0	11.2%	Shanghai	32.5	20.7%	Tangshan	296.9	11.3%	Ningbo-Zhoushan	180.0	16.2%	Ningbo-Zhoushan	86.1	23.4%
2	Shanghai	637.4	9.6%	Shenzhen	22.9	14.6%	Ningbo-Zhoushan	286.5	10.9%	Tangshan	151.6	13.7%	Qingdao	55.4	15.0%
3	Tianjin	477.0	7.2%	Ningbo-Zhoushan	16.2	10.3%	Qinhuangdao	246.6	9.4%	Rizhao	137.9	12.4%	Tianjin	45.6	12.4%
4	Guangzhou	435.2	6.5%	Guangzhou	14.5	9.2%	Tianjin	199.2	7.6%	Qingdao	132.5	11.9%	Dalian	28.7	7.8%
5	Qingdao	406.9	6.1%	Qingdao	14.5	9.2%	Shanghai	198.5	7.5%	Tianjin	98.3	8.9%	Huizhou	24.7	6.7%
6	Dalian	374.3	5.6%	Tianjin	12.3	7.8%	Rizhao	181.1	6.9%	Shanghai	93.9	8.5%	Zhanjiang	18.5	5.0%
7	Tangshan	365.1	5.5%	Dalian	8.1	5.1%	Qingdao	154.9	5.9%	Lianyungang	69.2	6.2%	Rizhao	17.0	4.6%
8	Yingkou	301.1	4.5%	Xiamen	7.2	4.6%	Huanghua	123.0	4.7%	Yingkou	37.2	3.3%	Beibu Gulf	13.0	3.5%
9	Rizhao	281.0	4.2%	Lianyungang	5.0	3.2%	Beibu Gulf	101.5	3.9%	Beibu Gulf	32.7	2.9%	Tangshan	12.9	3.5%
10	Qinhuangdao	271.0	4.1%	Yingkou	4.9	3.1%	Lianyungang	100.6	3.8%	Zhanjiang	30.7	2.8%	Quanzhou	11.1	3.0%

Source: Ministry of Transport, China Port Year Book

Note:

(1) Calculated based on total throughput volume of PRC coastal ports.

The following table sets forth the top ten coastal ports in China by total international throughput, international container throughput, international major dry bulk throughput, international metal ore throughput and international crude oil throughput in 2012:

	Port	Total throughput by tonnage	Market share(2)	Port	Container(1)	Market share(1)(2)	Port	Major dry bulk	Market share(2)	Port	Metal ore	Market share(2)	Port	Crude oil	Market share(2)
		(million tons)	(%)		(million TEUs)	(%)		(million tons)	(%)		(million tons)	(%)		(million tons)	(%)
1	Shanghai	358.3	13.0	Shanghai	23.5	25.5	Tangshan	171.8	14.8	Tangshan	149.4	17.7	Ningbo-Zhoushan	65.9	25.8
2	Ningbo-Zhoushan	343.5	12.4	Shenzhen	20.1	21.7	Rizhao	151.3	13.0	Rizhao	125.2	14.8	Qingdao	45.0	17.6
3	Qingdao	285.0	10.3	Ningbo-Zhoushan	12.8	13.8	Qingdao	121.7	10.5	Qingdao	110.1	13.1	Dalian	20.2	7.9
4	Tianjin	243.3	8.8	Qingdao	9.6	10.4	Ningbo-Zhoushan	118.8	10.2	Tianjin	97.7	11.6	Huizhou	18.0	7.0
5	Rizhao	198.3	7.2	Tianjin	6.3	6.8	Tianjin	109.7	9.5	Ningbo-Zhoushan	97.1	11.5	Tianjin	15.1	5.9
6	Tangshan	189.4	6.9	Xiamen	4.7	5.1	Beibu Gulf	71.8	6.2	Lianyungang	52.8	6.3	Rizhao	14.6	5.7
7	Shenzhen	177.1	6.4	Dalian	4.0	4.4	Lianyungang	64.9	5.6	Shanghai	44.7	5.3	Zhanjiang	14.4	5.6
8	Dalian	110.2	4.0	Guangzhou	3.9	4.2	Shanghai	58.9	5.1	Beibu Gulf	28.6	3.4	Tangshan	12.9	5.0
9	Guangzhou	109.7	4.0	Lianyungang	2.9	3.1	Fuzhou	36.1	3.1	Zhanjiang	26.0	3.1	Quanzhou	11.1	4.3
10	Beibu Gulf	105.2	3.8	Fuzhou	1.0	1.0	Zhanjiang	33.8	2.9	Yingkou	25.2	3.0	Maoming	10.9	4.2

Source: Ministry of Transport, China Port Year Book

Notes:

(1) China Port Year Book 2012 does not include container foreign trade throughput for year 2012, therefore the data presented in this column are for year 2011.

(2) Market share is calculated based on total throughput volume of PRC coastal ports.

Barriers to entry for China's port industry

China's port industry has the following entry barriers:

Natural facilities. Favorable natural facilities such as suitable geological characteristics, sufficient berth depth and favorable weather condition are necessary for port construction, operation and maintenance.

Large capital expenditure and long break-even period. Port development requires significant investment in the construction of port infrastructure, such as berths, channels, buildings, roads and rail tracks, and special equipment to handle different types of cargoes. Further, as vessel size continues to increase in the global shipping industry, the corresponding demand for port infrastructure would results in greater capital investment.

Government approval and support. Port development is highly regulated by the PRC government. In addition, recent policy guidance from the PRC government discourages additional port development in the near future, which further increases the barrier to entry to the port industry.

Long term partnership and customer relationship. Vertical integration in the port industry exits in the form of long term contract, operational partnership or joint ownership. Ports usually have long term contracts with shipping lines to secure container cargo supply, and establish partnerships with major cargo owners to secure liquid and dry bulk cargo supply. Many of such long term relationships are secured before ports commencing operation.

Notable trends in China's port industry

Development of deep-water berths. Vessel size in the global shipping industry has been increasing significantly in recent years. The average size for dry bulk vessels increased from a capacity of 53,464 DWTs to 71,567 DWTs from 2003 to 2012. The largest dry bulk vessel reached 400,000 DWTs, which requires a draft depth of 24 meters. The average size of container vessels increased from a loading capacity of 2,039 TEUs to 3,178 TEUs from 2003 to 2012. The largest container vessel reached a loading capacity of 18,000 TEUs, which requires a draft depth of 16 meters. The average size of crude oil tankers increased from a capacity of 148,132 DWTs to 177,386 DWTs from 2003 to 2012. The largest crude oil tanker reached a capacity of 440,000 DWTs, which requires a draft depth of 26 meters. To accommodate larger vessels, China's coastal ports have been developing deep-water berths.

Modern port facilities with higher operational efficiency. Rapidly increasing throughput and larger vessels challenges the facilities, equipment and operational efficiency of China's ports. Ports with more advanced equipment, higher automation level and higher handling efficiency enjoy competitive advantages over their competitors.

Development of port-based logistics. As the global seaborne supply chain is becoming increasingly integrated, China's coastal ports have expanded beyond stevedoring and storage services and started to offer other logistics services, such as transportation, simple processing and other value-added services. In addition, many port operators in China also collaborate with cities in their hinterland to provide "dry port" services. Through dry ports, port operators provide customs clearance, cargo inspection, transportation and other port-related services closer to the customers' locations, which helps reduce the customers' overall transportation costs and secure cargo supply for the port operators.

Development of bonded areas. Bonded areas in China include export processing zones, bonded logistics parks, bonded port areas, and comprehensive bonded zones. All these bonded areas are under special supervision by Chinese customs authorities, and allow certain business activities to enjoy favorable treatment in customs, tax, and foreign exchange control. There are currently 13 bonded port areas in China, including those in Dalian, Tianjin, Qingdao, Ningbo and Xiamen.

Establishment of free trade zones. A Free Trade Zone, or FTZ, refers to a designated area with low or no customs duties as well as reduced trade and other regulatory restrictions. The port industry directly benefits from the favorable policies of FTZs. For example, port throughput increases due to the removal of cabotage protection for trade and provision of tax rebate for exports. The port industry also benefits from a more open market environment resulting from the FTZs. The favorable policies also enable FTZs to promote ports as transshipment hubs. For example, the FTZs in Busan and Dubai have significantly increased their respective transshipment volumes.

In September 2013, the PRC government launched an experimental FTZ in Shanghai, which became the first FTZ in China. Tianjin, Xiamen and Qingdao are among the cities currently applying to establish FTZs. The development of FTZs in China is expected to increase the competitiveness of Chinese coastal ports and enable them to become regional shipping and trading centers.

Increased cost. PRC port operators have experienced continuing increased costs in recent years. The key costs for PRC port operators mainly include labor costs, fuel and utilities costs, concession fees, repair and maintenance costs, depreciation costs and selling and administrative costs. For example, the annual average labor cost in the PRC transportation sector increased from RMB27,903 in 2007 to RMB53,391 in 2012, at a CAGR of 13.9%, according to National Bureau of Statistics of China. The OPEC oil price increased from US$69.08 a barrel in 2007 to US$109.45 a barrel in 2012, at a CAGR of 9.6%. The average industrial electricity price in the PRC increased from RMB0.67 per kilowatt hour in 2007 to RMB0.78 per kilowatt hour in 2012.

OVERVIEW OF BOHAI RIM PORTS

Development of the Bohai Rim port region

The primary hinterland of the Bohai Rim ports are provinces in and adjacent to the Bohai Rim Region, including Liaoning, Jilin, Heilongjiang, Inner Mongolia, Beijing, Tianjin, Hebei, Henan and Shandong provinces. The GDP of these provinces accounted for 35% of China's real GDP in 2012 and grew at a CAGR of 9.1% from 2007 through 2012.

The secondary hinterland of Bohai Rim ports include provinces in northwestern China, including Shanxi, Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang provinces. The secondary hinterland is served by both the Bohai Rim ports and the Yangtze River Delta ports. The GDP of the Northwestern Provinces accounted for 8% of China's GDP in 2012 and has grown at a CAGR of 11.0% between 2007 and 2012. Ports along southern Bohai Rim such as Qingdao and Rizhao also serve Jiangsu and Anhui provinces.

According to the National Bureau of Statistics of China, in 2012, provinces in the primary hinterland of the Bohai Rim ports accounted for 35.0% of the national GDP, and 51.4%, 42.6% and 45.9%, respectively, of the national aggregate volume of raw iron production, coal consumption and crude oil consumption; and in the same year, provinces in the secondary hinterland of the Bohai Rim ports accounted for 8.0% of the national GDP, and 9.7%, 16.9% and 14.2%, respectively, of the national aggregate volume of raw iron production, coal consumption and crude oil consumption.

In 2012, 51.4% of China's crude steel was produced in the Bohai Rim region. This concentration of steel production and consumption results in the large metal ore throughput of Bohai Rim ports, which accounted for 57.4% of China' metal ore throughput in 2012. Bohai Rim ports handle both metal ore import for its hinterland and metal ore transshipments for coastal and river ports in Southern China.

As the land-to-sea transportation hubs for domestic coal to be shipped to Southern China, the Bohai Rim ports are mainly coal loading ports and accounted for a majority of China's coal throughput. In 2012, the Bohai Rim ports handled 53.3% of total coal throughput for China's coastal ports.

The Bohai Rim ports handle primarily imported crude oil and some domestic crude oil bounded for Southern China. In 2012, the Bohai Rim ports handled 50.1% of total crude oil throughput for China's coastal ports.

Key ports in the Bohai Rim port region

The following table sets forth throughput information by cargo type of key Bohai Rim ports in 2012.

	Total throughput (million tons)	Container (million TEUs)	Metal ore (million tons)	Coal (million tons)	Crude oil (million tons)
Tianjin	477.0	12.3	98.3	93.9	45.6
Qingdao	406.9	14.5	132.5	17.1	55.4
Dalian	374.3	8.1	22.4	14.4	28.7
Tangshan	365.1	0.5	151.6	144.9	12.9
Yingkou	301.1	4.9	37.2	37.5	9.4
Rizhao	281.0	1.7	137.9	34.0	17.0
Qinhuangdao	271.0	0.3	6.6	237.9	8.1
Yantai	203.0	1.9	17.8	23.7	3.5
Huanghua	126.3	0.1	18.0	104.4	0.5
Dandong	96.1	1.3	10.9	12.5	0.0

Source: Ministry of Transport, China Port Year Book 2012

The following table sets forth foreign trade throughput information by cargo type of key Bohai Rim ports in 2012, except for information on container throughput, which is for 2011.

	Total throughput (million tons)	Container(1) (million TEUs)	Metal Ore (million tons)	Coal(2) (million tons)	Crude Oil (million tons)
Qingdao	285.0	9.6	110.1	6.4	45.0
Tianjin	243.3	6.3	97.7	6.0	15.1
Rizhao	198.3	—	125.2	17.3	14.6
Tangshan	189.4	—	149.4	22.1	12.9
Dalian	110.2	4.0	12.5	0.6	20.2
Yantai	72.5	0.3	12.7	8.4	0.4
Yingkou	50.7	—	25.2	5.6	6.7
Weihai	17.6	0.2	0.1	0.7	—
Qinhuangdao	12.4	—	5.4	1.2	0.0
Huanghua	9.1	—	6.6	2.3	—

Source: Ministry of Transport, China Port Year Book 2012

Notes:

(1) 2011 data; the China Port Year Book 2012 does not include container foreign trade data for 2012.

(2) Includes coal and related products according to the Ministry of Transport.

Competitive dynamics in the Bohai Rim port region

Location

Proximity to major global shipping routes can be translated to lower charter cost and bunker cost, and shorter shipping time. As such, such ports are preferred by large vessels carrying large quantity of cargo. The following table sets forth the service density, voyage distance from Busan — Shanghai voyage and voyage time of the top five Bohai Rim ports by container throughput in 2012.

	Number of weekly service (main voyage)	Voyage distance from Busan to respective Bohai Rim port to Shanghai(1) (nautical miles)	Voyage time from Busan to respective Bohai Rim port to Shanghai(2) (in days)
Qingdao	97	901	2.9
Dalian	72	1,085	3.5
Tianjin	75	1,384	4.4
Yingkou	14	1,368	4.4
Yantai	10	1,003	3.2

Source: Drewry

Notes:

(1) Busan and Shanghai ports are the anchor ports on East-West (global) trading route. East-West trading route includes Asia-Europe, Transpacific, Transatlantic parts. Services on East-West trading route usually calls at Busan and Shanghai ports and one additional port in Bohai Rim.

(2) Calculated at a speed of 13 knots, which is a slow steaming speed on East-West trading route's back haul.

Natural Capacity

Ports located on the inner side of the Bohai Rim generally have shallower draft and would require more dredging and maintenance. Ports along the southern coastline of the Bohai Rim, such as the Port of Qingdao, are non-freezing and non-silting ports, which enable them to have better docking ability year-round. Ports located along the southern coastline of the Bohai Rim and at the tip of Liaodong Peninsula, such as the ports of Qingdao and Dalian, enjoy better deep-water facilities and are also less affected by bad weather conditions such as sea ice or strong waves, and therefore have more working days than their competitors.

Transportation connectivity

Transportation modes from ports include road, rail and waterway transportation. Road transportation, usually in the form of trucking, is the most flexible but most costly transportation option and is generally used for delivery within a few hundred kilometres. Rail transportation is more cost effective, but is subject to railway availability. Waterway transportation in rivers or nearby coastal area is also a cost effective way to transport cargo but is limited by waterway availability.

Ports with well-established transportation networks are preferred by shipping customers for numerous reasons, including ease of access, lower transportation cost and shorter transportation time. For example, the Port of Qinhuangdao is located at the end of the Da-Qin Rail Line (大秦綫), a major railway for coal transportation, and therefore captured the coal flow on the Da-Qin Rail Line. The Port of Dalian benefits from its rail connection to the grains production areas and has developed significant grain throughput. The Port of Qingdao's comprehensive cargo handling is supported by its connection to major railways and the advanced highway system of Shandong province. The Port of Qingdao also serves as a major transshipment hub of crude oil for refineries along the Yangtze River and the Bohai Rim that are located close to ports that are unable to accommodate large oil tankers.

Comprehensiveness of services

Certain ports in the Bohai Rim focus on a single cargo types while other ports in the Bohai Rim handle a comprehensive list of cargo. The ports of Qingdao, Tianjin and Dalian are major comprehensive ports that handle nearly all cargo types in a fairly balanced manner. As a result, throughput at these ports is supported by demands from numerous industry sectors and is less susceptible to cyclical changes in a single cargo type. The Port of Tangshan focuses on dry bulk cargo such as iron ore and coal, and the Port of Qinhuangdao focuses on coal.

Hinterland economy

Ports in the Bohai Rim serve as loading ports for outbound cargo, mostly coal, grains, container and crude oil, and as discharging ports for imported cargo, mostly iron ore, coal, grains, container and crude oil. For outbound cargo, port throughput largely depends on the output of these goods in the hinterland of the Bohai Rim ports. For example, coal throughput of Bohai Rim ports is largely affected by coal production in northwestern China, and the grains throughput for the Port of Dalian is largely influenced by grains output in northeastern China. For inbound cargo, port throughput is primarily affected by the industrial consumption in the hinterland of the Bohai Rim ports. For example, crude oil throughput of the ports of Qingdao, Tianjin and Dalian reflects the oil refinery capacity in each of the three cities. In general, the Bohai Rim ports have more outbound container throughput than inbound container throughput. Container throughput at the ports of Qingdao, Dalian, Tianjin and Yingkou are primarily driven by light industry production and local consumption in their hinterland.

Fees and charges

Ports offering competitive services could charge their customers a premium. In addition, cargo in foreign trade in general face higher charges than cargo in domestic trade. Percentages of foreign trade cargo at the top five Bohai Rim ports by total throughput are as follows: 70.0% at Qingdao, 51.9% at Tangshan, 51.0% at Tianjin, 29.4% at Dalian and 16.8% at Yingkou.

REPORT COMMISSIONED FROM DREWRY AND USE OF INFORMATION

We commissioned Drewry, an independent industry advisor, to conduct an analysis of, and to report on, the global and PRC port industry. Drewry is the specialist research and advisory organization for the maritime sector and an independent third party.

Investors should note that Drewry was engaged to prepare the port industry markets report for use in this prospectus.

All the information and data presented in this section has been provided by Drewry. Drewry has advised that the statistical and graphical information contained herein is drawn from its database and other sources. In connection therewith, Drewry has advised that:

- certain information in Drewry's database is derived from estimates or subjective judgment based on sample information from and interviews with port and shipping companies, government agencies and other industry consultants, and is prepared primarily as a marketing research tool;

- the information in the databases of other maritime data collection agencies may differ from the information in Drewry's database;

- while Drewry has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures;

- this section also contains forward-looking statements which are based on assumptions and current and expected market dynamics. The actual figures may vary as the market dynamics are ever changing. Drewry cannot be held liable for the realization of its forecasts; and

- Drewry's methodology for information and data collection, and therefore the information discussed in this section, may differ from those of other sources.

Investors should also note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government publications, other publications as well as industry report we commissioned from Drewry. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any part has been omitted that would render such information false or misleading in any material respect. We, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, representatives, affiliates or other advisors or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information that is directly or indirectly derived from official government publications, other publications as well as industry report we commissioned from Drewry. Such information may not be consistent with other information compiled within or outside the PRC. Accordingly, such information may not be accurate and should not be unduly relied upon.

Our Company paid an aggregate amount of US$110,000 to Drewry for the preparation and updating of this report.

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the report prepared by Drewry which may qualify, contradict or have an impact on the information set out in this section.

Our operation have been and will continue to be subject to the governance of the laws and regulations of China. The relevant laws and regulations are promulgated and implemented by government departments of China, including national and local laws and regulations in respect of the stevedoring, stacking, warehousing, transporting and other related business as well as port-related value-added services of port cargoes such as coal, oil products, liquid chemicals, ore, other general cargoes and containers. This section contains a summary of the existing regulatory and legal requirements in relation to the operation of our Group. The laws and regulations are subject to changes and we are unable to predict the impacts of the changes to our operations and the additional costs of compliance.

MAJOR REGULATORY AUTHORITIES OF PORT OPERATION, SEA AND WATER TRANSPORTATION IN CHINA

Ministry of Transport — the transportation administrative body under the State Council

Pursuant to the Port Law of the People's Republic of China (中華人民共和國港口法) (the "**Port Law**") which took effect on January 1, 2004, the Ministry of Transport is responsible for the administration of all the ports in China.

Pursuant to the Maritime Code of the People's Republic of China (中華人民共和國海商法) which took effect on July 1, 1993, sea transportation is under the administration of the Ministry of Transport.

Pursuant to the Regulations of the People's Republic of China on International Ocean Shipping (中華人民共和國國際海運條例) (the "**Ocean Shipping Regulations**") which took effect on January 1, 2002 and was amended on July 18, 2013, the Ministry of Transport and the transport authorities of the relevant local governments are responsible for the supervision and administration of international sea transportation and the related international economic activities.

Pursuant to the Allocation of Functions, Internal Organizations and Personnel Establishment Regulations of the Ministry of Transport (交通部職能配置、內設機構和人員編制規定) (the "**Regulations on Functions of the Ministry of Transport**" (交通部職能規定)) issued by the General Office of the State Council on June 18, 1998, the Resolution on the Proposed Restructuring of State Council Bodies passed at the First Meeting of the 11th National People's Congress (第十一屆全國人民代表大會第一次會議關於國務院機構改革方案的決定) (the "**Proposed Restructuring of State Council Bodies**" (國務院機構改革方案)) announced by the National People's Congress on March 15, 2008, the Notice on the Major Duties, Internal Organizations and Personnel Establishment Regulations of the Ministry of Transport issued by the General Office of the State Council (國務院辦公廳關於印發交通運輸部主要職責內設機構和人員編制規定的通知) ("**Notice on the Duties of the Ministry of Transport**" (交通運輸部職責通知)) issued by the General Office of the State Council on March 2, 2009 and the Resolution on the Proposed Restructuring and Change of Duties of State Council Bodies passed at the First Meeting of the 12th National People's Congress (第十二屆全國人民代表大會第一次會議關於國務院機構改革和職能轉變方案的決定) ("**Proposed Changes of the State Council Bodies and Functions**" (國務院機構和職能轉變方案)) announced on March 14, 2013 by the National People's Congress, the transportation industries of railways, highways, water transport and aviation are under the administration of the Ministry of Transport.

Maritime Safety Administration of the People's Republic of China (中華人民共和國海事局) — a subordinate body directly under the Ministry of Transport

Pursuant to the Regulations on Functions of the Ministry of Transport (交通部職能規定), the Proposed Restructuring of State Council Bodies (國務院機構改革方案), the Notice on the Duties of the Ministry of Transport (交通運輸部職責通知) and the Proposed Changes of the State Council Bodies and Functions (國務院機構和職能轉變方案), the Bureau of Harbour Superintendence (港務監督局) and Vessel Inspection Bureau (船舶檢驗局) were merged to establish the Maritime Safety Administration (海事局). The Maritime Safety Administration is a subordinate body directly under the Ministry of Transport and is responsible for the safety of water transportation, prevention of pollution by ships, inspection of ships and marine facilities and sea security. In addition, according to the Notice on the Establishment of Subordinated Maritime Bodies Directly under the Ministry of Transport issued by the General Office of the State Council (國務院辦公廳關於印發交通部直屬海事機構設置方案通知) on September 26, 1999, the Ministry of Transport has also established local offices and regional branches of the Maritime Safety Administration. The local regulatory authority of our Company is Qingdao Maritime Safety Administration (青島海事局).

Water Transport Bureau (水運局) — Ministry of Transport

Pursuant to the Regulations on Functions of the Ministry of Transport (交通部職能規定), the Proposed Restructuring of State Council Bodies (國務院機構改革方案) and the Notice on the Duties of the Ministry of Transport (交通運輸部職責通知), the Ministry of Transport has established the Water Transport Bureau which is responsible for the administration of international and domestic water transportation, port operations, vessel agencies, freight management and other water transportation services.

National Railway Administration (國家鐵路局) — Ministry of Transport

According to the Railway Law of the People's Republic of China (中華人民共和國鐵路法) (the "**Railway Law**") which took effect on May 1, 1991, the Proposed Restructuring of State Council Bodies (國務院機構改革方案) and the Proposed Changes of the State Council Bodies and Functions (國務院機構和職能轉變方案), the Ministry of Transport has established the National Railway Administration which is responsible for the determination of technical standards of railway systems and the supervision of safety and quality of railway transportation and railway construction.

Road Transport Bureau (道路運輸司) — Ministry of Transport

According to the Road Transport Regulations of the People's Republic of China (中華人民共和國道路運輸條例) (the "**Road Transport Regulations**"), the Regulations on Functions of the Ministry of Transport (交通部職能規定), the Proposed Restructuring of State Council Bodies (國務院機構改革方案) and the Notice on the Duties of the Ministry of Transport (交通運輸部職責通知), the Ministry of Transport has established the Road Transport Bureau which is responsible for the management of the road transport industry.

Local authorities of port management

According to the Port Law and the Regulations for the Operation of Ports (港口經營管理規定) which took effect on March 1, 2010, the administration by the local people's government of the ports within its own jurisdiction shall be determined in accordance with the provisions of the State Council on port administration system. The department for the specific administration of ports, which is determined by the people's government of a province, autonomous region or municipality directly under the central government, or the people's government of a city (prefecture) divided into districts or a county where a port is located, shall be responsible for the administration and management of the port operations of the port. The existing provincial port administrative management department overseeing our Company is the Port and Shipping Bureau under the Transport Department of Shandong Province (山東省交通運輸廳港航局).

LAWS AND REGULATIONS FOR DEVELOPMENT OF PORTS

Use of sea areas

In order to use the sea for construction of port facilities, an entity or individual shall apply to the relevant authority in accordance with the Law of the People's Republic of China on the Administration of the Use of Sea Areas (中華人民共和國海域使用管理法) which took effect on January 1, 2002, to obtain, or acquire through tenders or auctions, a certificate of sea use right and pay the required fees for the use of sea areas.

Use of coastline

According to the Port Law and the Measures for the Approval and Administration of the Use of Coastline for Ports (港口岸線使用審批管理辦法) which took effect on July 1, 2012, construction of port facilities including berths within the overall port planning zone which use the coastlines shall obtain approval for the use of coastline according to PRC laws. The Ministry of Transport is responsible for the administration of coastlines for ports in the PRC as well as the approval for the use of deep-water coastlines for ports jointly with the NDRC. The construction of port facilities which use non-deep water coastlines requires the approval by port administrative authorities. The relevant procedures for the grant of approvals for the use of coastlines for ports shall be conducted by the port administrative authorities under the local people's governments at county level or above according to PRC laws. If projects of port facilities which require the use of coastlines have not obtained an approval for the use of coastlines at the port or the opinions of the Ministry of Transport on the use of coastlines at the port, approvals for the initial design and work commencement permit will not be granted in respect of the port facilities project. However, for port construction projects approved and permitted by the State Council or the NDRC, when they submit feasibility study report or project application report to the NDRC, they should also submit a copy of the same to the Ministry of Transport. When the Ministry of Transport provides industry opinions on the port construction project, opinions on the use of coastlines should be provided at the same time; other port projects to be approved and permitted by the State Council or the NDRC on the use of coastlines for the port, after obtaining opinions of the Ministry of Transport on the use of port coastline by the construction project, are not required to complete further approval procedures on the use of port coastlines.

Environmental impact assessment of construction projects

According to the provisions of the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) implemented with effect from December 26, 1989, the Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法) which took effect on September 1, 2003, the Regulations Governing Environmental Protection in Construction Projects (建設項目環境保護管理條例) which took effect on November 29, 1998, the Marine Environment Protection Law of the People's Republic of China (中華人民共和國海洋環境保護法) which took effect on April 1, 2000 and was amended on December 28, 2013, and the Administrative Regulations on the Prevention and Control of Pollution Damages to the Marine Environment by Coastal Engineering Construction Projects (防治海岸工程建設項目污染損害海洋環境管理條例) which took effect on January 1, 2008, new construction, renovation, expansion and technology innovation projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment; projects which may have a light impact on the environment shall prepare an environmental impact report with analysis or assessment on specific environmental impact; projects which have little environmental impact are not required to undergo environmental impact assessment but need to complete the environmental impact registration form. The environmental impact assessment documents of the above construction projects shall be submitted by the project construction entity to the relevant environmental protection authority for approval. Projects which have failed to submit the above environmental impact assessment documents in accordance with the laws and regulations of the PRC or which are disapproved by the relevant administrative authority after reviewing such documents, the approving authority of the relevant project shall not approve their construction and the entity will be prohibited to commence construction. If any material change has occurred in an approved construction project, re-submission of the environmental impact report, environmental impact report form or environmental impact registration form for re-approval is necessary. Environmental protection facilities must be designed, constructed and put into operation simultaneously with the major construction works of the construction project. The constructing entity must not remove environmental protection facilities of maritime projects or leave them in idle use without approval.

Any entity with new construction, renovation and expansion projects of maritime or coastal engineering works must engage a firm with relevant environmental impact assessment qualifications to prepare the environmental impact assessment report and submit it to the maritime authority for approval (if the project is a maritime engineering project) or the administrative authority responsible for environmental protection approval for review and approval (if the project is a coastline engineering project).

Approval of construction projects

According to the Port Law and the Regulations on the Administration of Port Planning (港口規劃管理規定) which took effect on February 1, 2008, any enterprise, unit and individual engaging in the investment, construction and operation of ports, berths and related facilities which involve port planning shall be subject to the supervision and inspection of the port administrative authorities of various levels and shall provide details about the relevant situation as well as the relevant documents and information. In case of any material difference between the functions and locations of the ports to be constructed and the overall port planning, approval and permission procedures of the port construction projects may only be completed after the overall port planning is revised or adjusted according to the prescribed procedures if the overall planning requires to be changed according to the construction proposal upon specific investigations.

According to the Decisions of the State Council Concerning the Reform of Investment System (國務院關於投資體制改革的決定) issued on July 16, 2004 by the State Council and the Circular on Strengthening and Regulating the Administration of Newly Commenced Projects (國務院辦公廳關於加強和規範新開工項目管理的通知) issued on November 17, 2007, by the General Office of the State Council, enterprises engaged in port construction shall comply with the industrial policy, development and construction plans, land supply policy and market entry criteria, and obtain the approval or complete the filing requirements of the approval or filing administrative authorities including the Development and Reform Commission. Site selection and layout of the projects within the planning zone shall comply with the urban and rural planning and relevant planning permit shall be obtained in accordance with the Urban and Rural Planning Law of the People's Republic of China (中華人民共和國城鄉規劃法). For projects which need to apply for the use of land, land use permits shall be obtained, land use right contract of State-owned land shall be signed or the State-owned land allocation decision document shall be obtained according to PRC laws. Investment projects of operating nature with monetary consideration for industrial use, commercial use, tourism, entertainment and commodity residential purposes, land use right shall be obtained through tenders, auction or listing-for-sale. Approval for the environmental impact assessment shall be obtained according to the provisions of the administration and examination categories classified under the environmental impact assessment of construction projects. Assessment and examination of energy conservation of investment projects in fixed assets according to the regulations have been completed. According to the Construction Law of the People's Republic of China (中華人民共和國建築法) and Provisions on the Administration of Port Construction (港口建設管理規定), construction entities shall obtain the approvals and complete the filing requirements relating to design and construction works and adopt measures to ensure the quality and safety of project construction prior to the commencement of port construction works. Upon completion of the port construction project, the project shall pass the completion inspection and acceptance examination before delivery and use, as well as fulfill other relevant requirements under the laws and regulations of the PRC.

Completion of port construction projects

In accordance with the Measures for Acceptance and Inspection for the Completion of Port Projects (港口工程竣工驗收辦法) which took effect on June 1, 2005, construction entities of ports shall complete the filing procedures for the trial operation of ports with the local port administrative authorities of the place where the port is located. The trial operation period shall commence from the date of filing for the trial operation of the port. When the port project has satisfied the inspection and acceptance conditions for completion, the legal representative of the project shall make an application for completion inspection and acceptance to the local port administrative authorities at the place where the port is located, when the port project has passed the completion inspection and acceptance examination, the legal representative shall complete the procedures of inspection and acceptance for the port.

LAWS AND REGULATIONS FOR PORT OPERATIONS

Port operations

Enterprises engaged in the operation of ports and other port facilities, transportation services to port passengers, loading and unloading, lighterage, warehousing of goods, port tugboats and cargo handling services within the port areas, shall obtain the Business Licence for Port Operations by applying to the Ministry of Transport or the port administrative authorities in compliance with the Port Law and the Regulations for the Operations of Ports, and complete the industrial and commercial registration procedure in accordance with the laws.

Handling of dangerous goods at ports

In addition to the requirements of port operations under the Regulations for the Operations of Ports, port operators engaged in the operation of dangerous goods at ports shall also comply with the requirements under the Regulations on Safety Management of Hazardous Goods at Ports (港口危險貨物安全管理規定) which took effect on February 1, 2013, and shall apply to the port administrative authorities for the operational qualification certification of the handling of dangerous goods at ports and obtain the Permit for Handling Hazardous Goods at Ports (港口危險貨物作業附證).

Security of port facilities

In accordance with the Security Rules for Port Facilities of the People's Republic of China (中華人民共和國港口設施保安規則) which took effect on March 1, 2008, the security services for port facilities provided to passenger vessels of international shipping routes, cargo vessels of 500 metric tons or above, vessels for special use of 500 metric tons or above or mobile offshore drilling platform shall obtain the Statement of Compliance with Port Facility Security (港口設施保安符合證書) from the Ministry of Transport.

Hazardous chemicals storage business

In accordance with the Regulations on the Safety Administration of Hazardous Chemicals (危險化學品安全管理條例) which took effect on December 1, 2011, enterprises engaged in the operations of hazardous toxic chemicals, explosive chemicals and other dangerous chemicals and equipped with storage facilities shall obtain the Safe Management License for Hazardous Chemicals (危險化學品經營許可證) from the production safety administrative authorities of the local municipal people's government and complete registration with the administrative authority for industry and commerce in accordance with the law. However, port operators which have obtained the Business License for Port Operations according to the Port Law may engage in the hazardous chemicals storage business within the port areas without obtaining the Safe Management License for Hazardous Chemicals.

Refined oil storage business

In accordance with the Administrative Measures on Refined Oil Products Market (成品油市場管理辦法) which took effect on January 1, 2007 and the Circular of the Ministry of Commerce, the State Administration for Industry and Commerce and the State Administration of Taxation on Replacing Business License of Refined Oil and Establishing the Supervision Information Exchange Mechanism on the Market of Refined Oil (商務部、國家工商行政管理總局、國家稅務總局關於更換成品油經營證書和建立成品油市場監管信息交換制度的通知) issued by the Ministry of Commerce, the State Administration for Industry and Commerce and the State Administration of Taxation on December 30, 2003, enterprises engaged in the storage business of refined oil, including gasoline, coal oil, diesel and other alternative fuel such as ethanol and biodiesel which meet the national product quality standard with the same functions shall apply to the Ministry of Commerce and obtain the Business Licence for the Storage of Refined Oil (成品油倉儲經營批准證書) before commencing the activities in refined oil storage business within the approved scope of business.

Marine transportation services

Enterprises engaged in waterway transportation business in the coastal area, rivers, lakes and other navigable waters in the PRC shall comply with the Regulations for the Administration of Maritime Transport of the PRC (國內水路運輸管理條例) which took effect on January 1, 2013, the Provisions for the Administration of Maritime Transport Service of the People' Republic of China (中華人民共和國水路運輸服務業管理規定) which took effect on April 20, 2009, the *Rules for Domestic Maritime Transportation of Goods* (國內水路貨物運輸規則) which took effect on January 1, 2001, and the Provisions for the Administration of Maritime Transport of the PRC (國內水路運輸管理規定) which took effect on March 1, 2014.

Enterprises engaged in activities of inbound and outbound international maritime transport operations and ancillary activities at PRC ports, including the operation of international shipping agencies, international vessel management, loading and unloading of international shipments, international maritime goods warehousing and international maritime container freight station and container yard, shall comply with the Ocean Shipping Regulations and the Implementation Rules of the People' Republic of China on International Ocean Shipping (中華人民共和國國際海運條例實施細則) which took effect on March 1, 2003 and was further amended on August 29, 2013.

Road transportation and stations business

Enterprises engaged in road transportation and stations operations shall comply with the Road Transport Regulations and the Regulations for the Administration of Road Cargo Transportation and Stations (道路貨物運輸及站場管理規定), which took effect on August 1, 2005 and subsequently amended on March 14, 2012, by obtaining the Road Transportation Operation Permit (道路運輸經營許可證) from the road transportation administrative authorities.

Port charges

In accordance with the Port Charge Rules (Foreign Trade) of the Ministry of Transport of the People's Republic of China (中華人民共和國交通部港口收費規則(外貿部分)), which took effect on

April 29, 1997 and subsequently amended on December 24, 2001, ports in the PRC shall charge port tariffs on vessels of international routes and international import and export shipments. In accordance with the Port Tariff on Containers of International Routes (國際航線集裝箱港口收費辦法), which took effect on January 1, 1992, port tariffs shall be imposed on containers of international routes entering and leaving the ports in China.

In accordance with the Port Charge Rules of the People's Republic of China (Domestic Trade) (中華人民共和國港口收費規則(內貿部分)) which took effect on August 1, 2005, coastal ports and ports along the main routes of the Yangtze River and the Heilongjiang water system (excluding ports in Jilin Province) in the PRC shall charge port tariffs on vessels of domestic routes and imported and exported cargoes and containers in domestic trade (unless otherwise regulated). For coastal ports and ports along the main routes of the Yangtze River, port tariffs shall be chargeable on the containers (i.e. international standard containers) in domestic trade entering and leaving such ports according to the Measures for the Collection of Port Fees on Containers Carried by Inland Maritime Transport (國內水路集裝箱港口收費辦法) which took effect on April 20, 2000.

Customs, import and export

In accordance with the Foreign Trade Law of the People's Republic of China (中華人民共和國對外貿易法) which took effect on July 1, 2004, the Rules for Filing and Registration Procedures of Foreign Trade Operators (對外貿易經營者備案登記辦法) which took effect on July 1, 2004, the Notice of the Ministry of Commerce on the Relevant Issues about the Filing and Registration of Foreign Trade Operators (商務部關於對外貿易經營者備案登記有關問題的通知) issued by the Ministry of Commerce on January 10, 2008, and the Notice of the Ministry of Commerce on the Relevant Issues on Further Delegating the Filing and Registration of Foreign Trade Operators (商務部關於進一步下放對外貿易經營者備案登記工作有關問題的通知) issued by the Ministry of Commerce on January 23, 2009, enterprises engaged in the import and export of goods or technology shall complete the filing and registration procedures with the Ministry of Commerce or its authorized agencies and obtain the Foreign Trade Operator Registration Certificates (對外貿易經營者備案登記表). In accordance with the Provisions of the Customs of the People's Republic of China for the Administration of Registration of Declaration Entities (中華人民共和國海關對報關單位註冊登記管理規定) which took effect on June 1, 2005, any legal persons, other organizations and individuals which engage in direct import or export of goods within the customs territory of the PRC according to PRC laws shall register at the local customs office, and obtain the Declaration Registration Certificate for Consignee or Consignor of Import or Export Goods issued by the Customs of the People's Republic of China (中華人民共和國海關進出口貨物收發貨人報關註冊登記證書).

Environmental protection

In accordance with the *Environmental Protection Law*, the Marine Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) which took effect on April 1, 2000, the Law on the Prevention and Control of Water Pollution of the People's Republic of China (中華人民共和國水污染防治法) which took effect on June 1, 2008, the Law on the Prevention and Control of Air Pollution of the People's Republic of China (中華人民共和國大氣污染防治法) which took effect on September 1, 2000, the Law on the Prevention and Control of Solid Waste Pollution of the People's Republic of China (中華人民共和國固體廢物污染環境防治法) which took effect on April

1, 2005 and the Law on the Prevention and Control of Noise Pollution of the People's Republic of China (中華人民共和國環境噪聲污染防治法) which took effect on March 1, 1997, enterprises which may cause environmental pollution and other public hazards shall adopt effective measures to prevent and control the pollution and damage to the environment caused by waste gas, sewage, waste residues, dust, malodorous gases, radiation, noise, vibration and electromagnetic radiation generated during the production, construction and other activities.

Production safety

In accordance with the Production Safety Law of the People's Republic of China (中華人民共和國安全生產法), which took effect on November 1, 2002 and subsequently amended on August 27, 2009, and other laws and regulations relating to production safety, production enterprises shall strengthen the management of production safety, establish and develop production safety accountability system and maintain safe production facilities to ensure production safety. Education and trainings for production safety shall be provided for employees so to ensure that they are equipped with the necessary knowledge of production safety, sufficient understanding of the relevant rules and regulations of safe production and operations and skills for safe operations of their respective positions.

Labor protection

In accordance with the Labor Law of the People's Republic of China (中華人民共和國勞動法), which took effect on July 5, 1994, and the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法), which took effect on January 1, 2008 and subsequently amended on December 28, 2012, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Employers shall establish and develop labor rules, regulations and systems according to PRC laws to protect the rights and ensure the performance of duties of employees, and career development and training systems shall be formed. Employers shall also set up and develop the labor safety and health system in strict compliance with the regulations and standards of labor safety and sanitation of the PRC and provide education on labor safety and sanitation for the employees to prevent work-related accidents and occupational harm. Necessary articles for labor protection in compliance with the labor safety and health requirements shall be provided to employees and regular health examination for employees engaged in work with occupational hazards shall be conducted.

In accordance with the Law of Social Insurance of the People's Republic of China (中華人民共和國社會保險法) which took effect on July 1, 2011, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) which took effect on January 22, 1999, the Decision of the State Council on the Establishment of Basic Medical Insurance System for Urban Workers (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated by the State Council on December 14, 1998, the Decisions of the State Council on the Establishment of Unified System of Basic Retirement Insurance Fund for the Employees of Enterprises (國務院關於建立統一的企業職工基本養老保險制度的決定) promulgated by the State Council on July 16, 1997, the Regulations of Insurance for Work-Related Injury (工傷保險條例) which took effect on January 1, 2004 and subsequently amended on December 20, 2010, the Regulations of Insurance for Unemployment (失業保險條例) which took effect on January 22, 1999, the Provisional Insurance

Measures for Maternity of Employees (企業職工生育保險試行辦法) which took effect on January 1, 1995 and the Regulations on Management of Housing Provident Fund (住房公積金管理條例) which took effect on April 3, 1999 and subsequently amended on March 24, 2002, employers shall make payments of the basic medical insurance, basic retirement insurance, insurance for work-related injury, unemployment insurance, maternity insurance and housing provident fund for the employees.

LAWS AND REGULATIONS FOR CHINESE-FOREIGN JOINT VENTURES

The establishment of the Chinese-foreign joint venture shall comply with the Law of the People's Republic of China on Chinese-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), effective from July 8, 1979 and subsequently amended on March 15, 2001, and Regulations for the Implementation of the Law of the People's Republic of China on Chinese-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業實施條例), which took effect on September 20, 1983 and was amended on July 22, 2001. The parties to the venture shall sign the joint venture agreement, contract and articles of association and submit the foregoing documents to the competent authorities of foreign economic relations and trade for approval. After approval, the joint venture shall register with the state competent authorities of administration for industry and commerce to obtain a license to do business and start operations. A joint venture shall take the form of a limited liability company. The proportion of the investment contributed by the foreign joint venture(s) shall generally not be less than 25% of the registered capital of a joint venture.

The Chinese-foreign joint venture operating in China may distribute after-tax profits which are calculated in accordance with the Law of the People's Republic of China on Chinese-foreign Equity Joint Ventures, PRC accounting standards, rules and principles.

LAWS AND REGULATIONS FOR SPECIAL DIVIDEND

Pursuant to 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), which took effect on August 27, 2002, net assets increased due to the profits generated by the original enterprise during the valid period from the base date of evaluation to the date of establishment registration of the incorporated enterprises shall be turned over to the enterprise that holds state-owned capital, or upon the approval of the enterprise that holds the state-owned capital, be managed as the incorporated enterprise's capital reserve which is exclusively owned by the state, and transferred to state-owned shares when expanding share capital in the subsequent years.

OUR HISTORY

The Port of Qingdao commenced operations in 1892 and is one of the largest comprehensive ports in the world. Our origin can be traced back to the establishment of the predecessor of our Controlling Shareholder, Port Authority of the People's Government of Qingdao (青島市人民政府港務局), in August 1949. After several rounds of internal reorganization, this entity was renamed as Qingdao Port Authority (青島港務局) in 1987 and was under the administration of the People's Government of Qingdao (青島市人民政府) and the Ministry of Transport (交通部), with the People's Government of Qingdao being the main governing authority.

In January 2003, QDP, our Controlling Shareholder, was transformed into a wholly state-owned enterprise with limited liability by Qingdao SASAC with a registered capital of RMB1,860 million, replacing Qingdao Port Authority in accordance with the State Council's policy to reform the administration system of the port industry and with approval from the People's Government of Qingdao. After spinning off the administrative functions and related assets, the remaining assets along with the relevant personnel, creditor's rights and liabilities of Qingdao Port Authority were injected into QDP.

In November 2013, our Company was established as a joint stock company with limited liability and the Core Operations of QDP were injected into us (the "**Reorganization**"). QDP currently holds a 90% equity interest in our Company. For further details, please see "— Reorganization."

MILESTONES IN OUR HISTORY

The Port of Qingdao has over 120 years of operating history. Milestones of the Core Operations of our Group and our predecessors are as follows:

Year	Event
1892	The Port of Qingdao commenced operations
1949	Throughput of the Port of Qingdao reached 720,000 tons
1974	Commencement of construction of the Huangdao Oil Port Area as our primary port area for providing liquid bulk handling services
1987	Commencement of construction of the Qianwan Port Area as our primary port area for providing break bulk and container handling services
1997	Container throughput of the Port of Qingdao exceeded one million TEUs for the first time in our history
2001	Throughput of the Port of Qingdao exceeded 100 million tons for the first time in our history
	A dedicated ore berth with a capacity of 200,000 DWTs passed national inspection and commenced operation. It was one of the largest dedicated ore berths in the world at that time

Year	Event
2002	Relocation of the container handling business in foreign trade from the Dagang Port Area to the Qianwan Port Area
2003	The Qingdao Port Authority was restructured as QDP
	QQCT was invested in and restructured by QDP, COSCO Ports (Qianwan) Limited (中遠碼頭(前灣)有限公司) ("**COSCO Qianwan Terminal**") and PTS Holdings Limited (PTS (控股)有限公司) ("**PTS**") (a company established by Maersk and Dubai Ports World)
2006	Throughput of the Port of Qingdao exceeded 200 million tons for the first time in our history
	Qingdao Shihua was established by QDP and Sinopec
2008	Throughput of the Port of Qingdao exceeded 300 million tons and its container throughput exceeded 10 million TEUs for the first time in our history
	Commencement of construction of the Dongjiakou Port Area as one of our primary port areas for providing metal ore, coal and liquid bulk handling services
2009	QQCTU was established by QQCTN and Qingdao Merchants
2011	QQCTUA was established by QQCTU and APL-SITC Terminal Holdings Pte. Ltd.
	Container throughput of the Port of Qingdao exceeded 13 million TEUs
2012	Throughput of the Port of Qingdao exceeded 400 million tons, ranking seventh in the world in terms of total throughput. Container throughput exceeded 14 million TEUs, ranking eighth in the world in terms of total container throughput
2013	Our Company was established as a joint stock company with limited liability by our Controlling Shareholder and five other Promoters
	A dedicated ore berth at the Dongjiakou Port Area with a capacity of 300,000 DWTs passed national inspection and commenced operation

REORGANIZATION

In preparation for the Global Offering, our Company was established on November 15, 2013 as a joint stock company in the PRC with limited liability pursuant to approvals from Qingdao SASAC. Our registered capital was RMB4,000 million upon establishment, consisting of 4,000 million Shares with a nominal value of RMB1.00 each. Pursuant to the promoters agreement dated October 28, 2013, QDP contributed cash, equity interests in certain of its subsidiaries, joint ventures, associates and other entities and other non-cash assets, valued at approximately RMB10,652.3 million in aggregate to our Company, and the other Promoters, namely, Malai Storage, Qingdao Ocean, China Shipping Terminal, Everbright Qingdao FLC and Qingdao IIC made capital contributions in "assets" to our Company of approximately RMB331 million, RMB284 million, RMB284 million, RMB142 million and RMB142 million, respectively. The respective contributions of the Promoters were determined based on the valuation report and the approval from Qingdao SASAC. Accordingly, QDP, Malai Storage, Qingdao Ocean, China Shipping Terminal, Everbright Qingdao FLC and Qingdao IIC as Promoters of our Company held 90.0%, 2.8%, 2.4%, 2.4%, 1.2% and 1.2% equity interests in our Company, respectively, upon our establishment.

Pursuant to the approvals from Qingdao SASAC, the Reorganization Agreement and the Supplemental Agreements, the assets and the equity interests in subsidiaries, joint ventures, associates and other entities contributed to us by QDP comprised its core port businesses, including container terminal business, bulk and break-bulk terminal business covering metal ore and coal, crude oil and other liquid bulk terminal business, grains and other cargo terminal business, logistics and port value-added services business (the "**Core Operations**"), together with the relevant assets (including cash), liabilities, interests in 14 subsidiaries, 15 joint ventures and associates, and three entities.

Pursuant to the Reorganization, the following assets, equity interests and land use rights as well as personnel and liabilities relating to our Core Operations were injected into our Company by QDP:

Assets

Assets relating to our Core Operations held by QDP were injected into us, including certain fixed assets (including machinery and related equipment, buildings, facilities and vehicles), land use rights, intangible assets, construction-in-progress, inventories, receivables and bank deposits.

Equity interests

The entirety of the equity interests directly held by QDP in the following 32 entities (including their respective subsidiaries) were injected into our Company:

	Company Name	Equity Interest		Company Name	Equity Interest
		(%)			(%)
1.	Qingdao Jieshun Customs Broker Co., Ltd.*[(1)] 青島捷順報關有限公司	100.00	7.	Qingdao Port (Group) Engineering Co., Ltd.* 青島港(集團)港務工程有限公司	100.00
2.	Qingdao Port (Group) Gangan Construction Co., Ltd.* 青島港(集團)港安建設有限公司	100.00	8.	Qingdao Port International Travel Agency Co., Ltd.* 青島青港國際旅行社有限責任公司	94.29
3.	Qingdao Ocean Shipping Repair Co., Ltd.* 青島外輪航修有限公司	100.00	9.	Qingdao Yongli Insurance Agency Co., Ltd.*[(1)] 青島永利保險代理有限公司	90.00
4.	Qingdao Bonded Port Area Gangrong Storage Center Co., Ltd.* 青島保税區港榮倉儲中心有限公司	100.00	10.	Qingdao Ocean Shipping Tally Co., Ltd. 青島外輪理貨有限公司	84.00
5.	Qingdao Port Passenger Terminal Duty Free Merchandise Co., Ltd.* 青島港客運站免税品銷售有限公司	100.00	11.	Qingdao Port International Cargo Logistics Co., Ltd.*[(1)(2)] 青島港國際貨運物流有限公司	78.00
6.	Qingdao Hongyu Cargo Agency Co., Ltd.*[(1)] 青島宏宇貨運代理有限公司	100.00	12.	Qingdao Gangjia Logistics Co., Ltd.* 青島港佳物流有限公司	51.00

Company Name	Equity Interest
	(%)
13. Qingdao Qianwan West Port United Terminal Co., Ltd. 青島前灣西港聯合碼頭有限責任公司	51.00
14. Qingdao Port Dongjiakou IMC Logistics Co., Ltd. 青島港董家口萬邦物流有限公司	51.00
15. Qingdao Shihua Crude Oil Terminal Co., Ltd.* 青島實華原油碼頭有限公司	50.00
16. Qingdao Ganghai International Logistics Co., Ltd.* 青島港海國際物流有限公司	50.00
17. Qingdao Shenzhouxing International Freight Co., Ltd. 青島神州行國際貨運代理有限公司	50.00
18. Qingdao United International Shipping Agency Ltd. 青島聯合國際船舶代理有限公司	50.00
19. China Shipping Agency (Qingdao) Co., Ltd.* 青島中海船務代理有限公司	50.00
20. Vopak Logistics (Qingdao) Co., Ltd. 孚寶港務(青島)有限公司	50.00
21. Qingdao Bay Liquid Chemical Port Operation Co., Ltd.* 青島海灣液體化工港務有限公司	50.00
22. Rizhao Riqing Container Terminal Co., Ltd.* 日照日青集裝箱碼頭有限公司	50.00

Company Name	Equity Interest
	(%)
23. Weihai Qingwei Container Terminal Co., Ltd.* 威海青威集裝箱碼頭有限公司	49.00
24. Huaneng Qingdao Port Operation Co., Ltd.* 華能青島港務有限公司	49.00
25. Qingdao Orient International Container Storage and Transportation Co., Ltd. 青島東港國際集裝箱儲運有限公司	41.00
26. Qingdao Ganghua Logistics Co., Ltd. 青島港華物流有限公司	40.00
27. Qingdao Evergreen Container Storage & Transportation Co., Ltd. 青島長榮集裝箱儲運有限公司	40.00
28. Qingdao Qianwan Container Terminal Co., Ltd. 青島前灣集裝箱碼頭有限責任公司	31.00
29. Qingdao QWG Port Logistics Co., Ltd. 青島港前灣港區保税物流中心有限公司	23.00
30. Shandong Binhai Hongrun Pipeline Logistics Co., Ltd.* 山東濱海弘潤管道物流股份有限公司	10.00
31. Sinopec Qingdao Liquefied Natural Gas Co., Ltd.* 中國石化青島液化天然氣有限責任公司	1.00
32. Yalong Development Company Limited 三亞亞龍灣開發股份有限公司	0.058

Notes:

(1) Certain historical transfers of interests in these entities, which are not regarded as principal subsidiaries of our Group, did not go through the approval, valuation and/or filing procedures required for the transfer of state-owned assets under the relevant PRC laws. Notwithstanding the above, these entities have completed the state-owned assets registrations (國有產權登記) and the relevant authorities did not raise any objection to such transfers, and confirmed QDP's interests in those entities following the transfers. Moreover, the injection of the equity interests in these entities by QDP to our Group as part of the Reorganization has completed all requisite procedures under the relevant PRC laws. On this basis, our PRC legal advisor, Jia Yuan Law Offices, has confirmed that our Group validly holds the interests in these entities notwithstanding the defects in certain historical transfers. Pursuant to a confirmation of QDP dated April 8, 2014, QDP confirmed that it legally held the relevant equity interests in these entities at the time of the Reorganization without any dispute in title and the aforementioned defects will not have any adverse impact on the validity of the establishment and ongoing existence of our Company or the Listing. QDP undertook that so long as it remains our Controlling Shareholder, it will bear the relevant liabilities, respond to any requisition that may be raised by relevant parties, make additional capital injection to us in place of the aforementioned interests with defects if the transfer of such interests by QDP to us is regarded as invalid, and use its best efforts to assist us in rectifying the relevant defects as necessary. QDP further undertook to indemnify our Group in full against any loss that may arise from such defects so long as it remains our Controlling Shareholder.

(2) Formerly known as Qingdao Gangxin International Logistics Co., Ltd. (青島港鑫國際物流有限公司).

For further details of the above entities which are material to our operations, please see "— Our Principal Subsidiaries" and "— Our Principal Joint Ventures."

Land use rights

Pursuant to the Reorganization Agreement, land use rights with a total area of approximately 7,612,300 sq.m. were injected into our Company from QDP.

Employees

Pursuant to the Reorganization Agreement, the management team, technical staff and other employees involved in our Core Operations were transferred into our Company from QDP and became employees of our Company.

Liabilities

Pursuant to the Reorganization Agreement, QDP injected the liabilities relating to the Core Operations into our Company, while the other liabilities continued to be borne by QDP.

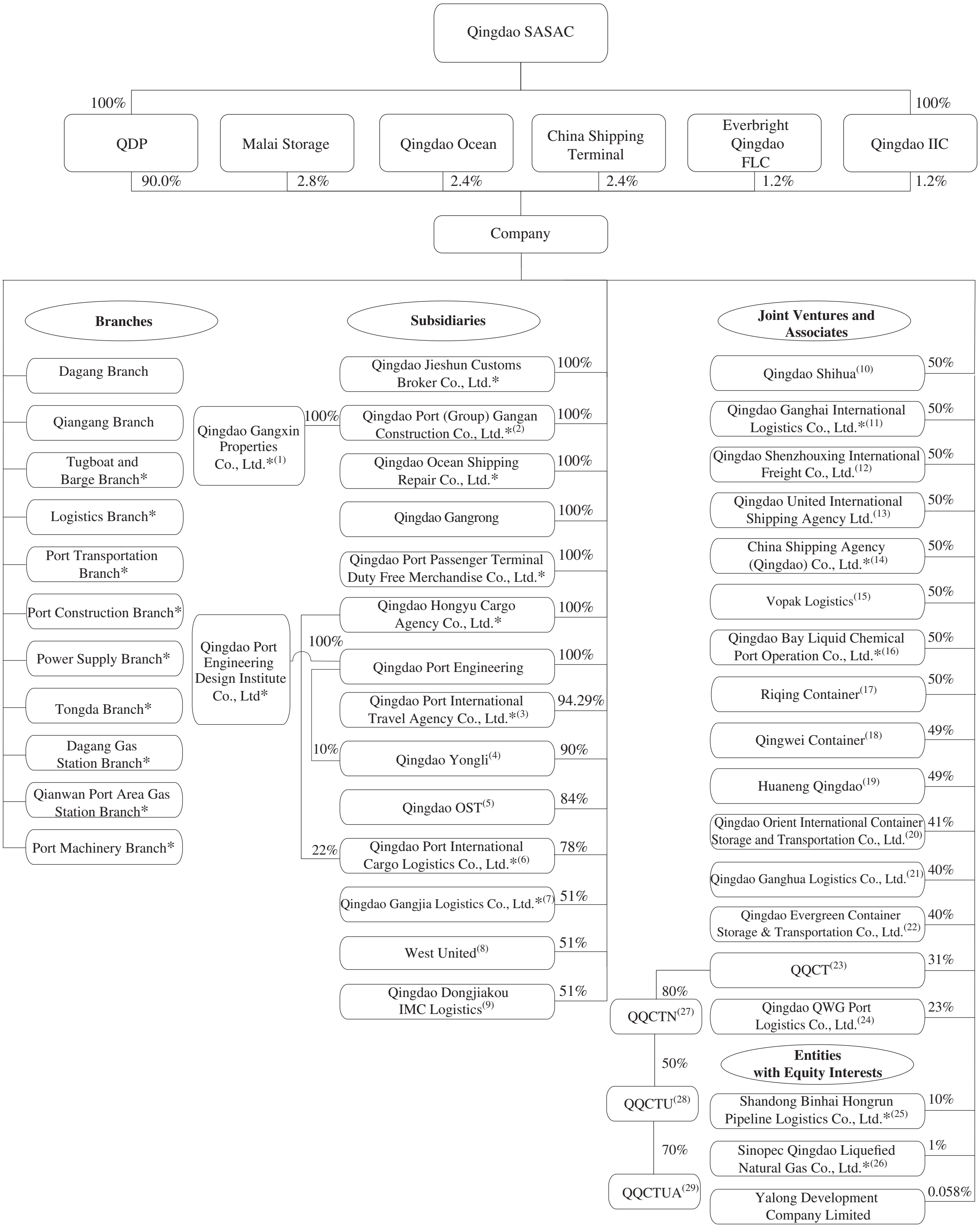
In order to maintain a clear delineation of business between that of our Group and that of QDP after the Reorganization, QDP will focus on the Retained Operations going forward. For further information, please see "Relationship with our Controlling Shareholder — Delineation of Business — Principal Business of our Controlling Shareholder" in this prospectus.

In respect of the Reorganization, we have:

- obtained approvals from Qingdao SASAC on September 4, 2013 and November 14, 2013, respectively;
- obtained approval from SASAC on December 21, 2013; and
- completed filing with Qingdao SASAC regarding supplemental audit results on January 3, 2014.

Our PRC legal advisor, Jia Yuan Law Offices, has confirmed that, as at the Latest Practicable Date, we had obtained all the necessary approvals from the relevant government authorities with respect to the Reorganization and all procedures required for the Reorganization had been completed.

The following chart sets out the equity interests and corporate structure of our Group immediately upon completion of the Reorganization:



Notes:

(1) De-registered on January 23, 2014.

(2) De-registered on January 27, 2014.

(3) The remaining 5.71% equity interest was held by Qingdao Port Tongda Shiye Ltd.* (青島港通達實業公司) which is independent of our Group (except its interest in Qingdao Port International Travel Agency Co., Ltd.* (青島青港國際旅行社有限責任公司).

(4) The remaining 10% equity interest was held by Qingdao Port Engineering which is a wholly owned subsidiary of our Company.

(5) The remaining 16% equity interest was held by China OST which, as a substantial shareholder, is our connected person. Associates of China OST are also interested in our joint ventures Qingdao Shenzhouxing International Freight Co., Ltd. (青島神州行國際貨運代理有限公司), Qingdao United International Shipping Agency Ltd. (青島聯合國際船舶代理有限公司), QQCT, Qingdao QWG Port Logistics Co., Ltd. (青島港前灣港區保稅物流中心有限公司) and QDOT. See Notes (12), (13), (23), (24) and "— Our Principal Joint Ventures — QDOT" below.

(6) The remaining 22% equity interest was held by Qingdao Hongyu Cargo Agency Co., Ltd.* (青島宏宇貨運代理有限公司) which is wholly owned by our Company.

(7) The remaining 49% equity interest was held by Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) which, as a substantial shareholder, is our connected person. It will also become a substantial shareholder of Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司) and Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司) upon completion of their respective acquisitions by our Company.

(8) This company is our subsidiary under the Companies Ordinance and the Hong Kong Listing Rules as our Company holds over 50% of its equity interest, but it is not consolidated into our financial statements as our Company does not have control over it under the criteria set out in "Notes to the Financial Information — 4. Summary of significant accounting policies — 4.2 Consolidation" of the Accountant's Report set out in Appendix I to this prospectus. The remaining 49% equity interest was held by Qingdao Merchants which, as a substantial shareholder, is our connected person. Qingdao Merchants is also interested in our joint venture QQCTU and an associate of Qingdao Merchants, Mighty Star Investment Limited (貫星投資有限公司), is interested in our joint venture, QDOT. See Note (28) and "— Our Principal Joint Ventures — QDOT" below. China Merchants Holding (International) Company Limited (招商局國際有限公司) (holding company of Qingdao Merchants and our existing Shareholder, Malai Storage) or its associate may subscribe for H Shares under the International Offering as described in "Waivers from Strict Compliance with the Hong Kong Listing Rules — Subscription of H Shares by Minority Existing Shareholder and Connected Persons as Ordinary Placees in the International Offering."

(9) This company is our subsidiary under the Companies Ordinance and the Hong Kong Listing Rules as our Company holds over 50% of its equity interest, but it is not consolidated into our financial statements as our Company does not have control over it under the criteria set out in "Notes to the Financial Information — 4. Summary of significant accounting policies — 4.2 Consolidation" of the Accountant's Report set out in Appendix I to this prospectus. The remaining 49% equity interest was held by IMC Dongjiakou Logistics Pte. Ltd. (萬邦董家口物流有限公司) which, as a substantial shareholder, is our connected person. Associates of IMC Dongjiakou Logistics Pte. Ltd. (萬邦董家口物流有限公司) are also interested in our joint ventures Qingdao QWG Port Logistics Co., Ltd. (青島港前灣港區保稅物流中心有限公司) and QDOT. See Note (24) and "— Our Principal Joint Ventures — QDOT" below. IMC Group Holdings Limited (萬邦集團控股有限公司) (the holding company of IMC Dongjiakou Logistics Pte. Ltd. (萬邦董家口物流有限公司)) or its associate may subscribe for H Shares under the International Offering as described in "Waivers from Strict Compliance with the Hong Kong Listing Rules — Subscription of H Shares by Minority Existing Shareholder and Connected Persons as Ordinary Placees in the International Offering."

(10) The remaining 50% equity interest was held by Sinomart KTS Development Limited (經貿冠德發展有限公司) ("**Sinomart**") which is independent of our Group (except its interest in Qingdao Shihua and Sinopec Qingdao Liquefied Natural Gas Co., Ltd.* (中國石化青島天然氣有限責任公司), an entity in which we held 1% equity interest (the remaining 99% was held by Sinopec, the controlling shareholder of Sinomart)).

(11) The remaining 50% equity interest was held by Qingdao Xinhai Shiye Ltd.* (青島鑫海實業公司) which is independent of our Group (except its interest in Qingdao Ganghai International Logistics Co., Ltd.* (青島港海國際物流有限公司)).

(12) The remaining 50% equity interest was held by COSCO Qingdao International Freight Co., Ltd.* (青島中遠國際貨運有限公司), which is our connected person because it is an associate of China OST, a substantial shareholder of our non-wholly owned subsidiary, Qingdao OST.

(13) The remaining 50% equity interest was held by China Ocean Shipping Agency Co., Ltd. (Qingdao) (中國青島外輪代理公司) which is our connected person because it is an associate of China OST, a substantial shareholder of our non-wholly owned subsidiary, Qingdao QST.

(14) The remaining 50% equity interest was held by China Shipping Agency Co., Ltd.* (中海船務代理有限公司) which is independent of our Group (except its interest in China Shipping Agency (Qingdao) Co., Ltd.* (青島中海船務代理有限公司)).

(15) The remaining 50% equity interest was held by Vopak Terminal DJK B.V. which is independent of our Group (except its interest in Vopak Logistics).

(16) The remaining 30% and 20% equity interests were held by Qingdao Haiwan Group Co., Ltd.* (青島海灣集團有限公司) and Qingdao Hygain Chemical (Group) Co., Ltd.* (青島海晶化工集團有限公司), respectively, which are independent of our Group (except their respective interests in Qingdao Bay Liquid Chemical Port Operation Co., Ltd.* (青島海灣液體化工港務有限公司)).

(17) The remaining 50% equity interest was held by Rizhao Port Group Co., Ltd.* (日照港集團有限公司) which is independent of our Group (except its interest in Riqing Container).

(18) The remaining 51% equity interest was held by Shandong Weihai Port Co., Ltd.* (山東威海港股份有限公司) which is independent of our Group (except its interest in Qingwei Container).

(19) The remaining 51% equity interest was held by Huaneng Power International, Inc.* (華能國際電力股份有限公司) which is independent of our Group (except its interest in Huaneng Qingdao).

(20) The remaining 59% equity interest was held by Eastern Ocean (China) Investment Co., Ltd.* (東方海外(中國)投資有限公司) which is independent of our Group (except its interest in Qingdao Orient International Container Storage and Transportation Co., Ltd. (青島東港國際集裝箱儲運有限公司)).

(21) The remaining 25%, 15%, 10% and 10% equity interests were held by Dunshang Trading Co., Ltd.* (敦尚貿易有限公司), Sinochem International Corporation* (中化國際(控股)股份有限公司), CNAMPGC Tianjin Corporation* (中國農業生產資料天津公司) and China Agricultural Fertilizer Co., Ltd.* (中農調運化肥有限公司), respectively. Dunshang Trading Co., Ltd.* (敦尚貿易有限公司), CNAMPGC Tianjin Corporation* (中國農業生產資料天津公司) and China Agricultural Fertilizer Co., Ltd.* (中農調運化肥有限公司) are independent of our Group (except their respective interests in Qingdao Ganghua Logistics Co., Ltd. (青島港華物流有限公司)). Sinochem International Corporation* (中化國際(控股)股份有限公司) is an associate of Sinochem Hongrun Petroleum & Chemical Co., Ltd.* (中化弘潤石油化工有限公司) which held 55% equity interest in Shandong Binhai Hongrun Pipeline Logistics Co., Ltd.* (山東濱海弘潤管道物流股份有限公司) (an entity in which we held 10% equity interest).

(22) The remaining 40% and 20% equity interests were held by Peony Investment S.A. (巴拿馬永華投資有限公司) and Gaining Investment S.A. (巴拿馬立盛企業有限公司), respectively, which are independent of our Group (except their respective interests in Qingdao Evergreen Container Storage & Transportation Co., Ltd. (青島長榮集裝箱儲運有限公司)).

(23) The remaining 49% and 20% equity interests were held by PTS and COSCO Qianwan Terminal, respectively. PTS is independent of our Group (except its interest in QQCT). COSCO Qianwan Terminal is our connected person as it is an associate of China OST which is a substantial shareholder of Qingdao OST, a non-wholly owned subsidiary of our Company.

(24) The remaining 40% and 37% equity interests were held by COSCO Qingdao International Freight Co., Ltd.* (青島中遠國際貨運有限公司) and IMC Qianwangang Logistics Holding Pte. Ltd. (萬邦前灣港物流控股有限公司) (formerly known as Daya International Logistics Co., Ltd.* (大亞國際貨運有限公司)), respectively, which are our connected persons because COSCO Qingdao International Freight Co., Ltd.* (青島中遠國際貨運有限公司) is an associate of China OST, the substantial shareholder of our non-wholly owned subsidiary, Qingdao OST; and IMC Qianwangang Logistics Holding Pte. Ltd. (萬邦前灣港物流控股有限公司) is an associate of IMC Dongjiakou Logistics Pte. Ltd. (萬邦董家口物流有限公司), which is a substantial shareholder of our non-wholly owned subsidiary, Qingdao Dongjiakou IMC Logistics.

(25) The remaining 55% and 35% equity interests were held by Sinochem Hongrun Petroleum & Chemical Co., Ltd.* (中化弘潤石油化工有限公司) (formerly known as Tanfang Hongrun Chemical Co., Ltd.* (濰坊弘潤石化助劑有限公司)) and Weifang Binhai Investment Development Co., Ltd.* (濰坊濱海投資發展有限公司), respectively. Weifang Binhai Investment Development Co., Ltd.* (濰坊濱海投資發展有限公司) is independent of our Group (except its interest in Shandong Binhai Hongrun Pipeline Logistics Co., Ltd.* (山東濱海弘潤管道物流股份有限公司)). Sinochem Hongrun Petroleum & Chemical Co., Ltd.* is an associate of Sinochem International Corporation* (中化國際(控股)股份有限公司) which held 15% equity interest in Qingdao Ganghua Logistics Co., Ltd. (青島港華物流有限公司) (a joint venture in which we held 40% equity interest).

(26) The remaining 99% equity interest was held by Sinopec which is independent of our Group (except its interest in Sinopec Qingdao Liquefied Natural Gas Co., Ltd.* (中國石化青島液化天然氣有限責任公司) and its indirect interest in Qingdao Shihua, our joint venture (which is held as to 50% by Sinomart, a subsidiary of Sinopec)).

(27) The remaining 20% equity interest was held by Pan Asia International Shipping Limited (泛亞國際航運有限公司) which is independent of our Group (except its interest in QQCTN).

(28) The remaining 50% equity interest was held by Qingdao Merchants which is our connected person as it is a substantial shareholder of our non-wholly owned subsidiary, West United.

(29) The remaining 30% equity interest was held by APL-SITC Terminal Holdings Pte. Ltd. which is independent of our Group (except its interest in QQCTUA).

BACKGROUND OF OUR EXISTING SHAREHOLDERS

QDP

QDP is our Controlling Shareholder of our Company. It currently holds 90% of our equity interest. For further details of QDP, please see "— Our History".

Malai Storage

Malai Storage was established on September 14, 2006 in the PRC, with a registered capital of HK$30 million as at the Latest Practicable Date. It is principally engaged in the business of cargo logistics information consulting and provision of preparatory storage services. Malai Storage is a subsidiary of China Merchants Holding (International) Company Limited (招商局國際有限公司), which is ultimately owned by China Merchants Group Limited (招商局集團有限公司). China Merchants Holding (International) Company Limited (招商局國際有限公司) or its associate may subscribe for H Shares under the International Offering as described in "Waivers from Strict Compliance with the Hong Kong Listing Rules — Subscription of H Shares by Minority Existing Shareholder and Connected Persons as Ordinary Placees in the International Offering." Qingdao Merchants, an indirect wholly owned subsidiary of China Merchants Holding (International) Company Limited (招商局國際有限公司), is a substantial shareholder with 49% interest in West United, a non-wholly owned subsidiary of our Company. Therefore, China Merchants Holding (International) Company Limited (招商局國際有限公司) is our connected person and any H Share that it may subscribe for directly or through its associate under the International Offering will not be counted as public float under the Hong Kong Listing Rules.

In addition, Qingdao Merchant also holds 50% interest in QQCTU, our joint venture and Mighty Star Investment Limited (貫星投資有限公司), an associate of China Merchants Holding (International) Company Limited (招商局國際有限公司), holds 25% interest in QDOT, our joint venture.

Qingdao Ocean

Qingdao Ocean was established on July 19, 1985 in the PRC, with a registered capital of RMB3,214 million as at the Latest Practicable Date. It is principally engaged in the business of providing international vessel transportation of common goods, sale and purchase and leasing of vessels, and asset management services. Qingdao Ocean is a subsidiary of China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司).

China Shipping Terminal

China Shipping Terminal was established on March 21, 2001 in the PRC, with a registered capital of approximately RMB2,039 million. As at the Latest Practicable Date, the registered capital of China Shipping Terminal had been increased to approximately RMB2,487 million. It is principally engaged in the business of domestic and foreign port investment, provision of storage and port facilities, as well as leasing and financing services. China Shipping (Group) Company (中國海運(集團)總公司) is a majority shareholder of China Shipping Terminal.

Everbright Qingdao FLC

Everbright Qingdao FLC was established on June 14, 2013 in the PRC, with a registered capital of US$50 million as at the Latest Practicable Date. It is principally engaged in the business of leasing and financing for aircrafts and vessels. Everbright Qingdao FLC is a subsidiary of China Everbright Group Co., Ltd. (中國光大集團有限公司).

Qingdao IIC

Qingdao IIC was established on May 24, 2013 in the PRC, with a registered capital of RMB1.5 billion as at the Latest Practicable Date. It is principally engaged in urban and rural infrastructure projects investment and construction, investment in the manufacturing, agricultural and service industries. Qingdao IIC is wholly owned by Qingdao SASAC.

As at the Latest Practicable Date, QDP, Malai Storage, Qingdao Ocean, China Shipping Terminal, Everbright Qingdao FLC and Qingdao IIC held 90.0%, 2.8%, 2.4%, 2.4%, 1.2% and 1.2%, respectively, in our Company. Immediately following the completion of the Global Offering, they will hold approximately 75.00%, 2.38%, 2.04%, 2.04%, 1.02% and 1.02% of our then total issued share capital, assuming the Over-allotment Option is not exercised. QDP and Qingdao IIC are wholly owned by Qingdao SASAC. The other Promoters are independent of each other (other than their interests in us).

OUR PRINCIPAL BRANCHES

As at the Latest Practicable Date, our Company had 12 branches. We set out below further information on our six principal branches, which primarily engage in the stevedoring, stacking, storage and cargo transportation of ores, coal, containers and other general cargo. The other six branches include Port Construction Branch* (港建分公司), Power Supply Branch* (供電分公司), Tongda Branch* (通達分公司), Dagang Gas Station Branch* (大港加油站分公司), Qianwan Port Area Gas Station Branch* (前灣港區加油站分公司) and Dongjiakou Gas Station Branch* (董家口加油站分公司). These branches mainly engage in port ancillary services, such as port engineering construction, provision of electricity to ports, communication services and retail sales of gasoline and diesel, which are closely related to our Core Operations. All of the assets, liabilities and business related to the branches were transferred to our Company from QDP pursuant to the Reorganization Agreement.

Dagang Branch (大港分公司)

Dagang Branch was established on December 2, 2013. Its scope of business includes provision of terminal and other port facilities services; port passenger transportation services; cargo stevedoring and warehousing services; and leasing and repair of port facilities, equipment and machinery. It engages in leasing and repair of machinery and equipment (excluding special equipment); warehousing; loading and unloading and repair of containers; residential property leasing; luggage custody (excluding dangerous goods); reservation of ship tickets; distribution of advertisements in the PRC and road freight agency services.

Qiangang Branch (前港分公司)

Our Qiangang Branch was established on December 3, 2013. Its scope of business includes provision of terminal and other facilities services; loading and unloading services; vessel port services; warehousing (excluding those requiring State-level approvals); leasing of machinery and equipment; property management; stacking and loading and unloading of containers; and collection of water, electricity and heating fees.

Logistics Branch* (物流分公司)

Our Logistics Branch was established on November 29, 2013. Its scope of business includes stevedoring, transfer, stacking, custody, container unloading, consolidation, loading, washing and repair, and warehousing of containers; machinery and equipment leasing; transportation agency services; and road freight agency services.

Port Transportation Branch* (港運分公司)

Our Port Transportation Branch was established on December 6, 2013. Its scope of business includes housing rental; container stevedoring, transfer, stacking, custody, container unloading, container consolidation, container loading, container washing and maintenance, storage (excluding dangerous goods); transport agency services; information services; parking services; road freight forwarding; passenger cargo stowage, warehousing (excluding national contraband and dangerous chemicals), stevedoring and transportation; and machinery and equipment leasing.

Tugboat and Barge Branch* (輪駁分公司)

Our Tugboat and Barge Branch was established on December 6, 2013. Its scope of business includes port tugboat and lightering services; cargo handling, warehousing services; port facilities, equipment and machinery leasing and maintenance services. It engages in channel dredging, hydraulic reclamation; earthwork; ship leasing; shipping agency; ship services; lifting services; ship installation and maintenance; port desilting; offshore oil engineering; and ship repair.

Port Machinery Branch* (港機分公司)

Port Machinery Branch was established on December 3, 2013. Its scope of business includes floating dock leasing, machinery and equipment leasing; pipeline installation auxiliary engineering (excluding pressure piping); corrosion and insulation; offshore oil engineering; metal steel structure and metal storage tanks (excluding pressure vessels) manufacture and installation; rivet welding processing; casting process; retail sales of building materials and hardware, steel, mechanical and electrical products (excluding passenger vehicles with nine seats and below), electrical equipment and materials; manufacture, installation, alteration, maintenance of machinery equipment; manufacture of tools.

OUR PRINCIPAL SUBSIDIARIES

Our principal subsidiaries are as follows:

West United

West United was established on June 9, 2010 in the PRC, with a registered capital of RMB500 million as at the Latest Practicable Date. Its principal business includes port cargo loading and unloading, stacking, container warehousing, container stevedoring, freight yard leasing, and leasing of machinery and facilities. Pursuant to the Reorganization Agreement, 51% equity interest in West United was injected by QDP into our Company. Qingdao Merchants holds the remaining 49% equity interest in West United and is therefore our connected person.

Qingdao Port Engineering

Qingdao Port Engineering was established on May 13, 1992 in the PRC, with a registered capital of RMB22.33 million as at the Latest Practicable Date. Its principal business includes the construction of port facilities and the leasing of machinery. Pursuant to the Reorganization Agreement, QDP injected 100% equity interest in Qingdao Port Engineering into our Company.

Qingdao OST

Qingdao OST (formerly known as China Ocean Shipping Tally Company, Qingdao Branch (中國外輪理貨總公司青島分公司)) was established in 1961 in the PRC, with a registered capital of RMB1.99 million as at the Latest Practicable Date. It was converted into a limited liability company in September 2008 and was renamed as Qingdao Ocean Shipping Tally Co., Ltd. (青島外輪理貨有限公司). Its principal business includes vessel cargo and container tallying as well as cargo volume calculation, issuance of tallying certificates and reports. Pursuant to the Reorganization Agreement, 84% equity interest in Qingdao OST was injected by QDP into our Company. China OST holds the remaining 16% equity interest and is therefore our connected person.

OUR PRINCIPAL JOINT VENTURES

Our principal joint ventures include:

Qingdao Shihua

Qingdao Shihua was established on February 23, 2006 in the PRC, with a registered capital of RMB1,000 million as at the Latest Practicable Date. Its principal business includes crude oil and refined oil cargo handling. As at the Latest Practicable Date, our Company held 50% equity interest in Qingdao Shihua injected by QDP pursuant to the Reorganization Agreement. The remaining 50% equity interest was held by Sinomart, which is independent of our Group except its interest in Qingdao Shihua (our joint venture) and Sinopec Qingdao Liquefied Natural Gas Co., Ltd.* (中國石化青島天然氣有限責任公司) (an entity in which we held 1% equity interest).

Pursuant to the joint venture agreement (as amended) in relation to Qingdao Shihua entered into between our Company and Sinomart dated December 5, 2013:

(i) Qingdao Shihua will mainly engage in the construction and operation of certain berths;

(ii) the board of directors shall consist of six directors, of which, three (including the chairman) shall be appointed by Sinomart and three (including the vice-chairman) shall be appointed by us;

(iii) the general manager and deputy general manager shall be nominated by us, and the deputy executive general manager and chief financial officer shall be nominated by Sinomart;

(iv) before the completion of construction of the relevant berth of phase III, the net profits of phases I and II of the relevant berths shall be distributed to us. Thereafter and until the termination of the joint venture, the net profits shall be distributed to equity holders in proportion to their respective capital contributions; and

(v) both parties are free to transfer their interests in Qingdao Shihua to their respective associates without obtaining the approval of the other party. Transfer of interests in the joint venture to any third party requires approval of the other party, and the non-transferring party has the preemptive right to purchase such interests.

QQCT

QQCT was established on May 17, 2000 in the PRC, with a registered capital of US$308 million as at the Latest Practicable Date. Its principal business includes stevedoring of containers and other cargos, the transfer, stacking, custody, unwrapping, repairing, transportation and warehousing of containers and related businesses. As at the Latest Practicable Date, our Company held 31% equity interest in QQCT injected by QDP pursuant to the Reorganization Agreement. The remaining 20% and

49% equity interest were held by COSCO Qianwan Terminal and PTS, respectively. COSCO Qianwan Terminal is an associate of China OST which is a substantial shareholder of Qingdao OST, a non-wholly owned subsidiary of our Company. COSCO Qianwan Terminal is therefore our connected person. Save for its interest in QQCT, PTS is independent of our Group.

Pursuant to the amended joint venture agreement entered into among our Company, COSCO Qianwan Terminal and PTS dated November 26, 2013:

(i) the board of directors shall consist of 11 directors, four (including the chairman) shall be appointed by us, two shall be appointed by COSCO Qianwan Terminal, and five (including the vice-chairman) shall be appointed by PTS;

(ii) the general manager shall be nominated by PTS, and shall be responsible for the day-to-day operation and management of QQCT, with the assistance of the deputy general manager who shall be nominated by us;

(iii) the audit and legal managers shall be nominated by COSCO Qianwan Terminal, and the finance and operation managers shall be nominated by PTS;

(iv) the net profits shall be distributed to the equity holders in proportion to their respective contributions; and

(v) any transfer of interests in QQCT to any third party requires unanimous approval of the other parties, and the non-transferring parties have the preemptive right to purchase such interests. All parties are free to transfer its interests in QQCT to their respective associates without obtaining the approval of other parties.

QDOT

QDOT was established on January 9, 2014 in the PRC after the Reorganization, with a registered capital of approximately RMB1,400 million as at the Latest Practicable Date. Its principal business includes the construction, operation and management of the Dongjiakou Operation I and other port facility services, cargo loading and unloading, warehousing services (excluding dangerous goods and refrigerated warehouse), bonded business and processing and distribution. As at the Latest Practicable Date, our Company held 30% of the equity interest in QDOT. The remaining 25%, 25% and 20% equity interest were held by Mighty Star Investment Limited (貫星投資有限公司), COSCO Pacific (China) Investments Co., Ltd. (中遠太平洋(中國)投資有限公司) and IMC Qingdao Port Investment Co., Ltd. (萬邦青島港口投資有限責任公司), respectively. COSCO Pacific (China) Investments Co., Ltd. is an associate of China OST which is a substantial shareholder of Qingdao OST, a non-wholly owned subsidiary of our Company. Mighty Star Investment Limited is an associate of Qingdao Merchants which is a substantial shareholder of West United, a non-wholly owned subsidiary of our Company. IMC Qingdao Port Investment Co., Ltd. is an associate of IMC Dongjiakou Logistics Pte. Ltd. (萬邦董家口物流有限公司) which is a substantial shareholder of Qingdao Dongjiakou IMC Logistics, a non-wholly owned subsidiary of our Company. COSCO Pacific (China) Investments Co., Ltd., Mighty Star Investment Limited and IMC Qingdao Port Investment Co., Ltd. are therefore our connected persons.

Pursuant to the joint venture agreement in relation to QDOT entered into among our Company, Mighty Star Investment Limited, COSCO Pacific (China) Investments Co., Ltd. and IMC Qingdao Port Investment Co., Ltd. dated December 16, 2013:

(i) the board of directors shall consist of nine directors: three (including the chairman) shall be appointed by us, and two of the remaining six directors shall be appointed by each of Mighty Star Investment Limited, COSCO Pacific (China) Investments Co., Ltd. and IMC Qingdao Port Investment Co., Ltd.;

(ii) the general manager (who shall be nominated by us) shall be responsible for the day-to-day operation and management of the joint venture, with the assistance of the two deputy general managers (one of each shall be nominated by Mighty Star Investment Limited and by IMC Qingdao Port Investment Co., Ltd.);

(iii) the chief financial officer shall be nominated by COSCO Pacific (China) Investments Co., Ltd.;

(iv) the net profits shall be distributed to the equity holders in proportion to their respective capital contributions; and

(v) transfer of interests in QDOT to any third party requires unanimous approval of other parties, and the non-transferring parties have the preemptive right to purchase such interests. All parties are free to transfer their respective interests in QDOT to their respective associates without obtaining the approval of other parties.

Dongjiakou Acquisitions

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. QDP had intended to own and operate the Dongjiakou Operations, comprising the Dongjiakou Operation I and Dongjiakou Operation II, through separate joint ventures, and then to transfer its interests in the joint ventures to us upon our establishment. However, due to the delays in the establishment process, the relevant joint ventures had not been established by the time of the Reorganization and our establishment. In order to avoid the additional time, expenses and regulatory approvals which would be required if QDP had initially transferred the entire Dongjiakou Operations to us and then we made subsequent transfers of the Dongjiakou Operations to the relevant joint ventures, it was determined that the Dongjiakou Operations would not be included as part of the Reorganization, and were instead to be acquired by us or our joint ventures at a later stage. The plan was subsequently implemented as the Dongjiakou Acquisition I and Dongjiakou Acquisition II.

Dongjiakou Acquisition I

The Dongjiakou Operation I comprises the operating assets and liabilities of two berths at the Dongjiakou Port Area. Both berths are dedicated to metal ore and coal handling with a docking capacity of 300,000 DWTs and 200,000 DWTs, respectively.

Upon the commencement of trial operation in January 2012, QDP owned the entire interests in the Dongjiakou Operation I, and was in the course of setting up QDOT with its joint venture partners. QDP intended for QDOT to be established and to acquire the Dongjiakou Operation I from QDP before our establishment, following which QDP would inject its 30% interest in QDOT to us as part of the Reorganization. However, as the time required for obtaining the relevant regulatory approval was uncertain, we replaced QDP as the founder and shareholder of QDOT with the intention that QDOT would then acquire the Dongjiakou Operation I from QDP upon its formation.

Our joint venture QDOT was established in January 2014. Please see "— Our Principal Joint Ventures — QDOT" above for more information on QDOT. QDOT acquired certain operating assets and liabilities of the Dongjiakou Operation I from QDP in February 2014. The transfer of the Dongjiakou Operation I from QDP to QDOT was required to be carried out through a public tender process as it involved transfer of state-owned assets. QDOT was the successful bidder and has entered into an asset transfer agreement (the "**Agreement I**") with QDP on February 18, 2014. The consideration of RMB2,989,024,400 was determined based on an appraisal report of the Dongjiakou Operation I as of March 31, 2013 (the "**Valuation Date I**"), and to be satisfied through paid-in capital of QDOT and bank borrowings to be incurred by QDOT. 40% of the consideration was payable and had been paid within 10 working days of the date of the Agreement I and the remainder is payable within 12 months of the date of the Agreement I. QDOT obtained the confirmation of completion of asset transfer from the Qingdao Property Exchange (青島產權交易所) on February 27, 2014 (the "**Closing Date I**"), following which the relevant berths were legally transferred to QDOT.

The Agreement I also provides that QDOT and QDP shall conduct an audit within 90 days from the Closing Date I if there is any change in value of the assets and liabilities of the Dongjiakou Operation I from the Valuation Date I to the Closing Date I. The increase in unaudited net book value of the assets and liabilities of the Dongjiakou Operation I from the Valuation Date I to the Closing Date I was approximately RMB865.2 million mainly resulting from the installation of new equipment, stage completion of construction-in-progress in the port area, payment for land premium, prepayment for purchase of equipment, as well as decrease in payables for construction projects (the "**Post-closing Adjustment**"). QDOT and QDP will conduct an audit and appraisal to ascertain the value of the Post-closing Adjustment pursuant to the Agreement I.

A supplementary and final acquisition in relation to the Dongjiakou Operation I effecting the Post-closing Adjustment (the "**Supplementary Acquisition**") will be carried out through a public tender process at Qingdao Property Exchange as it involves transfer of state-owned assets. It is expected that the public bidding will commence by the end of May 2014 pending completion of the audit and appraisal and the bidding is expected to close by the end of July 2014.

As the bidding imposes a condition that the successful bidder is required to obtain the approval of NDRC to operate the Dongjiakou Operation I and QDOT is the only party with such approval, our Directors believe there is no impediment for QDOT to win the bid. QDOT intends to satisfy the consideration for the Supplementary Acquisition through paid-in capital of QDOT and bank borrowings to be incurred by QDOT.

Similar to the public tender conducted in February 2014, the successful bidder of the Supplementary Acquisition will enter into an asset transfer agreement with QDP and the Qingdao Property Exchange will issue a confirmation of completion of asset transfer, upon which the Supplementary Acquisition will be legally completed.

Dongjiakou Acquisition II

The Dongjiakou Operation II comprises the operating assets and liabilities of two berths of QDP, each with a docking capacity of 50,000 DWTs and is capable of handling various types of other general cargo.

Similar to the Dongjiakou Operation I, QDP had originally intended to develop and operate the Dongjiakou Operation II through a joint venture and entered into a joint venture framework agreement with two independent third parties in July 2013. In anticipation of the completion of the joint venture formation, instead of transferring its interests in the Dongjiakou Operation II to us as part of the Reorganization, we replaced QDP as the founder and shareholder of the joint venture. In mid-January 2014, one of the joint venture partners informed us of its decision to withdraw from the joint venture due to its own commercial considerations. In light of this, we decided to proceed with the acquisition of the entire interest in the Dongjiakou Operation II from QDP directly.

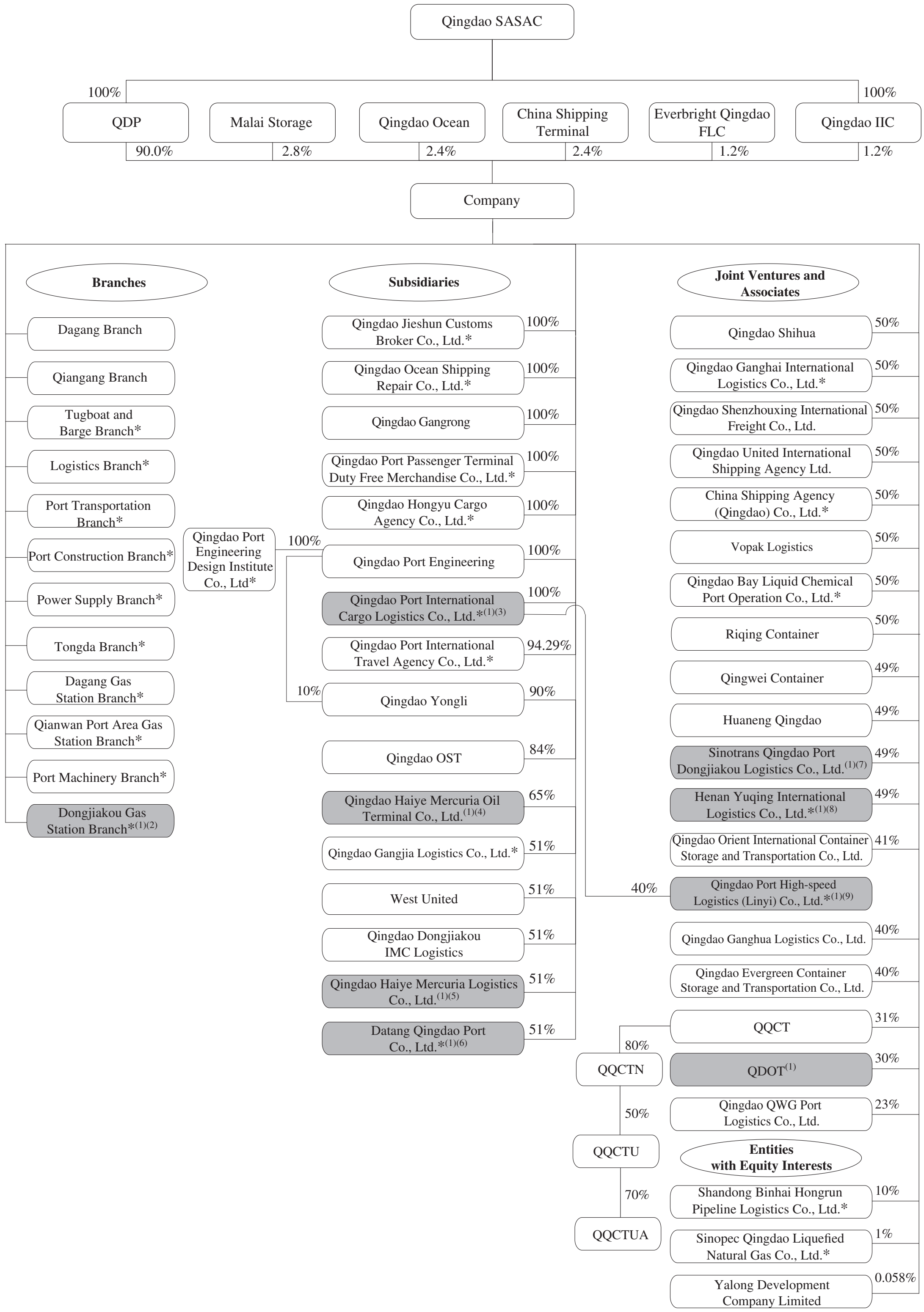
Qingdao SASAC approved the proposed direct transfer of the Dongjiakou Operation II and the related assets from QDP to us. Instead of undertaking the public tender process as in the Dongjiakou Acquisition I, the Dongjiakou Operation II was transferred to us by agreement in accordance with a notice issued by Qingdao SASAC in April 2011 regarding the transfer of tangible assets of state-owned assets or state-controlled entities (青島市政府國資委關於明確國有及國有控股企業實物資產轉讓有關問題的通知). The notice provides that where the transferor and the transferee are both regulated entities (or their wholly-owned or controlled entities), the assets can be transferred by agreement. Our PRC legal advisor, Jia Yuan Law Offices, have advised that the Dongjiakou Operation II and the related assets fall within the scope of the notice and therefore the assets can be transferred by agreement without public tender. QDP and our Company entered into an asset transfer agreement (the "**Agreement II**") in respect of the Dongjiakou Operation II and certain other assets on April 23, 2014. The consideration of RMB738,717,681 was determined based on an appraisal report of Dongjiakou Operation II and the other assets acquired as of October 31, 2013 (the "**Valuation Date II**"), and is to be funded by additional bank borrowings to be incurred by us. We are required to pay 30% of the consideration within 90 working days of the date of the Agreement II and the remainder is payable within 12 months of the date of the Agreement II. Notwithstanding the provisions in the Agreement II, we intend to settle the consideration by installments without any interest within six months from the Listing. See "Relationship with our Controlling Shareholder — Independence from our Controlling Shareholder — Financial Independence." Pursuant to the Agreement II, completion of the assets transfer took place on May 8, 2014 (the "**Closing Date II**"), following which the relevant berths and assets were legally transferred to our Company. Our PRC legal advisor, Jia Yuan Law Offices, has advised that Dongjiakou Acquisition II was conducted in compliance with the applicable PRC laws and regulations. The Agreement II also provides that our Company and QDP shall conduct an audit within 90 days from the Closing Date II if there is any change in value of Dongjiakou Operation II and the other assets acquired from the Valuation Date II to the Closing Date II and the parties shall make post-closing adjustment to the consideration accordingly. Currently, we have no plans to operate Dongjiakou Operation II via joint venture.

For more information on the Dongjiakou Acquisitions, please see “Business — Our Facilities — Dongjiakou Port Area” and “Relationship with our Controlling Shareholder — Delineation of Business.” For further financial information on the Dongjiakou Acquisitions and the effects of the Dongjiakou Acquisitions on the financial position of our Group, please see “Financial Information — Factors Affecting Comparability — Dongjiakou Acquisitions” and “Appendix II — Unaudited Pro Forma financial Information — (B) Unaudited Pro Forma Financial Information the Enlarged Group” in this prospectus.

GLOBAL OFFERING

Our corporate structure prior to the Global Offering

The following chart sets out our shareholding and corporate structure as at the Latest Practicable Date and prior to the Global Offering:



Notes:

(1) Grey shading indicates shareholding interests that have changed from the position upon completion of the Reorganization.

(2) Our Dongjiakou Gas Station Branch* (董家口加油站分公司) was established on May 4, 2014.

(3) Qingdao Hongyu Cargo Agency Co., Ltd.* (青島宏宇貨運代理有限公司) transferred its 22% shareholding in Qingdao Port International Cargo Logistics Co., Ltd.* (青島港國際貨運物流有限公司) ("**QDI Cargo**") to our Company on February 12, 2014.

(4) We entered into an agreement with Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) and Mercuria Energy Asia Investment Pte. Ltd. (摩科瑞能源亞洲投資私人有限公司) on January 20, 2014 to acquire 65% of the equity interest in the company by capital injection. The remaining 35% equity interest will be held equally between Qingdao Yijia Haiye Trading Co., Ltd. and Mercuria Energy Asia Investment Pte. Ltd (摩科瑞能源亞州投資私人有限公司). Mecuria Energy Asia Investment Pte. Ltd. as a substantial shareholder of Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司) and Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司), will become our connected persons upon completion of the capital injections. Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) is our connected person as it is a substantial shareholder of Qingdao Gangjia Logistics Co., Ltd.* (青島港佳物流有限公司), a non-wholly owned subsidiary of our Company. The share capital of Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司) has not been paid up as of the Latest Practicable Date. This company has not yet commenced operations because the relevant oil tanks are still under construction and they are expected to be completed by end of 2017.

(5) We entered into an agreement with Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) and Mercuria Energy Asia Investment Pte. Ltd. (摩科瑞能源亞洲投資私人有限公司) on December 23, 2013 to acquire 51% of the equity interest in the company by capital injection. The remaining 49% equity interest will be held equally between Qingdao Yijia Haiye Trading Co., Ltd. and Mercuria Energy Asia Investment Pte. Ltd (摩科瑞能源亞州投資私人有限公司). Mecuria Energy Asia Investment Pte. Ltd. as a substantial shareholders of Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司) and Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司), will become our connected persons upon completion of the capital injections. Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) is our connected person as it is a substantial shareholder of Qingdao Gangjia Logistics Co., Ltd.* (青島港佳物流有限公司), a non-wholly owned subsidiary of our Company. The share capital of Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司) has not been paid up as of the Latest Practicable Date. This company has not yet commenced operations because the relevant berths and stacking yards are still under construction and they are expected to be completed by end of 2016.

(6) We are planning to acquire 51% interest in this company by capital injection but have not yet entered into any definitive agreement as of the Latest Practicable Date. Please refer to "Notes to the Financial Information — 38. Subsequent events — item (e)" of the Accountant's Report set out in Appendix I to this prospectus. The remaining 49% equity interest is expected to be held by Datang Shandong Power Generation Co., Ltd.* (大唐山東發電有限公司) ("**Datang Shandong Power**") which, as a substantial shareholder, will become our connected person. This company has not yet commenced operations because the relevant berths are still under construction and they are expected to be completed by end of 2017.

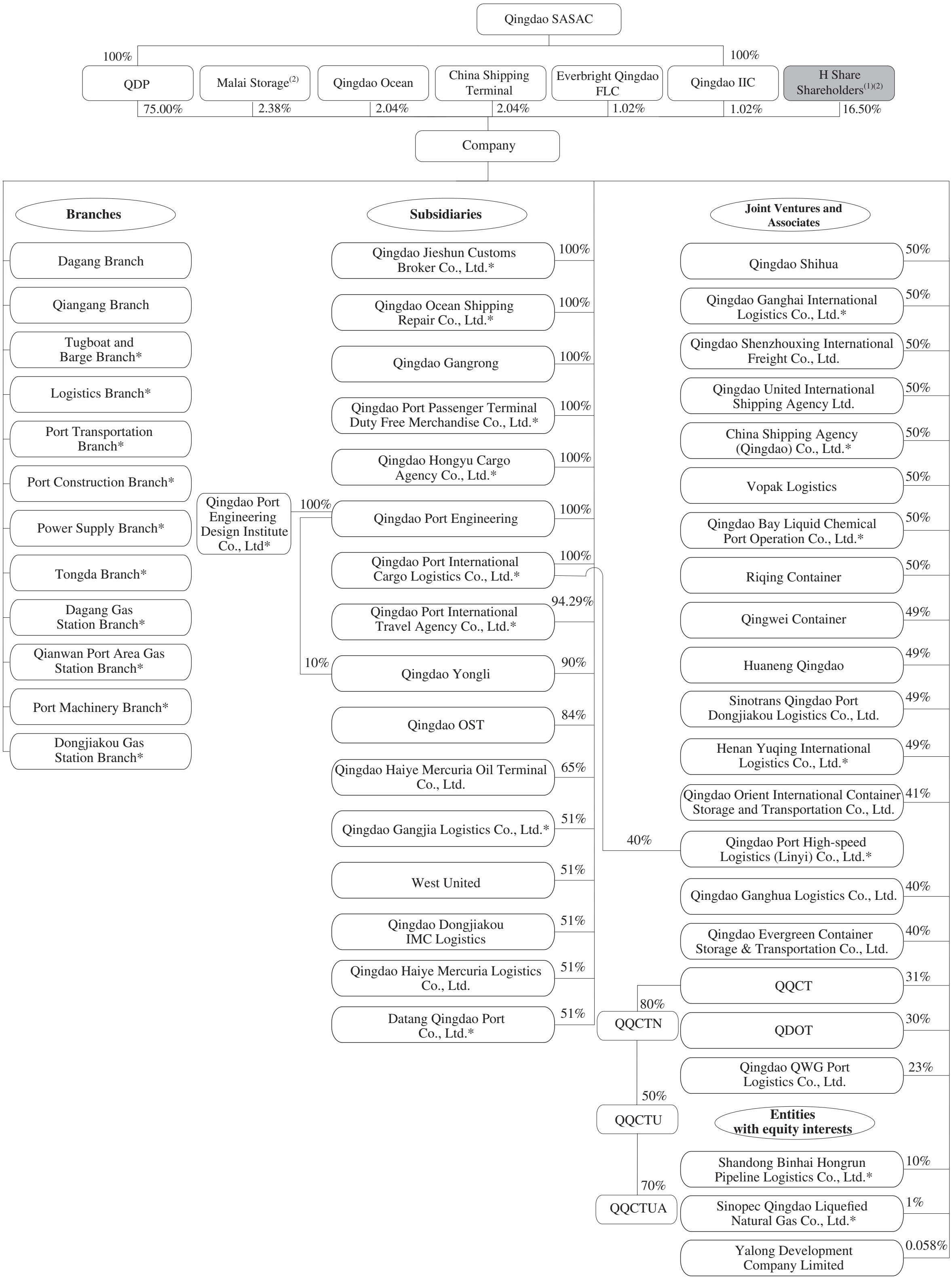
(7) We entered into an agreement to establish this joint venture on March 28, 2014 pursuant to which we will hold 49% of its equity interest. The remaining 51% equity interest will be held by Sinotrans Shandong Co., Ltd.* (中國外運山東有限公司) which is independent of our Group (except its interest in Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. (青島港董家口中外運物流有限公司)). This joint venture has not yet commenced operations as it is newly established on April 25, 2014.

(8) This joint venture was established on March 19, 2014. The remaining 51% equity interest was held by Henan Province Import Bonded Centre Co., Ltd.* (河南省進口物資公共保税中心有限公司) which is independent of our Group (except its interest in Henan Yuqing International Logistics Co., Ltd.* (河南豫青國際物流有限公司)).

(9) QDI Cargo entered into an agreement to establish this joint venture on March 22, 2014 pursuant to which QDI Cargo will hold 40% of its equity interest. The remaining 41% and 19% equity interests will be held by Shandong High-speed Logistics Group Co., Ltd.* (山東高速物流集團有限公司) and Linyi Mall Operation and Development Co., Ltd.* (臨沂商城運營發展有限公司), respectively, which are independent of our Group (except their respective interests in Qingdao Port High-speed Logistics (Linyi) Co., Ltd.* (青島港(臨沂)高速物流有限公司)). This joint venture has not yet commenced operations as it is newly established on March 27, 2014.

Our corporate structure following completion of the Global Offering

The following chart sets out our shareholding and corporate structure immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised:



Notes:

(1) Grey shading indicates shareholding interests that have changed from the position immediately prior to the completion of the Global Offering.

(2) As described in "Waivers from Strict Compliance with the Hong Kong Listing Rules — Subscription of H Shares by Minority Existing Shareholder and Connected Persons as Ordinary Placees in the International Offering", any H Share that may be subscribed for by China Merchants Holding (International) Company Limited (招商局國際有限公司) and IMC Group Holdings Limited* (萬邦集團控股有限公司) or their respective associates, which is not expected to exceed 1.5% in aggregate of the total registered share capital of our Company immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), are not counted as public float under the Hong Kong Listing Rules. China Merchants Holding (International) Company Limited (招商局國際有限公司) is the holding company of Malai Storage, and therefore an associate of our existing Shareholder. In addition, it is also a connected person of our Company as Qingdao Merchants, its indirect wholly owned subsidiary, holds 49% equity interest in West United, a non-wholly owned subsidiary of our Company. Qingdao Merchants also holds 50% equity interest in QQCTU, our joint venture, and Mighty Star Investment Limited (貫星投資有限公司), an associate of China Merchants Holding (International) Company Limited (招商局國際有限公司) holds 25% in QDOT, also our joint venture. IMC Group Holdings Limited (萬邦集團控股有限公司) is the holding company of IMC Dongjiakou Logistics Pte. Ltd. (萬邦董家口物流有限公司), a substantial shareholder with 49% equity interest in Qingdao Dongjiakou IMC Logistics, a non-wholly owned subsidiary of our Company. Therefore, IMC Group is a connected person of our Company. IMC Group Holdings Limited (萬邦集團控股有限公司) also through IMC Qingdao Port Investment Co., Ltd. (萬邦青島港口投資有限責任公司) holds 20% equity interest in our joint venture, QDOT, and through IMC Qianwangang Logistics Holding Pte. Ltd. (萬邦前灣港物流控股有限公司) holds 37% equity interest in our joint venture, Qingdao QWG Port Logistics Co., Ltd. (青島港前灣港區保稅物流中心有限公司).

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. Occupying a central position among ports in Northeast Asia, the Port of Qingdao is an important hub of international trade in the West Pacific and maintained shipping routes with over 700 ports in over 180 countries and regions around the world as of December 31, 2013. The Port of Qingdao ranked seventh in total throughput, eighth in container throughput, and sixth in metal ore throughput in the world in 2012, and ranked seventh in container throughput in the world in 2013, according to Drewry. For the years ended December 31, 2011, 2012 and 2013, our total throughput was approximately 346.2 million tons, 359.5 million tons and 365.0 million tons, respectively. In 2011, 2012 and 2013, we handled approximately 88.1%, 83.4% and 76.4%, respectively, of the total cargo throughput of the Port of Qingdao.

As a comprehensive port operator, 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 general cargo. We believe that our comprehensive service offerings and the diversity of our cargo types have attracted a broad customer base, which allows us to benefit from the growth in many industry sectors and mitigate the impact on us of periodic fluctuations in various aspects of China's economy.

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 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. Leveraging our natural deep-water capacity for all of our major cargo types and our industry-leading facilities and equipment, we can accommodate some of the world's largest vessels, including container vessels with a loading capacity of 18,000 TEUs, oil tankers with a capacity of 440,000 DWTs and dry bulk vessels with a capacity of 300,000 DWTs. Our multi-purpose berths also give us sufficient flexibility to react timely to demand changes in the cargo types we handle.

We also had the world's highest container stevedoring efficiency in 2012, according to *Port Productivity 2012* published by the *Journal of Commerce*. We attribute our world-leading operational efficiency to our advanced facilities and equipment and our outstanding operational team.

We are connected to a well-developed intermodal transportation system consisting of railways, highways, waterways and pipelines. Leveraging our central position in the flows of goods and information through our port areas, we strive to extend our service offerings along the value chain of modern logistics services, such as trucking services, agency and clearance services and bonded area services. We believe that our strategic location, transportation connectivity and modern logistics services will help reduce our customers' logistics time and costs and enhance our market position.

Through equity investments and other operational cooperation, we have established long-term strategic relationships with many of our major customers, including world-class shipping companies, major cargo owners such as energy and mining companies, port operators and logistics companies. We benefit from these long-term relationships in various aspects of our business, including cargo sourcing, port operations and management, development of new facilities and new service offerings.

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, and our profit attributable to owners of our Company was RMB1,195.0 million, RMB1,247.3 million and RMB1,500.5 million, respectively.

STRENGTHS

We believe that our historical successes are attributable to the following competitive strengths.

We are the primary operator of the Port of Qingdao, one of the leading comprehensive ports in the world.

The Port of Qingdao commenced operations in 1892 and has been in operation for over 120 years. According to Drewry, the Port of Qingdao is one of the world's largest comprehensive ports, ranking seventh in total cargo throughput, eighth in container throughput and sixth in metal ore throughput in 2012, and ranked seventh in container throughput in the world in 2013.

The Port of Qingdao also enjoys a leading position among ports in the PRC, ranking fifth in total cargo throughput and third in foreign trade throughput among all PRC ports in 2012 according to Drewry. The Port of Qingdao handles the largest container throughput, crude oil throughput and foreign trade throughput among all ports in Northern China, accounting for approximately 9.2%, 15.0% and 10.3%, respectively, of the container throughput, crude oil throughput and foreign trade throughput of all PRC coastal ports in 2012, according to Drewry. Additionally, the Port of Qingdao ranked fourth among all PRC coastal ports in metal ore throughput, accounting for 11.9% of the metal ore throughput of all PRC coastal ports in 2012 according to the same source.

We are the primary operator of the Port of Qingdao, and handled approximately 88.1%, 83.4% and 76.4%, respectively, of the total cargo throughput of the Port of Qingdao in 2011, 2012 and 2013. With our primary position at the Port of Qingdao, we believe we will benefit from future growth of the Port of Qingdao.

Our comprehensive port services and diverse cargo mix have enabled us to establish a broad customer base and effectively accommodate cyclical changes in the macro-economy as well as demand for cargo.

We handle a wide range of cargo, including containers, metal ore, coal, petroleum, grains, steel, cars, and other liquid bulk, dry bulk and general cargo. In 2013, container, metal ore and coal, liquid bulk, and other general cargo accounted for approximately 45.4%, 30.8%, 15.7% and 8.1%, respectively, of our total throughput. Our diverse cargo mix allows us to allocate our resources in response to market changes, effectively utilize our facilities, and better meet our customers' needs. We provide our customers with 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 believe that our comprehensive port services address our customers' needs and have expanded our customer base. We believe that our comprehensive port services and diverse cargo mix help improve our customers' logistics efficiency, and enhance their satisfaction as well as loyalty to us.

Our diverse cargo mix and broad customer base represent various sectors in the PRC economy. Compared to ports that focus on a single cargo type, we believe we are better positioned to benefit from the PRC's overall economic growth. For instance, our container throughput benefits from growth in the global economy and the PRC's foreign trade; our metal ore throughput and metallurgical coal throughput benefit from the growth of the PRC's steel consumption; our liquid bulk and thermal coal throughput benefit from the rising energy demand of the PRC; and our grains throughput benefits from improvement in Chinese dietary composition. Further, different types of cargo are exposed to variable economic and trade cycles. Our diverse cargo mix and broad customer base allows us to better counter fluctuations in demand for different cargo types and the cyclical changes in various sectors of the economy, which facilitates our stable growth.

Our strategic location, natural deep-water capacity and connection to a well-developed intermodal transportation network are key to our success and will continue to contribute significantly to our future growth.

The Port of Qingdao is located between the Bohai Rim port region and the Yangtze River Delta port region in the PRC, occupying a central position among ports in Northeast Asia. The Port of Qingdao is an important hub for international trade and transportation in the West Pacific, maintaining shipping routes to over 700 ports in over 180 countries and regions around the world as of December 31, 2013.

We believe that our strategic location saves shipping costs and time for our customers. The Port of Qingdao is closer to the world's major shipping routes than most other Bohai Rim ports. The Port of Qingdao is on over 100 direct international shipping routes. According to Drewry, as of December 31, 2012, the Port of Qingdao ranked first among the Bohai Rim ports in number of regular international liners per week.

The global shipping industry is trending towards larger vessels for higher shipping efficiency. The Port of Qingdao is a non-freezing, non-silting deep-water port capable of docking some of the world's largest container vessels, dry bulk vessels and oil tankers, providing us with significant competitive advantages.

We provide our customers with connections to a well-developed intermodal transportation network:

- As of December 31, 2012, Shandong province had approximately 38,000 kilometers of second-class or higher highways, ranking No. 1 among all provinces in the PRC. Our port facilities are connected to China's national highway network via the Ji-Qing Highway (濟青高速公路), Shen-Hai Highway (瀋海高速公路) and Qing-Yin Highway (青銀高速公路), giving our customers access to fast, efficient and reliable road transportation.

- Our port facilities are connected to China's national railway network through the Jiao-Huang Rail Line (膠黃線), Jiao-Ji Rail Line (膠濟線) and Jiao-Xin Rail Line (膠新線). We are also connected to four major cross-border rail lines for container transportation, connecting through Dzungarian Gate (阿拉山口), Erenhot (二連浩特), Manzhouli (滿洲里) and Khorgas (霍爾果斯), respectively, which further expand our reach to Central Asia and Europe.

- Leveraging our deep-water capacity and strategic location in the waterway transportation network consisting of over 30 ports, we have been actively developing transshipment services for containers and other cargo such as metal ore, crude oil, coal and pulp from ports in Northern China, along the Yangtze River and in Japan and South Korea. As sea transportation is generally less costly compared to other means of transport, we believe that the expansion of our transshipment services will further reduce the logistics costs for our customers and attract additional cargo throughput for us.

- Our facilities are connected to six petroleum pipelines, providing safe, convenient and cost effective petroleum transportation for oil refinery businesses located in Shandong, Jiangsu and Henan provinces.

In addition, we have established close relationships with several dry ports in important inland cities such as Zhengzhou in Henan province. Through these dry ports, we facilitate customs clearance and reduce logistics costs for our customers, enhancing our inland logistics capabilities as well as our overall appeal to customers.

We significantly benefit from the strong economy of our hinterland and the PRC government's macro-economic planning.

Our primary hinterland includes Shandong, Jiangsu, Hebei, Shanxi and Henan provinces. Our extended hinterland includes Shaanxi, Ningxia, Gansu and Xinjiang provinces. In 2013, throughput from our primary hinterland accounted for approximately 80.4% of our total throughput. We also serve other coastal areas in Shandong province and the rest of Bohai Rim Region, areas along the Yangtze River, as well as Japan and South Korea through waterway transportation.

We have benefited from the strong economic performance of our hinterland provinces in recent years. Shandong province, which accounted for approximately 60.7% of our total throughput in 2013, ranked third in terms of GDP in 2013 among all PRC provinces. In 2013, the real GDP growth rate of Shandong province was 9.6%, higher than the national average GDP growth rate during the same period.

The high level of industrialization and a growing demand for energy in our hinterland are also evidenced by the top rankings held by our hinterland provinces in several key economic metrics. For example, according to the National Bureau of Statistics of China, in 2012, Shandong province ranked No. 1 in gasoline and diesel production, No.1 in pulp and paper production and No. 3 in iron and steel production. The strong economic growth and high level of industrialization of our hinterland have driven the growth in the total throughput of the Port of Qingdao, which increased at a CAGR of 12.3% from 2003 to 2013. We believe that the economic performance in our hinterland would further contribute to increase in our cargo throughput.

We also benefit from the PRC government's macro-economic planning for various regions. For example, the PRC government's "Western Development Strategy" (西部大開發) has further propelled economic growth in Shaanxi, Gansu, Ningxia and Xinjiang provinces; the PRC government's "Central China Economic Zone" (中原經濟區) strategy will continue to drive the economic growth of Henan province and its nearby regions; and the "Development Plan for the Efficient Ecological and Economic Zone in the Yellow River Delta" (黃河三角洲高效生態經濟區發展規劃) approved by the State Council in 2009 will promote further economic growth in our hinterland and increase demand from these regions for port services. In addition, in January 2011, the State Council approved the "Development Plan for the Blue Economic Zone of Shandong Peninsula" (山東半島藍色經濟區發展規劃), which identified the Port of Qingdao as a primary port in the Shandong Peninsula's Blue Economic Zone (藍色經濟區), and outlined plans to develop the Port of Qingdao into a modern comprehensive port and an international shipping hub in Northeastern Asia.

Our development also benefits from the PRC government's economic planning for various industries. We intend to leverage both our operation of bonded port areas and our high operational efficiency to develop bonded logistics services and international transshipment businesses and to further accelerate growth of our container business. The Jin-Zhong-Nan Rail Line (晉中南線) and Qing-Lian Rail Line (青連線) are expected to provide us with an efficient and cost-effective logistics channel, which will connect us to additional inland coal mines and steel plants and further drive the growth in our coal and metal ore throughput. In addition, the Port of Qingdao is a reserve base for China's national strategic oil reserves and is the only national strategic oil reserve port in Shandong province. We believe this strategic position will lead to a stable crude oil throughput.

Our long-term cooperative relationships with leading international enterprises enhance our ability to source cargo and maintain sustainable growth in our throughput.

We have established cooperative relationships with a number of our major customers through equity investments and other operational cooperation. These cooperative relationships have played a significant role in maintaining and increasing our throughput.

We have established joint ventures focused on the operation of world-class container terminals in cooperation with leading shipping companies such as Maersk, American President Lines, COSCO Group, Evergreen Marine, Hong Kong Panasia and SITC International since 1995. These joint ventures and other cooperation projects have significantly increased the throughput of these shipping companies at our ports. In 2013, Maersk ranked No. 1 among our customers in terms of container throughput, Evergreen Marine ranked No. 1 among our customers in terms of container throughput growth, and SITC International ranked No. 1 among our customers in our Japan routes in terms of container throughput.

We operate liquid bulk terminals and tanks at the Huangdao Oil Port Area with a major Chinese crude oil importer, Sinopec. We have also cooperated with Sinopec to build and operate liquid bulk terminals at the Dongjiakou Port Area. We have established a joint venture with Royal Vopak to build and operate liquid bulk chemical terminals and tanks at the Dongjiakou Port Area, and established a joint venture with Mercuria to build and operate oil terminals at the Dongjiakou Port Area. In addition, we have cooperated with ChemChina to operate pipelines and provide logistics services. All these cooperative relationships contributed to the growth of our liquid bulk throughput.

We have established joint ventures with Huaneng to operate terminals and joint ventures with China Merchants Group, Singapore-based IMC Group (萬邦集團) and COSCO Group to operate ore terminals. We have also collaborated with IMC Group to develop a dry bulk cargo logistics park.

In addition, we have established long-term relationships with leading international shipping companies, iron and steel producers, coal companies and oil companies by entering into long-term agreements covering various aspects of business. For example, we have cooperated with leading international container terminal operators such as Dubai Ports World, China Merchants Group and COSCO Group to operate container terminals at our Qianwan Port Area, which has provided us with access to world-class operation standards and management expertise.

We believe that our strategic relationships and long-term cooperation with these business partners provide us with diverse, stable and growing cargo sources, which enables us to further expand our service offerings and customer base and improve our overall operation and management.

We offer industry-leading operational efficiency by leveraging modern technologies and an outstanding operational team.

We were named "the world leader for container handling efficiency" for 2012 by the *Journal of Commerce*. One of the metal ore terminals at the Dongjiakou Port Area that we acquired through a joint venture in February 2014 records an industry-leading unloading rate of 9,371 tons per hour. For more information on our berthing and storage facilities at the Dongjiakou Port Area, please see "— Our Facilities — Dongjiakou Port Area."

We believe that our modern technologies and equipment have greatly contributed to our operational efficiency. We purchase most of our large cargo-handling machinery from leading suppliers in the industry, such as Shanghai Zhenghua. We also have in-house capability for developing and manufacturing advanced stevedoring equipment. As of the Latest Practicable Date, we operated bridge cranes that can fulfill the stevedoring requirements of the world's largest container vessels. Our ore handling equipment can satisfy the stevedoring demands of bulk cargo vessels with a capacity of 300,000 DWTs. Please see "— Our Equipment" for more information on our machinery and equipment.

We were a pioneer among Chinese ports in adopting modern technologies. We achieved efficient professional operations by leveraging modern information systems. Our container terminals at the Qianwan Port Area operate with world-leading efficiency. In addition, as a part of our strategy to develop port-related logistics services, we established a port logistics information center in 2005 to enable real-time tracking and inquiry on the status of vessels and cargo for our customers.

Our outstanding operational team is critical to our operational efficiency. Our frontline operational team is highly skilled and has consistently achieved top rankings in industry competitions organized in Shandong province over the years. Several of our frontline operational team members have individually received high honors recognizing their exceptional achievements. For example, one of our employees, XU Zhenchao (許振超), was named a National Labor Model (全國勞動模範). SUN Bo (孫波), another employee of ours, gave rise to the industry phrase of "Sun Bo Efficiency" (孫波效率) due to the team's world-leading efficiency in ore unloading. As of December 31, 2013, employees holding titles of senior technician or higher and employees with professional qualifications accounted for approximately 45% of the total number of our employees. We also maintain a long-term relationship with Qingdao Harbour Vocational and Technical College (青島港灣職業技術學院), which provides a steady supply of technical talent to us each year.

We benefit from our experienced management team and our strong reputation in the industry.

Our senior management team has an average of over 20 years of experience and a proven track record in port operation and management. Our Chairman and several members of our senior management have served in various government agencies and have deep understanding of industry policies, regulations and trends.

We have a strong reputation in the PRC port industry for operational efficiency and excellent management. Prior to the completion of our reorganization in November 2013 in preparation for our listing, our business operations were conducted by QDP, which has received a number of distinctions and awards, including:

- "Yuan Baohua Enterprise Management Gold Award" (袁寶華企業管理金獎) in 2005, issued by the China Enterprise Management Science Foundation (中國企業管理科學基金會), and

- "China Quality Management Award" (全國質量管理獎) in 2001, by China Association for Quality (中國質量協會), as the only enterprise in a service industry among the five award winners and the first port enterprise in the PRC to receive such an honor.

In addition, our efforts in protecting the environment while growing our business have won us wide recognition. QDP won the China Environment Friendly Enterprise Award (國家環境友好企業獎) issued by the State Environmental Protection Administration in 2004 and the Best Enterprise for Energy Saving and Environmental Protection (節能環保最佳企業獎) jointly issued by World Environment Center (世界環境中心) and China Enterprise Confederation (中國企業聯合會) in 2008.

STRATEGIES

We intend to further solidify and enhance our position as one of the leading comprehensive port operators in the world. Leveraging our strengths, we also intend to strategically extend our services along the value chain of modern logistics services and expand into other port-related value-added services to further enhance our overall profitability.

We intend to increase and improve our cargo handling capacity and optimize our business resource allocation to enhance our leading position among the world's comprehensive ports.

We intend to increase and improve our overall cargo handling capacity. To achieve this goal, we intend to focus on developing the Dongjiakou Port Area and improving our container handling business at Qianwan Port Area. We also plan to further optimize the allocation and utilization of our business resources through improved central planning and coordination.

Under relevant development plans approved by the central and local governments, the Dongjiakou Port Area will cover an area of 72 square kilometers with 112 berths and an expected annual throughput capacity of 300 million tons to meet the growing need for overseas resources and energy resulting from the economic growth in the PRC. The government also plans to develop the Dongjiakou Port Area into a transportation hub for dry bulk cargo.

To further attract and solidify cargo sources as well as to control our capital expenditure, we intend to actively develop the Dongjiakou Port Area through various forms of strategic cooperation. We believe that the growth in trade volume of energy and resource cargo will result in increased throughput, and we aim to build stevedoring, storage and transportation facilities for metal ore, coal, liquid bulk, grains, steel and other cargo at the Dongjiakou Port Area to meet the resulting demand for port services. Our development plan for port facilities in Dongjiakou Port Area includes:

- to construct, through joint ventures, a deep-water berth with a docking capacity of 450,000 DWTs and several other berths of varying docking capacity for petroleum products and LNG products, as well as pipelines and tanks in the port area;

- to construct, through joint ventures, berths dedicated to grains handling and accompanying silos; and

- to construct a group of multi-purpose berths.

Upon completion, terminals at the Dongjiakou Port Area are expected to be capable of docking the world's largest dry bulk cargo vessels and oil tankers. In addition to accommodating vessels of different loading capacity, terminals at the Dongjiakou Port Area would also be able to provide improved transshipment services.

The Dongjiakou Port Area is expected to be connected to the Jin-Zhong-Nan Rail Line (晋中南線), which is expected to be completed in 2014, through the Qing-Lian Rail Line (青連線), which is expected to be completed in 2017. We intend to synchronize the development of rail tracks at the Dongjiakou Port Area with the development schedule of these rail lines and to ensure adequate transportation services for inland customers who require rail transportation of metal ore, coal, liquid bulk and other cargo through the Dongjiakou Port Area. In addition, the pipelines within the Dongjiakou Port Area will be connected to Sinopec's pipelines located within the vicinity to ensure the smooth transportation of crude oil to the refineries in Jiangsu and Henan provinces.

We believe that as the development of the Dongjiakou Port Area continues, our handling capacity for metal ore and coal, liquid bulk and other general cargo will be significantly improved, and that we will be better positioned to capitalize on economic development in our hinterland and in Northeast Asia.

We operate our container handling business mainly at the Qianwan Port Area. We believe that our container handling business will continue to grow steadily in the future as the PRC's foreign trade grows and the industry trend towards containerization continues.

As the global shipping industry is notably trending towards larger vessels driven by economies of scale, ports face demands for greater docking capacity and handling efficiency. As such, we plan to develop highly automated container terminals at the Qianwan Port Area, increase the automation level of our existing container terminals, and improve our overall operational efficiency to further enhance our container handling capacity. In addition, to benefit from growth in container volume driven by economic growth in our hinterland, we intend to strengthen our cooperation with inland dry ports and improve our connectivity with inland facilities. Further, leveraging our deep-water capacity, operational efficiency, and cooperation with shipping companies, we aim to continuously increase our shipping routes and liner frequency to enhance our status as the hub for the regional transshipment network and benefit from the growth in container throughput in Northeastern Asia.

We intend to develop various port-based value-added services to meet customer needs in port-related business activities and add new drivers for our revenue growth.

We aim to meet our customers' evolving business needs by expanding our port-related services to include logistics, trade facilitation and financing-related services, among others. We believe that offering these extended and ancillary services would help to increase our throughput while creating new and low capital-expenditure growth drivers for us.

Logistics services

Ports are a key point in the logistics service chain where the commercial, logistical, financial and informational streams congregate. We currently offer logistics services such as freight forwarding, distribution, customs clearance, dry port services and transportation. Leveraging our facilities and information resources, we aim to further extend along the logistics value chain and provide "door-to-door" logistics solutions for our customers with a goal of improving our customers' logistics efficiency while improving our participation in and influence on upstream and downstream logistics services.

We plan to further expand our business coverage through inland dry ports. We intend to build and develop inland distribution centers to supplement our port services and offer various value-added services. Further, we plan to improve our status as a transshipment hub through further expanding our branch-route waterway transportation network. We also plan to establish and operate shipping lines through joint ventures, and provide our customers with integrated international logistics services.

Processing services

We believe that many of our customers would save substantial transportation cost and time if they could undertake some simple processing of their bulk goods, such as metal ore and coal, near the port. To meet this need, we plan to expand the simple processing services we offer in our port area, especially the bonded area, such as iron ore screening and blending, coal washing and blending, container vanning and devanning, container repair, packaging, and fuel blending. In the future, we also plan to expand our simple processing services to cover other goods to further improve our revenue.

Trade facilitation services

We intend to provide futures physical settlement services for commodities such as soybean, coking coal and iron ores. We plan to expand the commodity futures types we cover and increase our volume of futures deliveries and related revenue.

Leveraging our resource and energy cargo throughput, the congregation of trades and customers as well as our credibility among our customers, we intend to promote the Port of Qingdao Bulk Commodity Trading Center in collaboration with QDP. We intend to include actively traded commodities at the trading center and facilitate trades among our customers, which we believe would increase our attractiveness to various customers and indirectly increases our throughput and revenue.

Financing-related services

Many of our customers, such as shipping companies and cargo owners, have financing needs arising from their business activities. Financial institutions often contract us to store and monitor goods used as collateral in financing services they provide to our customers, including loans collateralized with warehouse receipts pledge and accounts receivable. We believe that these financing-related services facilitate liquidity of our customers and help increase their trade volume, which in turn increases our throughput. We generate revenue from financial institutions such as banks through these services, and intend to cooperate with various financial institutions to offer a larger range of financing-related services. We also aim to develop our own insurance agency services and other financial services.

Supply chain logistics management services

Capitalizing on the informational advantages inherent to port operators, we plan to build a modern logistics information system to enable better information sharing and more efficient allocation of logistics resources among our customers. We believe such services can help our customers improve their procurement arrangements, supply management, and production and delivery plans, and therefore enhance our customer service and our ability to manage the supply chain logistics.

We will continue to explore strategic opportunities for joint ventures and acquisitions and seek to strengthen our cooperative relationships with key customers and partners.

We plan to continue to deepen our cooperation with key customers and business partners through joint ventures and long-term cooperation arrangements to strengthen our customer relationships.

We will closely monitor the development of ports in the Bohai Rim, supplement and strengthen our existing businesses through equity or asset acquisitions and selectively consolidate port resources in the Bohai Rim. We also plan to seek appropriate acquisition opportunities in other port regions of the PRC and overseas to further expand our business scope and markets. In addition, we plan to selectively invest in key aspects of the value chains of related industries to further increase our influence in supply chain logistics and ensure stable growth in our cargo throughput.

We will continue to recruit management talent and enhance our internal training to support our future growth.

High caliber personnel are the foundation of our success. We plan to retain more high caliber talent in management, logistics, trade, finance and marketing. In addition, we plan to further improve our operational efficiency by improving our research and development capabilities. We also plan to continue our cooperation with universities, scientific research institutions and ports and shipping and logistics enterprises in the PRC and overseas to further improve our human resource development and provide strong support for our future development.

Prospects for Free Trade Port Areas

We intend to enhance our business to meet the development needs of related industries and take advantage of the growth opportunities presented to port operators by the development of free trade port areas.

In September 2013, the State Council issued the *General Plan of China (Shanghai) Pilot Free Trade Zone* (《中國(上海)自由貿易試驗區總體方案》) (the "**General Plan**"), marking the official commencement of the development of free trade zones by the PRC government. According to the General Plan, the PRC government expects the Shanghai Pilot Free Trade Zone to serve as a "pilot scheme and form a replicable and repeatable example after two to three years of reform experiment". We believe that this official position indicates that the development of free trade port areas is an important trend in the fields of trade, finance and investment, which will generate new development opportunities for port-related businesses. In May 2013, the Shandong provincial government submitted the *Requests for Trial Establishment of Qingdao Free Trade Port Area* (《關於試點建設青島貿易自由港區的請示》) to the State Council to apply for establishment of Qingdao Free Trade Port Area with a total planned area of 26.9 square kilometers based on our Qianwan Port Area and related area.

We believe that the essential purpose of free trade port areas is to facilitate trade by expediting customs clearance and providing greater investment, financial and foreign exchange freedom. The investment, trade and financial liberalization within free trade port areas is expected to boost development of various industries within the free trade port areas, which we believe will create significant growth opportunities for our port business and other value-added services.

OUR LOCATION, HINTERLAND AND TRANSPORTATION NETWORK

Location

We primarily operate at the Port of Qingdao. We also carry out our operations at two regional ports in Shandong province, namely the Port of Weihai and the Port of Rizhao, through our joint ventures with local partners.

The Port of Qingdao

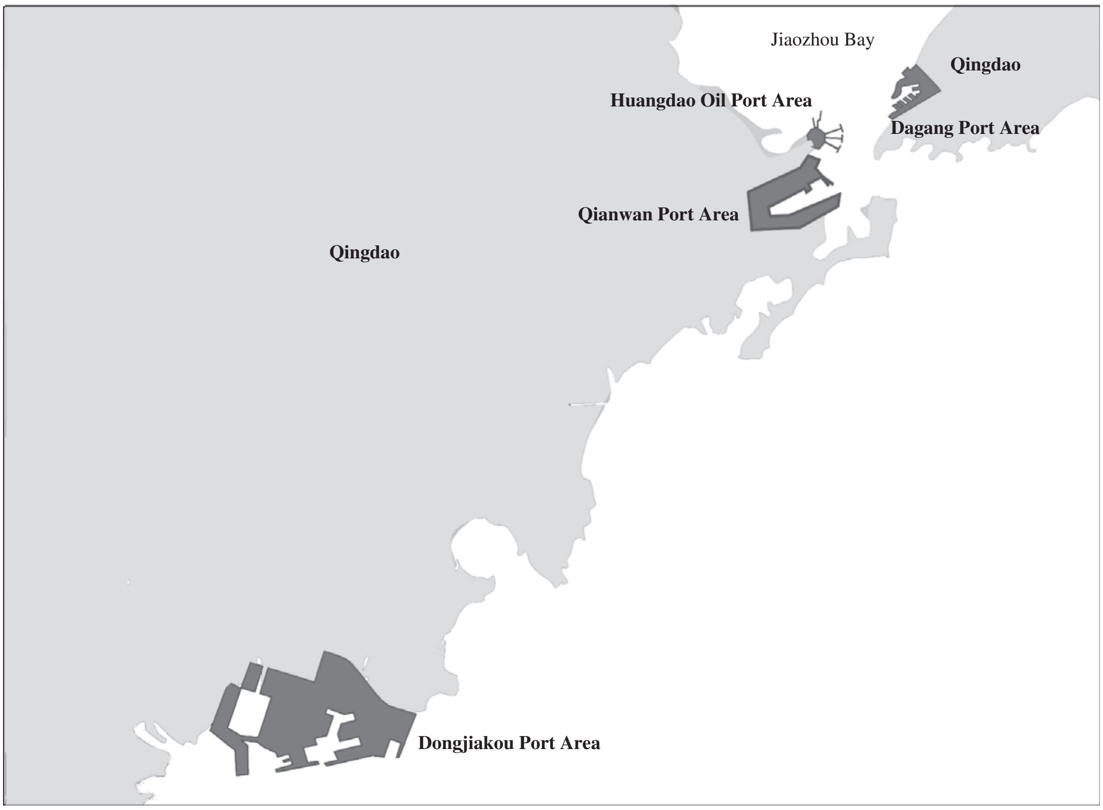
The Port of Qingdao is located on the south coast of the Shandong Peninsula by the Yellow Sea, midway between the Bohai Rim ports and the Yangtze River Delta ports along the eastern coastline of China. The Port of Qingdao occupies a central position among the rim of ports in Northeast Asia. As an important hub of international trade and transportation on the West Pacific Coast, as of December 31, 2013, the Port of Qingdao maintained trading relationships with over 700 ports in over 180 countries and regions all over the world and handled approximately 100 regular international liners per week.

The following map indicates the central location of the Port of Qingdao in Northeast Asia:

Note

(1) Dotted lines indicate the water course routes connecting us and other ports.

Our operations at the Port of Qingdao cover four port areas, namely, the Dagang Port Area, the Qianwan Port Area, the Huangdao Oil Port Area and the Dongjiakou Port Area. The following map shows the location of the four port areas we operate at the Port of Qingdao:



Other Regional Ports

We operate two container berths with an aggregate designed annual throughput capacity of 400,000 TEUs through our joint venture Qingwei Container at the Port of Weihai, which is located on the northeastern seashore of Shandong province, approximately 220 kilometers north of the Port of Qingdao. We also operate two container berths with an aggregate designed annual throughput capacity of 400,000 TEUs through our joint venture Riqing Container at the Port of Rizhao, which is located on the southeastern seashore of Shandong province, approximately 200 kilometers south of the Port of Qingdao.

Hinterland

Our hinterland stretches across northern, northwestern and central China, which mainly includes Shandong, Jiangsu, Hebei, Shanxi and Henan provinces.

Our hinterland encompasses some of the robust provincial economies along the east coast of China. Our top three throughput-contributing provinces in 2013, namely, Shandong, Jiangsu and Hebei provinces, together accounted for approximately 25.0% of China's total nominal GDP and approximately 21.0% of China's total value of foreign trade in 2013, according to the National Bureau of Statistics of China. Our hinterland also includes some of the fast growing regions in China. For example, Shaanxi province has recorded a real GDP growth rate of 12.9% in 2012 and 11.0% in 2013, both higher than the national real GDP growth rate of 7.8% and 7.7% for the same periods, according to the National Bureau of Statistics of China.

We have further expanded the regions we serve to Japan and South Korea through our regional waterway network. Please see "— Transportation Network — Waterways" for more information on our regional waterway network.

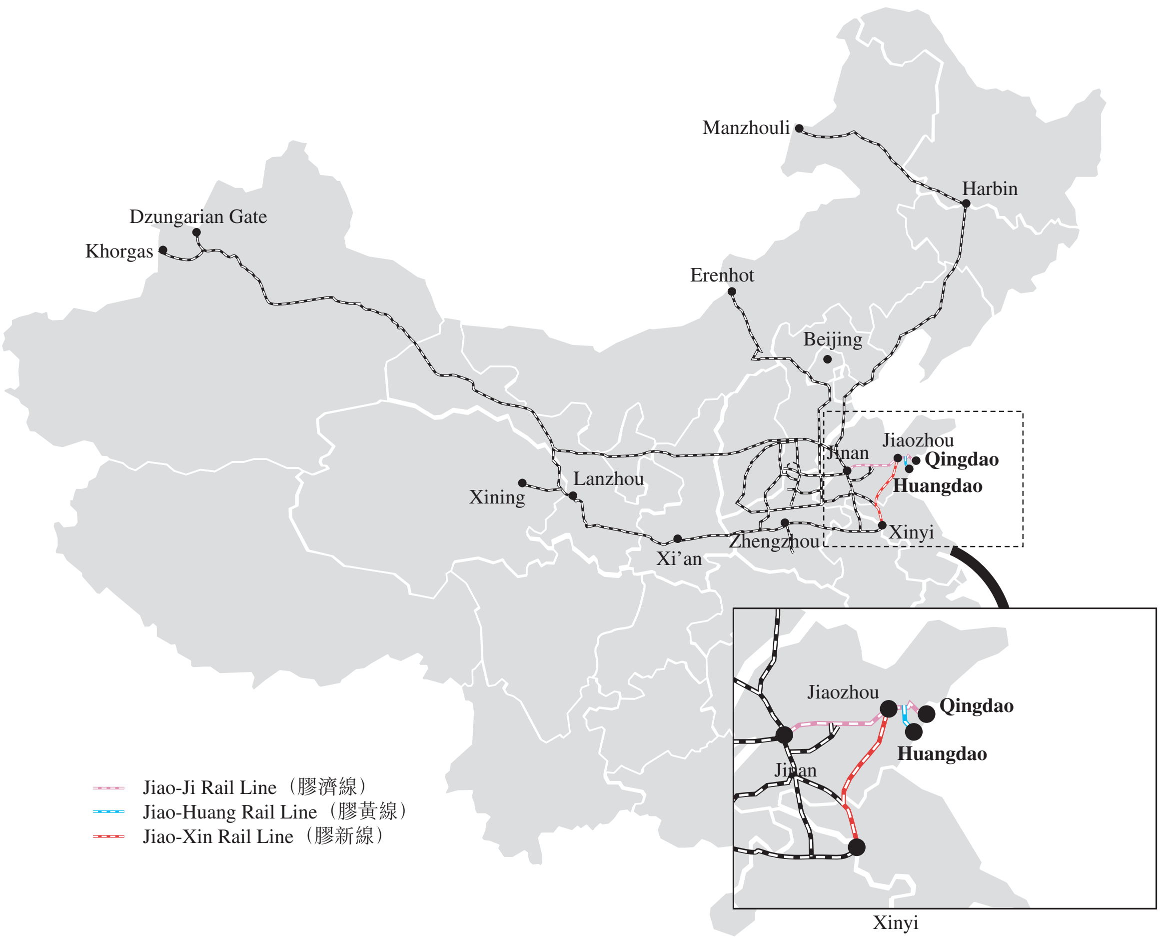
Transportation Network

We are connected to a well-developed transportation network consisting of railways, highways, waterways and pipelines. We believe that our strategic location, transportation connectivity and diverse transportation modes help to reduce our customers' logistics time and costs.

Railways

Rail transportation is more cost-effective compared to other means of land transportation. It is primarily used for long-distance transportation of all of our major cargo types, including containers, metal ore and coal, liquid bulk as well as other general cargo. Our rail tracks connect our facilities to local stations, which connect into China's national railway network via the Jiao-Huang Rail Line (膠黃線), Jiao-Ji Rail Line (膠濟線) and Jiao-Xin Rail Line (膠新線). We are also connected to the four cross-border major rail lines passing through Dzungarian Gate (阿拉山口), Erenhot (二連浩特), Manzhouli (滿洲里) and Khorgas (霍爾果斯), respectively, which further expand our reach to Central Asia.

The following map shows our major rail transportation routes.



According to the approval of the NDRC, Qing-Lian Rail Line (青連線), which is expected to be completed in 2017, will connect the Dongjiakou Port Area with the Jin-Zhong-Nan Rail Line (晉中南線), which is expected to be completed in 2014. The Jin-Zhong-Nan Rail Line (晉中南線) and Qing-Lian Rail Line (青連線) are expected to provide us with an efficient logistics channel, which will connect us to inland coal mines and steel plants and further drive the growth of our coal and metal ore throughput.

Highways

Highway transportation is flexible but relatively costly compared to rail transportation. Highways are primarily used for transporting all of our major cargo types with a destination or origination location in Shandong province. Shandong province and other key provinces in our hinterland have mature and well-maintained highway systems. Our facilities are connected to the national highway network through the Ji-Qing Highway (濟青高速公路), Shen-Hai Highway (瀋海高速公路) and Qing-Yin Highway (青銀高速公路), providing our customers with access to fast, efficient and reliable road transportation.

Highway transportation for cargo to and from our port facilities is generally undertaken by third-party trucking service providers. We have been exploring ways to improve highway transportation services for our customers, for example by establishing our own truck fleet. Please see "— Our Services — Our Ancillary and Extended Services — Logistics Services — Trucking services" for more information on our trucking services.

Waterways

We have access to regional watercourse routes connecting us and other ports in the Bohai Rim Region, along the Yangtze River, and in Japan and South Korea. Leveraging our well-developed international shipping network of over 100 direct international routes, we have established an extensive regional waterway network connecting us with over 30 ports in the Bohai Rim Region, along the Yangtze River, and in Japan and South Korea. Waterway transportation is utilized to transport all of our major cargo types, primarily for the transshipment of containers, metal ore and coal and crude oil. Please see "— Location — The Port of Qingdao" for an indicative map of our major waterway transportation network.

Pipelines

Pipelines are primarily used to transport liquid bulk cargo from our port facilities to refineries or petrochemical plants in Shandong, Jiangsu and Henan provinces. As of December 31, 2013, our liquid bulk facilities at the Huangdao Oil Port Area were connected to six pipelines, which consist of Donghuang Pipeline (Phase I) (東黃管線), Donghuang Pipeline (Phase II) (東黃複線), Huangqing Pipeline (黃青管線), Huangdao-Sinopec Refinery Pipeline (黃島-中石化大煉油管線), Huangdao-National Reserve Facilities Pipeline (黃島-國家儲備庫管線) and Huangwei Pipeline (黃濰管線), with a total pipeline length of approximately 760 kilometers and a transportation capacity of approximately 68 million tons per year.

As part of our development plans, our liquid bulk handling facilities at the Dongjiakou Port Area are expected to connect to Sinopec's crude oil pipeline network in Eastern China in 2015, which we believe will increase our access to refineries and petrochemical plants along the Yangtze River.

OUR SERVICES

As a comprehensive port operator, 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 also engage in other business activities which primarily include construction of port facilities and manufacturing of port equipment.

Our Port Services

Overview

Our comprehensive port services primarily include stevedoring, stacking, warehousing, weighing, moving and loading services, covering a wide range of cargo including containers, metal ore, coal, petroleum, grains, steel, cars and other liquid bulk, dry bulk and general cargo.

The following table sets forth our throughput breakdown and facility utilization rate by cargo type for the periods indicated:

	Year Ended December 31,								
	2011			2012			2013		
	Throughput (million tons)	% of Total Throughput	Facility Utilization Rate[3] (%)	Throughput (million tons)	% of Total Throughput	Facility Utilization Rate[3] (%)	Throughput (million tons)	% of Total Throughput	Facility Utilization Rate[3] (%)
Container[1]	131.4	38.0	136.1	146.7	40.8	151.8	165.6	45.4	162.4
Metal ore and coal[2]	124.2	35.8	254.9	123.2	34.3	252.9	112.4	30.8	217.6
Liquid bulk	55.8	16.1	103.4	56.4	15.7	104.6	57.4	15.7	106.4
Other general cargo	34.8	10.1	346.4	33.2	9.2	330.8	29.6	8.1	295.0
Total	**346.2**	**100.0**	**—**	**359.5**	**100.0**	**—**	**365.0**	**100.0**	**—**

Notes:

(1) Our container throughput included throughput of container terminals we operate at the Port of Rizhao and the Port of Weihai. For more information on such container terminals, please see "— Location — Other Regional Ports." Using "TEU" as the measuring unit, our container throughput was 12.9 million TEUs, 14.4 million TEUs and 15.4 million TEUs, respectively, for the years ended December 31, 2011, 2012 and 2013.

(2) Our Directors are of the view that handling and ancillary services for metal ore, coal and other cargo should be reported as a single business 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 and the throughput information of other cargo is presented separately in this prospectus. For further information regarding this segment, please see "Financial Information — Segment Results."

(3) Facility utilization rate is calculated by dividing the aggregate annual or annualized throughput of respective cargo, as applicable, by the designed annual throughput capacity of the berths handling such cargo. In particular, facility utilization rate for container berths is calculated based on container throughput data in TEU. According to Drewry, in many cases terminals in China have actual throughput that is considerably higher than designed annual throughput capacity, resulting in a utilization rate above 100%. According to Drewry, "designed annual throughput capacity" of a berth is the theoretical amount of work that the berth is capable of handling in 365 calendar days based on the engineering design of the berth, assuming normal working hours and standard operating efficiency, and designed annual throughput capacities of berths are in many cases conservatively computed during the engineering design of port infrastructure in China.

The following table sets forth our throughput breakdown by port area for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Throughput (million tons)	% of Total Throughput	Throughput (million tons)	% of Total Throughput	Throughput (million tons)	% of Total Throughput
Dagang Port Area ...	35.2	10.2	36.2	10.1	36.3	10.0
Qianwan Port Area .	239.3	69.1	248.6	69.1	250.7	68.7
Huangdao Oil Port Area	53.6	15.5	54.6	15.2	55.9	15.3
Dongjiakou Port Area	—	—	—	—	0.8	0.2
Container Terminals operated at the Port of Rizhao and Port of Weihai	18.1	5.2	20.1	5.6	21.3	5.8
Total	**346.2**	**100.0**	**359.5**	**100.0**	**365.0**	**100.0**

We carry out our port services mainly through our branches and joint ventures, therefore our throughput also includes the throughput of our joint ventures. The table below sets out further details of our port operations:

Cargo Type	Port Area	Operating Entity[(1)]	Nature of Operating Entity	Ownership Percentage
Container	Dagang Port Area	Dagang Branch	Branch	100%
	Qianwan Port Area	QQCT	Joint venture[(3)]	31%
	Port of Weihai	Qingwei Container	Joint venture	49%
	Port of Rizhao	Riqing Container	Joint venture	50%
Metal ore, coal and other general cargo	Qianwan Port Area	Qiangang Branch	Branch	100%
	Dagang Port Area	Dagang Branch	Branch	100%
	Qianwan Port Area	West United	Joint venture	51%
	Dongjiakou Port Area	Huaneng Qingdao	Joint venture	49%
		QDOT	Joint venture	30%
Liquid bulk	Dagang Port Area	Dagang Branch	Branch	100%
	Huangdao Oil Port Area	Qingdao Shihua[(2)]	Joint venture	50%

Notes:

(1) For further information on operating entities, please see "Our History, Reorganization and Corporate Structure."

(2) We conducted liquid bulk handling services at the Huangdao Oil Port Area through the Yougang Branch. On March 31, 2013, we disposed of all assets of the Yougang Branch to Qingdao Shihua through a combination of equity investment in Qingdao Shihua and an asset sale to Qingdao Shihua. Pursuant to the transaction agreements, the revenue of the Yougang Branch shall be transferred to Qingdao Shihua upon completion of the registration of transfer of our equity interest to Qingdao Shihua with the local Administration of Industry and Commerce. The registration was completed in late April 2013 and the revenue of the Yougang Branch was transferred to Qingdao Shihua starting May 1, 2013 (the "**Yougang Disposal**").

(3) "Joint venture" includes our principal subsidiaries and principal joint ventures. For more information on our principal subsidiaries and principal joint ventures, please see "Our History, Reorganization and Corporate Structure."

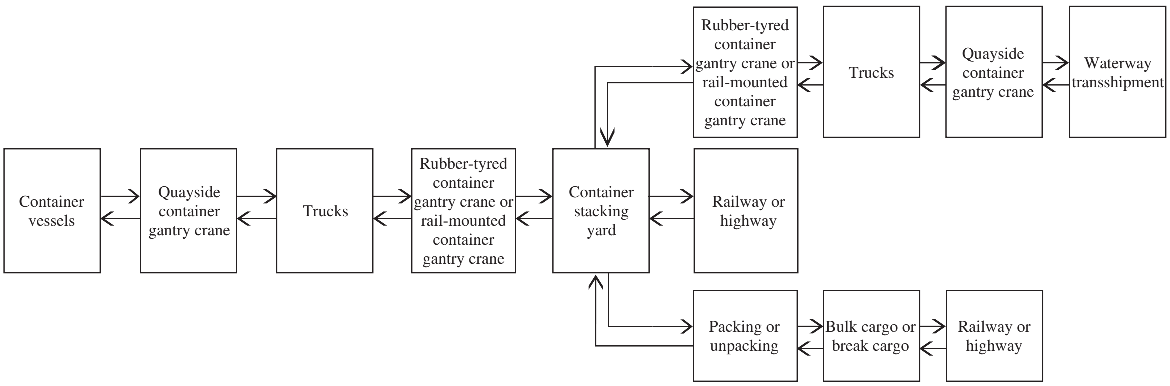
Container Handling

We provide our container handling services primarily through our QQCT and QQCTU at the Qianwan Port Area where we operate 20 dedicated container berths capable of docking the world's largest container ship with a loading capacity of 18,000 TEUs. Please see "Our History, Reorganization and Corporate Structure" for more information on QQCT and QQCTU. We also provide container handling services on a smaller scale at our Dagang Port Area and through joint ventures at the Port of Weihai and the Port of Rizhao. Customers of our container handling services are predominantly shipping companies engaged in foreign trade and domestic trade.

For the years ended December 31, 2011, 2012 and 2013, our total container throughput was 12.9 million TEUs, 14.4 million TEUs and 15.4 million TEUs, respectively. During the same periods, our container throughput at the Qianwan Port Area had consistently accounted for over 80% of our total container throughput. As our operation of container handling services is primarily undertaken by QQCT the revenue of which was not consolidated into our financial statements, the economic benefits of such business are reflected by the share of profit from QQCT. Please see "Financial Information — Results of Operations" for more information on accounting policies relating to our container handling business.

We also had the world's highest container stevedoring efficiency in 2012. With an annual average handling rate of 96 moves per hour, we ranked No. 1 among operators of all major international ports in terms of container stevedoring efficiency according to *Port Productivity 2012* published by *Journal of Commerce*.

The diagram below summarizes the major steps involved in our container handling services.



We also serve as a container transshipment hub for ports in the Bohai Rim Region, along the Yangtze River, as well as in Japan and South Korea. Container transshipment refers to containers being unloaded from one vessel and reloaded onto another vessel at our facilities, for transportation to another port. For the years ended December 31, 2011, 2012 and 2013, our transshipment container throughput was 879,000 TEUs, 1.5 million TEUs and 2.0 million TEUs, respectively. We believe that our transshipment service helps to increase our container throughput and customer demand for value-added services while expanding our hinterland and regional port network. We intend to continue to grow our transshipment business, facilitated by the development of our ancillary and extended services such as modern logistics services and trade facilitation services.

In addition to stevedoring services, we provide assorted port services for containers, including short-term storage, vanning and de-vanning, and container repair services. We also offer specialized storage services for containers with non-standard goods, such as frozen goods and hazardous substances.

Metal ore and coal handling

We primarily provide metal ore and coal handling services primarily through nine dedicated berths at the Qianwan Port Area and, through QDOT, two berths at the Dongjiakou Port Area. We also operate six multi-purpose berths at the Qianwan Port Area that are capable of handling metal ore and coal. We are able to provide stevedoring services for ore vessels with a capacity of 200,000 DWTs at the Qianwan Port Area. We also utilize our five multi-purpose berths at the Dagang Port Area to handle a small amount of metal ore and coal. Customers of our metal ore and coal handling services are primarily domestic and international metal and mining companies and domestic power plants and steel plants.

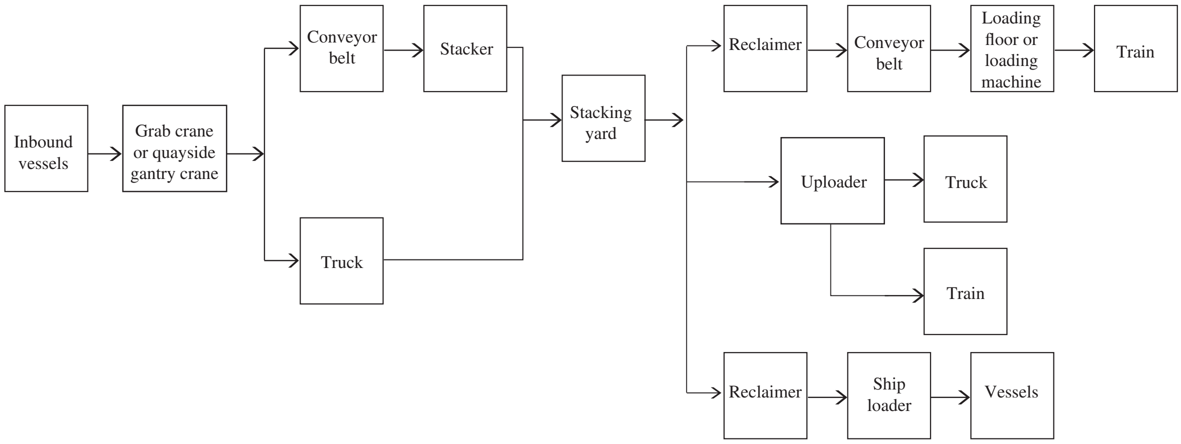
Our metal ore and coal handling services cover iron ore, copper ore, bauxite ore, nickel ore and coal. For the years ended December 31, 2011, 2012 and 2013, our metal ore and coal throughput reached approximately 124.2 million tons, 123.2 million tons and 112.4 million tons, respectively. Metal ore throughput consistently accounted for over 85% of our metal ore and coal throughput during the Track Record Period.

Prior to our Reorganization, our port operations were centrally managed by QDP, which designated the Qiangang Branch as the client-facing and contracting entity for QDP's port services for metal ore and coal. Starting January 1, 2012, pursuant to QDP's internal management decisions, the Qiangang Branch began to redirect a portion of the metal ore and coal throughput to the QDP Dongjiakou Branch, which was the operator of the two berths under Dongjiakou Acquisition I and the two berths under Dongjiakou Acquisition II. The throughput redirection was due to capacity limit at the Qianwan Port Area as well as QDP's desire to cultivate business for the two newly completed metal ore and coal berths operated by the QDP Dongjiakou Branch. The Qianwan Port Area continued to operate at full capacity after such throughput redirection. The QDP Dongjiakou Branch received a fixed fee per ton for its handling services and was subject to the overall quality control policies and procedures set forth by QDP. Given their relationship as branch companies of QDP, the Qiangang Branch and the QDP Dongjiakou Branch did not enter into formal contracts in relation to such throughput redirection.

Upon completion of our Reorganization, the Qiangang Branch became part of our Company while the QDP Dongjiakou Branch was retained by QDP, and the throughput redirection constituted subcontract transactions. In February 2014, the berths operated by the QDP Dongjiakou Branch were acquired by our joint venture QDOT. We intend to enter into formal contracts with QDOT in relation to such throughput redirection arrangement for Dongjiakou Operation I in the near future. In addition, we acquired Dongjiakou Operation II in May 2014. Please see "Business — Our Facilities — Dongjiakou Port Area" for more information on Dongjiakou Acquisitions. For the years ended December 31, 2012 and 2013, the total throughput from such subcontract transactions amounted to 26.4 million tons and 46.0 million tons, respectively, and the total costs with respect to the subcontract transactions was RMB241.2 million and RMB650.9 million, respectively.

Most of our metal ore and coal throughput were inbound shipment, which accounted for approximately 79.8%, 80.9% and 85.7% of our metal ore and coal throughput for the years ended December 31, 2011, 2012 and 2013, respectively. Inbound metal ore and coal are usually transported from our facilities at the Qianwan Port Area by railway. The rail tracks and related equipment at our facilities at the Qianwan Port Area enable us to load and unload metal ore and coal with high efficiency, which adds to our competitive advantage.

The diagram below summarizes the major steps involved in our metal ore and coal handling services.



We also offer short-term storage services for metal ore and coal. We exercise special care to ensure that metal ore and coal stored at our facilities suffer a minimal amount of attrition in the handling process through various protective measures.

We strive to implement industry's best practice for metal ore and coal handling and we are especially keen on minimizing the environmental impact of our operations. For example, we implement various protective measures such as frequent water spraying and comprehensive physical coverage at each step of the handling to prevent metal ore and coal from spilling outside of the storage area.

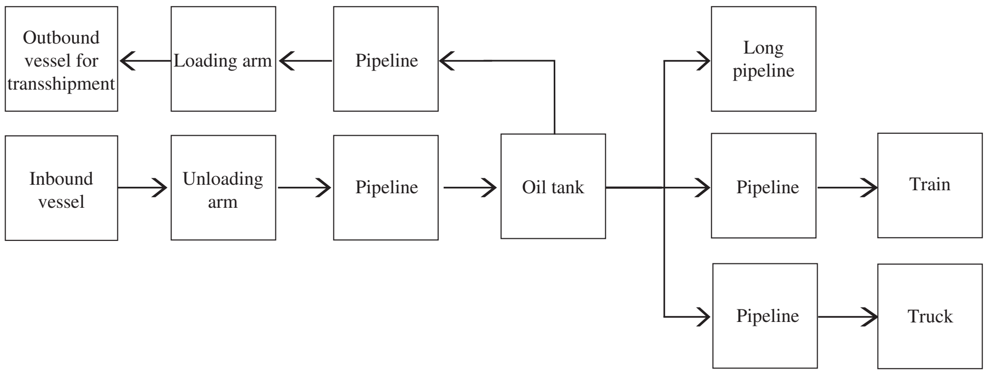
Liquid bulk handling

We provide liquid bulk handling services primarily through our joint venture Qingdao Shihua at the Huangdao Oil Port Area, where we operate 11 berths dedicated to handling liquid bulk and are able to accommodate oil tankers with a loading capacity of up to 440,000 DWTs. Please see "Our History, Reorganization and Corporate Structure" for more information on Qingdao Shihua. Our first liquid bulk handling facilities at the Dongjiakou Port Area are expected to commence operation by 2015. Customers of our liquid bulk handling services include large-scale oil and gas companies, chemical companies and other energy companies.

Our liquid bulk handling services consist of loading and unloading crude oil, fuel oil, refined oil products, liquefied chemicals and liquefied natural gas between vessels and our facilities and providing storage and pipeline services for these liquid bulk cargo. Imported crude oil accounted for approximately 66.4%, 65.2% and 66.2%, respectively, of our liquid bulk throughput for the years ended December 31, 2011, 2012 and 2013.

For the years ended December 31, 2011, 2012 and 2013, our liquid bulk throughput reached 55.8 million tons, 56.4 million tons and 57.4 million tons, respectively.

The diagram below summarizes the major steps involved in our liquid bulk handling services.



Qingdao Shihua conducts transshipment of imported crude oil for ports in the Bohai Rim Region and along the Yangtze River. We currently have a transshipment network covering various ports including the ports of Nanjing, Lianyungang, Rizhao, Yantai and Tianjin.

We offer storage services for liquid bulk primarily at the Huangdao Oil Port Area using self-owned and rented oil tanks. As of December 31, 2013, our total liquid bulk storage capacity amounted to 4,150,700 m^3, which included 1,032,000 m^3 self-owned storage capacity and 3,118,700 m^3 available-for-rent storage capacity. We also provide pipeline transportation services for liquid bulk, using self-owned pipelines on our facilities to transport liquid bulk to the external pipeline network in a cost-effective and efficient manner.

Handling of other general cargo

We provide stevedoring services for other general cargo primarily at the Dagang Port Area and through West United at the Qianwan Port Area, and, to a lesser extent, at the Dongjiakou Port Area. We operate one berth dedicated to handling grains, one berth dedicated to handling frozen goods, and 15 multi-purpose berths capable of handling various types of other general cargo including iron and steel, grain, vehicles, machinery and equipment, fertilizer, chemicals, timber, pulp and frozen goods. In addition to stevedoring services, we also provide storage services for other general cargo. Customers of our other general cargo handling services include various manufacturing companies in the PRC. In recent years, the international shipping industry has experienced a trend of increasing containerized shipping for other general cargo.

For the years ended December 31, 2011, 2012 and 2013, the total throughput of our other general cargo was approximately 34.8 million tons, 33.2 million tons and 29.6 million tons, respectively.

Our Ancillary and Extended Services

We provide a growing number of ancillary and extended services, including logistics services, trade facilitation services, financing-related services, and other value-added port services. We strive to anticipate and meet the broad range of needs of our customers and other parties who transact with us or our customers. Customers of our ancillary and extended services include our port service customers such as shipping companies, cargo owners, manufacturers, suppliers of raw materials, agents for participants in the shipping process as well as other parties who transact with our port service customers.

Logistics Services

Leveraging our port facilities and information advantage, we have extended along the logistics value chain and offer a growing number of modern logistics services in addition to traditional port-related logistics services.

Trucking services

We provide trucking services for road transportation of containers, metal ore and coal and other general cargo. We currently provide most of our trucking services with trucks owned by third parties and to a lesser extent with our own trucks. We intend to expand our own truck fleet to further reduce transportation costs of our customers.

Agency and clearance services

We provide various agency and clearance services. We serve as freight forwarding agent for cargo owners to identify and negotiate for shipping service on behalf of the cargo owners. We also help a variety of customers with customs documentation and declaration. Capitalizing on our physical proximity to and close working relationships with the parties involved in the activities around the port, we are able to provide efficient and effective agency services to shipping lines, freight forwarders, importers and exporters.

Bonded area services

Leveraging the bonded area privileges of our Qianwan Port Area, we provide a wide range of bonded area services, including warehousing, processing, transshipment and other logistics services. Our bonded area provides our customers with exemption or reduction from customs duties, value-added tax, consumption taxes or import or export quotas, and offers more convenient customs clearance procedures. In addition, we also provide bonded warehousing services at all of our four port areas.

Dry port services

To further penetrate our hinterland and provide better one-stop logistics service for our customers, we collaborate with many dry ports and provide dry port services in four cities, including Zhengzhou in Henan province. Through the dry ports, we provide basic port-related services, such as customs clearance and documentation, and enhanced logistics services, such as two-way cargo sourcing and regional cargo distribution service. Dry ports congregate regional cargo sources and establish a direct and efficient logistics channel between our ports and the dry ports, which significantly improves logistics efficiency for our customers.

Trade facilitation services

Leveraging our throughput of bulk resource and energy cargo, the congregation of trading and customers at our facilities, and our credibility among our customers, we provide trade facilitation services including trade brokering services and trade information distribution services.

Financing-related Services

Many of our customers, such as shipping companies and cargo owners, have financing needs in their business activities. Financial institutions often contract us to store and monitor goods used as collateral in financing services they provide to our customers, such as loans collateralized with warehouse receipts. We believe that these financing-related services facilitate liquidity services to our customers' liquidity and help increase their trade volume, which in turn increases our throughput.

Other Port Value-added Services

We provide a wide range of other value-added services at the Port of Qingdao, including:

- ancillary services such as tallying, tugging and barging;
- container-related services, such as container vanning and de-vanning; and
- simple processing services, such as sifting, washing and blending of metal ore and coal, and sorting and re-packing of other general cargo.

Our Other Business Activities

We also engage in port infrastructure construction, manufacturing and maintenance of port equipment and machinery, and ship repair for certain of our related parties. Our port infrastructure construction business mainly include the construction of certain port infrastructure and facilities, such as terminals, berths, stacking yards and warehouses, at the Dongjiakou Port Area and Qianwan Port Area. Our manufacturing and maintenance of port equipment and machinery business mainly include the manufacturing of container gantry cranes, stackers, reclaimers and other port equipment and machinery.

OUR FACILITIES

Overview

We operate our business primarily at the Port of Qingdao in four port areas, namely, the Dagang Port Area, the Qianwan Port area, the Huangdao Oil Port Area and the Dongjiakou Port Area. As of March 31, 2014, we operated a total of 22 terminals with 69 berths at the Port of Qingdao, which represented (i) approximately 71.0% of the total number of terminals and 76.7% of the total number of berths at the Port of Qingdao; and (ii) approximately 88.0% of the total number of terminals and 84.1% of the total number of berths available for public use at the Port of Qingdao. The berths we operate at the Port of Qingdao include 21 berths dedicated to handling containers, 11 berths dedicated to handling metal ore and coal, 13 berths dedicated to handling liquid bulk, one berth dedicated to handling grains, one berth dedicated to handling frozen goods and 22 multi-purpose berths. As of December 31, 2013, the total designed annual throughput capacity of all of our berths amounted to approximately 200 million tons. In 2011, 2012 and 2013, we handled approximately 88.1%, 83.4% and 76.4%, respectively, of the total cargo throughput of the Port of Qingdao.

As of December 31, 2013, we also operated two berths at each of the Port of Weihai and the Port of Rizhao through our joint ventures with local partners, all of which are dedicated to handling containers.

Our storage facilities are located in our port areas, and include stacking yards, warehouses, tanks, silos and container freight stations.

Dagang Port Area

As of December 31, 2013, we, through our Dagang Branch, operated four terminals with 18 berths at the Dagang Port Area, mainly for handling steel, aluminum oxide, bauxite, fertilizer, metal ore, coal and other general cargo. We lease one of our four terminals, which has five berths, at the Dagang Port Area from QDP primarily for handling grains and other break bulk cargo. Please see "Connected Transactions — Non-exempt Continuing Connected Transactions — 1. QDP Lease Framework Agreement" for more information on our lease of facilities at Dagang Port Area from QDP.

Our berthing capacities at the Dagang Port Area include:

Cargo Type	Number of Berths	Quay Length	Water Depth	Maximum Berthing Capacity	Designed Aggregate Annual Capacity
Container	1	234 meters	10.5 meters	20,000 DWTs	100,000 TEUs
Metal ore and coal..............	5	1,263 meters	12 meters to 14.7 meters	70,000 DWTs	3.9 million tons
Liquid bulk.........................	2	419 meters	7.5 meters to 13.5 meters	10,000 DWTs	440,000 tons
Grains................................	1	312 meters	14 meters	50,000 DWTs	3.5 million tons
Other general cargo	9	1,830 meters	8 meters to 14 meters	35,000 DWTs	3.6 million tons

We lease all of our stacking and warehousing facilities at the Dagang Port Area from QDP. As of December 31, 2013, our storage capacities at the Dagang Port Area included:

Cargo Type	Storage Facility Type	Number	Aggregate Size	Aggregate Capacity
Container	Stacking yard	—	200,000 m^2	18,000 TEUs
Metal ore and coal................	Stacking yard	—	90,000 m^2	430,000 tons
Other general cargo	Stacking yard	—	446,000 m^2	600,000 tons
Other general cargo	Warehouse	8	55,000 m^2	210,000 tons
Other general cargo (grains)...	Silo	16	250,000 m^3	200,000 tons

For the years ended December 31, 2011, 2012 and 2013, our throughput at the Dagang Port Area was as follows:

	Year Ended December 31,		
	2011	2012	2013
Container	510,000 TEUs	460,000 TEUs	440,000 TEUs
Metal ore and coal.....................	12.4 million tons	15.1 million tons	15.4 million tons
Liquid bulk...............................	2.1 million tons	1.8 million tons	1.5 million tons
Other general cargo	12.3 million tons	12.0 million tons	12.3 million tons

The Qingdao municipal government is in the process of adopting a city planning initiative, which involves the relocation of our port operations at the Dagang Port Area to the Dongjiakou Port Area and the Qianwan Port Area. However, as of the Latest Practicable Date, this initiative was still at a preliminary stage and there was no concrete relocation plan for us. We have not undertaken any relocation actions.

Our major operations at the Dagang Port Area consist of the operations of the Dagang Branch, Port Machinery Branch* and Qingdao Gangrong, which generated majority of our revenue at the Dagang Port Area during the Track Record Period. In addition to our major operations at the Dagang Port Area, there are also certain other operations at the Dagang Port Area that cannot be segregated and are not individually identifiable from our historical accounting records. During the Track Record Period, after elimination of intra-group transactions, our revenue generated from our major operations at the Dagang Port Area was RMB966.3 million, RMB1,079.9 million and RMB1,297.9 million, respectively, and the gross profit margin was 21.9%, 20.8% and 18.1%, respectively. As of December 31, 2013, we operated 18 berths at the Dagang Port Area. During the Track Record Period, our throughput at the Dagang Port Area accounted for 10.2%, 10.1% and 10.0%, respectively, of our total throughput. Considering the throughput at the Dagang Port Area only accounted for a small portion of our total throughput during the Track Record Period and in light of our planned development at the Dongjiakou Port Area and the capacity constraints the Dagang Port Area currently faces, we believe that any relocation would be beneficial to our long-term development though it may have some short-term unfavorable impact on our business, such as disruptions of our operations, decrease in revenue from such operations during the relocation process, logistical and management challenges, and additional costs in connection with the relocation. If the proposed city planning initiative materializes, we will formulate and implement a comprehensive relocation plan to ensure a smooth transition and minimize the impact on the operation of our Group. Based on our current knowledge of the city planning initiatives and our operations at the Dagang Port Area, we do not anticipate that this relocation, if implemented, would have a material adverse impact on our overall business. For more information regarding the relocation of the Dagang Port Area, please see "Risk Factors — Our operations are subject to relocation plans, which may present logistical and management challenges, incur additional cost for us and may adversely affect our business." We will disclose the progress of the relocation of the Dagang Port Area in our interim and annual reports following the Listing.

Qianwan Port Area

As of December 31, 2013, we, through our Qiangang Branch, our joint venture QQCT and West United, operated ten terminals with 36 berths at the Qianwan Port Area, mainly for containers, metal ore, coal, pulp and other general cargo. Please see "Our History, Reorganization and Corporate Structure" for more information on QQCT and West United.

Our berthing capacities at the Qianwan Port Area include:

Cargo Type	Number of Berths	Quay Length	Water Depth	Maximum Berthing Capacity	Designed Aggregate Annual Capacity
Container	20	6,597 meters	9.0 meters to 20.0 meters	200,000 DWTs	8.6 million TEUs
Metal ore and coal..............	9	2,635 meters	13.6 meters to 21.0 meters	200,000 DWTs	44.8 million tons
Other general cargo	7	1,326 meters	7.8 meters to 13.5 meters	30,000 DWTs	3.0 million tons

Our storage capacities at the Qianwan Port Area include:

Cargo Type	Storage Facility Type	Number	Aggregate Size	Aggregate Capacity
Container	Stacking yard	—	4.1 million m^2	406,000 TEUs
Container	Warehouse	9	82,910 m^2	200,000 tons
Container	Container freight station	8	432,000 m^2	2,000 TEUs
Metal ore and coal	Stacking yard	—	1.7 million m^2	14.0 million tons
Other general cargo	Stacking yard	—	248,559 m^2	1.1 million tons
Other general cargo	Warehouse	3	36,134 m^2	130,000 tons
Other general cargo (imported vehicles)	Stacking yard	—	80,000 m^2	3,200 vehicles

The Qianwan Port Area features a refrigerated warehouse with a storage size of 35,800 sq.m. and a designed storage capacity of 46,800 tons and a stacking yard for refrigerated containers with a storage size of 133,000 sq.m. and a designed storage capacity of 18,668 TEUs.

For the years ended December 31, 2011, 2012 and 2013, our throughput at the Qianwan Port Area was as follows:

	Year Ended December 31,		
	2011	2012	2013
Container	10.6 million TEUs	12.0 million TEUs	13.1 million TEUs
Metal ore and coal	111.7 million tons	108.1 million tons	96.7 million tons
Other general cargo	22.5 million tons	21.2 million tons	17.0 million tons

We recently received a permit to provide port services for automobile imports. As of December 31, 2013, we had a capacity for handling 100,000 vehicles per year through nine berths at the Qianwan Port Area, which includes two berths with roll-on/roll-off capacity.

Our terminals at the Qianwan Port Area are connected to the Huangdao train station by rail tracks, which significantly improves our transportation efficiency and increases our daily cargo throughput.

Huangdao Oil Port Area

As of December 31, 2013, we, through our joint venture Qingdao Shihua, operated five terminals with 11 berths at the Huangdao Oil Port Area for liquid bulk cargo. Please see "Our History Reorganization and Corporate Structure" for more information on Qingdao Shihua.

Our berthing capacities at the Huangdao Oil Port Area include:

Cargo Type	Number of Berths	Quay Length	Water Depth	Maximum Berthing Capacity	Designed Aggregate Annual Capacity
Liquid bulk..........................	11	3,196 meters	5.5 meters to 24.0 meters	300,000 DWTs	53.5 million tons

Storage capacities available to us at the Huangdao Oil Port Area include:

Cargo Type	Storage Facility Type	Number	Aggregate Capacity
Liquid bulk.............................	Tank (self-owned)	27	1.0 million m^3
Liquid bulk.............................	Tank (available-for-rent)[1]	75	3.1 million m^3

Note:

(1) Available-for-rent tanks refer to oil tanks owned by third parties at the Huangdao Oil Port Area available for rent to meet our customers' storage needs once the storage capacity of our self-owned tanks is exhausted.

As of December 31, 2013, our storage capacities represented approximately 72% of the maximum storage capacity for commercial use of the Huangdao Oil Port Area.

Our facilities at the Huangdao Oil Port Area are connected to six pipelines, which consist of Donghuang Pipeline (Phase I) (東黃管線), Donghuang Pipeline (Phase II) (東黃複線), Huangqing Pipeline (黃青管線), Huangdao-Sinopec Refinery Pipeline (黃島-中石化大煉油管線), Huangdao-National Reserve Facilities Pipeline (黃島-國家儲備庫管線) and Huangwei Pipeline (黃濰管線), with a total transportation capacity of approximately 68.0 million tons per year and an actual transportation volume of approximately 29.0 million tons in 2013. We also have a railway transportation capacity of approximately three million tons per year for oil and other liquefied cargo at the Huangdao Oil Port Area with an actual transportation volume of approximately three million tons in 2013.

We also hold a 10% equity interest in Shandong Binhai Hongrun Pipeline Logistics Co., Ltd.*, or Binhai Hongrun, the operating entity of the Huangwei Pipeline (黃濰管綫). Huangwei Pipeline (黃濰管綫) will connect Huangdao and Weifang in Shandong province, and is expected to commence operations by June 2014 with a total length of 176.0 kilometers and a designed transportation capacity of 15.0 million tons per year for liquid bulk.

For the years ended December 31, 2011, 2012 and 2013, our throughput at the Huangdao Oil Port Area was as follows:

	Year Ended December 31,		
	2011	2012	2013
Liquid bulk	53.6 million tons	54.6 million tons	55.9 million tons

As part of a city planning initiative announced in 2014, the government of Qingdao Economic and Technology Development Zone is in the process of adopting a new city planning proposal which may include the relocation of our port operation at the Huangdao Oil Port Area to the Dongjiakou Port Area and the relocation of certain of our customers' operations from the surrounding area of the Huangdao Oil Port Area. However, as of the Latest Practicable Date, the city planning proposal is still at a preliminary stage and hence there is no concrete relocation plan for us. Our operations at the Huangdao Oil Port Area had not been affected by the potential relocation plan and no relocation cost has been incurred as of the Latest Practicable Date and no estimation of future relocation cost or related financial impact is available until such a city planning initiative is finalized and implemented. Since the relocation plan is at a preliminary stage, negotiations on the responsibility of relocation cost have not taken place between us and the relevant government authorities.

Our major operations at the Huangdao Oil Port Area consist of the operations of the Yougang Branch and the operations of Qingdao Shihua, one of our joint ventures, which generated a majority of our revenue at the Huangdao Oil Port Area during the Track Record Period. In addition to our major operations at the Huangdao Oil Port Area, there are also certain other operations at the Huangdao Oil Port Area that cannot be segregated and are not individually identifiable from our historical accounting records. In March 2013, we disposed all assets of the Yougang Branch to Qingdao Shihua, see "Financial Information — Results of Operations — Year Ended December 31, 2013 Compared to Year Ended December 31, 2012" for further details. During the Track Record Period, after elimination of intra-group transactions, our revenue generated from our major operations at the Huangdao Oil Port Area was RMB330.6 million, RMB349.1 million and RMB239.2 million, respectively, and gross profit margin was 40.6%, 35.2% and 59.4%, respectively. During the Track Record Period, our share of profit from Qingdao Shihua was RMB114.5 million, RMB121.6 million and RMB157.8 million, respectively. As of December 31, 2013, we operated 11 berths at the Huangdao Oil Port Area. During the Track Record Period, our throughput at the Huangdao Oil Port Area accounted for approximately 15.5%, 15.2% and 15.3%, respectively, of our total throughput. If such a city planning initiative were adopted, the relocations may cause disruptions to our operations, decrease in revenue from such operations during the relocation process, logistical and management challenges, and additional costs in connection with the relocations. If the relevant city planning proposal materializes, we will formulate and implement a comprehensive relocation plan to mitigate the relocation risks to ensure a smooth transition and minimize the impact on the operation of our Group. Based on our current knowledge of the city planning proposal and our operations at the Huangdao Oil Port Area, we do not anticipate that this relocation, if implemented, would have a material adverse impact on our overall business. For more information regarding the relocation of the Huangdao Oil Port Area, please see

"Risk Factors — Our operations are subject to relocation plans, which may present logistical and management challenges, incur additional cost for us and may adversely affect our business." We will disclose the progress of the relocation of the Huangdao Oil Port Area in our interim and annual reports following the Listing.

Dongjiakou Port Area

As of December 31, 2013, we, through our joint venture Huaneng Qingdao, operated one terminal with two berths at the Dongjiakou Port Area for handling metal ore, coal and other general cargo.

As of December 31, 2013, our berthing capacities at the Dongjiakou Port Area included:

Cargo Type	Number of Berths	Quay Length	Water Depth	Maximum Berthing Capacity	Designed Aggregate Annual Capacity
Other general cargo	2	562 meters	11.7 meters to 15.0 meters	50,000 DWTs	3.0 million tons

As of December 31, 2013, our storage capacities at the Dongjiakou Port Area included:

Cargo Type	Storage Facility Type	Number	Size	Aggregate Capacity
Other general cargo	Stacking yard	—	275,000 m^2	1.8 million tons

We began to generate throughput at the Dongjiakou Port Area from April 2013 when we acquired a 49% equity interest in Huaneng Qingdao. For the year ended December 31, 2013, our throughput at the Dongjiakou Port Area was approximately 780,000 tons.

Our joint venture QDOT acquired from QDP in February 2014 two berths and related assets at the Dongjiakou Port Area for a total consideration of RMB2,989,024,400, and is expected to conduct a supplementary acquisition to effect certain post-closing adjustments, together referred to as the Dongjiakou Acquisition I. These two berths are dedicated to metal ore and coal handling with a docking capacity of 300,000 DWTs and 200,000 DWTs, respectively. QDOT funded the Dongjiakou Acquisition I through the paid-in capital of QDOT and bank borrowings. For the years ended December 31, 2012 and 2013, the total throughput of the two berths subject to Dongjiakou Acquisition I was approximately 26.4 million tons and 46.0 million tons, respectively.

We also acquired directly from QDP in May 2014 two multi-purpose berths and certain other assets at the Dongjiakou Port Area for a total consideration of RMB738,717,681, referred to as the Dongjiakou Acquisition II, and together with Dongjiakou Acquisition I, the Dongjiakou Acquisitions. Each of the two berths has a docking capacity of 50,000 DWTs and is capable of handling various types of other general cargo. As of the Latest Practicable Date, berths subject to Dongjiakou

Acquisition II were still under trial operation. Please see "Financial Information — Major Factors Affecting Our Results of Operations — Our development of the Dongjiakou Port Area" and "Financial Information — Factors Affecting Comparability — Dongjiakou Acquisitions" for more information on Dongjiakou Acquisition II.

As of the Latest Practicable Date, our berthing capacities at the Dongjiakou Port Area were as follows:

Cargo Type	Number of Berths	Quay Length	Water Depth	Maximum Berthing Capacity	Designed Aggregate Annual Capacity
Metal ore and Coal	2	782 meters	19.2 meters to 25.0 meters	300,000 DWTs	29.0 million tons
Other general cargo.........	4	1,114 meters	11.7 meters to 17.2 meters	50,000 DWTs	8.0 million tons

As of the Latest Practicable Date, our storage capacities at the Dongjiakou Port Area were as follows:

Cargo Type	Storage Facility Type	Number	Size	Aggregate Capacity
Metal ore and coal.......................................	Stacking yard	—	1,754,400 m^2	19 million tons
Other general cargo	Stacking yard	—	275,000 m^2	1.8 million tons

The development of the Dongjiakou Port Area is a critical part of our overall strategic plans. According to our current plan, we will focus on building the terminals at the Dongjiakou Port Area for various break bulk cargo, including metal ore, coal and bauxite, as well as crude oil and other liquid bulk cargo. We plan to construct, directly or through our joint ventures, additional metal ore terminals and additional crude oil terminals and related storage facilities. The expected annual throughput capacity at the Dongjiakou Port Area is approximately 300 million tons after the planned constructions are completed. Please see "Financial Information — Major Factors Affecting Our Results of Operations — Our development of the Dongjiakou Port Area" and "Financial Information — Factors Affecting Comparability" for more information on our development of the Dongjiakou Port Area. Please also see "Risk Factors — We are exposed to certain risks in respect of the development and construction of the Dongjiakou Port Area."

The Dongjiakou Port Area is planned to be connected to the Qing-Lian Rail Line (青連線), which is expected to become operational in 2017 and connect us to the Jin-Zhong-Nan Rail Line (晉中南線), which is expected to become operational in 2014. We believe these two rail lines will significantly enhance the transportation capability of the Dongjiakou Port Area. In addition, our liquid bulk handling facilities at the Dongjiakou Port Area are expected to be connected to Sinopec's crude oil pipeline network in Eastern China, which would increase our access to refineries and petrochemical plants along the Yangtze River.

Construction in Progress

As of March 31, 2014, we and certain of our joint ventures had the following major construction projects in progress in our port areas:

Facility location	Ownership	Facility type	Number of berths	Quay length	Designed docking/ storage capacity	Designed square footage	Estimated capital expenditure (RMB in millions)	Expected completion date[6]
Dongjiakou Port Area	Company	Dry bulk multi-purpose berth	Four	1,043m	100,000 DWTs 70,000 DWTs 35,000 DWTs (two)	N/A	2,300.9[5]	December 2014
	Company	Liquid bulk berth	Four	980m	30,000 DWTs (two) 20,000 DWTs 3,000 DWTs	N/A	908.7[5]	December 2015
	Qingdao Shihua[1]	Liquid bulk berth	Two	752m	300,000 DWTs 100,000 DWTs	N/A	1,393.0	300,000 DWTs — June 2014 100,000 DWTs — December 2015
	Vopak Logistics[2]	Liquid bulk berth	Two	458m	20,000 DWTs 50,000 DWTs	N/A	492.7	December 2015
	Bay Liquid Chemical[3]	Liquid bulk berth	Two	454m	20,000 DWTs 30,000 DWTs	N/A	330.4	December 2014
	Company	Stacking yard	N/A	N/A	N/A	494,250 m^2	459.1[5]	December 2014
	Company	Oil tank	N/A	N/A	400,000 m^3	N/A	516.8[5]	May 2014
Qianwan Port Area.........	QQCTN[4]	Container berths	Four	1,320m	100,000 DWTs (two) 30,000 DWTs (two)	—	4,163.4	December 2017

Notes:

(1) We and Sinomart each hold 50% of Qingdao Shihua. Please see "Our History, Reorganization and Corporate Structure" for more information on Sinomart.

(2) We and Vopak Terminal DJK B.V. each hold 50% of Vopak Logistics. Please see "Our History, Reorganization and Corporate Structure" for more information about Vopak Logistics.

(3) We, Qingdao Haiwan Group Co., Ltd.* (青島海灣集團有限公司), and Qingdao Hygain Chemical (Group) Co., Ltd.* (青島海晶化工集團有限公司) each hold 50%, 30% and 20% of the equity interest of Bay Liquid Chemical.

(4) We hold 31% of the equity interest in QQCT, which in turn holds an 80% equity interest in QQCTN. Please see "Our History, Reorganization and Corporate Structure" for more information on QQCT.

(5) As of the Latest Practicable Date, our Company also had several additional construction projects that are smaller in scale or ancillary to our port operations. We anticipate that our total capital expenditures on construction projects for 2014 is approximately RMB1,848.5 million, among which approximately RMB830.5 million will be spent on our Company's major construction-in-progress projects as disclosed in this table. Please refer to "Financial Information — Capital Commitments and Expenditure" for more information on our estimated capital expenditures for 2014.

(6) The completion date is estimated based on information currently available to us. These projects may not be completed within the estimated period due to various factors, including events that are out of our control.

We will fund our construction-in-progress projects through (i) cash generated from operating activities; (ii) approximately HK$2,243.9 million from the net proceeds of the Global Offering; and (iii) additional drawdowns from our available credit facility of RMB4.66 billion.

QUALITY CONTROL AND CERTIFICATION

We place great emphasis on the quality of our services, and we strive to constantly improve our service quality. We have established offices and designated personnel at our Company level as well as subsidiary level to oversee quality control matters. Our quality control personnel carry out numerous quality control measures such as unannounced onsite inspection, investigation and customer visits. We also have multiple sets of quality control policies, rules and measurement standards to ensure the quality of all aspects of our services. Our quality control policies range from company-wide business principles to detailed quality assurance standards tailored to each kind of port operations we conduct. For example, we set forth detailed efficiency criteria for our container stevedoring operations against which we review our operations team's performance.

We also actively seek customer feedback on our service quality through regular customer surveys and in-person visits. We have numerous customer hotlines from our Company level to the subsidiaries and further to terminals to ensure that our customers can quickly reach us if they are dissatisfied with any aspect of our services.

We have implemented the ISO9000 series of quality management systems. In 2002, we pioneered amongst our industry peers with the establishment of an integrated management system for occupational health and safety and quality, which has been certified and annually reviewed and audited since 2002.

In 2001, we received the "China Quality Management Award" (全國質量管理獎), the predecessor of the "China Quality Award" (全國質量獎), from the China Association for Quality (中國質量協會) in its inaugural issuance and were the only entity from a service industry amongst the five enterprises in the PRC to receive this award. We received the "China Quality Award" in 2006. In 2011, we received the first "National Transportation Industry Quality Management Award" (全國交通行業質量管理獎) from China Association of Communication Enterprise Management (中國交通企業管理協會).

OUR CUSTOMERS, SALES AND MARKETING

We provide a full range of port services and have a diversified customer base which covers industries including international shipping, domestic and foreign trade, oil refining, petrochemicals, steel, coal and logistics. Our customers are mainly located in north, northwest and central China, which mainly includes Shandong, Jiangsu, Hebei, Henan, Anhui, Shaanxi and Shanxi provinces.

Customers of our container handling services are primarily domestic and international shipping companies. Customers of our metal ore and coal handling services are primarily domestic and international metal and mining companies, and domestic energy companies and metal product manufacturers. Customers of our liquid bulk handling services are large-scale oil and gas companies, chemical companies and other energy companies. Customers of our handling services for other general cargo are primarily freight forwarding companies. Customers who purchased machinery or received construction services from us are primarily our related parties. Please see "Connected Transactions" for more information on our transactions with these customers.

We have established long-term strategic relationships with many of our major customers, including world-class shipping companies, port operators and logistics companies and major cargo owners, through equity investments and other operational cooperation. For example, we have established joint ventures with leading shipping companies such as Maersk, American President Lines and COSCO Group focusing on the operation of world-class container terminals. We have cooperated with leading international container terminal operators such as Dubai Ports World, China Merchants Group and COSCO Group to operate container terminals. We have also collaborated with the Singapore-based IMC Group to develop a dry bulk cargo logistics park. We believe that these long-term strategic relationships provide us with diverse, stable and growing cargo sources, which enables us to further expand our service offerings and customer base and improve our overall operation and management.

A slowdown of our major customers' industry may adversely affect our operations. For example, our metal ore throughput was approximately 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. Therefore the steel industry, which is the major customer for our metal ore business, is important to us. The recent unfavorable general market conditions of the PRC steel industry has delayed settlement of bills by some of our metal ore customers, which in turn increased our trade receivables and our trade receivable turnover days. For further information, please see "Financial Information — Major Factors Affecting Our Results of Operations" and "Financial Information — Certain Balance Sheet Items — Trade and Other Receivables."

In each of the years ended December 31, 2011, 2012 and 2013, the aggregate revenues derived from our five largest customers did not exceed 30% of our total revenue. We maintain long-term relationships with our major customers. As of December 31, 2013, the length of our relationships with our five largest customers ranged from eight to 15 years. We believe that our established relationships with our customers will help us further strengthen our market leading position in the business areas in which we operate. In addition to our long-term business relationships, we also cooperate with some of our major customers to set up joint ventures to further expand our port operation business. We generally enter into agreements with a term of one year with our major customers. We usually provide a credit term ranging from 30 days to 90 days to our major customers.

During the Track Record Period, our five largest customers by revenue could be divided into two categories: customers who received our port services and related parties who purchased machinery or received construction services from us. Contract terms for customers who received our port services usually include the cargo type, the service we provide and payment terms. The term of our port service contracts is generally one year. Contract terms for customers who purchased our machinery usually include specifications of the machinery, warranty terms and payment terms, and contract terms for customers who received construction services from us usually include description of the construction project, target completion dates and payment terms. Most of our customers make their payment with bank's acceptance bills or through online or wire transfer.

To the best knowledge of our Directors, none of our Directors, their respective associates or any Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest customers as of the Latest Practicable Date, save for the interests held by QDP through our Company in certain joint ventures of us.

We have established an extensive marketing network with 24 offices across eight provinces in our hinterland to better understand market conditions, maintain customer relationships and pursue new business opportunities. We conduct regular customer surveys and send our marketing staff to meet with our major customers every year to evaluate customer needs and satisfaction. We intend to maintain and generate increasing volumes of business from our existing customer base while also developing new customers.

In recognition of our customer service, we have received numerous awards, including an "AAA" Corporation Credit Rating (企業信譽評級) from the Shandong Corporation Credit Evaluation Committee (山東省企業信譽評級工作委員會) in 2012, the "National Quality-Trustworthy Enterprise Award" (全國質量服務信得過單位) from the China National Situation Investigation Committee (中國國情調查委員會) in 2010 and an "AAAA" International Quality Credit Rating (國際質量信用評級) from the China Product Quality Association (中國產品質量協會) in 2009.

OUR FEES AND CHARGES

The fees that we charge for our port services include fees for stevedoring and other handling services, stacking and warehousing fees, port security fees, and tugging and barge service fees. The fees and charges for our port services have increased moderately on a steady basis in the past ten years.

Pursuant to applicable regulations, we charge for stevedoring and other handling services for non-container cargo in the form of a lump sum fee, which covers cargo handling services, certain other port value-added services and transshipment services. In addition, pursuant to applicable regulations in the PRC, we also collect certain government charges, such as port construction charges, on behalf of government agencies.

The pricing of certain components of our fees and charges, such as port administrative charges, docking fees, port security fees, tugging fees and tally fees, are subject to guidelines issued by the Ministry of Transport. Please see "Regulations — Laws and Regulations for Port Operations" for further 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. We generally collect our fees within 30 to 90 days upon the completion of our services. For more information on laws and regulations governing our fees and charges, please see "Regulations."

In addition, we generally enter into bidding processes for a portion of our port machinery sales.

OUR EQUIPMENT

Overview

We require substantial amounts of equipment in our business, including stevedoring equipment, IT systems and other equipment. We believe our advanced equipment plays a critical role in achieving and maintaining our world-leading efficiency rates in terms of loading and unloading, and lowering our operation cost. During the Track Record Period, we have not experienced any significant interruption in our operations due to any shortage of equipment or materials or any significant fluctuations in their prices. We own major equipment used in our port operations.

Stevedoring equipment

As of December 31, 2013, we had more than 1,700 sets of stevedoring equipment for our stevedoring services. The primary equipment used in our container handling operations are our 75 quayside container gantry cranes, 121 rubber-tyred container gantry cranes and 71 rail-mounted container gantry cranes. The quayside container gantry cranes we operate have an industry-leading capacity of 80 tons and maximum reach of 70 meters and are capable of handling container vessels with a loading capacity of 18,000 TEUs.

The primary equipment used in our metal ore and coal handling operations are dumpers, train loaders, loading floors, loading machines, conveyor belts, gantry cranes, stackers, reclaimers, stacker-reclaimers and ship loaders.

The primary equipment used in our liquid bulk handling operations are pipelines specially designed for liquid bulk, loading arms and pump stations.

The following table sets forth the average age, as of the Latest Practicable Date, of our material port terminal equipment and machinery, which usually have useful lives of five to 25 years:

Equipment / Machinery	Average Age (years)
Quayside container gantry crane cranes	8.0
Rubber-tyred container gantry cranes	9.5
Rail-mounted container gantry cranes	5.0
Tugboats	11.0
Dumpers	21.0
Ship loaders	21.0
Ship unloaders	8.0
Loading machines	4.5
Loading buildings	3.5

The warranty term for our equipment varies depending on the type of equipment, and could range from several months to one year. We have comprehensive internal guidelines and policies with respect to the maintenance of our equipment. Our safety and technology department is responsible for the maintenance of our principal cargo handling equipment. Our safety and technology department carries out regular inspections of our equipment to assess whether it is in good working condition, while our daily operational employees are responsible for undertaking ongoing inspections during the course of their day-to-day work and reporting any maintenance issues. We also outsource certain equipment maintenance and repair services to independent third party experts who perform these services under our supervision and are subject to our quality inspection.

IT system

Professional IT systems are critical to our port operations, significantly increasing our operating efficiency and lowering our costs. We believe that our IT systems are comparable to those used in other modern seaports throughout the world and some of our IT systems are world-leading systems.

We centrally coordinate the ship traffic in all of our port areas through a graphics-based system that incorporates data from the maritime safety administration bureau, the ships and our terminals. We also employ intelligent software programs suitable for each type of our cargo to improve our automation level. For example, we implement the industry-leading SPARCS system for our container handling operations. In addition, we utilize an electronic data interchange platform to exchange data on cargo and ships with government authorities and customers. We have also established data exchange systems with various port authorities, such as the customs bureau, the inspection and quarantine bureau, and the maritime safety administration in Qingdao, to better facilitate customs and border clearance for our customers.

As of the Latest Practicable Date, we had not experienced any material system failure or difficulties with our IT and computer systems, or in the interface between our different systems.

Other equipment

As of December 31, 2013, we had over 250 trailers for transportation of containers and break bulk cargo in our port areas. Equipment used in our construction services usually includes bulldozers, road rollers, trucks and excavating machines. Equipment used in our machinery manufacturing business includes primarily cutters, digitally-controlled lathes, lifts, and melting and molding tools.

RESEARCH AND DEVELOPMENT

We have strong in-house development capabilities in port machinery and equipment. We had a team of 38 members who engage in machinery development as of December 31, 2013. We independently designed and built some of our container cranes. Drawing from their knowledge from daily operations, our staff constantly make improvements to our machinery and equipment. In addition, we have also strengthened our IT research and development efforts in recent years.

As of December 31, 2013, our Information Center had approximately 80 employees, most of whom hold bachelor or higher degrees in computer science. Our Information Center is dedicated to enhancing our utilization of information technology through researching and developing software programs for our operations. For example, our Information Center independently developed our central operations coordination system as well as some of the software programs we use for cargo handling. In addition, our Information Center also developed and operates a logistics information platform that enables logistics information sharing among our customers. We also assist some of our dry port partners in developing information systems for dry port operations. We believe that our IT research and development efforts have enhanced the efficiency of our operational management and improved our information exchange with customers. In the years ended December 31, 2011, 2012 and 2013, our total expenses on the Information Center amounted to RMB10.4 million, RMB11.0 million and RMB9.1 million, respectively.

We have undertaken many national research projects on port operations and management over the years. For example, the Ministry of Industry and Information commissioned us to conduct research on internet-based intelligent container transportation systems in 2011, and the NDRC selected us to carry out a pilot project for conducting electronic trade and logistics services for bulk cargo in 2012.

We have received many awards from professional associations and government agencies. During the Track Record Period, we received one first-place award, 11 second-place awards and six third-place awards in relation to science and technology from the China Port Association (中國港口協會). During the Track Record Period, we also received three third-place awards in science and technology from the China Institution of Navigation (中國航海協會), two third-place awards in science and technology from the Shandong provincial government, and four second-place awards in science and technology and four third-place awards in science and technology from the Qingdao municipal government.

In addition, we are actively collaborating with research institutions and industry consultants, which we believe provides us with insights into industry trends and emerging technologies.

OUR SUPPLIERS

The major suppliers for our stevedoring equipment include Shanghai Zhenhua Heavy Industries Co., Ltd., Caterpillar Inc. and China National Heavy Duty Truck Group Jinan Special Vehicle Co., Ltd. The major suppliers for our IT systems include IBM, HP and Cisco Systems. The major suppliers for our construction and machinery manufacturing included No.2 Engineering Company Limited of CCCC First Harbor Engineering Company Limited, and Nanjing Changjiang Waterway Engineering Bureau. Our five largest suppliers accounted for approximately 48.9%, 31.9% and 34.5%, respectively, of our total purchases for the years ended December 31, 2011, 2012 and 2013. For the years ended December 31, 2011, 2012 and 2013, our single largest supplier accounted for approximately 25.4%, 12.1% and 16.1% of our purchases, respectively. Our procurement contracts usually specify the terms on warranties and maintenance services. We generally make payments to our suppliers based on a negotiated installment schedule, often leaving a small portion ranging from 10% to 15% unpaid until a certain period has elapsed after the delivery of the equipment. We generally make our payment with bank's acceptance bills or through online or wire transfer.

None of our Directors, their associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of our share capital as of the Latest Practicable Date, has any interest in any of our largest suppliers and customers aforementioned.

COMPETITION

Ports in China are primarily located in five regions: Bohai Rim, Yangtze River Delta, Pearl River Delta, Southeast Coastal and Southwest Coastal port regions. Competition among ports in different regions is limited as a result of the significant distances between them, the geography of major cargo destinations and origins and the composition of cargo flows.

Bohai Rim is the largest port region in China. Benefiting from its large hinterland stretching into the Bohai Rim, Northeast and Northwest China, Bohai Rim contributed approximately 45.2% of China's total tonnage throughput of coastal ports in 2012. Please see "Industry Overview — Competitive dynamics in the Bohai Rim port region" for more information on the competition among ports in the Bohai Rim.

We compete primarily with the ports of Tianjin, Rizhao, Lianyungang and Shanghai in China and with the Port of Busan in South Korea within Northeast Asia.

We believe that we compete with our main competitors on the basis of the following factors: cargo handling and storage capacity, transportation network, operational efficiency and scope and quality of services.

We believe that our strategic location, natural deep-water capacity, well-developed intermodal transportation network, comprehensive port services and our industry-leading operational efficiency provide us with unique competitive advantages over our competitors.

To our knowledge, as of March 31, 2014, there were 31 terminals and 90 berths for commercial use at the Port of Qingdao, out of which we operated 22 terminals with 69 berths, representing approximately 71.0% of the total number of terminals and 76.7% of the total number of berths for commercial use at the Port of Qingdao, respectively. As of the same date, among the nine terminals and 21 berths not operated by us at the Port of Qingdao, six terminals and eight berths are for commercial use and operated by cargo owners or their affiliates who were all independent of us or QDP. These terminals and berths are used to satisfy their own throughput handling needs and are not open to the general public. Therefore, the number of terminals and berths operated by us accounted for approximately 88.0% and 84.1% of the total terminal and berths for public use, respectively, at the Port of Qingdao. In addition, we handled approximately 88.1%, 83.4% and 76.4%, respectively, of the total cargo throughput of the Port of Qingdao in 2011, 2012 and 2013. As a result, we do not believe we have a competitive relationship with such cargo owners or their affiliates.

RISK MANAGEMENT

As a port operator, the risks we face in our operations primarily involve workplace health and safety issues and environmental protection issues. We have implemented various measures to manage and minimize such risks.

Workplace Health and Safety

Safety is one of our highest priorities. We place significant emphasis on safety control to minimize the amount and impact of any safety incidents and other accidents in connection with port services that could result in injuries or fatalities, including those caused by mechanical failures, exposure to toxic materials, typhoons, tsunamis and other similar events.

- We have adopted a well-established supervisory and management system for safety control through examinations and inspections of daily operations, which combine effective incentive and punitive measures with safety control reporting mechanisms.

- We and our principal joint ventures, such as QQCT, have formulated and implemented manuals and internal policies with regard to safety control procedures and standards. In particular, we have formulated and implemented safety measures on handling cargoes containing dangerous or hazardous materials, including classification of dangerous or hazardous materials, handling procedures, accident investigation procedures, protective and remedial measures, accident reporting procedures, and punitive and rectification measures.

- As of December 31, 2013, we and our principal joint ventures, such as QQCT, had dedicated teams responsible for safety control across different operations in our businesses. We provide occupational safety training to all of our employees on a regular basis according to our administrative rules on safety management. In particular, we have compulsory training for employees who handle dangerous materials or special operations, and each of these employees must receive safety qualification training for more than 20 hours per year and pass examinations before they are qualified to work in these positions.

We also have access to a range of emergency facilities, including seven fire brigades equipped with 13 fire engines, two fireboats and approximately 200 professional fire fighters to protect the Port of Qingdao. In addition, we have implemented detailed internal policies and guidelines regarding emergency plans and operation procedures for handling dangerous goods, which complies with the statutory requirements for the administration of dangerous goods at ports. For more information on such statutory requirements, please see "Regulations — Law and Regulations for Port Operations — Handling of dangerous goods at ports."

During the Track Record Period, except as disclosed below, there were no material workplace safety accidents in the course of our business.

Date of Accident	Description and Cause of Accident	Remedial and Mitigating Measures	Compensation
October 7, 2013	One of our employees at the Dagang Branch died after being injured in an accident caused by another employee while performing loading operations	We strengthened our internal rules and procedures on workplace safety, added more alarm devices to our machinery and equipment, and conducted more training to increase staff awareness of workplace safety	Family of the deceased employee received an insurance payment from the work compensation social welfare fund
February 18, 2012	One of our dispatched workers at the Dagang Branch was killed in an accident caused by improper operations during silo cleaning	We reinforced our workplace safety management, screened for potential safety risks and investigated potential improvements to our operational procedures	Family of the deceased employee received an insurance payment from the work compensation social welfare fund
December 13, 2011	One of the dispatched workers of West United was killed in an accident caused by improper operations during break bulk cargo stevedoring operations	We conducted a thorough review of the break bulk handing procedures of our branches and subsidiaries to screen for potential risks	Family of the deceased employee received an insurance payment from the work compensation social welfare fund

Our Directors are of the view that our workplace safety measures have been reasonably effective and adequate in maintaining and improving our workplace safety level. Under relevant regulations promulgated by the State Council, workplace safety accidents are classified into four categories in terms of the numbers of fatal injuries or death and the amount of financial losses, namely extraordinary major accidents, major accidents, serious accidents and general accidents. Since the establishment of QDP in 2003, we have only experienced general accidents. In addition, following the workplace safety accidents described above, which were all unrelated individual accidents without any pattern or similarity in the causes, we immediately investigated the causes and implemented more stringent measures to further strengthen our workplace safety control.

We entered into a Pledge of Responsibility for Workplace Safety Target (安全生產目標責任書) each year during the Track Record Period with the Qingdao municipal government under which we undertake to comply with certain standards measuring the severity of workplace accidents, such as the number of fatalities per year. During the Track Record Period, we have consistently fulfilled all of our undertakings under such pledges. In addition, we have obtained numerous certificates and awards in recognition of our performance in workplace safety control. For example, we have obtained GB/T9001 Quality Management System Certificates and GB/T28001 Occupational Health and Safety System Certificates, and we have received "Excellence Award for Basic and Foundational Work for Workplace Safety in Shandong Province" (山東省全省安全生產基層基礎工作先進企業) and "Excellence Award for Occupational Health and Safety Management System in Shandong Province" (山東省職業健康安全管理先進企業).

During the Track Record Period, we had not received any notification for any material violation of safety related laws and regulations or claims from any government entities or third parties.

Environmental protection

We are subject to PRC national and local environmental laws and regulations relating to air pollution, noise emissions, hazardous substances, waste discharge and other environmental matters. We place great emphasis on environmental protection and are dedicated to environmental protection in our operation and development of new projects. We have obtained GB/T24001 Environmental Management System Certificates. Our environmental protection measures include:

- conducting an environmental impact evaluation on each planned construction project;
- continuously monitoring the environmental impact of each under-development project;
- incorporating environmental impact criteria in delivery requirements of each project;
- establishing and implementing environmental protection procedures in our operation;
- disposing of pollutants discharged from our operations in accordance with the local standards to reduce water, atmospheric, solid waste and noise pollution and recycling such wastes where possible;
- implementing special procedures and retaining qualified third-party service providers for the discharge of hazardous substances; and
- choosing equipment and products that comply with national environmental protection standards and encouraging the use of natural and clean resources.

We have designated specific personnel and offices to oversee environmental matters. We have formulated internal procedures and policies to regulate our environmental protection efforts. For example, we have established Environmental Management Systems and Standards that require us to conduct environmental evaluation regularly, and engage qualified third-party experts to test and assess the environmental impact of our port-related services and construction projects. Furthermore, we and our joint ventures have also formulated specific standards and guidelines to implement relevant internal procedures and policies. For example, our joint venture QQCT has formulated the QQCT Enterprise Standards (青島前灣集裝箱碼頭有限責任公司企業標準) to regulate material aspects of our cargo handling services, such as hazardous goods handling and water pollution control.

As advised by our PRC legal advisor, our businesses are in compliance with the applicable national and local environmental laws and regulations in all material aspects. During the Track Record Period, we had not received any administrative penalties for any material violation of environmental protection laws and regulations or claims from any government entities or third parties in the PRC. For more information on applicable environmental laws and regulations, please see "Regulations — Laws and Regulations for Port Operations."

For the years ended December 31, 2011, 2012 and 2013, our environmental protection costs were approximately RMB33.1 million, RMB33.1 million and RMB44.3 million, respectively. We plan to continue to increase our spending on environmental protection in the next three years in line with the expansion of our facilities to remain in compliance with applicable regulations.

INSURANCE

We maintain insurance policies in respect of our port operations and equipment which we believe is in line with industry practice in the PRC. These policies include property insurance which covers damage caused by a casualty loss, such as fire, natural disasters and accidents in buildings, offices, important machinery and equipment or any other property and specific machinery damage insurance covering damage caused by machine breakdown or malfunction. We also maintain general automobile insurance, vessel insurance and public liability insurance. There are certain risks, such as terrorist acts, for which insurance cover is not currently available in the PRC. We have not experienced any business interruptions or material insurance claims since we commenced our operations. We believe that we have sufficient insurance coverage for our assets and operations and our insurance coverage conforms to the industry norm.

EMPLOYEES

As of December 31, 2013, our Company employed a total of 8,000 full-time employees. The following table presents a breakdown of employees of our Company by function as of December 31, 2013.

Function	Number of Employees
Operational management personnel	843
Professional technicians	732
Production operators	5,142
Ancillary staffs	1,283
Total	**8,000**

The following table presents a breakdown of employees of our Company by level of education as of December 31, 2013.

Level of Education	Number of Employees
Post-graduate degree	113
Bachelor's degree	1,035
College-level education	2,712
Others	4,140
Total	**8,000**

We conduct a substantial part of our operations through our subsidiaries and principal joint ventures. As of December 31, 2013, our subsidiaries and principal joint ventures employed a total of 4,430 full-time employees. For more information on our subsidiaries and principal joint ventures, please see "Our History, Reorganization and Corporate Structure."

As of the Latest Practicable Date, with the exception of our employees based at the dry ports and our marketing offices, all of our employees were based in Qingdao, Rizhao and Weihai, China.

In addition to the full-time employees we employed, as of December 31, 2013, we also utilized the services of 7,357 contract workers supplied by third-party staffing companies. The key terms of our labor supply contracts with third-party staffing companies include brief description of eligibility, term of service, and rights and obligations of the staffing company and us. Our payment to the staffing companies usually includes compensation for the workers, social welfare contribution for the workers, and a management fee to the staffing company. We are in the process of entering into labor contracts directly with some of these contract workers.

Employee relations

We believe that our employees are one of our most valuable assets. We provide in-house training to our employees to enhance their knowledge of our operations and safety practices and also provide regular training to individual employees according to their specific job requirements. In recognition of our human resource practices, we received "Best Employers in Shandong Awards" (山東省最佳僱主獎) jointly issued by the Shandong Enterprise Confederation (山東省企業聯合會) and Shandong Quality Management Association (山東省質量管理協會) in 2012.

We have not experienced any significant turnover of staff or any disruption to our business operations due to labor disputes during the Track Record Period. Our Directors believe that we maintain a good relationship with our employees.

Benefits

As required by PRC regulations, we participate in various employee benefit plans that are organized by the government, including pension, medical and parental, work compensation, unemployment benefit plans, maternity insurance and housing fund. We are required under PRC law to make contributions to the employee benefit plans at specified percentages of the sum of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Total employee benefit expense incurred by us amounted to RMB1,516.8 million, RMB1,706.6 million and RMB1,891.7 million, respectively, for the years ended December 31, 2011, 2012 and 2013.

INTELLECTUAL PROPERTY

As of December 31, 2013, we had registered three patents in the PRC, one trademark in Hong Kong and have applied for the registration of three trademarks in the PRC. The applications for the three trademarks in the PRC have been accepted by the competent authority and we expect to receive the trademark registration certificates in early 2015. As of the same date, we also have obtained exclusive licenses for 15 patents owned by QDP mainly for machinery parts and operating methods. According to the license agreement we entered into with QDP, we have the right to use these licenses in our operations free of charge until expiration of the patents or until the parties mutually agree to terminate the licenses.

For further details of our intellectual property portfolio, please see “Intellectual Property Rights” set out in Appendix VII to this prospectus.

PROPERTIES

Owned Properties

As of April 30, 2014 and taking Dongjiakou Operation II into account, we owned 23 parcels of land in the PRC with a total site area of approximately 9.9 million sq.m., the site area for each of which ranges from approximately 2,000 sq.m. to 3.5 million sq.m., representing approximately 90.0% of the total site area of parcels of land used by our Group, primarily used as berths, stacking yards and offices. As of the same date, we owned 116 buildings with a total GFA of approximately 389,314 sq.m., the GFA for each of which ranges from approximately 23 sq.m. to 55,070 sq.m., representing approximately 81.1% of the total GFA of the buildings used by our Group.

According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is partially exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings. Please refer to the property valuation report in Appendix III to this prospectus for more information of our properties (i) that form part of the our property activities except those with a carrying amount below 1% of the our total assets; (ii) that do not form part of the our property activities but the carrying amount of a property interest is or is above 15% of the our total assets; and (iii) that are significant to our operations.

As of April 30, 2014 and taking Dongjiakou Operation II into account:

- We do not possess the land use right certificate for one out of 23 parcels of owned land with a total area of approximately 890,064 sq.m., representing 8.08% of the total site area of land used by our Group. The parcel of land was reclaimed from the sea and QDP previously possessed the relevant sea use right. The relevant berths of Dongjiakou Operation II are subject to inspection upon completion and we will complete the land grant procedure in accordance with the applicable PRC laws and regulations upon passing the inspection of completion of the berths by the relevant authority and apply for the land use right certificate.

- We have not obtained the building ownership certificates for seven out of 116 owned buildings with a total GFA of approximately 4,994 sq.m., representing approximately 1.04% of the total GFA of buildings used by our Group. Of these seven buildings:

  i. four of our owned buildings with a total GFA of approximately 1,144 sq.m. were previously used as electrical substations and other ancillary facilities and are not currently in use. We intend to demolish such buildings as part of the proposed relocation of our business operations at the Dagang Port Area. For more information on such relocation, please see "— Our Facilities — Dagang Port Area"; and

  ii. three of our owned buildings with a total GFA of approximately 3,850 sq.m. are temporary structures including steel hothouses, warehouses and canteens.

Jia Yuan Law Offices, our PRC legal advisor, advised that pursuant to applicable laws, in respect of buildings constructed without the requisite construction planning permit, (i) the construction shall be suspended, rectification shall be made within the stipulated period and a fine ranging from 5% to 10% of the construction cost may be imposed; (ii) where rectification is not feasible, demolition shall be ordered; (iii) where demolition is not feasible, the relevant building and illegal gain shall be confiscated and a fine ranging from 5% to 10% of the construction cost may be imposed. For construction without construction permit, the relevant authority shall have the power to suspend the construction, and may impose a fine ranging from RMB5,000 to RMB10,000. Moreover, we do not have any right to sell or mortgage our Defective Owned Properties (as defined below) without such construction permit.

Our Directors believe that our owned buildings without valid title certificates ("**Defective Owned Properties**") are not, individually or collectively, crucial to, and will not have a material impact on our business, financial condition and results of operations primarily because (i) we have obtained valid title certificates for substantially all of our owned buildings, representing approximately 98.7% of the total GFA of the owned buildings of our Group; (ii) we can easily demolish the buildings comprising the Defective Owned Properties or relocate to our owned properties with valid title certificates in the event that we can no longer use any of the Defective Owned Properties due to the absence of title certificates; (iii) as of the Latest Practicable Date, no government authority or third party has made any claims or imposed any penalty against us with respect to the Defective Owned Properties; (iv) the fine, if any, is not expected to be material to us as a whole; (v) the absence of valid title certificates does not have any adverse impact on the safety conditions of the Defective Owned Properties; (v) compared with similar buildings in vicinity, we believe that there is no material difference in construction expenses in relation to the Defective Owned Properties arising from the absence of valid title certificates; and (vi) we believe that in the event that we are required to terminate our usage of Defective Owned Properties: *(x)* the alternative premises for the Defective Owned Properties are readily available, *(y)* the estimated time and cost for relocation would not be material, and *(z)* our operations on these Defective Owned Properties could be relocated to new sites without causing material interruption to our business, and our financial condition would not be materially affected given that the buildings are mainly used for office, maintenance and other ancillary purposes.

In addition, pursuant to an undertaking of QDP given on January 10, 2014, QDP undertakes to use its best endeavors to assist us in applying for the relevant title certificates for our owned buildings to the extent possible and to indemnify us in full from any losses, claims, expenses and fees arising from the defective titles. Jia Yuan Law Offices, our PRC legal advisor, advised that such undertaking is legal, valid and enforceable under PRC laws.

In light of the above, we believe that further remedial measures are not necessary. Please see "Risk Factors — Risks Relating to Our Business — Legal defects relating to certain properties or sea areas owned or leased by us could materially and adversely affect our ability to use such properties and sea areas."

Leased Properties

As of April 30, 2014, we leased 20 parcels of land with a total site area of approximately 1.1 million sq.m., representing approximately 10.0% of the total site area of parcels of land used by our Group and 28 buildings with a total GFA of approximately 90,744 sq.m., representing approximately 18.9% of the total GFA of the buildings used by our Group.

As of April 30, 2014:

- in respect of three out of 20 leased parcels of land with a total site area of approximately 21,534 sq.m., representing approximately 0.20% of the total site area of land used by our Group, the lessor who is an independent third party has obtained the relevant land use right certificates but has not completed its internal procedures of leasing the parcels of land to us. Such parcels of land are used mainly for storage purposes;

- in respect of one out of 20 parcels of land with a total site area of approximately 200,100 sq.m., representing approximately 1.82% of the total site area of land used by our Group, the lessor who is an independent third party confirmed that it has obtained the relevant land use right certificate but it is lost. Such parcel of land is used mainly for storage purposes;

- in respect of one out of 28 buildings with a total GFA of approximately 196 sq.m., representing approximately 0.04% of the total GFA of buildings used by our Group, QDP (the lessor) has not obtained the relevant building ownership certificate. This building is located on allocated land and is used as an electrical substation. Pursuant to a letter dated January 10, 2014, QDP has undertaken to be responsible for settling any title dispute in relation to such building, to bear all responsibility, and to indemnify us in full, for any and all potential claim, expenses, cost or penalties arising therefrom. Jia Yuan Law Offices, our PRC legal advisor, confirmed that such undertaking is legal and valid under PRC law; and

- we have not registered with relevant authorities our lease with three of our leased buildings with a total GFA of approximately 120 sq.m., representing approximately 0.02% of the total GFA of buildings used by our Group, and we are advised by our PRC legal advisor that it will not affect the validity of the lease agreements. Pursuant to applicable PRC laws and regulations, registration shall be made failing which a fine of RMB1,000 to RMB10,000 per lease agreement shall be imposed.

Our Directors believe that the lack of title certificates for our leased parcels of land and buildings set out above ("**Defective Leased Properties**") will not have a material adverse effect on our business, financial condition and results of operations primarily because (i) the lessors of substantially all of our leased properties have obtained the relevant title certificates, representing approximately 80.0% of the total site area of our leased parcels of land and approximately 99.8% of the total GFA of our leased buildings; (ii) we can easily lease other properties with valid title certificates in the event that we can no longer use any of the Defective Leased Properties; (iii) as of the Latest Practicable Date, no government authority or third party has made any claims or imposed any penalty against us with respect to the Defective Leased Properties; (iv) the lack of valid title certificates does not have any adverse impact on the safety conditions of the Defective Leased Properties; (v) compared with similar land or buildings in vicinity, we believe that there is no material difference in rental payment in relation to the Defective Leased Properties arising from the lack of valid title certificates of the relevant lessors; and (vi) we believe in the event that we are required to terminate our usage of the Defective Leased Properties: *(x)* the alternative premises for the Defective Leased Properties are readily available, *(y)* the estimated time and cost for relocation would not be material, and *(z)* our operations located on the Defective Leased Properties could be relocated to new properties without material interruption to our business operations, and our financial condition would not be materially affected considering their usage. In light of the above, we believe that further remedial measures are not necessary in the circumstances. Please see "Risk Factors — Risks Relating to Our Business — Legal defects relating to certain properties or sea areas owned or leased by us could materially and adversely affect our ability to use such properties and sea areas."

Construction in Progress

As of April 30, 2014, we had a total of 11 construction projects in progress, including six construction projects of key infrastructure for our port services and five projects of ancillary facilities, for which we have not received certain requisite project approval, environmental approval or land use approval.

Under relevant PRC laws and regulations, we face a series of potential penalties and other liabilities for failure to obtain such approvals, including an administrative order to suspend the construction, submission of a report to pertinent authorities, individual liability for persons-in-charge, and fines ranging from RMB50,000 to RMB200,000. As of the Latest Practicable Date, we have not received any significant administrative penalties due to the failure to obtain such approvals. QDP has undertaken to us that it would use its best efforts to assist us in obtaining such approvals, and has agreed to indemnify us in full for any administrative penalties, losses, claims, expenses and costs arising from the failure to obtain such approvals.

Sea Area Use Rights

As of April 30, 2014 and taking Dongjiakou Operation II into account, we possessed five certificates of sea area use right for sea areas with a total gross area of approximately 247 square hectares, all of which are located in the PRC, representing nearly all of the total gross area of sea areas for which we are required to obtain relevant sea area use right certificates. As disclosed below, we are in the process of applying for the sea area use right certificates for three berths.

We do not currently possess the sea area use rights with respect to certain sea area surrounding one of our terminals at the Dagang Port Area. Such terminal consists of two liquid bulk berths with a throughput of approximately 2.1 million tons, 1.8 million tons and 1.5 million tons, respectively, during the Track Record Period, representing approximately 0.6%, 0.5% and 0.4%, respectively, of our total throughput during the same period. While we are in the course of applying for these sea area use rights, such rights may not be granted as the terminal is in vicinity to military facilities. Our failure to obtain such sea area use right may result in a fine ranging from five to 15 times of the sea area use grant premium determined by the Ocean Bureau, orders to cease operation at the relevant terminal and confiscation of illegal gains. Our Directors estimated that under applicable laws and regulations, the maximum fine we may be subject to for failure to obtain such sea area use right could amount to RMB300,000 per year. Our Directors are of the view that if such fine were to be imposed on us, they would not have any material impact on us in light of the contribution of the relevant terminal to our total throughput, the amount of the potential fine and the proposed relocation of our business operations at the Dagang Port Area to the Qianwan Port Area and Dongjiakou Port Area, following which we no longer expect to use this terminal in our port operations. For more information on such relocation, please see "— Our Facilities — Dagang Port Area." As of the Latest Practicable Date, no penalty has been imposed on us in relation to the operation of the relevant terminal without sea area use rights.

Pursuant to a letter of undertaking of QDP dated January 10, 2014, QDP undertakes to use its best endeavors to assist us in obtaining such sea area use rights and to indemnify us against any potential fee, tax, expenses, claims and penalties. Jia Yuan Law Offices, our PRC legal advisor, confirmed that such undertaking is legal, valid and enforceable under the PRC laws.

In addition, we are in the process of applying for the sea use right with respect to one of the berths under Dongjiakou Operation II which is under trial operation. The sea area use right of the relevant berth has been approved in principle by People's Government of Shandong Province. We have paid the relevant sea area grant premium pending issue of the sea area use right certificate by the relevant authorities. Jia Yuan Law Offices, our PRC legal advisor, concurs with our Company's view that there is no substantive legal impediment for us to obtain the sea area use right.

REGULATORY COMPLIANCE

The Qingdao Municipal Port and Shipping Administration Authority under the Qingdao Municipal Commission of Transport is the governmental body responsible for issuing us the Port Operation License and the Affiliate Permit for Handling Hazardous Goods at Port, and the Qingdao Industry and Commerce Administration is the government body responsible for issuing us the enterprise business license. We have obtained each of these licenses for our relevant operations.

We are subject to the supervision and administration of the Shandong Provincial Environmental Bureau and the Qingdao Municipal Environmental Bureau, which, from time to time, send their representatives to conduct random inspections of our operations to ensure compliance with relevant environmental regulations.

Jia Yuan Law Offices, our PRC legal advisor, advised that, except as disclosed in this prospectus, as of the Latest Practicable Date, we have obtained major licenses, approvals and permits from relevant regulatory authorities which are material to our business operations in the PRC.

As a result of the Reorganization pursuant to which QDP contributed to us certain of its assets and subsidiaries comprising its core port business, we are required to re-apply for certain requisite licenses, approvals and permits for operation. As of the Latest Practicable Date, our Power Supply Branch* is in the course of applying for the Certificate for Enterprises in Construction Industry (建築業企業資質證書), and will proceed with the application for Work Safety License (安全生產許可證) after obtaining the Certificate for Enterprises in Construction Industry (建築業企業資質證書). Our Power Supply Branch* is also in the course of applying for Power Engineering Installation & Maintenance License (承裝(修、試)電力設施許可證). The maximum penalty is termination of the relevant projects or production, imposition of a fine ranging from (i) 2% to 4% of the project contract price (in the case of the Certificate for Enterprises in Construction Industry (建築業企業資質證書)); (ii) RMB100,000 to RMB500,000 (in the case of the Work Safety License (安全生產許可證)); and (iii) RMB10,000 to RMB500,000 (in the case of Power Engineering Installation and Maintenance License (承裝(修、試)電力設施許可證)), confiscation of all illegal gains and/or equipment, and may give rise to criminal liability.

While we are still in the course of re-applying for the aforementioned licenses, approvals and permits, our Directors believe that it is unlikely that there will be, individually or collectively, any material impact on our business, financial condition and results of operations primarily because (i) we have already obtained all the licenses, approvals and permits following the Reorganization that are material to our operation; (ii) as of the Latest Practicable Date, no government authority has imposed any penalty against us; (iii) the fine, if any is not expected to be material to our Group as a whole; (iv) the revenue and profit contribution of the relevant business without licenses, approvals and permits is insignificant to our Group as a whole; (v) the above qualification matters are being handled under the normal procedures in accordance with the requirements of laws and regulations; and (vi) QDP has undertaken to indemnify us against any potential economic loss resulting from the absence of such licenses, approvals and permits pursuant to the undertakings dated March 26, 2014. Jia Yuan Law Offices, our PRC legal advisor, confirmed that such undertaking is legal, valid and enforceable under the PRC laws. If we are unable to obtain the relevant licenses, permits or approvals for certain of our business operations by December 31, 2014, we will suspend send operations until the requisite licenses, permits and approvals are obtained.

See also "Risk Factors — We are required to obtain qualifications or licenses to undertake our business operations and any revocation, cancellation or non-renewal of these qualifications or licenses could have a material and adverse impact on our business" in this prospectus.

LICENSES AND PERMITS

We are required to obtain a large number of licenses, approvals and permits from numerous government entities on municipal, provincial and national levels to operate our business. The chart below sets forth the key licenses and approvals required for our operations. Please see "Regulations" for further information on the regulatory regime we are subject to.

License/Approval	Holding Entity	Issuing Authority	Grant Date	Expiration Date
Port Operation License (港口經營許可證)	Our Company	Port and Shipping Authority of Qingdao Municipal Commission of Transport (青島市交通運輸委員會港航管理局)	January 14, 2014	January 13, 2017
Port Operation License (port tallying services) (港口經營許可證(港口理貨業務))	Qingdao OST	Ministry of Transport (交通運輸部)	December 31, 2013	December 31, 2016
Port Operation License (港口經營許可證)	West United	Port and Shipping Authority of Qingdao Municipal Commission of Transport	September 30, 2013	September 29, 2016
Affiliate Permit for Handling Hazardous Goods at Ports (港口危險貨物作業附證)	Our Company and West United	Port and Shipping Authority of Qingdao Municipal Commission of Transport	Various dates	Various dates

License/Approval	Holding Entity	Issuing Authority	Grant Date	Expiration Date
Certificate of Compliance with Port Facility Security (港口設施保安符合證書)	West United and various branches of our Company	Ministry of Transport	Various dates	Various dates
Cross-border Port Storage Area Sanitation License (國境口岸儲存場地衛生許可證)	Our Company	Huangdao Entry-Exit Inspection and Quarantine Bureau (黃島出入境檢驗檢疫局)	January 10, 2014	January 9, 2016
Registration Certificate for Consignee or Consignor of Import or Export Goods Issued by Customs (海關進出口貨物收發貨人報關註冊登記證書)	Our Company and our various subsidiaries	Qingdao Customs (青島海關)	Various dates	Various dates
Road Transportation Operation License (道路運輸經營許可證)	Our Port Transportation Branch*	Qingdao Municipal Bureau of Roadway Transport (青島市道路運輸管理局)	January 16, 2014	January 15, 2018
Road Transportation Operation License (道路運輸經營許可證)	Our Port Machinery Branch*	Qingdao Municipal Bureau of Roadway Transport	April 9, 2014	April 8, 2017
Customs Bonded Warehouse Registration License (Public Bonded Warehouse) (海關保稅倉庫註冊登記證書(公用型保稅倉庫))	Our Company and Qingdao Gangrong	Qingdao Customs	Various dates	Various dates
Certificate for Enterprises in Construction Industry (建築業企業資質證書)	Our various subsidiaries	Ministry of Construction, Qingdao Municipal Commission of Construction and Construction Engineering Authority of Shandong Province (建設部、青島市建設委員會及山東省建築工程管理局)	Various dates	Various dates

License/Approval	Holding Entity	Issuing Authority	Grant Date	Expiration Date
Special Equipment Manufacturing License (特種設備製造許可證)	Our Port Machinery Branch*	Shandong Bureau of Quality and Technology Supervison (山東省質量技術監督局)	Various dates	Various dates
Special Equipment Installment, Upgrading and Repair License (特種設備安裝改造維修許可證)	Our Port Machinery Branch*	Shandong Bureau of Quality and Technology Supervision (山東省質量技術監督局)	April 24, 2014	April 23, 2018
Refined Oil Retail License (成品油零售經營批准證書)	Our various branches	Qingdao Municipal Commission of Economy and Information Technology (青島市經濟和信息化委員會)	Various dates	—
Hazardous Chemical Operation License (危險化學品經營許可證)	Our various branches	Qingdao Municipal Administration of Work Safety (青島市安全生產監督管理局)	December 12, 2013	Various dates
National Industrial Manufacturing License (全國工業產品生產許可證)	Our Port Machinery Branch*	State General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局)	April 29, 2014	August 13, 2014
Special Measurement Authorization Certificate (專項計量授權證書)	Our Company	Qingdao Municipal Bureau of Quality and Technology Supervision (青島市質量技術監督局)	Various dates	Various dates

LEGAL PROCEEDINGS

We are from time to time involved in certain legal proceedings arising in the ordinary course of our business, either as plaintiff, defendant or a third party in litigation or arbitration proceedings. As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that would have material adverse impact on us. So far as the Directors are aware, as of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings were pending or threatened against us. We believe that we have made adequate provisions based on our best estimate with respect to potential losses from our legal proceedings.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain agreements with our Controlling Shareholder and other connected persons. Transactions under these agreements will constitute our continuing connected transactions under the Hong Kong Listing Rules.

Summary of Our Connected Persons

Connected Person	Connected Relationship
QDP	Our Controlling Shareholder, currently holds 90% of our total issued share capital and will hold approximately 75% of our total issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).
Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd. ("**Qingdao Gangsheng**") (青島港盛國際物流冷藏有限公司)	QDP holds 30% equity interest in Qingdao Gangsheng and is therefore our connected person under the Hong Kong Listing Rules.
Qingdao Merchants	Qingdao Merchants is the substantial shareholder with 49% equity interest in our non-wholly owned subsidiary, West United, and is therefore our connected person under the Hong Kong Listing Rules.
China Merchants International Terminal (Qingdao) Company Limited ("**CMIT**") (招商局國際碼頭(青島)有限公司)	Associate of Qingdao Merchants, non-wholly owned by Qingdao Merchant's parent company China Merchants Holding (International) Company Limited (招商局國際有限公司), and is therefore our connected person under the Hong Kong Listing Rules.
QQCTU	Qingdao Merchants holds 50% equity interest in QQCTU and is therefore our connected person under the Hong Kong Listing Rules.
QQCTUA	A non-wholly owned subsidiary of QQCTU and is therefore our connected person under the Hong Kong Listing Rules.
China OST	China OST is the substantial shareholder with 16% equity interest in our non-wholly owned subsidiary, Qingdao OST, and is therefore our connected person under the Hong Kong Listing Rules.
Qingdao Shenzhouxing International Freight Co., Ltd. ("**Qingdao Shenzhouxing**") (青島神州行國際貨運代理有限公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules. It is also our joint venture in which we have 50% shareholding.

Connected Person	Connected Relationship
Qingdao QWG Port Logistics Co., Ltd. ("**QWG Port Logistics**") (青島港前灣港區保税物流中心有限公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules. It is also our joint venture in which we have 23% shareholding.
Qingdao Ocean & Great Asia Logistics Co., Ltd. ("**Qingdao Ocean**") (青島遠洋大亞物流有限公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules.
China Marine Bunker Qingdao Co., Ltd. ("**China Marine Bunker**") (中國船舶燃料青島有限公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules.
Qingdao United International Shipping Agency Ltd. ("**Qingdao United**") (青島聯合國際船舶代理有限公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules. It is also our joint venture in which we have 50% shareholding.
Qingdao Cargo International Logistics Ltd. ("**Qingdao Cargo**") (青島中貨國際物流有限公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules.
COSCO Container Shipping Agency Ltd. ("**COSCO Shipping**") (青島中遠集裝箱船務代理有限公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules.
COSCO Logistics (Qingdao) ("**COSCO Logistics**") (青島中遠物流有限公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules.
China Ocean Shipping Agency ("**China Ocean**") (中國青島外輪代理公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules.
COSCO Container Lines Co., Ltd. ("**COSCO Container**") (中遠集裝箱運輸有限公司)	Associate of China OST, also belongs to the COSCO Group and is therefore our connected person under the Hong Kong Listing Rules.

Summary of Our Continuing Connected Transactions

Nature of Transaction	Applicable Hong Kong Listing Rules	Waiver Sought
Exempt continuing connected transactions		
1. Patent Licensing Agreement	14A.33(3)(a)	Not applicable
2. CM Lease Framework Agreements	14A.31(9)	Not applicable
3. CM General Framework Agreements	14A.31(9)	Not applicable
4. COSCO Lease Framework Agreements	14A.31(3)(b)	Not applicable
Non-exempt continuing connected transactions		
1. QDP Lease Framework Agreement	14A.34(1)	Waiver from announcement requirement
2. QDP General Framework Agreements and Qingdao Gangsheng General Framework Agreement		
Provision of goods and services to us	14A.34(1)	Waiver from announcement requirement
Provision of goods and services by us	14A.34(1)	Waiver from announcement requirement
3. COSCO General Framework Agreements		
Provision of goods and services by us	14A.34(1)	Waiver from announcement requirement
Provision of goods and services to us	14A.35	Waiver from announcement and independent shareholders' approval requirements

EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into certain continuing connected transactions which will be exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules (collectively, the "**Exempt Continuing Connected Transactions**"), as further discussed below.

1. *Patent Licensing Agreement*

We entered into a patent licensing agreement with our Controlling Shareholder on May 9, 2014 (the "**Patent Licensing Agreement**"), pursuant to which our Controlling Shareholder has agreed to grant our Group an exclusive license to use certain patents owned by our Controlling Shareholder related to our Core Operations for nil consideration. These patents were not transferred to our Group as part of our Reorganization because the transfer procedures for patents registered under PRC law are time-consuming, and we expect to develop our own new technologies and apply for new patents under the name of our Company which will gradually replace the licensed patents. The Patent Licensing Agreement is for a term commencing on the date of the Patent Licensing Agreement until the date of expiry of such patents, all of which will be after 2024. For details of the patents and their respective expiry dates, please see "Relationship with Our Controlling Shareholder — Independence from our Controlling Shareholder — Operational Independence" and "Appendix VII — Statutory and General Information — Further Information about Our Business — Intellectual Property Rights — Patents" to this prospectus.

As we expect that each of the applicable percentage ratios (other than the profit ratio) for the Patent Licensing Agreement calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules will not exceed 0.1% on an annual basis, the transaction contemplated under the Patent Licensing Agreement constitutes a continuing connected transaction of our Company which is exempt from all the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

2. *CM Lease Framework Agreements*

We have entered into lease framework agreements with each of CMIT and QQCTU on May 9, 2014 (the "**CM Lease Framework Agreements**"), pursuant to which CMIT and QQCTU lease to us certain properties and equipment. As such agreements are of the same nature and are entered into with parties associated with us by virtue of being the associates of Qingdao Merchants, the CM Lease Framework Agreements are aggregated under the Hong Kong Listing Rules. The total amount of rentals paid by us to CMIT and QQCTU for the years ended December 31, 2011, 2012 and 2013 were approximately RMB2,191,000, RMB4,672,100 and RMB13,871,700, respectively.

The CM Lease Framework Agreements have an initial term commencing from their signing date and ending on December 31, 2016. The principal terms under each of the CM Lease Framework Agreements are similar. The amounts of rental payments will be determined by the parties in accordance with applicable laws and regulations and based on fair market values of similar properties in the location of the leased properties. We have the right to terminate all or part of the leases by serving a three-month prior written notice to CMIT or QQCTU (as the case may be) at any time before the expiry of the leases.

The properties and equipment we lease pursuant to the CM Lease Framework Agreements are located close to our operations in the Port of Qingdao, and are mainly used for stacking or storing goods and commodities in transit. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, confirmed that the annual rental payments in relation to the properties (excluding equipment) under the CM Lease Framework Agreements are fair and reasonable and reflect the prevailing market prices of similar properties in the areas adjacent to the relevant properties.

CMIT and QQCTU are only our connected persons because their associate, Qingdao Merchants, is a substantial shareholder of our non-wholly owned subsidiary, West United. As the applicable percentage ratios for West United represent less than 10% for each of the latest three financial years, the CM Lease Framework Agreements fall within the *transactions with persons connected at the level of subsidiaries* threshold as stipulated under the Hong Kong Listing Rules, and the transactions thereunder are exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

3. ***CM General Framework Agreements***

We have entered into certain general goods and services framework agreements with each of Qingdao Merchants, QQCTU and QQCTUA (the "**CM Associates**") on May 9, 2014 (the "**CM General Framework Agreements**"). As the CM General Framework Agreements are of the same nature and are entered into with parties associated with one another, the transactions entered into with these CM Associates are aggregated pursuant to the Hong Kong Listing Rules. The total amount of transactions between the CM Associates and us for the years ended December 31, 2011, 2012 and 2013 were approximately RMB46,546,000, RMB118,896,000 and RMB117,113,400, respectively.

The terms of the CM General Framework Agreements are similar. Each of the CM General Framework Agreements has an initial term commencing from their signing date and ending on December 31, 2016. Pursuant to the underlying general services agreements, Qingdao Merchants shall supply electricity in the South Bay of Qianwan Port Area to us. Pursuant to the underlying general services agreements, our Group shall provide a wide range of goods and services to these CM Associates, which mainly include, among other things, (i) electricity supply in Port of Qingdao outside of the South Bay of Qianwan Port Area; (ii) petroleum; (iii) facilities and equipment maintenance services; and (iv) tugging services.

We acquire electricity supplies from Qingdao Merchants as we do not supply our own electricity in the South Bay of Qianwan Port Area. Qingdao Merchants is a provider of electricity in that area.

The CM Associates entered into the CM General Framework Agreements with us for the provision of electricity and petroleum supplies because we are the only provider of such supplies in the Port of Qingdao outside of the South Bay of Qianwan Port Area. We are also the only provider of tugging services for transporting boats between port areas in Port of Qingdao. In addition, we are one of the more experienced providers of the facilities and equipment maintenance services in Port of Qingdao. Therefore these CM Associates procure our supplies and services in their ordinary course of business.

The CM Associates are only our connected persons because Qingdao Merchants is a substantial shareholder of our non-wholly owned subsidiary, West United. As the applicable percentage ratios for West United represent less than 10% for each of the latest three financial years, the CM General Framework Agreements fall within the *transactions with persons connected at the level of subsidiaries* threshold as stipulated under the Hong Kong Listing Rules, and the transactions thereunder are exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

4. ***COSCO Lease Framework Agreements***

We have entered into lease framework agreements with each of Qingdao Shenzhouxing, QWG Port Logistics and COSCO Logistics (the "**OST Associates**") on May 9, 2014 (the "**COSCO Lease Framework Agreements**"), pursuant to which the OST Associates lease properties from us. As such agreements are of the same nature and are entered into with parties associated with us by virtue of being the associates of China OST, the COSCO Lease Framework Agreements are aggregated under the Hong Kong Listing Rules. The total amount of rental the OST Associates paid us for the years ended December 31, 2011, 2012 and 2013 were approximately RMB13,336,000, RMB13,219,000 and RMB13,063,000, respectively. Such amount is expected to remain steady for the years ending December 31, 2014, 2015 and 2016 at an amount not exceeding RMB22.0 million per annum, as no material adjustment is expected to be made to such rentals during the term of the COSCO Lease Agreements.

The terms under each of the COSCO Lease Framework Agreements are similar. During the terms of the leases, our Company agrees to grant the right to use the properties identified under each COSCO Lease Framework Agreement to the respective OST Associates. Each of the COSCO Lease Framework Agreements has an initial term commencing from their signing date and ending on December 31, 2016. We have the right to terminate all or part of the leases by serving a three-month prior written notice to the OST Associates (as the case may be) at any time before the expiry of the leases.

The OST Associates lease the properties identified under the COSCO Lease Framework Agreements from us mainly for their business of providing storage and logistics services in Port of Qingdao. The properties such as stacking yards and warehouses are used by the OST Associates to store goods and commodities in transit in the port area. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, confirmed that the annual rental payments in relation to the properties under the COSCO Lease Framework Agreements, except the lease agreement with QWG Port Logistics, are fair and reasonable and reflect the prevailing market prices of similar properties in the areas adjacent to the relevant properties. The annual rental payments in relation to the lease agreement with QWG Port Logistics, under which we lease certain properties to QWG Port Logistics, are higher than the prevailing market rate.

The OST Associates are only our connected persons because their associate, China OST, is a substantial shareholder of our non-wholly owned subsidiary, Qingdao OST. Since the highest of all applicable percentage ratios (other than the profits ratio) of transactions under the COSCO Lease Framework Agreements calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules is less than 1%, the transactions under the COSCO Lease Framework Agreements fall within the *de minimis transactions* threshold as stipulated under the Hong Kong Listing Rules, and the transactions thereunder are exempt from the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We entered into the following transactions during the ordinary course of business which will constitute continuing connected transactions of our Company and will be subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules (as the case may be) (the "**Non-exempt Continuing Connected Transactions**").

(A) **Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement**

QDP Lease Framework Agreement

Our Company and our Controlling Shareholder entered into a lease framework agreement on May 9, 2014 (the "**QDP Lease Framework Agreement**") in respect of the lease of certain assets which include, among other things, land, buildings, tugboats and structures from our Controlling Shareholder and/or its subsidiaries to us. The QDP Lease Framework Agreement is valid for an initial term commencing from its signing date and ending on December 31, 2016.

The following table sets forth a summary of the QDP Lease Framework Agreement:

	Historical Amounts ('000 RMB)			Annual Caps ('000 RMB)		
	2011	2012	2013	2014	2015	2016
QDP						
Land and buildings	—	—	5,207	62,550	62,550	62,550
Tugboats	—	—	6,118	22,000	22,000	22,000
Total	—	—	11,325	84,550	84,550	84,550

Principal terms

During the term of the QDP Lease Framework Agreement, our Company and our subsidiaries have the exclusive right to use all the land, buildings, tugboats and structures identified under the QDP Lease Framework Agreement. Subject to the requirements under the Hong Kong Listing Rules and other applicable laws and regulations, the QDP Lease Framework Agreement may be renewed automatically for another three years if the parties do not object to the renewal at least one month before the expiry of the lease. We have the right to terminate all or part of the lease by serving a three-month prior written notice to our Controlling Shareholder at any time before the expiry of the lease. Our Controlling Shareholder has undertaken that it will take necessary actions to ensure that we have undisputed rights to use the leased assets during the term of the lease, and may not sell, invest, pledge or otherwise dispose of any of the leased assets without our prior written consent.

Reasons for the transactions

Most of the land, buildings and structures under the QDP Lease Framework Agreement are located in the Dagang Port Area. In accordance with the local government's city planning, our port operations at the Dagang Port Area may be relocated to the Dongjiakou Port Area and the Qianwan Port Area. Accordingly, our Controlling Shareholder did not transfer such assets into our Group as part of the Reorganization as we will no longer require such assets after the relocation. For details of the relocation, please see "Business — Our Facilities — Dagang Port Area" in this prospectus. As a result, our Company intends to lease such land, buildings and properties from our Controlling Shareholder in accordance with our operational needs until the relocation is completed.

We lease six tugboats from Qingdao Port Investment Shipping Co., Ltd. (青島港投船務有限公司) ("**QPIS**"), a wholly owned subsidiary of QDP, which we operate together with our own tugboats. Subsidiaries of QDP, including QPIS, do not have any tugboat operating business and rely on our expertise in order to fully utilize these six tugboats. The leasing of the six tugboats expands our business of tugboat operations and increases our capability.

Historical amounts and basis for annual caps

The total amount of rentals for properties paid to our Controlling Shareholder by us for the years ending December 31, 2011 and 2012 were zero as we were part of the QDP prior to the Reorganization and our Controlling Shareholder did not charge its subsidiaries for using properties they owned. The notional rental charges for each of the years ended December 31, 2011, 2012 and 2013 are estimated at an amount not exceeding RMB62.3 million based on the historical prevailing market rates at the relevant time. We began to pay rent to our Controlling Shareholder after our Company was established in November 2013. We paid approximately RMB5,207,000 in 2013 to QDP and/or its subsidiaries for the leasing of properties and this amount was for one month only and hence it is much lower than the amounts expected for each of the years ending December 31, 2014, 2015 and 2016. The monthly rate for 2013 to 2016 remain stable and the annual caps for each of the years ending December 31, 2014, 2015 and 2016 is expected to remain at an amount not exceeding RMB62.6 million per annum.

The total rental amount paid by us to QPIS for the lease of tugboats for the years ending December 31, 2011 and 2012 were zero as QDP only began leasing tugboats from QPIS in March 2013. We paid approximately RMB6,118,000 in 2013 to QDP for leasing the tugboats from March to December of 2013. Such amount is expected to increase to an amount not exceeding RMB22.0 million per annum for each of the years ending December 31, 2014, 2015 and 2016. The increase is mainly to cover the costs and taxes, including the related depreciation expenses of the tugboats, interest expenses for servicing the loans related to the tugboats and the costs of maintenance and operation of the tugboats borne by QPIS.

The amounts of rental payment for the underlying property lease agreements will be determined by reference to (i) the prevailing market prices of similar properties in the same area; (ii) costs of acquisition of the properties by QDP and/or its subsidiaries; and (iii) depreciation costs of the properties. The amounts of rental payment for the underlying tugboat lease agreement will be determined by reference to (i) market rent for tugboat leasing; (ii) costs and taxes, including the related depreciation expenses of the tugboats; (iii) interest expenses for servicing the loans related to the tugboats; and (iv) the costs of maintenance and operation.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, confirmed that the annual rental payments in relation to properties (excluding the tugboats) under the QDP Lease Framework Agreement between us and our Controlling Shareholder are fair and reasonable to the parties and reflect the prevailing market prices of similar properties in the areas adjacent to the relevant properties.

QDP General Framework Agreement and Qingdao Gangsheng General Framework Agreement

We entered into a general goods and services framework agreement with our Controlling Shareholder on May 9, 2014 (the "**QDP General Framework Agreement**") for an initial term commencing from its signing date and ending on December 31, 2016, which serves as a framework agreement setting out the scope of goods and services and the pricing terms in respect of the goods and services to be provided under the QDP General Framework Agreement. We also entered into a general goods and services framework agreement (the "**Qingdao Gangsheng General Framework Agreement**") with Qingdao Gangsheng on May 9, 2014 for an initial term commencing from its signing date and ending on December 31, 2016. As the Qingdao Gangsheng General Framework Agreement is of the same nature as that of QDP General Framework Agreements and Qingdao Gangsheng is an associate of QDP, the QDP General Framework Agreements and Qingdao Gangsheng General Framework Agreement are aggregated under the Hong Kong Listing Rules.

The following table sets forth a summary of the historical amounts paid and annual caps under the QDP General Framework Agreement and the Qingdao Gangsheng General Framework Agreement:

	Historical Amounts ('000 RMB)			Annual Caps ('000 RMB)		
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Provision of goods and services to us by:						
QDP and/or its subsidiaries	20,927	15,623	22,590	24,849	27,333	30,067
Qingdao Gangsheng	118	136	164	200	240	290
Total	21,045	15,759	22,754	25,049	27,573	30,357
Provision of goods and services by us to:						
QDP and/or its subsidiaries	7,950	7,265	56,270	229,600	248,100	268,400
Qingdao Gangsheng	2,472	3,152	3,022	810	1,000	1,200
Total	10,422	10,417	59,292	230,410	249,100	269,600

(i) QDP General Framework Agreement

Principal terms

A. *Provision of general services by our Controlling Shareholder and/or its subsidiaries to us*

Pursuant to the QDP General Framework Agreement, our Controlling Shareholder and/or its subsidiaries shall provide a range of goods and services to our Group, which primarily include (i) medical services; (ii) accommodation; and (iii) food & beverages.

B. *Provision of general goods and services by us to our Controlling Shareholder and/or its subsidiaries*

Pursuant to the QDP General Framework Agreement, our Group shall provide our Controlling Shareholder and/or its subsidiaries with a range of services, primarily including: (i) water, electricity, petroleum and heating supplies; (ii) communication services; (iii) port construction and other services; and (iv) port project management services.

Reasons for the transactions

A. *Provision of general goods and services by our Controlling Shareholder and/or its subsidiaries to us*

While our Controlling Shareholder contributed the Core Operations to our Group pursuant to the Reorganization, it retained certain businesses that are ancillary or are not related to our core port business. We continue to procure services related to such Retained Operations required for our daily operations after the Reorganization as the location of QDP and its subsidiaries are in close proximity to our operations in Port of Qingdao so it is cost efficient and convenient for us to use such ancillary services. Moreover, in relation to medical services, the relevant QDP's subsidiary is experienced and has been providing specialized treatment to port employees. It is also conveniently located at the Port of Qingdao.

B. *Provision of general services by us to our Controlling Shareholder and/or its subsidiaries*

As part of the Reorganization, QDP transferred to us the relevant personnel, expertise, permits and assets for the provision of port construction, port project management and other services. QDP and its subsidiaries, after the Reorganization, does not have port construction or port project management capabilities and will rely on external parties with development projects in the Port of Qingdao. We provide these services to QDP as part of the ordinary course of our port construction and port project management businesses.

Basis of price determination

The pricing of the relevant goods and services provided under the QDP General Framework Agreement shall be determined in accordance with the following principles in ascending order:

(i) *government-prescribed price*: if government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price;

(ii) *government-guided price*: if government-prescribed price is not available but a government-guided fee standard is available, the price will fall within range of the government-guided price;

(iii) *market price*: where the above two price standards are not available, the price will be determined by reference to the then market price; and

(iv) *agreed price*: where the above three price standards are not available, the price will be the price agreed between the parties.

There are government-prescribed prices for water, electricity, petroleum and heating supplies. Port construction projects and port project management also have pre-determined pricing from the government. Communication services charge prices are based on market rate. We went through a public bidding process with QDP and/or its subsidiaries in winning our current construction and management projects and will continue to do so in the future. We compete with other bidders on the same set of criteria stipulated by QDP and/or its subsidiaries. For medical services, accommodation and food & beverages, the pricing is set by our Controlling Shareholder by reference to providers of similar services in Qingdao.

Historical amounts and basis of annual caps

A. *Provision of general goods and services by our Controlling Shareholder and/or its subsidiaries to us*

The amounts of general goods and services provided by our Controlling Shareholder and/or its subsidiaries to us for the three years ended December 31, 2011, 2012 and 2013 were approximately RMB20,927,000, RMB15,623,000 and RMB22,590,000, respectively. Such amount is expected to increase for the years ending December 31, 2014, 2015 and 2016 to amounts not exceeding RMB24.9 million, RMB27.4 million and RMB30.1 million, respectively.

The amount for the provision of medical services is estimated to increase based on the expected annual increase in the number of our employees at a rate of 5% for 2014 to 2016. The scope of medical check-ups provided to our employees is expected to be expanded in line with the improving standard of medical services in Qingdao. With respect to the provision of accommodation and food & beverages, the expected increase in annual cap is based on the increase in our demand for such services as we plan to increase our procurement from QDP and/or its subsidiaries instead of from external services provider, which is more convenient to us, as well as the estimated rise in costs for the provision of accommodation and food & beverages by QDP and/or its subsidiaries. Based on the foregoing, we estimated the provision of general goods and services by QDP and/or its subsidiaries will increase 10% annually from 2014 to 2016 and the corresponding annual caps are determined accordingly.

B. *Provision of general services by us to our Controlling Shareholder and/or its subsidiaries*

The amounts of general services provided by us to our Controlling Shareholder and/or its subsidiaries for the three years ended December 31, 2011, 2012 and 2013 were approximately RMB7,950,000, RMB7,265,000 and RMB56,270,000, respectively. Such amount is expected to increase for the years ending December 31, 2014, 2015 and 2016 to amounts not exceeding RMB229.6 million, RMB248.1 million and RMB268.4 million, respectively. The significant increase in 2014 is mainly attributable to the expected commencement of up to eight port construction projects of QDP related to public infrastructure in the Dongjiakou Port Area in 2014. Public infrastructure construction is within the scope of the Retained Business of QDP. Apart from such public infrastructure construction projects, QDP has no other port operations in the Dongjiakou Port Area following completion of the Dongjiakou Acquisitions. We estimate that approximately 90% of the annual caps for the next three years are attributable to the port construction projects we plan to undertake. As of the Latest Practicable Date, we have won four of the projects through public bidding. We believe we are well positioned to be awarded the remaining four projects in light of our expertise and experience in undertaking similar construction projects for QDP. Accordingly, we expect to undertake eight construction projects, which are generally larger in scale and with longer construction period, for QDP in 2014, compared to the four projects in 2013, and it is estimated that half of these projects will span over several years. In addition, we expect to be awarded other construction projects in the next three years and estimate a steady increase of around 8% annually in terms of the revenue we expect to receive from providing construction services. This is because the Qingdao municipal government in July 2013 has indicated its intention to significantly expand the total area for development in the Dongjiakou Port Area and the number of construction projects is expected to increase.

We also provide utilities such as water, electricity, petroleum and heating supplies to QDP and its subsidiaries. Prices for utilities are determined by government-prescribed prices which are estimated to increase over the next three years. In addition, due to the expected commencement of the construction projects in the Dongjiakou Port Area, the corresponding demand from QDP and/or its subsidiaries for our electricity supplies is expected to increase accordingly. Based on the foregoing, we estimate the provision of general services by us to QDP and/or its subsidiaries will increase around 8% annually from 2014 to 2016 and the corresponding annual caps are determined accordingly.

(ii) **Qingdao Gangsheng General Framework Agreement**

Principal terms

Pursuant to the Qingdao Gangsheng General Framework Agreement, the parties shall provide certain goods and services to each other, which mainly involves our provision of water and petroleum to Qingdao Gangsheng and the provision to us of port agent services by Qingdao Gangsheng.

Reasons for the transactions

Qingdao Gangsheng has operations in the Port of Qingdao and we are the only petroleum provider with gas stations in the port area so for convenience and their day-to-day business, Qingdao Gangsheng purchases our petroleum. In addition, port agent services is part of Qingdao Gangsheng's principal business. They represent and act on behalf of their customers and suppliers who require our tallying services in the Port of Qingdao.

Basis of price determination

The pricing of the relevant goods and services provided under the Qingdao Gangsheng General Framework Agreement shall be determined in accordance with the following principles in ascending order:

(i) *government-prescribed price:* if government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price;

(ii) *government-guided price:* if government-prescribed price is not available but a government-guided fee standard is available, the price will fall within the range of the government-guided price;

(iii) *market price:* where the above two price standards are not available, the price will be determined by reference to the then market price; and

(iv) *agreed price:* where the above three price standards are not available, the price will be the price agreed between the parties.

There are government-prescribed prices for water and petroleum supplies. The pricing for port agent services is mainly based on prevalent market prices in Port of Qingdao.

Historical amounts and basis of annual caps

The total amount of general goods and services with Qingdao Gangsheng for the years ended December 31, 2011, 2012 and 2013 were approximately RMB2,590,000, RMB3,288,000 and RMB3,186,000, respectively. The transaction amount from 2012 to 2013 significantly increased because Qingdao Gangsheng changed its business plan to focus more on port agent services in 2013. Such amount is expected to decrease for the years ending December 31, 2014, 2015 and 2016 to amounts not exceeding RMB1.01 million, RMB1.24 million and RMB1.49 million, respectively. In determining the annual caps for the Qingdao Gangsheng General Framework Agreement, our Company has taken into account the following factors: (i) the historical transaction amounts; (ii) the expected increase in market costs; (iii) business plans of Qingdao Gangsheng, the expected increase in their port agent services business and the expected decrease in their container transshipment hub services; and (iv) the estimated increase in the relevant government-prescribed prices, government-guided prices, market prices and/or agreed prices. The decrease is primarily due to Qingdao Gangsheng's business plan to cease the provision of the container transshipment hub services, and therefore the use of machinery which requires petroleum will significantly decrease and hence the demand from Qingdao Gangsheng for our provision of petroleum will also decrease.

COSCO General Framework Agreements

We have entered into certain general goods and services agreements for provision of goods and services with each of Qingdao Shenzhouxing, QWG Port Logistics, Qingdao Ocean, China Marine Bunker, Qingdao United, Qingdao Cargo, COSCO Shipping, COSCO Logistics, China Ocean and COSCO Container (the "**COSCO Associates**") on May 9, 2014 (the "**COSCO General Framework Agreements**") for an initial term commencing from their signing date and ending on December 31, 2016. The COSCO General Framework Agreements are of same nature and are entered into with parties associated with us by virtue of being associates of China OST, therefore the COSCO General Framework Agreements are aggregated under the Hong Kong Listing Rules.

The following table sets forth a summary of the COSCO General Framework Agreements:

	Historical Amounts ('000 RMB)			Annual Caps ('000 RMB)		
	2011	2012	2013	2014	2015	2016
Provision of goods and services by us	103,982	140,155	154,436	170,000	187,000	206,000
Provision of goods and services to us	227,909	292,926	391,062	431,000	474,000	521,000

Provision of general goods and services to COSCO Associates by us

Principal terms

Pursuant to the COSCO General Framework Agreements, our Group shall provide COSCO Associates with a range of goods and services, which primarily include, among other things, (i) electricity; (ii) petroleum; (iii) heat; (iv) stevedoring services; and (v) communication services.

Reasons for the transactions

The COSCO Associates require our services as we are the only electricity provider in Port of Qingdao (except the South Bay of Qianwan Port Area), and the only petroleum provider with gas stations in the port area. We are also experienced in stevedoring of containers of all types of goods and commodities. The COSCO Associates utilize our goods and services for their ordinary course of business in the Port of Qingdao Area.

Basis of price determination

The pricing of the relevant goods and services provided under the COSCO General Framework Agreements shall be determined in accordance with the following principles in ascending order:

(i) *government-prescribed price*: if government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price;

(ii) *government-guided price*: if government-prescribed price is not available but a government-guided fee standard is available, the price will fall within the range of the government-guided price;

(iii) *market price*: where the above two price standards are not available, the price will be determined by reference to the then market price; and

(iv) *agreed price*: where the above three price standards are not available, the price will be determined by agreed price between the parties.

There are government-prescribed prices for electricity, petroleum and heat. For stevedoring services and communication services, they are mainly determined by reference to the market prices.

Historical amounts and basis of annual caps

The amounts of general goods and services provided by us to the COSCO Associates for the three years ended December 31, 2011, 2012 and 2013 were approximately RMB103,982,000, RMB140,155,000 and RMB154,436,000, respectively. Such amount is expected to increase for the years ending December 31, 2014, 2015 and 2016 to amounts not exceeding RMB170.0 million, RMB187.0 million and RMB206.0 million, respectively.

The amount of annual caps for the goods and services provided to the COSCO Associates by us increases at a rate of around 10% for each of the years from 2014 to 2016, determined by reference to (i) increase in the historical amounts from 2011 to 2013; and (ii) the expected steady growth in the throughput of goods and commodities of COSCO Associates at Port of Qingdao, primarily for fish and paper pulp, in estimating the annual caps for stevedoring services, which is the main category of services provided to the COSCO Associates under the COSCO General Framework Agreements.

(B) **Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements**

COSCO General Framework Agreements

Provisions of general goods and services by COSCO Associates to us

Principal terms

Pursuant to the COSCO General Framework Agreements, COSCO Associates shall provide a range of goods and services to our Group, which primarily include, among other things, fuel.

Reasons for the transactions

We purchase goods and services from the COSCO Associates because they specialize in providing fuel, boat and commodities agent services and have operations in Port of Qingdao. We transact with the COSCO Associates in our ordinary course of business. China Marine Bunker is one of the longest business partners we have had in providing us with fuel prior to the Reorganization and we have continued to purchase fuel from them after the Reorganization.

Basis of price determination

The pricing of the relevant goods and services provided under the COSCO General Framework Agreements shall be determined in accordance with the following principles in ascending order:

(i) *government-prescribed price*: if government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price;

(ii) *government-guided price*: if government-prescribed price is not available but a government-guided fee standard is available, the price will fall within the range of the government-guided price;

(iii) *market price*: where the above two price standards are not available, the price will be determined by reference to the then market price; and

(iv) *agreed price*: where the above three price standards are not available, the price will be determined by agreed price between the parties.

There are government-prescribed prices for fuel.

Historical amounts and basis of annual caps

The amounts of general goods and services provided by COSCO Associates to us for the three years ended December 31, 2011, 2012 and 2013 were approximately RMB227,909,000, RMB292,926,000 and RMB391,062,000, respectively. Such amount is expected to increase for the years ending December 31, 2014, 2015 and 2016 to amounts not exceeding RMB431.0 million, RMB474.0 million and RMB521.0 million, respectively.

The amount of the provision of fuel is estimated to increase based on (i) the increase in the government-prescribed prices; (ii) the increase in historical and expected increase in our throughput in estimating the volume of fuel required; and (iii) our planned control of cost increase at an annual rate of 10% from 2014 to 2016.

PROPOSED CONTINUING CONNECTED TRANSACTIONS FOLLOWING THE LISTING

Transactions with Datang Associates

We intend to acquire 51% interest in Datang Qingdao Port Co., Ltd.* (大唐青島港務有限公司) ("**Datang Qingdao Port**") by capital injection but have not yet entered into any definitive agreement as of the Latest Practicable Date. The remaining 49% equity interest is expected to be held by Datang Shandong Power Generation Co., Ltd.* (大唐山東發電有限公司) ("**Datang Shandong Power**") which, as a substantial shareholder of our non-wholly owned subsidiary, will become our connected person under the Hong Kong Listing Rules. Datang Huangdao Electricity Co., Ltd. (大唐黃島發電有限責任公司), Datang Qingdao Thermal Co., Ltd. (大唐青島熱力有限公司) and Datang Shandong Electricity & Fuel Company (大唐山東電力燃料有限公司) (together, the "**Datang Associates**") are subsidiaries of Datang Shandong Power, will also be our connected persons under the Hong Kong Listing Rules once Datang Qingdao Port becomes our subsidiary. We lease to and/or from the Datang Associates certain properties, as well as provide to and/or procure from the Datang Associates a range of goods and services in our ordinary course of business. Following the acquisition of Datang Qingdao Port, we intend to enter into a lease framework agreement (the "**Datang Lease Framework Agreement**") and a general goods and services framework agreement (the "**Datang General Framework Agreement**") with Datang Shandong Power (for itself and the Datang Associates). We will comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules when we enter into the Datang Lease Framework Agreement and Datang General Framework Agreement.

Transactions with QDP

We intend to establish a finance company ("**Qingdao Finance**") to provide financial services to members of our Group as well as to QDP and its subsidiaries. We do not have any current plans to provide financial services to the general public through Qingdao Finance. Qingdao Finance will be subject to regulation by the China Banking Regulatory Commission ("**CBRC**"). We target to establish Qingdao Finance by June this year, following which we intend to enter into a financial services agreement with QDP (the "**Financial Services Agreement**"). Qingdao Finance is expected to be owned as to 70% by our Company and the remaining 30% by QDP, and will be our non-wholly owned subsidiary. Qingdao Finance will also be our connected person under the Hong Kong Listing Rules by virtue of (i) being an associate of QDP, our Controlling Shareholder; and (ii) being a non-wholly owned subsidiary of our Company where our connected person, QDP, is entitled to exercise, or control the exercise of, 10% of the voting power at any general meeting of Qingdao Finance. We will comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules when we enter into the Financial Services Agreement.

WAIVERS

In respect of the QDP Lease Framework Agreement, the QDP General Framework Agreement, the Qingdao Gangsheng General Framework Agreement and the COSCO General Framework Agreements, each of the following transactions is exempt from the independent shareholders' approval requirement, but is subject to the reporting and announcement requirements (Rules 14A.45 to 14A.47A of the Hong Kong Listing Rules) and the annual review requirements (Rules 14A.37 to 14A.40 of the Hong Kong Listing Rules) pursuant to Rule 14A.34(1) of the Hong Kong Listing Rules, as the highest of all applicable percentage ratios (other than the profits ratio) set out in the Hong Kong Listing Rules based on the relevant annual caps is expected to be more than 0.1% or 1% (as the case may be) but less than 5%:

- transactions under the QDP Lease Framework Agreement;

- the provision of goods and services to our Group by QDP and/or its subsidiaries and Qingdao Gangsheng under the QDP General Framework Agreement and the Qingdao Gangsheng General Framework Agreement in aggregate;

- the provision of goods and services by our Group to QDP and/or its subsidiaries and Qingdao Gangsheng under the QDP General Framework Agreement and the Qingdao Gangsheng General Framework Agreement in aggregate; and

- the provision of goods and services by our Group to the COSCO Associates under the COSCO General Framework Agreements.

In respect of the COSCO General Framework Agreements, the following transaction is subject to the reporting and announcement requirements (Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules), independent shareholders' approval requirements (Rule 14A.48 to 14A.54 of the Hong Kong Listing Rules) and the annual review requirements (Rules 14A.37 to 14A.40 of the Hong Kong Listing Rules) pursuant to Rule 14A.35, as the highest of all applicable percentage ratios (other than the profits ratio) as set out in the Hong Kong Listing Rules based on the relevant annual caps set out above is, on an annual basis, expected to be more than 5%:

- the provision of goods and services by the COSCO Associates to us under the COSCO General Framework Agreements.

As the QDP Lease Framework Agreement, QDP General Framework Agreement, Qingdao Gangsheng General Framework Agreement and the COSCO General Framework Agreements are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement and/or the independent shareholders' approval requirements would be impractical, unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver pursuant to Rule 14A.42(3) of the Hong Kong Listing Rules to exempt (i) the QDP Lease Framework Agreement, the QDP General Framework Agreement, the Qingdao Gangsheng General Framework Agreement and the COSCO General Framework Agreements (in respect of the provision of goods and services by our Group to the COSCO Associates) from compliance with the announcement requirement under Rule 14A.47 of the Hong Kong Listing Rules; and (ii) the COSCO General Framework Agreements (in respect of the provision of goods and services by the COSCO Associates to us) from compliance with the announcement requirement under Rule 14A.47 of the Hong Kong Listing Rules and/or the independent shareholders' approval requirement under Rules 14A.48 to 14A.54 of the Hong Kong Listing Rules. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39, 14A.40, 14A.45 and 14A.46 of the Hong Kong Listing Rules.

In the event of any future amendments to the Hong Kong Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms, and are fair and reasonable and in the interest of us and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the Non-exempt Continuing Connected Transactions are entered into in our ordinary and usual course of business on normal commercial terms, and are fair and reasonable in the interests of us and our Shareholders as a whole; and (ii) the proposed annual caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interest of us and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board of Directors comprises nine directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive re-appointments.

The following table sets out information in respect of the Directors of our Company.

Name	Age	Position	Date of Appointment	Duties
Mr. ZHENG Minghui (鄭明輝)	57	Chairman Executive Director	November 15, 2013	Responsible for the overall management and development of our Company as well as the formulation and implementation of our business strategies
Mr. JIAO Guangjun (焦廣軍)	48	Executive Director President Chief Safety Officer	November 15, 2013 January 11, 2014 February 26, 2014	Responsible for daily management, corporate information technology and safety of our Company
Mr. CHENG Xinnong (成新農)	46	Non-executive Director Vice Chairman	January 11, 2014 May 8, 2014	Responsible for overseeing overall port development and planning
Mr. SUN Yafei (孫亞非)	59	Non-executive Director	November 15, 2013	Responsible for the formulation of overall business strategies and external communications
Mr. WANG Shaoyun (王紹雲)	59	Non-executive Director	November 15, 2013	Responsible for the formulation of overall business strategies and supervision of port infrastructure construction
Mr. MA Baoliang (馬寶亮)	56	Non-executive Director	November 15, 2013	Responsible for cultural development and marketing
Mr. XU Guojun (徐國君)	51	Independent non-executive Director	May 8, 2014	Participate in making significant decisions and advise on issues relating to corporate governance, connected transactions, audit, and nomination and remuneration of directors and senior management

Name	Age	Position	Date of Appointment	Duties
Mr. WANG Yaping (王亞平)	50	Independent non-executive Director	May 8, 2014	Participate in making significant decisions and advise on issues relating to nomination and remuneration of directors and senior management
Mr. CHAU Kwok Keung (鄒國強)	37	Independent non-executive Director	May 8, 2014	Participate in making significant decisions and advise on issues relating to corporate governance, connected transactions and audit

Executive Directors

Mr. ZHENG Minghui (鄭明輝), aged 57, has been the Chairman and an executive Director of our Company since November 2013. Mr. ZHENG has over 30 years of experience in leadership and management of state authorities and large-scale state-owned enterprises. Mr. ZHENG joined Qingdao Power Station Valve Factory (青島電站閥門廠) in November 1976 and subsequently became assistant to factory director, director of General Office, head of Production Planning Division, deputy factory director and factory director until January 1994. From January 1994 to December 1994, he served as deputy head of the Qingdao Machinery Industry Bureau (青島市機械工業局), and as a senior economist, deputy general manager, general manager and chairman of Qingdao Machinery Industry Corporation (青島市機械工業總公司) from December 1994 to July 2004. From July 2004 to January 2006, he served as deputy director of the Qingdao Municipal Development and Reform Commission (青島市發展和改革委員會). From January 2006 to February 2008, he served as deputy director and director of Qingdao Municipal Commission of Transportation (青島市交通運輸委員會). Mr. ZHENG served as secretary of Jimo Municipal Party Committee (即墨市委) and principal of Party School of the Municipal Party Committee (市委黨校) from February 2008 to November 2011. From November 2011 to April 2013, he served as director of Qingdao Municipal Commission of Transportation (青島市交通運輸委員會) and head of the Municipal Port and Shipping Administration Authority (青島市港航管理局). From April 2013 to March 2014, he served as president of QDP. Since April 2013, he has been serving as chairman of QDP and since June 2013, he has also been serving as chairman of Qingdao Passenger Liner Home Port Co., Ltd (青島郵輪母港有限公司), a wholly owned subsidiary of QDP. Mr. ZHENG graduated from Shandong College of Oceanography (山東海洋學院) (now known as Ocean University of China (中國海洋大學)) in June 1985 with a diploma in industrial enterprise management and obtained a certificate of part-time postgraduate studies in business administration for senior management executives from Nankai University (南開大學) in June 2005. Mr. ZHENG was accredited by Qingdao Municipal Personnel Bureau (青島市人事局) as a senior economist in June, 1994.

Mr. JIAO Guangjun (焦廣軍), aged 48, has been an executive Director of our Company since November 2013, the President of our Company since January 2014 and the Chief Safety Officer of our Company since February 2014. Mr. JIAO also served as the Vice President of our Company from November 2013 to January 2014. Mr. JIAO has over 26 years of working experience in the port industry, and is experienced in managing large-scale port enterprises. Mr. JIAO worked in Yougang Company (油港公司) of Qingdao Port Authority from July 1988 to October 1999 and had served various positions including, device administrator, chief engineer of the Tank Modification Office (罐改辦), deputy head of the Mechanical and Electrical Division and assistant to the manager. From October 1999 to November 2009, Mr. JIAO had served as manager of Yougang Company (油港公司) of Qingdao Port Authority, deputy secretary and secretary of the League Committee of Qingdao Port Authority, news center director of QDP, secretary of the Party Committee of Qingdao Port Authority. Mr. JIAO served as head of safety and technology department of QDP from July 2008 to April 2010, assistant to the president of QDP from December 2008 to November 2009, and vice president of QDP from November 2009 to March 2014. Mr. JIAO graduated from Wuhan Water Transportation Engineering College (武漢水運工程學院) (now known as Wuhan University of Technology (武漢理工大學)) in July 1988 with a bachelor's degree in engineering, majoring in port machinery design and manufacturing. Mr. JIAO was accredited by Senior Accreditation Committee for Engineering and Technical Positions in Qingdao Municipal (青島市工程技術職務高級評審委員會) as a senior engineer in March 2001.

Non-executive Directors

Mr. CHENG Xinnong (成新農), aged 46, has been a non-executive Director since January 2014 and the Vice Chairman of our Company since May, 2014. Mr. CHENG also served as the President and executive Director of our Company from November 2013 to January 2014 and as the Chief Safety Officer of our Company from December 2013 to February 2014. Mr. CHENG has over 26 years of working experience in the port industry, and is experienced in managing large-scale port enterprises. Mr. CHENG worked in the Tugboat and Barge Branch* (輪駁分公司) of Qingdao Port Authority from August 1988 to August 2004 and served various positions including deputy manager at Shenzhen branch, deputy manager of the Shipping and Repairs Branch (航修分公司), deputy factory director and factory director of the Shipping and Repairs Factory (航修分廠). Mr. CHENG served as deputy factory director of the Port Machinery Factory (港機廠) of QDP and manager of the Tugboat and Barge Branch* of QDP, as well as head of business department of QDP from August 2004 to April 2010. He also served as assistant to the president of QDP from December 2008 to April 2010. From November 2009 to April 2013, Mr. CHENG served as vice president of QDP and from April 2013 to March 2014, Mr. CHENG served as executive vice president of QDP. Since April 2013, he has been serving as vice chairman of QDP. He has also been serving as the Chief Safety Officer of QDP since December 2013 and as the president of QDP since March 2014. Since June 2013, Mr. CHENG has been serving as director and general manager of Qingdao Passenger Liner Home Port Co., Ltd (青島郵輪母港有限公司), a wholly owned subsidiary of QDP, and has been serving as chairman, vice chairman and director of several subsidiaries, joint ventures and associates of our Company since November 2013. Mr. CHENG graduated with a diploma in marine engineering management from Jimei Navigation Institute (集美航海專科學校) (now known as Jimei University (集美大學)) in July 1988. Mr. CHENG was accredited by Senior Accreditation Committee for Engineering and Technical Positions in Qingdao Municipal (青島市工程技術職務高級評審委員會) as a senior engineer in February, 2003.

Mr. SUN Yafei (孫亞非), aged 59, has been a non-executive Director of our Company since November 2013. Mr. SUN has over 40 years of working experience in state authorities and large-scale state-owned enterprises. Mr. SUN served as deputy director and deputy secretary general of the General Office of Qingdao Municipal Party Committee (青島市委辦公廳) from February 1989 to March 1993 and from March 1993 to September 1995 respectively. From September 1995 to March 2007, Mr. SUN served as director of the Overseas Chinese Affairs Office of the Qingdao Municipal Government (青島市政府僑務辦公室) and Head of Qingdao Municipal Food and Drug Supervision and Administration Authority (青島市食品藥品監督管理局) from March 2007 to April 2013. Since April 2013, Mr. SUN has been serving as vice chairman of QDP. Mr. SUN obtained a graduate certificate from the Correspondence School of the Central Party School of the Communist Party of China (中共中央黨校函授學院) majoring in party management.

Mr. WANG Shaoyun (王紹雲), aged 59, has been a non-executive Director of our Company since November 2013. Mr. WANG has over 40 years of working experience in the port industry, and is experienced in managing large-scale port enterprises. Mr. WANG worked in the Mechanical Repair Factory (機械修理廠) of Qingdao Port Authority from January 1972 until December 1984. Mr. WANG served as officer of the General Office of the Party Committee of Qingdao Port Authority from December 1984 to October 1986, deputy director and director of the Administrative and Management Department of Qingdao Port Authority from October 1986 to October 1999 and deputy head of Qingdao Port Authority from December 1998 to December 2002. After the reform of Qingdao Port Authority in January 2003, Mr. WANG has been serving as vice president of QDP. Mr. WANG served as the Director of General Office of QDP from April 2003 to April 2009. Since June 2012, Mr. WANG has been serving as chairman of Qingdao Port Investment and Construction (Group) Co., Limited (青島港口投資建設(集團)有限責任公司), which became a wholly owned subsidiary of QDP in November 2012, and has also been serving as director of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司), a wholly owned subsidiary of QDP since June 2013. Mr. WANG was accredited as an economist by Qingdao Municipal Personnel Bureau (青島市人事局) in December 1992.

Mr. MA Baoliang (馬寶亮) aged 56, has been a non-executive Director and head of labour union of our Company since November 2013. Mr. MA has over 20 years of working experience in the port industry, and is experienced in managing large-scale port enterprises. From October 1993 to April 2003, Mr. MA served as deputy director and deputy general manager of the General Office of Hongyu Company (宏宇公司) under Qingdao Port Authority, deputy secretary of the Party Committee, secretary of the Disciplinary Committee and head of Labour Union of Communications Branch (通信分公司) of Qingdao Port Authority and deputy director of Publicity and Education Department of Qingdao Port Authority. From April 2003 to November 2007, Mr. MA served as deputy director and director of the Political Affairs Department of QDP. Since May 2007, Mr. MA has been serving as head of Labour Union of QDP. Mr. MA graduated with a diploma from the School of Literature of Shandong University (山東大學文學院) specializing in Chinese language in June 1992.

Independent Non-executive Directors

Mr. XU Guojun (徐國君), aged 51, has been an independent non-executive Director of our Company since May 2014. Mr. XU has in-depth knowledge in financial management and capital management. Mr. XU was a professor in the Accounting Department of Qingdao University (青島大學) from December 1997 to April 1998. Since May 1998, Mr. XU joined the Ocean University of China (中國海洋大學) and has held various positions including director of the Accounting Department, accounting professor, doctoral supervisor of the Accounting Department, assistant to principal and deputy chief accountant. Since February 2009, he served as the deputy general manager and chief accountant of Qingdao Guoxin Development (Group) Company Limited (青島國信發展(集團)有限責任公司) and has been its director since April 2013. Mr. XU has been a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since May 1999. Mr. XU graduated from Renmin University of China (中國人民大學) with a certificate of doctoral degree in economics in June 1997. Mr. XU has been a qualified teacher for higher education as recognized by Shandong Provincial Education Department (山東省教育廳) since December 2002.

Mr. WANG Yaping (王亞平), aged 50, has been an independent non-executive Director of our Company since May 2014. Mr. WANG has joined the Shandong Qindao Law Office (山東琴島律師事務所) in 1987 and has held various positions including lawyer, deputy director and is currently a senior partner. Mr. WANG has also been serving as the vice president of Qingdao Lawyers Association (青島市律師協會) since April 2006 and has been serving as a member of Advisory Committee of the Standing Committee of the 15th Qingdao Municipal People's Congress (青島市第十五屆人民代表大會常務咨詢委員會) since April 2013. Mr. WANG graduated from East China College of Political Science and Law (華東政法學院) (now known as East China University of Political Science and Law (華東政法大學)) with a bachelor's degree in law. Mr. WANG was admitted as a PRC lawyer in February 1989 and was accredited as a second-grade lawyer by the Department of Justice of Shandong Province (山東省司法廳) in June 1998.

Mr. CHAU Kwok Keung (鄒國強), aged 37, has been an independent non-executive Director of our Company since May 2014. Mr. CHAU is experienced in financial and corporate management. Mr. CHAU joined Arthur Andersen & Co. as a senior accountant and then became a senior consultant in its Global Corporate Finance Division from January 2001 to June 2002. Mr. CHAU then served as the financial controller of Shanghai Hawei New Material and Technology Co., Ltd. (上海哈威新材料技術股份有限公司) from June 2002 to August 2003, deputy group financial controller of China South City Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1668) from August 2003 to April 2005, and held various positions at China.com Inc. (now known as Sino Splendid Holdings Limited), a company listed on the Hong Kong Stock Exchange (Stock Code: 8006) from October 2005 to October 2007, including qualified accountant, chief financial officer, company secretary and authorized representative. Since November 2007, Mr. CHAU has been serving at Comtec Solar Systems Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 712) where he is responsible for corporate financial and general management, and has held various positions including executive director, chief financial officer and company secretary. From May 2010 to May 2013, Mr. CHAU served as a member of supervisory committee of RIB Software AG, a German software company listed on the Frankfurt Stock Exchange (Stock Code: RSTAG). Mr. CHAU has been a fellow member of the Association of Chartered Certified Accountants since June 2002, a member of Hong Kong Institute of Certified Public Accountants since July 2005 and a Chartered Financial Analyst of CFA Institute since September 2003. Mr. CHAU graduated from the Chinese University of Hong Kong in December 1998 with a bachelor's degree in business administration.

SUPERVISORY COMMITTEE

The Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive re-appointments. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board of Directors and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

The following table sets forth information regarding Supervisors of our Company.

Name	Age	Position	Date of Appointment	Duties
Mr. FU Xinmin (付新民)	56	Chairman of the Supervisory Committee	November 15, 2013	Overseeing the human resources management of our Company
Mr. CHI Dianmou (遲殿謀)	56	Supervisor	November 15, 2013	Overseeing the overall planning of the port areas and construction of public facilities of our Company
Ms. XUE Qingxia (薛清霞)	50	Supervisor	November 15, 2013	Overseeing the audit and evaluating investment decision of our Company

Supervisors

Mr. FU Xinmin (付新民), aged 56, has been the Chairman of the Supervisory Committee of our Company since November 2013. Mr. FU started working in November 1975 and had been working in the Public Security Bureau of Qingdao Port Authority from October 1991 to May 1998 where he held various positions including division head of the criminal investigation division and captain of the criminal investigation brigade, director of General Office, secretary of the Disciplinary Committee and head of Labour Union. Mr. FU served as deputy secretary of the Disciplinary Committee and head of the surveillance office of the Qingdao Port Authority from May 1998 to April 2003. Following the reform of the Qingdao Port Authority in January 2003, Mr. FU served as deputy secretary of the Disciplinary Committee, head of the supervision department and chief economist of QDP until December 2009, head of the human resources department from November 2009 to April 2012 and has been serving as secretary of the Disciplinary Committee of QDP since November 2009. Since June 2013, Mr. FU has been serving as supervisor of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司), a wholly owned subsidiary of QDP and chairman of the supervisory committee of Qingdao Shihua, a joint venture of our Company since November 2013. Mr. FU obtained a graduate certificate from the Technical Secondary School for Cadres and Workers of Taidong District of Qingdao (青島市台東區幹部職工中等專業學校) majoring in public security in July 1989.

Mr. CHI Dianmou (遲殿謀), aged 56, has been a Supervisor of our Company since November 2013. Mr. CHI started working in August 1975. Mr. CHI served as deputy principal officer, principal officer, deputy director and director of the Qingdao Municipal Urban Rural Construction Commission Infrastructure Management Office (青島市城鄉建設委員會基建管理處) from July 1993 to November 1997. From November 1997 to July 2007, Mr. CHI served as deputy director of the Eastern Qingdao Municipal Development Administration Office (青島市東部開發管理辦公室), director of Qingdao Municipal Residential Properties Modernization Administration Office (青島市住宅產業現代化管理辦公室), director of Qingdao Municipal Architectural Energy Saving and Wall Materials Innovation Office (青島市建築節能與牆體材料革新辦公室), director of Qingdao Municipal Construction System Technology Promotion Center (青島市建設系統科技發展推廣中心) and director of Qingdao Municipal Bulk Cement Office (青島市散裝水泥辦公室). From July 2007 to November 2009, Mr. CHI served as manager of City Construction and Investment Center of Qingdao Municipal (青島市城市建設投資中心), deputy general manager of Qingdao City Construction and Investment Group Limited Company (青島城市建設投資(集團)有限責任公司) and deputy director of the Qingdao Municipal Construction Commission (青島市建設委員會). From November 2009 to June 2012, Mr. CHI served as deputy director of the Urban Rural Construction Commission of Qingdao Municipal (青島市城鄉建設委員會) and vice general manager of Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司) (responsible for overall management). Since June 2012, Mr. CHI has been serving as vice president of QDP, vice chairman and general manager of Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司), which became a wholly owned subsidiary of QDP in November 2012. Mr. CHI obtained a postgraduate master's degree in architecture and civil engineering from Harbin Institute of Technology (哈爾濱工業大學) in July 2001. Mr. CHI was accredited as a researcher of engineering application by the Department of Human Resources and Social Security of Shandong Province (山東省人社局) in September 2005.

Ms. XUE Qingxia (薛清霞), aged 50, has been a Supervisor, deputy secretary of the Disciplinary Committee and head of the supervision department of our Company since November 2013. From July 1985 to January 2005, Ms. XUE served as accountant of the accounting and finance division of Yougang Company (油港公司) of QDP, deputy manager of the finance department of Minggang Company (明港公司) of QDP, deputy manager of the accounting and finance department of Xigang Company (西港公司) of QDP and assistant to head of the supervision department of QDP. Ms. XUE served as deputy head of the supervision department and deputy director of the materials and equipment tender and procurement center of QDP from January 2005 to November 2013. Since November 2013, Ms. XUE has been serving as deputy secretary of the Disciplinary Committee of QDP and a supervisor of Qingdao Yongli, a wholly owned subsidiary of our Company. Ms. XUE graduated from the Shandong Economic University (山東經濟學院) (now known as Shandong University of Finance and Economics (山東財經大學)) with a diploma majoring in accounting in December 1995. Ms. XUE was accredited as an accountant by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) in October 1995 and was certified by China Institute of Internal Audit (中國內部審計協會) to be qualified for internal audit in December 2003.

Save as disclosed herein, no Director or Supervisor of our Company held any directorship positions in any listed companies in Hong Kong and overseas within the three years immediately preceding the date of this prospectus. There is no other information relating to the relationship of any of our Directors and Supervisors with other Directors, Supervisors and members of senior management that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Hong Kong Listing Rules.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth information regarding members of the senior management of our Company (other than executive Director).

Name	Age	Position	Date of Appointment	Duties
Ms. JIANG Chunfeng (姜春鳳)	38	Chief Financial Officer Head of the Financial Department	November 15, 2013	Responsible for our Company's financial management, including overseeing major accounting, reporting, corporate finance management and financial disclosure issues and reviewing financial statements
Mr. CHEN Fuxiang (陳福香)	48	Secretary to the Board Director of the General Office of The Board	November 15, 2013	Responsible for the daily management of the Board of Directors Office, corporate information disclosure and investor relations

Ms. JIANG Chunfeng (姜春鳳), aged 38, has been the Chief Financial Officer, the head of the Financial Department and a senior accountant of our Company since November 2013. Ms. JIANG has over 12 years of working experience with over 10 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management and finance. Ms. JIANG worked in the Shinan Sub-branch of the Shandong Branch of Bank of China (中國銀行山東分行市南支行) from July 2001 to July 2002. From July 2002 to July 2012, Ms. JIANG served as accountant of the Finance Department of the Qingdao Port Authority and held various positions at QDP including department assistant, assistant to the director of Financial Department and deputy director of the Financial Department. Ms. JIANG worked at Qingdao Tianhao Property Co., Ltd. (青島天昊置業有限

公司) from July 2012 to June 2013 and later served as deputy director of our Capital Markets Office of QDP from June to November 2013. Since August 2013, Ms. JIANG has been serving as general manager and director of Qingdao Yongli, a wholly owned subsidiary of our Company. Ms. JIANG graduated from the Shandong Institute of Technology (山東工程學院) (now known as Shandong University of Technology (山東理工大學)) in July 1998 with a bachelor's degree in economics majoring in accounting, and graduated from the Shandong Economics University (山東經濟學院) (now known as Shandong University of Finance and Economics (山東財經大學)) in June 2001 with a master's degree in business administration majoring in accounting. Ms. JIANG was accredited by the Senior Accreditation Committee of Professional Qualifications in Accounting of Shandong (山東省會計專業資格高級評審委員會) as a senior accountant in December 2009.

Mr. CHEN Fuxiang (陳福香), aged 48, has been a Board secretary and a director of the General Office of our Board since November 2013. From July 1988 to October 1998, Mr. CHEN was a journalist, editor and director of the journalist department of Qingdao Port News (青島港報) and chief of secretariat of the General Office of the Qingdao Port Authority. From October 1998 to January 2003, Mr. CHEN served as deputy director of the General Office of the Qingdao Port Authority and served as the director of the Research Office of Qingdao Port Authority from June 2002 to January 2003. Since the reform of Qingdao Port Authority in January 2003, Mr. CHEN served as deputy director of the General Office of QDP until April 2010. Mr. CHEN then served as secretary of the Party Committee of the Dagang Branch of QDP from April 2010 to April 2011, secretary of the Party Committee and commissar of Qingdao Port Public Security Bureau from April 2011 to August 2013. Mr. CHEN served as director of the General Office of QDP from August to November 2013. Mr. CHEN graduated from the Renmin University of China (中國人民大學) in July 1988 with a bachelor's degree in law, majoring in journalism, and graduated from Dalian Maritime University (大連海事大學) with a certificate of master's degree in international law in November 2003. Mr. CHEN has been admitted as a lawyer of the People's Republic of China since October 1995. Mr. CHEN was accredited by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) as an intermediate economist in October 1996.

Apart from Ms. JIANG and Mr. CHEN, our executive Director Mr. JIAO is also a member of our senior management. See "— Executive Director" for his biography.

JOINT COMPANY SECRETARIES

Mr. CHEN Fuxiang (陳福香), one of our joint company secretaries, is a member of our senior management. See "— Senior Management" for his biography.

Ms. LAI Siu Kuen (黎少娟) is another joint company secretary of our Company and was appointed on November 15, 2013. Ms. LAI is a senior manager of the Listing Services Department of KCS Hong Kong Limited, responsible for providing company secretarial and compliance services to listed companies. She has over 15 years of professional and in-house experience in company secretarial field. Ms. LAI is currently the joint company secretary of several companies which are listed on the Hong Kong Stock Exchange, including Jingrui Holdings Limited (Stock Code: 1862) and Boyaa Interactive International Limited (Stock Code: 434). She holds a Bachelor of Arts degree in Accountancy and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix 14 to the Hong Kong Listing Rules, our Company has formed four Board committees, namely Strategy and Development Committee, Audit Committee, Remuneration Committee and Nomination Committee.

Strategy and Development Committee

We have established a Strategy and Development Committee with written terms of reference. The Strategy and Development Committee consists of six Directors: namely Mr. ZHENG Minghui, Mr. CHENG Xinnong, Mr. JIAO Guangjun, Mr. SUN Yafei, Mr. WANG Shaoyun and Mr. MA Baoliang. Mr. ZHENG Minghui currently serves as the chairman of the Strategy and Development Committee. The primary duties of the Strategy and Development Committee include, but are not limited to, the following:

- reviewing and recommending to our Board the overall development and strategic plans of our Company;
- reviewing and recommending to our Board material investment and financing proposals of our Company; and
- researching and recommending to our Board matters that are material to the development of our Company.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and paragraph C.3 and paragraph D.3 of the Corporate Governance Code, Appendix 14 to the Hong Kong Listing Rules. The Audit Committee consists of three Directors, namely Mr. SUN Yafei, Mr. CHAU Kwok Keung and Mr. XU Guojun. Mr. CHAU Kwok Keung, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, the following:

- proposing the appointment of external auditors and monitoring their relationship with our Company;
- reviewing the financial information of our Company and its disclosure;

- overseeing the financial operation status and internal control procedures of our Company; and

- maintaining close communication between our Company and its management with external auditors.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code, Appendix 14 to the Hong Kong Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. CHENG Xinnong, Mr. WANG Yaping and Mr. XU Guojun. Mr. WANG Yaping serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but are not limited to, the following:

- recommending to our Board the remuneration structure and policies for all Directors and senior management of our Company, and on establishment of formal and transparent procedures for devising such remuneration policies;

- recommending to our Board the remuneration packages of executive Directors and members of the senior management;

- recommending to our Board the remuneration of the non-executive Directors (including independent non-executive Directors); and

- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for their misconduct.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code, Appendix 14 to the Hong Kong Listing Rules. The Nomination Committee consists of three Directors, namely Mr. ZHENG Minghui, Mr. XU Guojun and Mr. WANG Yaping. Mr. ZHENG Minghui serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

- developing standards and procedures for the election of our Board members and members of the senior management, and making recommendations to our Board;

- reviewing the structure, number, composition and membership diversity of our Board and its committees, and making appropriate recommendations for adjustments made to the Board in line with the corporate strategies of our Company; and

- proposing to our Board candidates for Directors, President, Chief Financial Officer and Secretary to the Board.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the three years ended December 31, 2011, 2012 and 2013, the aggregate amount of salaries, housing allowances, other subsidies and benefits in kind, pension scheme contribution and discretionary bonuses paid by our Company to our Directors and Supervisors were approximately RMB10,501,000, RMB12,350,000 and RMB14,043,000, respectively. It is estimated that under the arrangements currently in force, the aggregate amount of compensation (including salaries, benefits in kind but excluding discretionary bonuses) payable to Directors and Supervisors for the year ending December 31, 2014, will be approximately RMB650,000 and RMB370,000, respectively.

The remuneration paid by our Company to the five highest paid individuals (including Directors and Supervisors) for the three years ended December 31, 2011, 2012 and 2013 were approximately RMB10,008,000, RMB11,908,000 and RMB12,450,000, respectively.

We confirmed that during the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in connection with the management positions of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

COMPLIANCE ADVISOR

We have appointed Crosby Securities Ltd. as our compliance advisor pursuant to Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance advisor will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction under the Hong Kong Listing Rules is contemplated, including share issues and share repurchases;

(c) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Hong Kong Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Hong Kong Listing Rules.

Pursuant to Rule 19A.06 of the Hong Kong Listing Rules, Crosby Securities Ltd. will, on a timely basis, inform our Company of any amendment or supplement to the Hong Kong Listing Rules that are announced by the Hong Kong Stock Exchange. Crosby Securities Ltd. will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Hong Kong Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

So far as our Directors are aware, assuming the Over-allotment Option is not exercised, the following persons will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company
QDP	Legal and beneficial owner	3,529,420,000 Domestic Shares	75.00%

So far as our Directors are aware, assuming the Over-allotment Option is fully exercised, the following persons will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company
QDP	Legal and beneficial owner	3,518,833,000 Domestic Shares	73.13%

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see “Appendix VII — Substantial Shareholders” to this prospectus.

As of the Latest Practicable Date, the registered share capital of our Company was RMB4,000 million, divided into 4,000,000,000 ordinary shares with a nominal value of RMB1.00 each.

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the registered capital of our Company will be RMB4,705,800,000, comprising 776,380,000 H Shares and 3,929,420,000 Domestic Shares, representing approximately 16.50% and 83.50%, respectively, of the registered capital of our Company, and the particulars of our shareholdings will be as follows:

Shareholder	Class	Number of Shares	Approximate percentage of registered capital
QDP	Domestic Shares	3,529,420,000	75.00%
Malai Storage	Domestic Shares	112,000,000	2.38%
Qingdao Ocean	Domestic Shares	96,000,000	2.04%
China Shipping Terminal	Domestic Shares	96,000,000	2.04%
Everbright Qingdao FLC	Domestic Shares	48,000,000	1.02%
Qingdao IIC	Domestic Shares	48,000,000	1.02%
H Shares to be issued and sold under Global Offering[(1)]	H Shares	776,380,000	16.50%
Total		4,705,800,000	100.00%

Note:

(1) Including the H Shares that may be subscribed for by China Merchants Holding (International) Company Limited (招商局國際有限公司) and IMC Group Holdings Limited (萬邦集團控股有限公司) or their respective associates, which is not expected to exceed 1.5% in aggregate of the total registered capital of our Company immediately upon completion of the Global Offering, and will not be counted as public float as further described in "Waivers from strict compliance with the Hong Kong Listing Rules — Subscription of H Shares by Minority Existing Shareholder and Connected Persons as Ordinary Placees in the International Offering."

Immediately following completion of the Global Offering (assuming the Over-allotment Option is fully exercised), the registered capital of our Company will be RMB4,811,670,000, comprising 892,837,000 H Shares and 3,918,833,000 Domestic Shares, representing approximately 18.56% and 81.44%, respectively, of the registered capital of our Company, and the particulars of our shareholdings will be as follows:

Shareholder	Class	Number of Shares	Approximate percentage of registered capital
QDP	Domestic Shares	3,518,833,000	73.13%
Malai Storage	Domestic Shares	112,000,000	2.33%
Qingdao Ocean	Domestic Shares	96,000,000	2.00%
China Shipping Terminal	Domestic Shares	96,000,000	2.00%
Everbright Qingdao FLC	Domestic Shares	48,000,000	1.00%
Qingdao IIC	Domestic Shares	48,000,000	1.00%
H Shares to be issued and sold under Global Offering[1]	H Shares	892,837,000	18.56%
Total		4,811,670,000	100.00%

Note:

(1) Including the H Shares that may be subscribed for by China Merchants Holding (International) Company Limited (招商局國際有限公司) and IMC Group Holdings Limited (萬邦集團控股有限公司) or their respective associates, which is not expected to exceed 1.5% in aggregate of the total registered capital of our Company immediately upon completion of the Global Offering, and will not be counted as public float as further described in "Waivers from strict compliance with the Hong Kong Listing Rules — Subscription of H Shares by Minority Existing Shareholder and Connected Persons as Ordinary Placees in the International Offering."

RANKING

The H Shares in issue upon completion of the Global Offering and the Domestic Shares are ordinary shares in the share capital of our Company. However, apart from Chinese qualified domestic institutional investors, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. All dividends in respect of the H shares are to be paid by us in Hong Kong dollars.

H Shares and Domestic Shares are regarded as different classes of shares under our Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different registers of shareholders, the method of share transfer and the appointment of dividend receiving agents are set out in our Articles of Association and summarized in Appendix VI to this prospectus. Further, any change or abrogation of the rights of a class of shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of Shareholders of the affected class of shares. However, the procedures for approval by Shareholders of the affected class of Shares shall not apply (i) where we issue, upon approval by a special resolution of our Shareholders in a general meeting, either separately or concurrently every twelve months, not more than 20% of each of the existing issued H Shares and Domestic Shares; (ii) where our plan to issue H Shares and Domestic Shares on establishment is implemented within fifteen months from the date of approval by the securities regulatory authorities under the State Council; or (iii) upon approval by the securities regulatory authority under the State Council, the holders of Domestic Shares transfer their shares to overseas investors and list or trade their shares in an overseas securities exchange. H Shares and Domestic Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally (save for the currency of payment) for all dividends or distributions declared, paid or made after the date of this prospectus. H Shares and Domestic Shares are generally neither interchangeable nor fungible.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares are to be converted and to be traded as H Shares on the Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Hong Kong Stock Exchange is required for the listing of such converted shares on the Hong Kong Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (i) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Shareholders currently proposes to convert any of the Domestic Shares held by it into H Shares, except for the Domestic Shares to be converted and offered for sale by the Selling Shareholder, in connection with the Global Offering in accordance with relevant PRC regulations. Our PRC legal advisor, Jia Yuan Law Offices, advised that our Articles of Association is not inconsistent with the relevant laws and regulations with respect to the laws and regulations regarding the conversion.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Under the PRC Company Law, shares which have been in issue before we publicly issue shares may not be transferred within one year from the date of listing on a stock exchange. Accordingly, shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

TRANSFER OF STATE-OWNED SHARES

In accordance with the relevant PRC regulations regarding the transfer of state-owned shares in overseas capital markets or their monetary equivalent based on the Offer Price, the state-owned Shareholders, namely QDP, Qingdao Ocean and Qingdao IIC, of our Company are required to transfer to the NSSF, in proportion to their respective holdings in our Company, such number of Domestic Shares in aggregate equivalent to 10% of the number of the Offer Shares (being 70,580,000 H Shares before the exercise of the Over-allotment Option, and 81,167,000 H Shares upon the exercise of the Over-allotment Option in full), or pay the equivalent cash at the Offer Price under the Global Offering, or a combination of both, to the NSSF. At the time of the listing of our H Shares on the Hong Kong Stock Exchange, such Domestic Shares will be converted into H Shares on a one-for-one basis. Neither we nor any of these state-owned Shareholders will receive any proceeds from the transfer of such Domestic Shares to the NSSF.

The transfer of such Domestic Shares by QDP (for itself and on behalf of Qingdao Ocean and Qingdao IIC) to the NSSF was approved by the Qingdao SASAC on December 21, 2013. The conversion of those Domestic Shares into H Shares was approved by the CSRC on April 21, 2014. Pursuant to a letter issued by the NSSF (She Bao Ji Jin Fa [2014] No. 42) on March 17, 2014, the NSSF instructed us to (i) arrange for the sale of the Sale Shares, which shall equal to 100% of all the Domestic Shares that our state-owned Shareholders shall relinquish for the benefit of the NSSF in connection with our Global Offering pursuant to the relevant PRC laws and regulations; and (ii) remit the proceeds from the sale of the Sale Shares to an account designated by the NSSF. Please see "Structure of the Global Offering — The Selling Shareholder." We have been advised by Jia Yuan Law Offices, our PRC legal advisor, that the transfer and sale described above and the conversion have been approved by the relevant PRC authorities and are legal under PRC law.

PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) and (b) of the Hong Kong Listing Rules, securities applying for listing must have an open market, and the listed securities of the issuer must also maintain a sufficient amount of public float. In general, this means (i) at least 25% of the total issued share capital of the issuer must be held by public investors; and (ii) if the issuer has one or more categories of securities other than the category of securities applying for listing, the total number of securities of the issuer held by public investors in all regulated markets (including Hong Kong Stock Exchange) shall be at least 25% of the total issued share capital of the issuer upon listing. However, the category of securities applying for listing shall not be less than 15% of the total issued share capital of the issuer and the expected market value shall not be less than HK$50 million upon listing.

Our Company has applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise its discretion, and approval has been granted by the Hong Kong Stock Exchange pursuant to Rule 8.08(1)(d) of the Hong Kong Listing Rules, to reduce the public float amount of our Company as set out in "Waivers from strict compliance with the Hong Kong Listing Rules." in this prospectus. H Shares that may be subscribed for by China Merchants Holding (International) Company Limited (招商局國際有限公司) and IMC Group Holdings Limited (萬邦集團控股有限公司) or their respective associates, which is not expected to exceed 1.5% in aggregate of the total registered capital of our Company immediately upon completion of the Global Offering, will not be counted as public float. For further details, please refer to "Waivers from strict compliance with the Hong Kong Listing Rules — Subscription of H Shares by Minority Existing Shareholder and Connected Persons as Ordinary Placees in the International Offering."

Our Company will disclose the lower public float percentage referred in this prospectus in an appropriate manner and confirm sufficient public float has been maintained in the annual reports published after the Listing.

OVERVIEW

In preparation for the Global Offering, our Company was established as a joint stock company with limited liability under the PRC Company Law on November 15, 2013. Upon establishment of our Company, QDP, our Controlling Shareholder, owned 90% of the total issued share capital of our Company. Immediately following the completion of the Global Offering, QDP will hold approximately 75.00% of our total issued share capital, assuming the Over-allotment Option is not exercised (or approximately 73.13% if the Over-allotment Option is exercised in full). As a result, QDP will continue to be our Controlling Shareholder of our Company after the completion of the Global Offering.

QDP is a PRC established state-owned enterprise which was established in January 2003 with a registered capital of RMB1,860 million. As of the Latest Practicable Date, QDP was wholly owned by Qingdao SASAC. Please see "History, Reorganization and Corporate Structure — Our History" in this prospectus for further details on our Controlling Shareholder.

DELINEATION OF BUSINESS

Core Operations of Our Group

In preparation for the Global Offering, we undertook the Reorganization, through which QDP injected the Core Operations together with the corresponding assets and liabilities into our Company. Please see "History, Reorganization and Corporate Structure — Reorganization" in this prospectus for further details of the Core Operations and the Reorganization. Since the completion of the Reorganization, our Group has been engaged, and after Listing will continue to engage, in our Core Operations.

Principal Business of Our Controlling Shareholder

Upon the completion of the Reorganization, our Controlling Shareholder retained all of its assets and businesses which are not material to our Core Operations save for the Retained Operations which 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) the Dongjiakou Operation I and (b) the Dongjiakou Operation II; and (iii) (a) certain investment properties; (b) certain non-operating property, plant and equipment, which are not related to our Core Operations but cannot be carved out from our financial information; (c) certain operating property, plant and equipment and land use rights that are related to our Core Operations but without ownership certificates; 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 obligation, trade and other payables.

We have been looking for opportunities to develop the Dongjiakou Port Area through joint ventures and other forms of strategic cooperation in order to further attract and solidify cargo sources as well as to control our capital expenditures. Accordingly, QDP did not inject its berths in the Dongjiakou Port Area into our Group as part of the Reorganization in anticipation of transfer of the same to the joint ventures directly upon their formation.

We have acquired from QDP in February 2014 through QDOT two berths at the Dongjiakou Port Area under the plan for the Dongjiakou Acquisition I, subject to the proposed supplementary acquisition to effect certain post-closing adjustments. Please see "Our History, Reorganization and Corporate Structure — Our Principal Joint Ventures — QDOT" in this prospectus for more information on QDOT. We have also acquired directly from QDP in May 2014 two multi-purpose berths and certain other assets at the Dongjiakou Port Area under the Dongjiakou Acquisition II.

Following completion of the Dongjiakou Acquisitions, QDP does not engage in any businesses which compete with us. For more information on the Dongjiakou Acquisitions, please see "Business — Our Facilities — Dongjiakou Port Area" and "History — Reorganization — Dongjiakou Acquisitions" in this prospectus.

As the scope of our Core Operations and that of the Retained Operations are distinctive from each other and have different focuses, there is no material business retained or operated by our Controlling Shareholder which competes or is likely to compete with our Core Operations.

NON-COMPETITION AGREEMENT AND UNDERTAKING

Non-Competition

In order to ensure there is no competition between the business of QDP and our Core Operations, QDP entered into the Non-Competition Agreement with our Company on May 8, 2014, and QDP also gave a non-competition undertaking in favour of us on January 11, 2014. Under the Non-Competition Agreement and Non-Competition Undertaking, QDP has undertaken not, directly or indirectly, to engage in, participate in, or assist or support a third party in engaging in or participating in any business or activity that competes or is likely to compete with our Core Operations.

The foregoing restriction does not apply to (i) the purchase or holding by QDP or its subsidiaries for non-controlling purposes of equity interests of not more than 20% in other listed companies; or (ii) the holding by QDP or its subsidiaries of equity interests of not more than 20% in other companies where such interests are acquired as a result of debt restructuring.

Options for New Business Opportunities

Pursuant to the Non-Competition Agreement, QDP has undertaken that, during the term of the Non-Competition Agreement, if QDP or its subsidiaries (for the purpose of the Non-Competition Agreement, excluding our Company and its subsidiaries) becomes aware of any new business opportunities which compete or are likely to compete, directly or indirectly, with our Core Operations ("**New Business Opportunities**"), QDP shall immediately notify our Company in writing of the New Business Opportunities (the "**Offer Notice**") and use its best efforts to procure the New Business

Opportunities be made available to our Company or our subsidiaries on fair and reasonable terms and conditions. Our Company is entitled to decide whether or not to take up such New Business Opportunities in writing within 30 days upon the receipt of the Offer Notice. If so, QDP or its subsidiaries must pass the New Business Opportunities to our Company or our subsidiaries on the same terms and conditions. Our Company will promptly (in any case no later than 30 days from receipt of the Offer Notice) notify QDP in the event that our Company decides not to take up the New Business Opportunities (the "**Rejection Notice**"). If the Rejection Notice is not given within the required time period, or within a time period as otherwise agreed to by the parties, QDP may treat such inaction as waiver of the pre-emptive right to take up the New Business Opportunities, and QDP or its subsidiaries can take up the New Business Opportunities.

Our Directors will be responsible for reviewing, considering and deciding whether or not to take up the New Business Opportunities. Any Directors who have an interest shall abstain from voting. In assessing whether or not to exercise the option to acquire the New Business Opportunities, our Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our Group's business and the legal, regulatory and contractual landscape with a view to arriving at a decision which is in the best interests of our Shareholders and our Group as a whole.

Options for Acquisitions

QDP has undertaken to grant our Company an option, which may be exercised at any time during the term of the Non-Competition Agreement, subject to applicable laws and the Hong Kong Listing Rules, to acquire on one or more occasions any equity interest, asset or other interest in any New Business Opportunities of QDP or its subsidiaries as described above, or to conduct such new business of QDP or its subsidiaries by way of, but not limited to, lease or subcontracting. The relevant consideration shall be determined by QDP and us in accordance with the requirements of the applicable laws and regulations. If any third party has any pre-emptive rights in accordance with applicable laws and/or the relevant articles of association, our option to acquire shall be subject to such pre-emptive rights, provided that QDP must use their best efforts to procure such third party to waive its pre-emptive rights.

Pre-emptive Rights

QDP has undertaken that, during the term of the Non-Competition Agreement, if it or any of its subsidiaries intends to transfer, sell, lease, license or otherwise transfer or permit the use of any of the interests of the New Business Opportunities to a third party, they shall provide prior written notice to our Company (the "**Transfer Notice**") giving us the pre-emptive right to acquire such interests. The Transfer Notice shall state the terms of the transfer, sale, lease or license and any information which our Company may reasonably require to come to a decision. Our Company shall reply in writing to QDP or its subsidiaries within 30 days upon receipt of the Transfer Notice. QDP and/or its subsidiaries further undertake not to inform any third party of its intention to transfer, sell, lease or license such business until receipt of a written reply from our Company. If our Company (i) decides not to exercise the pre-emptive rights; (ii) fails to respond to QDP or its subsidiaries within the agreed period; or (iii) does not accept the conditions set out in the Transfer Notice and thereafter issues to QDP a written notice setting out the conditions upon which our Company would be prepared to acquire such interests, but QDP or its subsidiaries rejects such conditions by notice to our Company in writing, QDP or its subsidiaries are entitled to transfer, sell, lease or license the interest to a third party pursuant to the terms stipulated in the Transfer Notice.

Our Directors will be responsible for reviewing, considering and deciding whether or not to exercise the pre-emptive rights. Any Directors who have an interest shall abstain from voting. In assessing whether or not to exercise the pre-emptive rights, our Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our Group's business and the legal, regulatory and contractual landscape with a view to arriving at a decision which is in the best interests of our Shareholders and our Group as a whole.

Further undertakings from QDP

Pursuant to the Non-Competition Agreement and the Non-Competition Undertaking, QDP has further undertaken, among other things, that:

(1) it shall provide our independent non-executive Directors with all information necessary for their review of compliance with and implementation of the Non-Competition Agreement by QDP and its subsidiaries;

(2) it agrees that our Company may disclose the decisions made by our independent non-executive Directors on the compliance with and implementation of the Non-Competition Agreement in our annual reports or announcements;

(3) it shall provide a certificate annually on compliance with the terms of the Non-Competition Agreement to our Company and our independent non-executive Directors to facilitate our making of relevant disclosure in our annual reports; and

(4) it shall indemnify our Group against any loss resulting from any breach of the Non-Competition Agreement and Non-Competition Undertaking by QDP.

Termination

The Non-Competition Agreement became effective and will remain in full force until the occurrence of the earlier of the following events:

(1) QDP, directly or indirectly, holds in aggregate less than 30% of the total registered capital of our Company; or

(2) our Company ceases to be listed on any offshore stock exchange (other than any suspension in trading of the Shares for any reason).

In view of (i) the legally binding obligations of QDP under the Non-Competition Agreement and Undertaking and the options for the New Business Opportunities, the options for acquisitions and the pre-emptive rights granted to our Company thereunder; and (ii) the information-sharing and other mechanisms in place as described above to monitor the compliance with the Non-Competition Agreement and Undertaking by QDP, each of our Directors (including our independent non-executive Directors) is of the view that our Company has taken all appropriate and practicable steps to ensure the compliance by QDP with its obligations under the Non-Competition Agreement and Undertaking.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

We believe that after the Global Offering, we will be capable of operating independently of our Controlling Shareholder and its associates.

Management Independence

Our Board of Directors consists of nine Directors, five of whom do not hold any directorship or senior management position in our Controlling Shareholder, its subsidiaries and/or its associated companies. Of these five Directors, one is an executive Director, one is a non-executive Director and three are independent non-executive Directors.

Our Directors Mr. ZHENG Minghui, Mr. CHENG Xinnong, Mr. SUN Yafei and Mr. WANG Shaoyun will continue to hold senior management positions in our Controlling Shareholder and/or its subsidiaries after the Listing. Set out below is a table summarizing the senior management positions held by the aforementioned Directors with our Controlling Shareholder and/or its subsidiaries as at the Latest Practicable Date:

Name of Director/Senior Management	Positions Held With Our Company	Senior Management Position Held with our Controlling Shareholder and/or its Subsidiaries other than Our Group
Mr. ZHENG Minghui (鄭明輝)	Chairman and executive Director	Chairman of QDP Chairman of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司) (“**Qingdao Passenger Liner**”) (a wholly owned subsidiary of QDP)
Mr. CHENG Xinnong (成新農)	Non-executive Director and Vice Chairman	Vice Chairman, President and Chief Safety Officer of QDP Director and General Manager of Qingdao Passenger Liner
Mr. SUN Yafei (孫亞非)	Non-executive Director	Vice Chairman of QDP

Name of Director/Senior Management	Positions Held With Our Company	Senior Management Position Held with our Controlling Shareholder and/or its Subsidiaries other than Our Group
Mr. WANG Shaoyun (王紹雲)	Non-executive Director	Vice President of QDP Chairman of Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司) (a wholly owned subsidiary of QDP) Director of Qingdao Passenger Liner

Mr. ZHENG Minghui is the Chairman and an executive Director of our Company, the chairman of QDP and the chairman of Qingdao Passenger Liner, a wholly owned subsidiary of QDP. Mr. ZHENG Minghui is primarily responsible for formulating the overall management, development and business strategies of QDP, Qingdao Passenger Liner and our Company, and is not involved in the day-to-day management and operations of any of these companies. Mr. ZHENG Minghui has confirmed that he will devote sufficient time and efforts to our Group.

Mr. CHENG Xinnong, Mr. SUN Yafei and Mr. WANG Shaoyun, who also hold positions in QDP and/or its subsidiaries, are our non-executive Directors and therefore are not involved in the day-to-day management of our Company. They are primarily responsible for the formulation of the overall business strategies, external communications and/or supervision of overall port development and planning and port infrastructure construction of our Company as members of our Board.

Notwithstanding the overlapping roles of our Directors described above, one of two executive Directors, namely, Mr. JIAO Guangjun, and one of four non-executive Directors, namely, Mr. MA Baoliang, as well as all of our independent non-executive Directors and other members of senior management, namely, Ms. JIANG Chunfeng and Mr. CHEN Fuxiang, do not hold any roles as a director, supervisor or member of senior management in our Controlling Shareholder, its subsidiaries or associates. Save as disclosed above, none of our Directors or members of senior management serves as director or members of senior management in our Controlling Shareholder, its subsidiaries or its associates. On this basis, there are sufficient non-overlapping directors and members of senior management who are independent from our Controlling Shareholder and have relevant experience to ensure the proper functioning of our Board and our senior management.

Other than the Directors above who serve as directors and senior management in QDP and/or its subsidiaries, our Directors have confirmed that they do not have any interests in any business which competes or is likely to compete, directly or indirectly, with our Core Operations as at the Latest Practicable Date.

We believe that our Directors and members of the senior management are able to perform their roles in our Company independently and that our Group is capable of managing our business independently from our Controlling Shareholder for the following reasons:

(a) our Articles of Association, the relevant procedural rules of the general meetings, the procedural rules of the Board meetings and the decision-making mechanism of our Board and the Board committees as set out in our internal administrative measures include provisions to avoid conflicts of interest by providing, among other things, that in the event of conflict of interest, the relevant Directors who are connected with our Controlling Shareholder shall abstain from voting and shall not be counted towards the quorum of the relevant meeting;

(b) none of our Directors or members of our senior management has any shareholding interest in our Controlling Shareholder;

(c) we have appointed three independent non-executive Directors, comprising one-third of our Board, to strike a balance between the number of interested Directors and independent non-executive Directors with a view to protecting the interests of our Company and our Shareholders as a whole; and

(d) each of our Directors is aware of his fiduciary duties and responsibilities under the Hong Kong Listing Rules as a director, which require that he acts in the best interests of our Company.

On the basis outlined above, our Directors are of the view that our Company has a management team that is independent from our Controlling Shareholder.

Operational Independence

Our Group is in possession of or has the right to use the land, buildings, facilities and infrastructure relating to our business including the assets injected into our Company by QDP pursuant to the Reorganization, and the berths and assets acquired from QDP directly or through our joint venture as part of the Dongjiakou Acquisitions. Please see "Business — Our Facilities — Dongjiakou Port Area" in this prospectus for further information. Currently, we engage in our Core Operations independently, with the right to make operational decisions and implement such decisions independently. We have independent access to customers and suppliers and have sufficient capital, equipment, facilities, infrastructure and employees to operate our business independently from our Controlling Shareholder.

In addition, we have set up our internal organizational and management structure which includes shareholders' meeting, our Board of Directors, our Supervisory Committee and other committees and formulated the terms of reference of these bodies in accordance with the requirements of the PRC Company Law, other relevant laws and regulations and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibility. We have autonomy in administrative structure which is independent of the operation of our Controlling Shareholder.

Our Group has entered into certain continuing connected transactions with our Controlling Shareholder and its subsidiaries and one of its associates, Qingdao Gangsheng. We have licensed several patents and have leased certain land, buildings, tugboats and structures, and procured services from our Controlling Shareholder, its subsidiaries and Qingdao Gangsheng relating to our operations of comprehensive port services as well as ancillary and extended services. Please refer to "Connected Transactions" in this prospectus for reasons for and further details of our continuing connected transactions.

Despite such continuing connected transactions, we have been and will continue to function and operate independently from our Controlling Shareholder, its subsidiaries and/or its associates for the following reasons:

1) we have independent access to sources of customers and suppliers for the operation of our business, as well as independent access to capital, equipment, facilities and infrastructure. We engage in our business independently, with the right to make operational decisions and implement such decisions independently;

2) certain patents were not transferred to our Group as part of our Reorganization because the transfer procedures of patents registered under the PRC law are time-consuming and could not be completed before our Reorganization and we continue to license these patents from our Controlling Shareholder. However, as technology continues to advance, we expect to develop our own new technologies and apply for new patents under the name of our Company, which will gradually replace the licensed patents. Accordingly, the use and the importance of the licensed patents will gradually decrease as they become technically obsolete;

3) we lease certain land, buildings and structures (the "**Leased Assets**") from our Controlling Shareholder which are mostly situated in the Dagang Port Area. The Leased Assets represent only approximately 10.3% of all owned and leased land, buildings and structures used by our Group. In addition, during the Track Record Period, our throughput at the Dagang Port Area only accounted for 10.2%, 10.1% and 10.0%, respectively, of our total throughput. The Qingdao municipal government is in the process of adopting a urban planning initiative, which involves the relocation of our port operations at the Dagang Port Area to the Dongjiakou Port Area and the Qianwan Port Area. For details of the relocation, please see "Business — Our Facilities — Dagang Port Area" in this prospectus. As of the Latest Practicable Date, this initiative was still at a preliminary stage and there was no concrete and detailed relocation plan for us. If the relocation does not occur, our Group may consider acquiring the Leased Assets from our Controlling Shareholder;

4) we have our own fleet of tugboats to provide the relevant services in the Port of Qingdao. While we lease six tugboats from QPIS, a wholly owned subsidiary of our Controlling Shareholder in order to expand our tugboat operation and increase our capability, this is not material to the business operation of our Group as a whole;

5) while we continue to procure certain goods and services from our Controlling Shareholder, its subsidiaries and Qingdao Gangsheng due to close geographical proximity, such goods and services can be sourced from alternative independent third parties at comparable prices;

6) the services provided by our Controlling Shareholder, its subsidiaries and Qingdao Gangsheng are based on pre-agreed pricing terms which ensures the pricing is fair and reasonable; and

7) our Directors are of the view that the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, that such transactions have been negotiated on an arms' length basis, on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole.

Based on the above, our Directors are of the view that our Group is able to operate independently from our Controlling Shareholder.

Financial Independence

We have established an independent finance department with a team of independent financial staff, as well as a sound and independent audit system, a standardized financial and accounting system and a comprehensive financial management system. We make financial decisions independently. We have maintained accounts with banks independently of and do not share any bank account with our Controlling Shareholder. We have undertaken independent tax registration in accordance with applicable laws, and paid tax independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with our Controlling Shareholder or its other subsidiaries.

Amounts payable to QDP

As part of the Dongjiakou Acquisition II, we directly acquired in May 2014 from QDP two multi-purpose berths and certain other assets at the Dongjiakou Port Area. As of the Latest Practicable Date, berths subject to the Dongjiakou Acquisition II were still under trial operation. The consideration of approximately RMB738.7 million was determined based on an appraisal report of the Dongjiakou Operation II and the other assets acquired as of October 31, 2013, and is to be funded by additional bank borrowings to be incurred by us. We are required to pay 30% of the consideration within 90 working days of the date of the asset transfer agreement and the remainder within 12 months of the date of the agreement. Notwithstanding the provisions in the agreement, we intend to settle the consideration by installments without any interest within six months from the Listing. See "Business — Our Facilities — Dongjiakou Port Area" and "Our History, Reorganization and Corporate Structure — Dongjiakou Acquisitions" for further information on the Dongjiakou Acquisitions.

In addition, our shareholders approved a special distribution of our Company on November 15, 2013, 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 (being the date after December 31, 2012 on which our assets were valued for the establishment of our Company as a joint stock limited liability company) to November 15, 2013 (being the date of our establishment), 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 PRC GAAP. For more information, please see "Financial Information — Dividend Distribution Prior to the Listing". Such special distribution is approximately RMB1,303.2 million, approximately RMB270.7 million of which has been paid. We intend to pay the remainder of the special distribution to QDP within six months after the Listing from our cash generated from operating activities, prior to which such dividend is recorded in our accounts as dividend payable.

As disclosed in "Our History, Reorganization and Corporate Structure — Reorganization," QDP contributed cash, equity interests in certain of its subsidiaries and other non-cash assets, valued at approximately RMB10,652.3 million as of December 31, 2012 in aggregate, to our Company upon our establishment. The amount of this contribution was determined based on the valuation report and the approval from Qingdao SASAC. Since the valuation date, QDP has acquired additional assets and assumed additional liabilities in respect of our Core Operations and injected the same into our Company. Accordingly, the net assets injected into our Group by QDP exceeded RMB10,652.3 million. In addition, our Company has also acquired storage facilities from QDP.

As a result of the above, we recorded a payable of approximately RMB1,606.3 million from our Company to QDP in our financial statements as of December 31, 2013, mainly representing (i) a special distribution to QDP; (ii) the consideration for storage facilities purchased from QDP; and (iii) certain payables to QDP to settle the outstanding tax payables incurred before the Reorganization. We intend to repay such payable in cash to QDP in the six months following the Listing from our cash generated from operating activities and bank borrowing. In accordance with the applicable PRC legal requirements, we have obtained the requisite approval of the board and/or other shareholders of our Company of the repayment of such payable to QDP.

Ability to Obtain Independent Financing

We believe our Group is able to obtain financing from independent financial institutions to repay the amounts payable to QDP at any time if necessary. We have been granted an unsecured credit facility of RMB4.70 billion from Bank of Qingdao Co., Ltd. available for drawdown for one year from January 17, 2014. The use of the facility is to be used for investing activities and working capital purposes. As of the Latest Practicable Date, the amount available of such facility was approximately RMB4.66 billion. Each drawdown is negotiable for a term of up to five years, subject to extension, and interest rate per each drawdown is expected to be fixed at the then prevailing base interest rate and is payable quarterly.

There are no outstanding loans granted by our Controlling Shareholder or any of its associates to us and there are no guarantees provided to us by our Controlling Shareholder or any of its associates as at the Latest Practicable Date. We have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our business operations. We believe the facility from Bank of Qingdao Co., Ltd. and other bank loans from independent financial institutions demonstrate that we are able to obtain financing on market terms without guarantee or security from our Controlling Shareholders following the Listing.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the following investors (the "**Cornerstone Investors**", each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) that may be purchased for an aggregate amount of US$167.7 million (or approximately HK$1,300 million) (the "**Cornerstone Placing**"). Based on the Offer Price of HK$3.76 the total number of H Shares to be subscribed for by the Cornerstone Investors would be 345,823,000, representing approximately (i) 7.35% of the Shares in issue upon the completion of the Global Offering and 44.54% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 7.19% of the Shares in issue upon completion of the Global Offering and 38.73% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

Each of the Cornerstone Investors is an independent third party, is not our connected person (as defined under the Hong Kong Listing Rules), and is not an existing shareholder of our Company. Except for Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited and No. 2 Engineering Company Ltd. of CCCC First Harbor Engineering Company Ltd. as described further below, each of the Cornerstone Investors is independent of each other. Notwithstanding Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited and No. 2 Engineering Company Ltd. of CCCC First Harbor Engineering Company Ltd. are both under China Communications Construction Group ("**CCCG**"), they make independent investment decisions. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around June 5, 2014.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Hong Kong Listing Rules). The Cornerstone Investors do not have any preferential rights compared with other public Shareholders in the respective investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering."

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

		Based on the Offer Price of HK$3.76			
Cornerstone Investor	Investment Amount (US$ in millions)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)
Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited	50.0	2.19%	2.14%	13.28%	11.55%
No.2 Engineering Company Ltd. of CCCC First Harbor Engineering Company Ltd...........	50.0	2.19%	2.14%	13.28%	11.55%
China International Marine Containers (Hong Kong) Ltd. ...	30.0	1.31%	1.29%	7.97%	6.93%
Sinotruk (Hong Kong) International Investment Ltd.	20.0	0.88%	0.86%	5.31%	4.62%
DP World Asia Holdings Limited......	10.0	0.44%	0.43%	2.65%	2.31%
Ming Cheng Company Limited.	7.7	0.34%	0.33%	2.06%	1.79%

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited

Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited ("**Shanghai Zhenhua**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50.0 million at the Offer Price. Based on the Offer Price of HK$3.76, the total number of H Shares that Shanghai Zhenhua would subscribe for would be 103,085,000, representing approximately 2.19% of the Shares, and approximately 13.28% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Shanghai Zhenhua is a company incorporated in Hong Kong whose businesses include international trading, international marine transportation and overseas investment. Shanghai Zhenhua is a wholly owned subsidiary of Shanghai Zhenhua Heavy Industries Co., Ltd. (a state-owned enterprise), a company listed on the Shanghai Stock Exchange (stock code: 600320), in which CCCG holds approximately 46% equity interest. Headquartered in Shanghai, Shanghai Zhenhua Heavy Industries Co., Ltd. is one of the largest heavy-duty equipment manufacturers in the world.

No.2 Engineering Company Ltd. of CCCC First Harbor Engineering Company Ltd.

No.2 Engineering Company Ltd. of CCCC First Harbor Engineering Company Ltd. ("**No.2 Engineering**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50.0 million at the Offer Price. Based on the Offer Price of HK$3.76, the total number of H Shares that No.2 Engineering would subscribe for would be 103,085,000, representing approximately 2.19% of the Shares, and approximately 13.28% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Established in 1953, No.2 Engineering is a large state-owned civil engineering comprehensive construction company which specializes in marine works, road and bridge construction, town planning, civil engineering and railway construction, and other large and middle scaled construction projects. The ultimate controlling shareholder, CCCG, which holds approximately 64% equity interest, is a PRC central enterprise supervised by the State-owned Assets Supervision and Administration Commission of the State Council. CCCG is principally engaged in the design and construction of transportation infrastructure, dredging and heavy machinery manufacturing business.

China International Marine Containers (Hong Kong) Ltd.

China International Marine Containers (Hong Kong) Ltd. ("**CIMC Hong Kong**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$30.0 million at the Offer Price. Based on the Offer Price of HK$3.76, the total number of H Shares that CIMC Hong Kong would subscribe for would be 61,851,000, representing approximately 1.31% of the Shares, and approximately 7.97% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

CIMC Hong Kong is a wholly owned subsidiary of China International Marine Containers (Group) Co., Ltd., a listed company on both the Shenzhen Stock Exchange (stock code: 000039) and the Hong Kong Stock Exchange (stock code: 2039). China International Marine Containers (Group) Co., Ltd. is a world-leading equipment and solution provider in the logistics and energy industries.

Sinotruk (Hong Kong) International Investment Ltd.

Sinotruk (Hong Kong) International Investment Ltd. ("**Sinotruk International**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$20.0 million at the Offer Price. Based on the Offer Price of HK$3.76, the total number of H Shares that Sinotruk International would subscribe for would be 41,234,000, representing approximately 0.88% of the Shares, and approximately 5.31% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Sinotruk International is incorporated in Hong Kong with limited liability whose business includes consultations and strategic planning in respect of the automobile market, import and export trading, operation of assets and investment holdings. It is a wholly owned subsidiary of Sinotruk (Hong Kong) Ltd. which is listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3808) and is one of the leading heavy duty truck manufacturers in the PRC which specialises in the research, development and manufacture of heavy duty trucks, light duty trucks and buses and related key parts and components.

DP World Asia Holdings Limited

DP World Asia Holdings Limited ("**DPWA Holdings**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of HK$77.5 million at the Offer Price. Based on the Offer Price of HK$3.76, the total number of H Shares that DPWA Holdings would subscribe for would be 20,611,000, representing approximately 0.44% of the Shares, and approximately 2.65% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

DPWA Holdings is a company incorporated in Hong Kong and its principal activities are investment holding and provision of management services to its group companies. Its ultimate controlling shareholder is DP World Limited, a publicly listed company in Dubai, United Arab Emirates (stock code: DPW) and London, United Kingdom (stock code: DPW). DP World Limited is engaged in the business of international marine terminal operations and development, logistics and related services.

Ming Cheng Company Limited

Ming Cheng Company Limited ("**Ming Cheng**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of HK$60.0 million at the Offer Price. Based on the Offer Price of HK$3.76, the total number of H Shares that Ming Cheng would subscribe for would be 15,957,000, representing approximately 0.34% of the Shares, and approximately 2.06% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Ming Cheng is a company incorporated in the Republic of the Marshall Islands with equity investment as its principal business. Ming Cheng is ultimately wholly owned by Ningbo Port Co., Ltd. (a state-owned enterprise) which is listed on the Shanghai Stock Exchange (stock code: 601018). The business of Ningbo Port Co., Ltd. includes the development, operation and management of port terminals; stevedoring, stacking, storing and packaging of port cargos and other related businesses. It is one of the largest port operators in the PRC.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto in such agreements;

(2) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked; and

(3) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Joint Global Coordinators and Deutsche Bank AG, Hong Kong Branch (as the case may be), it will not, whether directly or indirectly, at any time during a period of six months starting from and inclusive of the Listing Date, dispose of (as defined in the relevant cornerstone investment agreements) any legal or beneficial interests in the H Shares subscribed for by it pursuant to the relevant cornerstone investment agreement. Each Cornerstone Investor may transfer the H Shares so subscribed in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly owned subsidiary or an affiliate (as defined in the relevant cornerstone investment agreement) of such Cornerstone Investor, provided that such wholly owned subsidiary or affiliate undertakes in writing, and such Cornerstone Investor undertakes in writing to procure, that such wholly owned subsidiary or affiliate agrees to be subject to the restrictions on disposals imposed on the Cornerstone Investor.

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	Period from January 1 to November 14
	2012	2013
	RMB'000	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,		Period from January 1 to November 14,
	2011	2012	2013
	RMB'000	RMB'000	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,		As of November 15
	2011	2012	2013
	RMB'000	RMB'000	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%**

Notes:

(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:

	Years 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

Notes:

(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.

FUTURE PLANS

Please see "Business — Our Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

Based on the Offer Price of HK$3.76 per H Share, and prior to any exercise of the Over-allotment Option, we estimate that we will receive net proceeds of approximately HK$2,493.2 million from the Global Offering after deducting (i) the net proceeds from the sale of the Sale Shares in the Global Offering; and (ii) the underwriting commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 90%, or HK$2,243.9 million, will be used to fund the construction of port facilities at the Dongjiakou Port Area including:

  — approximately 36.7%, or HK$915.0 million, to fund the construction of oil tanks, which are expected to require a total investment of approximately RMB3,162.9 million. The construction of the oil tanks has commenced and is expected to complete in 2015;

  — approximately 23.2%, or HK$578.4 million, to fund the construction of an ore stacking yard with an area of approximately 494,250 sq.m. which is expected to require a total investment of approximately RMB459.1 million. The construction of the stacking yard is expected to commence and be completed in 2014;

  — approximately 14.9%, or HK$371.5 million, to fund the construction of one crude oil berth with a docking capacity of 300,000 DWTs and one crude oil berth with a docking capacity of 100,000 DWTs, which is expected to require a total investment of approximately RMB1,331.0 million. The construction of the two berths has commenced and the 300,000-DWTs crude oil berth is expected to be completed in 2014;

  — approximately 8.7%, or HK$216.9 million, to fund the construction of two general berths each with a docking capacity of 50,000 DWTs, which is expected require a total investment of approximately RMB887.5 million. The construction of the two berths is yet to commence and is expected to complete in 2015; and

— approximately 6.5%, or HK$162.1 million, to fund the construction of one liquid chemical berth with a docking capacity of 20,000 DWTs, one liquid chemical berth with a docking capacity of 30,000 DWTs and crude oil tanks, which are expected to require a total investment of approximately RMB797.1 million. The construction of these facilities has commenced and is expected to complete in 2015.

- the remaining 10%, or HK$249.3 million, will be used as general working capital.

If the net proceeds from the Global Offering are not immediately available when the above capital needs arise, we will use our own funds to satisfy such capital needs supplemented by the net proceeds from the Global Offering once such proceeds become available.

If the net proceeds from the Global Offering are not sufficient to satisfy the above capital needs, we will provide additional funding utilizing our own funds or other fund sources. If the net proceeds from the Global Offering exceed the above capital needs, the surplus proceeds will be used as general working capital.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds will be approximately HK$391.2 million, after deducting (i) the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering; and (ii) the underwriting commissions and other estimated expenses in connection with the Global Offering, based on the Offer Price of HK$3.76 per H Share. We intend to use all the additional net proceeds proportionately for the purposes set out above.

Based on the Offer Price of HK$3.76 per H Share, the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering are estimated to be approximately HK$265.4 million if the Over-allotment Option is not exercised, and approximately HK$305.2 million if the Over-allotment Option is exercised in full. In accordance with the relevant PRC laws and regulations, the Selling Shareholder will be required to contribute the net proceeds it receives from the Global Offering to the NSSF.

HONG KONG UNDERWRITERS

BOCI Asia Limited

CITIC Securities Corporate Finance (HK) Limited

UBS AG, Hong Kong Branch

Deutsche Bank AG, Hong Kong Branch

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement entered into on May 23, 2014, our Company is offering initially 77,638,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued and sold pursuant to the Global Offering (including any additional H Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option) as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by notice from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors if, at any time prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any event, or circumstance, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Japan or Singapore (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in or representing any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Singapore Stock Exchange; or

(iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(v) any new law, or any change or development involving a prospective change or any event or circumstance likely to result in a change or development involving a prospective change in existing laws or in the interpretation or application thereof by any competent authority, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, or the withdrawal of the trade privileges in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in taxation, exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" of this prospectus; or

(ix) any actions of any third party being threatened or instigated against any member of our Group and our principal joint ventures or any Director; or

(x) a contravention by any member of our Group and our principal joint ventures of the Listing Rules or applicable laws; or

(xi) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including the additional H Shares to be offered pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xii) an order or petition for the winding up of any member of our Group and our principal joint ventures or any composition or arrangement made by any member of our Group and our principal joint ventures with its creditors or a scheme of arrangement entered into by any member of our Group and our principal joint ventures or any resolution for the winding-up of any member of our Group and our principal joint ventures or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group and our principal joint ventures or anything analogous thereto occurring in respect of any member of our Group and our principal joint ventures; or

(xiii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xiv) the chairman or chief executive officer of our Company vacating his or her office; or

(xv) an authority or political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group and our principal joint ventures, any Director or any director of any subsidiary of us; or

(xvi) non-compliance of this prospectus, Formal Notice and Application Forms or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xvii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors: (1) has or will result or may result in a material adverse change or any development involving a prospective material adverse change in or affecting the assets, liabilities, business, management, general affairs, prospects, shareholders' equity, profits, losses, results of operations, position or condition, or performance of our Group and our principal joint ventures taken as a whole; or (2) has or will have or may have an adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealing in the H Shares on the secondary market; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators or the Joint Sponsors:

(i) that any statement contained in any of this prospectus, the Formal Notice, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Formal Notice, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a misstatement in or constitute a material omission from any of this prospectus, the Formal Notice, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon our Company or any indemnifying party under the Hong Kong Underwriting Agreement; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Hong Kong Underwriting Agreement; or

(v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, management, general affairs, prospects, shareholders' equity, results of operations, position or condition, or performance of our Group and our principal joint ventures taken as a whole; or

(vi) any breach of, or any event rendering untrue or incorrect or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(ix) any person (other than the Joint Sponsors) has withdrawn or is subject to withdraw its consent to being named in any of this prospectus, the Formal Notice and the Application Forms or to the issue of any of this prospectus, the Formal Notice and the Application Forms.

UNDERTAKINGS TO THE HONG KONG STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholder has undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the Global Offering (including the Over-allotment Option), it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Hong Kong Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(1) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in the prospectus and ending on the date which is six months from the date on which dealings in our H Shares commence on the Hong Kong Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he is shown by this prospectus to be the beneficial owners; and

(2) in the period of six months commencing on the date on which the period referred to in paragraph (1) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholder has further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholdings is made in the prospectus and ending on the date which is 12 months from the Listing Date, it will:

(1) when it pledges or charges any securities of our Company or interests therein beneficially owned by it in favor of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(2) when it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholder.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by Our Company

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of them not to (except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering, including pursuant to any exercise of the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase any H Shares or other securities of our Company, as applicable, or any interest in any of the foregoing), or deposit any H Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depository receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Company, as applicable, or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a), or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of our Company, as applicable, or in cash or otherwise (whether or not the allotment or issue of such H Shares or other securities will be completed within the First Six-month Period).

In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Our Controlling Shareholder has undertaken to each of the Joint Sponsors, the Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the undertakings described above.

Undertakings by our Controlling Shareholder

Our Controlling Shareholder has undertaken to us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of them that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

(a) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any mortgage, charge or pledge in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) not involving a change of legal ownership of such Shares other than on enforcement for a bona fide commercial loan in compliance with the Listing Rules), hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or any other securities of our Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or such other securities, as applicable, or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or other securities will be completed within the First Six-Month Period);

(b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we and the Selling Shareholder will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

We and the Selling Shareholder expect to grant the Over-allotment Option to the International Underwriters and the Joint Bookrunners, exercisable by the Joint Global Coordinators for themselves and on behalf of the International Underwriters and the Joint Bookrunners, on or before Saturday, June 28, 2014, being the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue and allot, and the Selling Shareholder to sell, up to an aggregate of 116,457,000 H Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering.

COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive a gross commission of 1.72% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. Our Company may also in our sole discretion pay any one or more of the Hong Kong Underwriters an additional incentive fee of such amount determined by us.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK$160.6 million in total (based on the Offer Price of HK$3.76 per Offer Share and assuming the Over-allotment Option is not exercised). The Selling Shareholder will pay the SFC transaction levy and Hong Kong Stock Exchange trading fee in respect of the Sale Shares.

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus, save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Hong Kong Listing Rules.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be issued and/or sold under the Over-allotment Option, namely 116,457,000 H Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (v) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;

(ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;

(iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;

(iv) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Saturday, June 28, 2014, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(v) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

(vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 116,457,000 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BOCI Asia Limited, CLSA Limited and UBS AG, Hong Kong Branch are the Joint Global Coordinators and BOCI Asia Limited, CLSA Limited, UBS AG, Hong Kong Branch and Deutsche Bank AG, Hong Kong Branch are the Joint Bookrunners.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of 77,638,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described in "The Hong Kong Public Offering" below; and

(ii) the International Offering of 698,742,000 H Shares (subject to adjustment as mentioned below) in the United States with QIBs in reliance on Rule 144A or another available exemption from the registration requirements of the US Securities Act, and outside the United States in reliance on Regulation S.

The Offer Shares will represent approximately 16.50% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 18.56% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "The International Offering — Over-allotment Option" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offering Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offering Shares to QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements of the US Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offering Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters and the Joint Bookrunners are soliciting from prospective investors' indications of interest in acquiring the International Offering Shares. Prospective investors will be required to specify the number of International Offering Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in "The Hong Kong Public Offering — Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Our Company is initially offering 77,638,000 H Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 776,380,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of H Shares initially offered under the Hong Kong Public Offering will represent 1.65% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) and the Joint Sponsors may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators and the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Allocation

For allocation purposes only, the 77,638,000 H Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 38,819,000 Hong Kong Offer Shares and Pool B comprising 38,819,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and Clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of H Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 232,914,000, 310,552,000 and 388,190,000 H Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators and the Joint Sponsors deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators and the Joint Sponsors has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators and the Joint Sponsors deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators and the Joint Sponsors may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the 77,638,000 H Shares initially comprised in the Hong Kong Public Offering (that is 38,819,000 Hong Kong Offer Shares) are liable to be rejected.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK$3.76 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. Further details are set out below in the section entitled "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered and sold by us and the Selling Shareholder for subscription under the International Offering will consist of an initial offering of 698,742,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 14.85% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the US Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in "The Hong Kong Public Offering — Reallocation and Clawback," exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, our Company and the Selling Shareholder is expected to grant the Over-allotment Option to the International Underwriters and the Joint Bookrunners, exercisable by the Joint Global Coordinators at their sole and absolute discretion for themselves and on behalf of the International Underwriters and the Joint Bookrunners for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to require our Company to issue and allot, and the Selling Shareholder to sell, up to an aggregate of additional 116,457,000 H Shares representing in aggregate approximately 15% of the initial number of the Offer Shares at the Offer Price to cover, among other things, over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

PRICING OF THE GLOBAL OFFERING

The Offer Price is HK$3.76 per Offer Share, unless otherwise announced, as further explained below. Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK$3.76 for each Hong Kong Offer Share together with brokerage of 1%, a Hong Kong Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.003%.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors consider it appropriate, with our consent (for ourselves and on behalf of the Selling Shareholder) the number of Offer Shares being offered under the Global Offering and/or the Offer Price may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Thursday, May 29, 2014, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**, and on our Company's website at **www.qingdao-port.com** notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Joint Global Coordinators and the Joint Sponsors.

The level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, June 5, 2014 through a variety of channels as described in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results."

THE SELLING SHAREHOLDER

The Selling Shareholder is initially offering a total of 70,580,000 Sale Shares as part of the Global Offering. The Selling Shareholder may sell up to an aggregate of additional 10,587,000 Sale Shares if the Over-allotment Option is exercised. Pursuant to a letter issued by the NSSF on March 17, 2014, the NSSF instructed us, among other things, to remit the proceeds (after deducting the SFC transaction levy and Hong Kong Stock Exchange trading fee) from the sale of the Sale Shares currently registered in the name of the Selling Shareholder in the Global Offering to an account designated by the NSSF in accordance with relevant PRC laws and regulations.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

We expect that our Company and the Selling Shareholder will, on or about Thursday, May 29, 2014, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting."

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, June 6, 2014, it is expected that dealings in H Shares on the Hong Kong Stock Exchange will commence on Friday, June 6, 2014. H Shares will be traded in board lots of 1,000 H Shares each.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, inter alia:

- the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the H Shares to be issued and sold pursuant to the Global Offering (including any H Shares which may be issued and sold pursuant to the exercise of the Over-allotment Option) (subject only to allotment and despatch of the share certificates in respect thereof and such other normal conditions acceptable to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint

Sponsors not later than Thursday, June 5, 2014 (or such later date as our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange;

- our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Hong Kong Stock Exchange; and

- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Thursday, June 5, 2014 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Friday, June 6, 2014, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the Joint Sponsors, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators and the Joint Sponsors may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of any Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Monday, May 26, 2014 until 12:00 noon on Thursday, May 29, 2014:

(i) any of the following offices of the Joint Global Coordinators and the Hong Kong Underwriters:

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central, Hong Kong

CITIC Securities Corporate Finance (HK) Limited
26/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

UBS AG, Hong Kong Branch
52/F, 2 International Finance Centre
8 Finance Street
Central, Hong Kong

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

(ii) any of the branches of the following receiving bank:

Bank of China (Hong Kong) Limited

District	Branch name	Address
Hong Kong Island .	Bank of China Tower Branch	3/F, 1 Garden Road
	Connaught Road Central Branch	13-14 Connaught Road Central
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan

District	Branch name	Address
Kowloon	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
New Territories . . .	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Sha Tin
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, May 26, 2014 until 12:00 noon on Thursday, May 29, 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Qingdao Port International Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Monday, May 26, 2014 — 9:00 a.m. to 5:00 p.m.
- Tuesday, May 27, 2014 — 9:00 a.m. to 5:00 p.m.
- Wednesday, May 28, 2014 — 9:00 a.m. to 5:00 p.m.
- Thursday, May 29, 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, May 29, 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Sponsors and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Joint Global Coordinators and the Joint Sponsors will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, May 26, 2014 until 11:30 a.m. on Thursday, May 29, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, May 29, 2014 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated eIPO Service Provider, will contribute HK$2 for each "Qingdao Port International Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of Dongjiang — Hong Kong Forest" project initiated by Friends of Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators, the Joint Sponsors and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, the Directors, the Joint Global Coordinators and the Joint Sponsors will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our H Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and/or its respective advisors and agents;

- agree without prejudice to any other rights which you may have that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 of Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Monday, May 26, 2014 — 9:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, May 27, 2014 — 8:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, May 28, 2014 — 8:00 a.m. to 8:30 p.m.[(1)]
- Thursday, May 29, 2014 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, May 26, 2014 until 12:00 noon on Thursday, May 29, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, May 29, 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, May 29, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing of the Global Offering."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 29, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, May 29, 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, June 5, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company's website at **(www.qingdao-port.com)** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **(www.qingdao-port.com)** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, June 5, 2014;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, June 5, 2014 to 12:00 midnight on Wednesday, June 11, 2014;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, June 5, 2014 to Sunday, June 8, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, June 5, 2014 to Saturday, June 7, 2014 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the Joint Sponsors, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators and the Joint Sponsors believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, June 5, 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, June 5, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, June 6, 2014 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) **If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, June 5, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, June 5, 2014, by ordinary post and at your own risk.

(ii) **If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, June 5, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, June 5, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, June 5, 2014 or any other date as determined by HKSCC or HKSCC Nominees.

Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) **If you apply through the White Form eIPO service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, June 5, 2014, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) where applicable) will be sent to the address specified in your application instructions on Thursday, June 5, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, June 5, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, June 5, 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, June 5, 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, June 5, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, June 5, 2014.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

26 May 2014

The Directors
Qingdao Port International Co., Ltd.

BOCI Asia Limited
CITIC Securities Corporate Finance (HK) Limited
UBS Securities Hong Kong Limited

Dear Sirs,

We report on the financial information of Qingdao Port International Co., Ltd. (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2011, 2012 and 2013, the balance sheet of the Company as at 31 December 2013, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2011, 2012 and 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company (the "Directors") and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 26 May 2014 (the "Prospectus") in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was established in the People's Republic of China (the "PRC" or "China") on 15 November 2013 as a joint stock company with limited liability under the laws of the PRC. Pursuant to a group reorganisation as described in Note 2 of Section II headed "Organisation and reorganisation" below, which was completed on 15 November 2013, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and significant joint ventures as set out in Note 36 of Section II of this report. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F:+852 2810 9888, www.pwchk.com

The audited financial statements of the Company and the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The statutory auditor of the Company for the year ended 31 December 2013 was PricewaterhouseCoopers Zhong Tian LLP. The details of the statutory auditors of the other companies comprising the Group are set out in Note 36 of Section II.

The Directors have prepared the consolidated financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). The Directors are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The Directors are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 of Section II below and in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2013 and of the state of affairs of the Group as at 31 December 2011, 2012 and 2013, and of the Group's results and cash flows for the Relevant Periods then ended.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the Directors of the Company as at 31 December 2011, 2012 and 2013, and for each of the years ended 31 December 2011, 2012 and 2013 (the "Financial Information"):

1. CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December		
	Note	**2011**	**2012**	**2013**
		RMB'000	**RMB'000**	**RMB'000**
Revenue	7	5,078,591	5,740,504	6,526,264
Cost of sales	10	(3,461,814)	(4,066,783)	(4,474,642)
Gross profit		1,616,777	1,673,721	2,051,622
Other income	8	172,367	177,252	144,393
Selling and administrative expenses	10	(852,999)	(853,946)	(865,122)
Other gains/(losses) - net	9	2,418	(7,230)	105,881
Finance costs		(2,053)	(2,800)	(10,070)
Share of profit of joint ventures	13(a)	538,731	559,947	511,459
Share of profit of associates	13(b)	458	1,280	1,799
Profit before income tax		1,475,699	1,548,224	1,939,962
Income tax expenses	14	(262,396)	(280,280)	(418,160)
Profit for the year		1,213,303	1,267,944	1,521,802
Attributable to:				
- Owners of the Company		1,195,011	1,247,326	1,500,499
- Non-controlling interests		18,292	20,618	21,303
		1,213,303	1,267,944	1,521,802
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)				
- basic and diluted	15	0.33	0.35	0.41

2. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Profit for the year		1,213,303	1,267,944	1,521,802
Other comprehensive (expenses)/income:				
Items that will not be reclassified to profit or loss				
Remeasurement of employee benefit obligations	29(b)	(239,230)	117,050	419,810
Items that may be reclassified subsequently to profit or loss				
Change in fair value of available-for-sale financial assets, net of tax	14	(9,259)	3,788	2,056
Other comprehensive (expenses)/income for the year, net of tax		(248,489)	120,838	421,866
Total comprehensive income for the year		964,814	1,388,782	1,943,668
Attributable to:				
- Owners of the Company		946,842	1,367,996	1,921,575
- Non-controlling interests		17,972	20,786	22,093

3. CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Land use rights	17	187,976	182,575	598,365
Property, plant and equipment	18	13,601,917	15,582,849	8,668,552
Investment properties	19	190,141	198,619	221,986
Intangible assets	20	52,066	47,040	40,118
Investments in joint ventures	13(a)	3,333,032	3,519,690	4,392,298
Investments in associates	13(b)	19,720	20,493	5,488
Available-for-sale financial assets	22	82,014	111,064	72,208
Deferred income tax assets	31	86,677	101,938	936,694
Trade and other receivables	23	426,625	398,877	279,977
		17,980,168	20,163,145	15,215,686
Current assets				
Inventories	24	159,085	144,367	204,725
Trade and other receivables	23	4,642,245	4,975,818	2,087,569
Amounts due from customers for contract work	25	44,523	37,825	166,036
Restricted bank deposits	26	61,540	83,624	9
Cash and cash equivalents	26	2,306,364	829,255	1,277,288
		7,213,757	6,070,889	3,735,627
Total assets		25,193,925	26,234,034	18,951,313
EQUITY				
Equity attributable to owners of the Company	27	14,353,896	14,947,930	8,008,084
Share capital	27(a)	—	—	4,000,000
Share premium	27(a)	—	—	7,835,866
Reserves	27(b)	—	—	(3,827,782)
Non-controlling interests		18,439	22,074	23,948
Total equity		14,372,335	14,970,004	8,032,032

	Note	As at 31 December		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Deferred income	28	4,479,336	4,446,012	4,078,613
Early retirement and supplemental benefit obligations	29	3,336,150	3,238,720	2,533,750
Trade and other payables	30	2,873	566	54
		7,818,359	7,685,298	6,612,417
Current liabilities				
Deferred income	28	211,249	212,225	212,308
Early retirement and supplemental benefit obligations	29	127,990	139,610	132,528
Trade and other payables	30	2,329,274	2,969,732	3,915,487
Current income tax liabilities		334,718	257,165	46,541
		3,003,231	3,578,732	4,306,864
Total liabilities		10,821,590	11,264,030	10,919,281
Total equity and liabilities		25,193,925	26,234,034	18,951,313
Net current assets/(liabilities)		4,210,526	2,492,157	(571,237)
Total assets less current liabilities		22,190,694	22,655,302	14,644,449

4. BALANCE SHEET

	Note	As at 31 December 2013
		RMB'000
ASSETS		
Non-current assets		
Land use rights	17	2,805,496
Property, plant and equipment	18	9,926,207
Investment properties	19	214,841
Intangible assets	20	40,015
Investments in subsidiaries	12	687,059
Investments in joint ventures	13(a)	5,212,522
Investments in associates	13(b)	7,420
Available-for-sale financial assets	22	71,421
Deferred income tax assets	31	53,429
Trade and other receivables	23	264,757
		19,283,167
Current assets		
Inventories	24	149,284
Trade and other receivables	23	2,182,637
Amounts due from customers for contract work	25	154,754
Cash and cash equivalents	26	1,054,036
		3,540,711
Total assets		22,823,878
EQUITY		
Share capital	27(a)	4,000,000
Share premium	27(a)	7,835,866
Reserves	27(b)	58,311
Total equity		11,894,177

	Note	As at 31 December 2013
		RMB'000
LIABILITIES		
Non-current liabilities		
Deferred income	28	4,078,613
Early retirement and supplemental benefit obligations	29	2,483,800
Trade and other payables	30	54
		6,562,467
Current liabilities		
Deferred income	28	212,225
Early retirement and supplemental benefit obligations	29	130,492
Trade and other payables	30	4,023,260
Current income tax liabilities		1,257
		4,367,234
Total liabilities		10,929,701
Total equity and liabilities		22,823,878
Net current liabilities		(826,523)
Total assets less current liabilities		18,456,644

5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Equity attributable to owners of the Company	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000
At 1 January 2011		12,871,867	15,072	12,886,939
Profit for the year		1,195,011	18,292	1,213,303
Other comprehensive expenses				
- Changes in fair value of available-for-sale financial assets, net of tax	14	(9,259)	—	(9,259)
- Remeasurement of employee benefit obligations	29	(238,910)	(320)	(239,230)
Total comprehensive income		946,842	17,972	964,814
Contributions from government	27(c)	757,823	—	757,823
Capital reduction		(29,462)	—	(29,462)
Dividends	16	(193,615)	(14,605)	(208,220)
Others		441	—	441
Total transactions with owners, recognised directly in equity		535,187	(14,605)	520,582
At 31 December 2011		14,353,896	18,439	14,372,335

	Note	Equity attributable to owners of the Company	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000
At 1 January 2012		14,353,896	18,439	14,372,335
Profit for the year		1,247,326	20,618	1,267,944
Other comprehensive income				
- Changes in fair value of available-for-sale financial assets, net of tax	14	3,788	—	3,788
- Remeasurement of employee benefit obligations	29	116,882	168	117,050
Total comprehensive income		1,367,996	20,786	1,388,782
Contributions from government	27(c)	354,127	—	354,127
Deemed distributions	27(d)	(1,000,000)	—	(1,000,000)
Dividends	16	(127,348)	(17,206)	(144,554)
Others		(741)	55	(686)
Total transactions with owners, recognised directly in equity		(773,962)	(17,151)	(791,113)
At 31 December 2012		14,947,930	22,074	14,970,004

	Note	Equity attributable to owners of the Company								
		Share capital	Share premium	Capital reserve	Statutory Reserve fund	Retained earnings	Owner's equity before the Reorganisation	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013		—	—	—	—	—	14,947,930	14,947,930	22,074	14,970,004
Profit for the year		—	—	—	—	123,960	1,376,539	1,500,499	21,303	1,521,802
Other comprehensive (expenses)/income										
- Changes in fair value of available-for-sale financial assets, net of tax	14	—	—	—	—	—	2,056	2,056	—	2,056
- Remeasurement of employee benefit obligations	29	—	—	(300)	—	—	419,320	419,020	790	419,810
Total comprehensive (expenses)/income		—	—	(300)	—	123,960	1,797,915	1,921,575	22,093	1,943,668
Contributions from government	27(c)	—	—	—	—	—	129,250	129,250	—	129,250
Deemed distributions	27(d)	—	—	—	—	—	(250,000)	(250,000)	—	(250,000)
Capital contributions upon establishment of the Company										
- Capitalisation and issues of new shares to QDP from transfer of assets and liabilities in the Reorganisation	27(a)	3,200,000	7,052,279	—	—	—	(10,252,279)	—	—	—
- Cash contributions from promoters	27(a)	800,000	783,587	—	—	—	—	1,583,587	—	1,583,587
Reversal of revaluation surplus	27(b)	—	—	(4,830,045)	—	—	4,830,045	—	—	—
Deferred income tax arising from the assets revaluation surplus deductible for income tax purpose during the Reorganisation	31	—	—	875,995	—	—	—	875,995	—	875,995
Distribution to QDP upon completion of the Reorganisation	27(d)	—	—	—	—	—	(9,899,760)	(9,899,760)	—	(9,899,760)
Special distribution to QDP	27(d)	—	—	—	—	—	(1,303,228)	(1,303,228)	—	(1,303,228)
Appropriations	27(b)	—	—	—	11,508	(11,508)	—	—	—	—
Dividends	16	—	—	—	—	—	—	—	(20,317)	(20,317)
Others		—	—	2,608	—	—	127	2,735	98	2,833
Total transactions with owners, recognised directly in equity		4,000,000	7,835,866	(3,951,442)	11,508	(11,508)	(16,745,845)	(8,861,421)	(20,219)	(8,881,640)
At 31 December 2013		4,000,000	7,835,866	(3,951,742)	11,508	112,452	—	8,008,084	23,948	8,032,032

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	32(a)	1,457,089	702,324	117,861
Income tax paid		(256,775)	(296,813)	(362,133)
Net cash generated from/(used in) operating activities		1,200,314	405,511	(244,272)
Cash flows from investing activities				
Payments on behalf of related parties		(266,448)	(384,651)	(316,836)
Amounts paid to related parties	35(a)	(720,000)	(15,000)	—
Purchases of property, plant and equipment		(1,500,128)	(1,830,343)	(1,874,780)
Repayments received from related parties		180,849	168,495	956,181
Proceeds from sale of property, plant and equipment, land use rights and intangible assets	32(b)	49,117	301,590	1,049,151
Investments in joint ventures		—	(76,000)	(419,630)
Proceeds from disposal of a subsidiary		24,217	—	—
Government grants received		—	131,746	—
Net cash paid for acquisition of a subsidiary	34	(177,845)	—	—
Interest received		96,349	106,479	96,458
Dividends received		892,199	473,203	55,712
Increase in restricted bank deposits		(297)	(544)	—
Net cash used in investing activities		(1,421,987)	(1,125,025)	(453,744)

	Note	Year ended 31 December 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Cash flows from financing activities				
Cash contributions from promoters		—	—	1,583,587
Contributions from government	27(c)	757,823	354,127	129,250
Capital reduction		(29,462)	—	—
Amounts received from related parties		167,579	78,000	—
Repayments to related parties		(48,000)	(45,170)	(153,899)
Proceeds from borrowings		—	—	610,000
Payments for interest expenses		—	—	(1,756)
Dividends paid	16	(208,220)	(144,554)	(291,005)
Deemed distributions	27(d)	—	(1,000,000)	(250,000)
Distribution to QDP in the Reorganisation	3	—	—	(457,131)
Payments for share issue expenses		—	—	(22,973)
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
Cash at beginning of year		1,888,360	2,306,364	829,255
Exchange (losses)/gains on cash		(43)	2	(24)
Cash at end of year	26	2,306,364	829,255	1,277,288

II. NOTES TO THE FINANCIAL INFORMATION

1. Principal activities

The Group is principally engaged in the provision of containerised and non-containerised cargo handling services, port infrastructure construction services and other port ancillary services at the port of Qingdao in the People's Republic of China (the "PRC" or "China").

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Qingdao Port (Group) Co., Ltd. (the "QDP") which is operating under the supervision and regulation of the State-owned Assets Supervision and Administration Commission of Qingdao (the "Qingdao SASAC").

2. Organisation and reorganisation

2.1 The Company was established in the PRC on 15 November 2013 as a joint stock company with limited liability as a result of the reorganisation of QDP and its subsidiaries (the "Reorganisation") in preparation for listing the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited. The address of the Company's registered office is 7 Ganghua Road, City North District, Qingdao, Shandong province, the PRC. The registered capital of the Company is RMB4,000 million, consisting of 4,000 million shares of RMB1.00 each.

2.2 Pursuant to the Reorganisation, the principal operations and businesses of QDP (the "Core Operations") were transferred to the Company on 15 November 2013, which include:

(i) all operating assets and liabilities relating to container handling and ancillary services;

(ii) all operating assets and liabilities relating to metal ore, coal and other cargo handling and ancillary services;

(iii) all operating assets and liabilities relating to liquid bulk handling and ancillary services;

(iv) all operating assets and liabilities relating to logistics and port value-added services;

(v) all operating assets and liabilities relating to port construction service and other services.

2.3 In connection with the Reorganisation, the following assets and liabilities (the "Retained Operations") were not transferred to the Company and were retained by QDP:

(i) operating businesses unrelated to the Core Operations, which primarily include public infrastructure construction and operations of certain social and community facilities such as hospitals, schools and hotels;

(ii) certain operating assets and liabilities historically associated with the Core Operations, which mainly represented the operating assets and liabilities owned by QDP Dongjiakou Branch, namely two metal ore berths (the "Dongjiakou Operation I") and two multi-purpose berths (the "Dongjiakou Operation II", collectively "Dongjiakou Operations").

(iii) certain land use right, investment properties, non-operating property, plant and equipment, operating property, plant and equipment that are related to public infrastructure or related to the Core Operations but without ownership certificates, intangible assets, investments in an associate, available-for-sale financial assets, deferred income taxes, inventories, trade and other receivables, cash, borrowings, deferred income, early retirement and supplemental benefit obligations, trade and other payables that were not transferred to the Company (the "Other Retained Operations").

2.4 On 15 November 2013, QDP transferred cash and the assets and liabilities relating to the above Core Operations to the Company which are accounted for 90% of the entire registered and paid-up share capital of the Company. Shenzhen Malai Storage Co., Ltd. (碼來倉儲(深圳)有限公司) ("Malai Storage"), Qingdao Ocean Shipping Co., Ltd. (青島遠洋運輸有限公司) ("Qingdao Ocean"), China Shipping Terminal Development Co., Ltd. (中海碼頭發展有限公司) ("China Shipping Terminal"), Everbright (Qingdao) Financial Leasing Co., Ltd. (光大控股(青島)融資租賃有限公司) ("Everbright Qingdao FLC") and Qingdao International Investment Co., Ltd. (青島國際投資有限公司) ("Qingdao IIC"), together as the promoters of the Company, injected cash to the Company and accounted for 2.8%, 2.4%, 2.4%, 1.2% and 1.2% shareholdings in the Company, respectively.

3 **Basis of presentation**

3.1 The Company and QDP are both state-owned enterprises controlled and owned by Qingdao SASAC. Accordingly, the Reorganisation has been accounted for as a reorganisation of businesses under common control in a manner similar to a uniting of interests. Therefore the Company assumes that the paid-up share capital of 3,600 million of QDP issued upon the establishment of the Company in connection with the Reorganisation was deemed to have been in issue since 1 January 2011.

For the purpose of this report, the consolidated Financial Information of the Group has been prepared on a merger basis with reference to the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger accounting for Common Control Combinations" issued by the HKICPA. The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for each of the years ended 31 December 2011, 2012 and 2013 have been prepared as if the current group structure had been in existence throughout each of the years ended 31 December 2011, 2012 and 2013, 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 a shorter period. The consolidated balance sheets of the Group as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates.

For companies acquired from or disposed to a third party during each of the years ended 31 December 2011, 2012 and 2013, they are included in or excluded from the Financial Information of the Group from the date of the acquisition or disposal.

3.2 The Financial Information includes the assets, liabilities and results of the operations of the Core Operations.

3.3 The Financial Information does not include the assets, liabilities and results of the operations that were not related to the Core Operations and were not transferred to the Company pursuant to the Reorganisation as described in Note 2.3 (i) above, on the basis that these companies are engaged in dissimilar businesses from those of the Group, have separate management personnel and accounting records and have been financed and operated historically as if they were autonomous.

3.4 The Financial Information includes the assets, liabilities and results of the operations that were historically associated with the Core Operations under the common control of QDP as described in Notes 2.3 (ii) and 2.3 (iii) during each of the years ended 31 December 2011, 2012 and the period from 1 January to 15 November 2013 (the date of incorporation of the Company). Although the aforementioned Retained Operations as described in Notes 2.3 (ii) and 2.3 (iii) were not transferred to the Company, the Directors consider that they are engaged in similar businesses with the Core Operations, or their operations and financial records are under common management and control of QDP, thus the historical Financial Information should reflect all of the businesses under the common control of QDP that had been part of the Group's businesses and operations.

The assets and liabilities of these Retained Operations as described in Notes 2.3 (ii) and 2.3 (iii) above have been accounted for as a distribution to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013). The carrying amount of the assets and liabilities of these Retained Operations as described in Notes 2.3 (ii) and 2.3 (iii) as at 15 November 2013 are as follows:

	As at 15 November 2013			
	Dongjiakou Operation I	**Dongjiakou Operation II**	**Other Retained Operations**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
	(i)	**(i)**	**(ii)**	
Land use rights	—	—	596,714	596,714
Property, plant and equipment	3,707,824	531,927	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

	As at 15 November 2013			
	Dongjiakou Operation I	Dongjiakou Operation II	Other Retained Operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(i)	(i)	(ii)	
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)
	3,742,624	531,927	5,625,209	9,899,760

(i) Pursuant to the Reorganisation, Dongjiakou Operations was retained by QDP upon the establishment of the Company. On 16 December 2013, the Company, Mighty Star Investment Limited, COSCO Pacific (China) Investment Co., Ltd., IMC Qingdao Port Investment Pte. Ltd. entered into a Joint Venture Agreement to jointly set up a new joint venture, Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (the "QDOT") which was established on 9 January 2014, with the equity interests of 30%, 25%, 25% and 20% respectively. The operating assets and liabilities of Dongjiakou Operation I were transferred from QDP to QDOT in February 2014 (Note 38).

The Company has entered into an asset transfer agreement with QDP on 23 April 2014 to acquire Dongjiakou Operations II and certain other assets from QDP (Note 38).

As Dongjiakou Operations are engaged in metal ore, coal and other cargo handling and ancillary services, which is similar to the Core Operations, and their operations and financial record are under common management and control of QDP, the Directors consider that the historical Financial Information should include the assets, liabilities and results of the Dongjiakou Operations.

The tables below reflect the financial position of Dongjiakou Operations as described in Note 2.3 (ii) as at 31 December 2011 and 2012 that are included in the Financial Information, and as at 31 December 2013 that is not included in the Financial Information:

Dongjiakou Operation I:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	2,686,296	3,373,266	3,780,661
Trade and other receivables	—	15,809	41,867
Inventories	—	3,691	2,434
Cash and cash equivalents	—	989	17,177
Trade and other payables	(861,241)	(387,198)	(54,376)
	1,825,055	3,006,557	3,787,763

Dongjiakou Operation II:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	49,777	246,412	536,111
Trade and other receivables	—	—	903
	49,777	246,412	537,014

The tables below reflect the operating results of Dongjiakou Operations as described in Note 2.3 (ii) for each of the years ended 31 December 2011 and 2012 and the period from 1 January 2013 to 14 November 2013 that are included in the Financial information, and for the period from 15 November 2013 to 31 December 2013 that is not included in the Financial Information:

Dongjiakou Operation I:

	Year ended 31 December	Period ended 14 November	Period from 15 November to 31 December	Year ended 31 December
	2012	2013	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	241,245	569,856	68,660	638,516
Cost of sales	(187,029)	(389,549)	(58,950)	(448,499)
Selling and administrative expenses	(5,024)	(9,748)	(1,694)	(11,442)
Other gains/(losses) - net	17	(2)	5	3
Income tax expenses	(11,097)	(42,639)	(2,005)	(44,644)
Profit for the year/period	38,112	127,918	6,016	133,934

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

Dongjiakou Operation II:

	Period ended 14 November	Period from 15 November to 31 December	Year ended 31 December
	2013	2013	2013
	RMB'000	RMB'000	RMB'000
Revenue	11,327	1,094	12,421
Cost of sales	(11,242)	(1,072)	(12,314)
Income tax expenses	(21)	(6)	(27)
Profit for the period/year	64	16	80

Part of the construction of the terminal facilities in relation to Dongjiakou Operation II was completed and put into operations in July 2013, and Dongjiakou Operation II did not incur any significant expense before July 2013. The operating results of Dongjiakou Operation II shown in the table above are mainly revenue and direct costs. In the view that the scale of Dongjiakou Operation II in 2013 was insignificant, all the overhead expenses relating to Dongjiakou Operations such as selling and administrative expenses were not allocated to Dongjiakou Operation II.

(ii) The Other Retained Operations as described in Note 2.3 (iii) are under common management and control of QDP, and assets and liabilities related to the Other Retained Operations could not be clearly distinguished from those of the Core Operations, thus are included in the Financial Information and are accounted for as a distribution to QDP on 15 November 2013. Among those assets and liabilities, the non-current assets and early retirement and supplementary benefit obligations which are related to Other Retained Operations are as follows:

	As at 31 December		As at 15 November
	2011	2012	2013
	RMB'000	RMB'000	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
Available-for-sale financial assets	33,806	38,856	41,598
Early retirement and supplemental benefit obligations	(285,330)	(276,100)	(295,940)

The rental income from the above investment properties and related depreciation charge, business tax and surcharges, depreciation and amortisation of the above property, plant and equipment and land use rights, current service cost and interest cost of the above employee benefit obligations are as follows:

	Year ended 31 December		Period ended 14 November
	2011	2012	2013
	RMB'000	RMB'000	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)

Apart from the non-current assets and liabilities of Other Retained Operations listed above, certain current assets and liabilities as described in Note 2.3 (iii) are also included in the Financial Information and are accounted for as a distribution to QDP on 15 November 2013. The Directors consider that the impact of those current assets and liabilities on operating results are not meaningful to separately presented in this note for the purpose of this report.

3.5 As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, all the Company's assets and liabilities contributed from QDP are stated at revaluation cost by reference to the valuation report.

As the Company and QDP are both controlled and owned by Qingdao SASAC, which means that the Core Operations are controlled by Qingdao SASAC before and after the Reorganisation, the assets and liabilities contributed from QDP are recorded at their predecessor cost in the consolidated Financial Information, except the assets and liabilities held by the subsidiaries which were transformed from state owned enterprises to limited liability companies in 2013.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 *Basis of preparation*

The Financial Information of the Company has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 6.

4.1.1 *Going concern*

As at 31 December 2013, the Group had net current liabilities of RMB571,237,000, which mainly arises from the accrual of special distribution payable to QDP (Note 16). The Directors have prepared cash flow projections for the 12 months from the date of this report taking into account the financial resources available to the Group, including cash generated from operating activities and the unused banking facilities. Based on these cash flow projections, the Directors believe that the Group will have sufficient financial resources for its operations and will continue as a going concern. Consequently the Directors have prepared the Financial Information on a going concern basis.

4.1.2 *New and amended standards and interpretations not yet adopted*

A number of new standards, amendments to existing standards and interpretations are effective for annual periods after 1 January 2013, and have not been applied in preparing the Financial Information. The list is as below:

		Effective for accounting periods beginning on or after
IAS 32 (Amendment)	Financial instruments: Presentation	1 January 2014
IFRS 10,12 and IAS 27 (Amendment)	Consolidation for investment entities	1 January 2014
IAS 36 (Amendment)	Impairment of assets	1 January 2014
IAS 39 (Amendment)	Novation of derivatives	1 January 2014
IAS 19 (Amendment)	Defined benefit plans	1 July 2014
IFRS 9	Financial instruments	To be determined
IFRIC 21	Levies	1 January 2014
IFRS 14	Regulatory deferral accounts	1 January 2016

IAS 32 (Amendment), this amendment updates the application guidance in IAS 32, "Financial instruments: Presentation", and to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group anticipates that the application of IAS 32 (Amendment) will have no material impact on the financial position of the Group.

IFRS 10, 12 and IAS 27 (Amendment), these amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make. The Group anticipates that these amendments are not relevant to the Group's operations and will have no impact on the results and the financial position of the Group.

IAS 36 (Amendment), This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group anticipates that the application of IAS 36 (Amendment) will have no material impact on the results and the financial position of the Group.

IAS 39 (Amendment), This amendment provides relief from discontinuing hedge accounting when novation at a hedging instrument to a central counter party meets specified criteria. The Group anticipates that this amendment is irrelevant as it has no hedging instrument.

IAS 19 (Amendment), This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. The Group anticipates that the application of IAS 19 (Amendment) will have no material impact on the results and the financial position of the Group.

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9.

IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

IFRS 14, "Regulatory deferral accounts", permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation muse be presented separately from other items. The Group anticipates that the application of IFRS 14 will have no material impact on the results and the financial position of the Group.

4.2 ***Consolidation***

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations other than combinations under common control which are accounted for using the principles of merger accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint ventures or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the financial information only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the Company's balance sheet, investment in associates are stated at cost less provision for impairment loss. The results of associates are accounted for by the Company on the basis of dividends received or receivable.

(e) *Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint ventures equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in joint ventures are stated at cost less provision for impairment loss. The results of joint ventures are accounted for by the Company on the basis of dividends received or receivable.

(f) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4.3 ***Segment reporting***

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

4.4 ***Foreign currency translation***

(a) *Functional and presentation currency*

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial information is presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the income statement within "other gains/(losses) — net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

4.5 *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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (Note 4.9).

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

4.6 ***Investment properties***

Investment properties, principally comprising buildings, are held for long-term rental yields or for capital appreciation or both, and those are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment properties is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives, as follows:

	Estimated useful life	**Annual depreciation rate**
— Investment properties	30 years	3.2%

4.7 ***Land use rights***

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation 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.

4.8 ***Intangible assets***

Intangible assets represent software and others. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 years on a straight-line basis.

4.9 ***Impairment of non-financial assets***

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

4.10 ***Non-current assets (or disposal groups) held for distribution***

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification.

4.11 ***Financial assets***

4.11.1 ***Classification***

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 4.15), "restricted bank deposits" and "cash and cash equivalents" (Note 4.16), in the balance sheet.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

4.11.2 ***Recognition and measurement***

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. However, if the range of reasonable fair value estimate is significant and the probabilities of various estimates cannot be reasonably assessed, such financial assets are carried out at cost less accumulated impairment losses.

4.12 ***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4.13 ***Impairment of financial assets***

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and 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 recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

4.14 ***Inventories***

Inventories, mainly comprising raw materials and completed properties held for sale, are stated at the lower of cost and net realisable value. The cost of completed properties held for sale comprises development expenditure and professional fees. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4.15 ***Trade receivables***

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

4.16 ***Cash and cash equivalents***

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

4.17 ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4.18 ***Trade payables***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.19 ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

4.20 ***Borrowing costs***

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.21 ***Current and deferred income tax***

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, the deferred income tax liability is then not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.22 ***Employee benefits***

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans, post-employment medical plans, termination and early retirement benefits.

(a) *Pension obligations*

The full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligations for post-retirement benefits beyond the contribution made. The contributions are recognised as employee benefit expenses as incurred.

The Group also provided supplementary pension subsidies to retired employees and those to be retired prior to 31 December 2015. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability recognised 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 recognised immediately in the income statement.

(b) *Other post-employment obligations*

The Group provides post-employment medical benefits to retired employees and those to be retired prior to 31 December 2015. The expected costs of these benefits are accrued over the employment period using the same accounting methodology as used for defined benefit pension plans. 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.

(c) *Termination and early retirement benefits*

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to termination 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.

(d) *Housing funds*

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees. The Group's liability in respect of these funds is limited to the contribution payable in each period. Housing funds are recognised as employee benefit expenses as incurred.

4.23 ***Provisions***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.24 ***Government grants***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions, if any.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

4.25 ***Revenue recognition***

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

(a) *Provision of services*

The Group provides containerised and non-containerised cargo handling services, and other port ancillary services. Provision of storage services is recognised on a straight-line basis over the period of the service, other services are recognised in the period in which the services are rendered.

(b) *Sales of goods*

Sale of goods is recognised in the period when the goods are delivered and title has passed.

(c) *Rental income*

Rental income from operating lease is recognised in the income statement on a straight-line basis over the term of the lease.

4.26 ***Interest income***

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate. Interest income from bank deposits and loans to related parties are recognised in "other income" in the consolidated income statement.

4.27 ***Contract work***

A construction contract is defined by IAS 11, "Construction contracts", as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised 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 recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised 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.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise 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, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

4.28 ***Dividend income***

Dividend income is recognised when the right to receive payment is established.

4.29 ***Leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

4.30 ***Dividend distribution***

Dividend distribution to the Company's shareholders is recognised as a liability in the Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

5. **Financial risk management**

5.1 ***Financial risk factors***

The Group's activities expose it 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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Market risk*

(i) Foreign exchange risk

The operations and majority of the Group's customers are located in the PRC with most of the assets/liabilities and transactions denominated and settled in RMB. As the commercial transactions settled in foreign currencies are not material, the Directors of the Company are of the view that the Group's exposure to foreign exchange risk would be immaterial.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from cash at 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 the Group to cash flow interest rate risk. The amounts due to fellow subsidiaries are issued at fixed rates, which expose the Group to fair value interest rate risk.

At 31 December 2011, 2012 and 2013, if interest rate had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately RMB 15,159,000, RMB 13,653,000 and RMB 10,097,000 higher/lower.

(b) *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), the Group has limited its credit exposure by restricting their selection of banks and financial institutions on reputable local joint-stock commercial banks or state-owned banks. Management believes these financial institutions are reputable and there is no significant credit risk of losses on such assets.

For customers, management assesses the credit qualities of customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set and regularly reviewed by management and the utilisation of which is monitored regularly. Except the provisions made individually for the receivable of Tiantong Securities Limited Company ("Tiantong Securities", see Note 23), the Group has no concentration of credit risk in respect of trade and other receivables.

(c) *Liquidity risk*

Cash flow forecasting is performed in the operating entities of the Group and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The table below analyses the Group's and the Company's 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	RMB'000	RMB'000	RMB'000	RMB'000
Group					
At 31 December 2011					
Financial liabilities as included in trade and other payables.......	1,914,728	—	—	—	1,914,728

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
At 31 December 2012					
Financial liabilities as included in trade and other payables.......	2,658,639	—	—	—	2,658,639

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group					
At 31 December 2013					
Financial liabilities as included in trade and other payables.......	3,862,838	—	—	—	3,862,838

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
At 31 December 2013					
Financial liabilities as included in trade and other payables	3,981,607	—	—	—	3,981,607

5.2 ***Capital management***

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total amounts due to fellow subsidiaries less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

The debt-to-equity ratios were as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Total amounts due to fellow subsidiaries	144,579	182,409	—
Less: cash and cash equivalents	(2,306,364)	(829,255)	(1,277,288)
Net cash	(2,161,785)	(646,846)	(1,277,288)
Total equity	14,372,335	14,970,004	8,032,032
Total capital..	12,210,550	14,323,158	6,754,744
Gearing ratio...	N/A	N/A	N/A

5.3 ***Fair value estimation***

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value, all included in Level 1:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Available-for-sale financial assets			
- Equity securities	33,806	33,856	—

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise equity investments in public companies listed on Shanghai Stock Exchanges classified as available-for-sale financial assets.

6. **Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) ***Judgments on the cost and completion date of construction-in-progress***

The construction of terminal facilities involves various points in time and different part of the construction projects to complete and reach to its intended use. The Group transfers 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. The Group estimates 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 estimation 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.

(b) ***Useful lives and residual values of property, plant and equipment***

The Group's 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 realisation 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.

(c) ***Early retirement and supplemental benefit obligations***

The present value of the early retirement and supplemental benefit 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 benefit 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 benefit obligations.

The Group determines 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, the Group considers 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.

Other key assumptions for early retirement and supplemental benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 29.

7. **Segment information**

The chief operating decision maker has been identified as the Board of Directors. Management has determined the operating segments based on the information reviewed by the chief operating decision maker for the purposes of allocating resources and assessing the performance.

The Board of Directors considers the business from service activities perspective, which mainly include the following five reportable segments:

— Container handling and ancillary services: Loading and discharging of containers and various container logistics services;

— Metal ore, coal and other cargo handling and ancillary services: Loading and discharging of mental ore coal and other cargo;

— Liquid bulk handling and ancillary services: Loading and discharging, storage and transshipment for liquid bulk;

— Logistics and port value-added services: Tallying, towing, cargo logistics and other services;

— Port construction and other services: Provision of facilities construction service and manufacturing of port related equipment and others.

Container handling and ancillary services, liquid bulk handling and ancillary services are mainly operated by joint ventures. Management has concluded that these segments should be reported, as they are the main services and are expected to materially contribute to the Group's profit in future and thus Board of Directors closely monitor the share of net profit from those joint ventures.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transactions are conducted in accordance with the terms mutually agreed between the parties.

The Board of the Directors assesses the performance of the operating segments based on a measure of adjusted segment results of each segment. Such 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. Unallocated costs consist of corporate expenses. Unallocated other income consists of head office's interest income from deposits and amounts due from related parties. Inter-segment transactions were conducted at terms mutually agreed amongst those operating segments.

Segment assets consist primarily of land use rights, property, plant and equipment, investment properties, intangible assets, investments in joint ventures, investments in associates, trade and other receivables, inventories, amounts due from customers for contract work and cash and cash equivalents. Unallocated assets comprise head office's property, plant and equipment, intangible assets, available-for-sale financial assets, deferred income tax assets, bill receivables, restricted bank deposits and cash and cash equivalents.

Segment liabilities consist primarily of early retirement and supplemental benefit obligations, trade and other payables. Unallocated liabilities comprise items such as head office's deferred income, bill payables, other payables to QDP and current income tax liabilities.

Additions to non-current assets (other than financial instruments and deferred income tax assets) comprise additions to land use right, property, plant and equipment, investment properties and intangible assets.

During the years ended 31 December 2011, 2012 and 2013, more than 90% of the Group's revenue is generated from customers located in Mainland China and all of the non-current assets of the Group were located in Mainland China.

The segment information for the reportable segments is as follows:

	For the year ended 31 December 2011						
	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 construction and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenue	51,760	2,474,837	367,348	1,037,806	1,928,970	(782,130)	5,078,591
Inter-segment revenue	—	(2,704)	(433)	(23,740)	(755,253)	782,130	—
Revenue from external customers	51,760	2,472,133	366,915	1,014,066	1,173,717	—	5,078,591
Total segment cost	(26,293)	(1,525,810)	(200,658)	(786,727)	(1,685,295)	762,969	(3,461,814)
Inter-segment cost	—	2,706	433	24,257	735,573	(762,969)	—
Cost from external customers	(26,293)	(1,523,104)	(200,225)	(762,470)	(949,722)	—	(3,461,814)
Share of profit of joint ventures	370,659	19,291	114,540	34,241	—	—	538,731
Share of profit of associates	—	—	—	458	—	—	458
Segment results	404,215	761,789	261,958	218,516	141,817	(17,059)	1,771,236
Unallocated costs							(428,448)
Unallocated other income							134,964
Finance costs							(2,053)
Profit before income tax							1,475,699
Income tax expenses							(262,396)
Profit for the year							1,213,303

	For the year ended 31 December 2011						
	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 construction and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other information:							
Depreciation and amortisation	4,196	232,900	67,326	44,606	131,976	(2,454)	478,550
Unallocated depreciation and amortisation							31,607
Impairment provision	—	—	—	6,751	2,801	—	9,552
Non-cash items other than depreciation and amortisation*	—	66,140	2,690	17,330	49,380	—	135,540
Segment assets	2,538,274	8,573,598	1,844,487	1,337,046	4,274,026	(89,091)	18,478,340
Unallocated assets:							6,715,585
Total assets							25,193,925
Total assets include:							
- Interests in joint ventures	2,447,689	224,274	507,313	153,756	—	—	3,333,032
- Interests in associates	—	—	—	19,720	—	—	19,720
- Additions to non-current assets (other than financial instruments and deferred income tax assets)	87,639	2,641,776	121,014	233,483	13,836	(22,340)	3,075,408
- Unallocated additions to non-current assets (other than financial instruments and deferred income tax assets)							30,926
Segment liabilities	71,060	1,763,267	128,511	622,649	7,593,712	(23,480)	10,155,719
Unallocated liabilities:							665,871
Total Liabilities							10,821,590

	For the year ended 31 December 2012						
	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 construction and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenue	82,074	2,789,265	376,311	1,434,712	2,186,610	(1,128,468)	5,740,504
Inter-segment revenue	—	(5,335)	(467)	(40,374)	(1,082,292)	1,128,468	—
Revenue from external customers	82,074	2,783,930	375,844	1,394,338	1,104,318	—	5,740,504
Total segment cost	(54,335)	(1,841,177)	(229,969)	(1,104,560)	(1,904,274)	1,067,532	(4,066,783)
Inter-segment cost	—	7,795	467	37,275	1,021,995	(1,067,532)	—
Cost from external customers	(54,335)	(1,833,382)	(229,502)	(1,067,285)	(882,279)	—	(4,066,783)
Share of profit of joint ventures	387,018	12,573	121,579	38,777	—	—	559,947
Share of profit of associates	—	—	—	1,280	—	—	1,280
Segment results	398,596	735,177	249,905	306,147	218,751	(59,044)	1,849,532
Unallocated costs							(435,619)
Unallocated other income							137,111
Finance costs							(2,800)
Profit before income tax							1,548,224
Income tax expenses							(280,280)
Profit for the year							1,267,944

	For the year ended 31 December 2012						
	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 construction and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other information:							
Depreciation and amortisation	7,380	272,553	65,199	95,648	124,889	(3,904)	561,765
Unallocated depreciation and amortisation							47,901
Reversal of impairment provision	—	—	—	(1,636)	(3,384)	—	(5,020)
Unallocated impairment provision							2,331
Non-cash items other than depreciation and amortisation*	—	61,520	2,540	16,270	46,640	—	126,970
Segment assets	2,544,781	10,141,202	2,119,793	1,709,708	4,496,796	(194,724)	20,817,556
Unallocated assets:							5,416,478
Total assets							26,234,034
Total assets include:							
— Interests in joint ventures	2,414,128	238,739	704,891	161,932	—	—	3,519,690
— Interests in associates	—	—	—	20,493	—	—	20,493
— Additions to non-current assets (other than financial instruments and deferred income tax assets)	504	1,844,016	211,209	281,842	267,079	(68,055)	2,536,595
— Unallocated additions to non-current assets (other than financial instruments and deferred income tax assets)							46,317
Segment liabilities	70,295	1,702,294	103,979	656,158	7,748,038	(64,234)	10,216,530
Unallocated liabilities:							1,047,500
Total liabilities							11,264,030

	For the year ended 31 December 2013						
	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 construction and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenue	81,635	3,107,943	261,018	1,662,874	2,470,336	(1,057,542)	6,526,264
Inter-segment revenue	—	(34,818)	—	(66,115)	(956,609)	1,057,542	—
Revenue from external customers	81,635	3,073,125	261,018	1,596,759	1,513,727	—	6,526,264
Total segment cost	(61,885)	(2,047,431)	(102,533)	(1,256,370)	(2,006,144)	999,721	(4,474,642)
Inter-segment cost	—	34,818	—	66,115	898,788	(999,721)	—
Cost from external customers	(61,885)	(2,012,613)	(102,533)	(1,190,255)	(1,107,356)	—	(4,474,642)
Share of profit of joint ventures	304,243	4,422	157,027	45,767	—	—	511,459
Share of profit of associates	—	—	—	1,799	—	—	1,799
Segment results	304,199	767,426	305,359	373,605	354,568	(57,821)	2,047,336
Unallocated costs							(313,665)
Unallocated other income							109,312
Unallocated other gains							107,049
Finance costs							(10,070)
Profit before income tax							1,939,962
Income tax expenses							(418,160)
Profit for the period							1,521,802

	For the year ended 31 December 2013						
	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 construction and other services	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other information:							
Depreciation and amortisation	9,139	335,630	22,966	93,284	122,485	(13,565)	569,939
Unallocated depreciation and amortisation							41,402
Impairment Provision	—	—	—	—	1,562	—	1,562
Unallocated reversal of impairment provision							(2,583)
Non-cash items other than depreciation and amortisation*	—	38,570	2,140	2,570	81,490	—	124,770
Segment assets	2,849,236	4,896,159	1,980,634	1,865,207	4,979,476	(423,193)	16,147,519
Unallocated assets:							2,803,794
Total assets							18,951,313
Total assets include:							
— Interests in joint ventures	2,437,134	438,053	1,207,641	309,470	—	—	4,392,298
— Interests in associates	—	—	—	5,488	—	—	5,488
— Additions to non-current assets (other than financial instruments and deferred income tax assets)	4,107	1,837,916	266,747	40,725	640,129	(36,846)	2,752,778
— Unallocated additions to non-current assets (other than financial instruments and deferred income tax assets)							3,707
Segment liabilities	61,450	1,716,246	5,389	639,844	7,121,266	(379,588)	9,164,607
Unallocated liabilities:							1,754,674
Total liabilities							10,919,281

* Non-cash items other than depreciation and amortisation represent the interest cost of early retirement and supplemental benefit obligations and gains or losses of early retirement benefit obligations.

Reportable segment's assets and liabilities are reconciled to total assets and liabilities as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Segment assets	18,478,340	20,817,556	16,147,519
Unallocated corporate assets:			
- Property, plant and equipment	883,655	898,125	518,190
- Intangible assets	50,400	45,919	33,827
- Available-for-sale financial assets	34,289	39,339	483
- Deferred income tax assets	84,171	98,852	933,272
- Trade and other receivables	3,796,557	3,781,233	487,954
- Restricted bank deposits	61,540	83,624	—
- Cash and cash equivalents	1,804,973	469,386	830,068
	25,193,925	26,234,034	18,951,313

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Segment liabilities	10,155,719	10,216,530	9,164,607
Unallocated corporate liabilities:			
- Deferred income	—	124,532	—
- Trade and other payables	366,667	686,634	1,724,710
- Current income tax liabilities	299,204	236,334	29,964
	10,821,590	11,264,030	10,919,281

Unallocated trade and other receivables mainly include amounts due from related parties and amounts paid on behalf of related parties for construction projects without fixed term of repayment. Unallocated trade and other payables mainly include port construction fee payable, prepayment received for disposal of property, plant and equipment, amounts due to fellow subsidiaries and payables to QDP.

Entity-wide information

Breakdown of the revenue from all services is as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue from handling, ancillary and other related services	2,890,808	3,241,848	3,415,778
Revenue from logistics and port value-added services	1,014,066	1,394,338	1,596,759
Revenue from port construction and equipment manufacturing	322,463	251,958	599,343
Rental income	271,999	287,482	293,173
Sales of electricity, oil and others	579,255	564,878	621,211
	5,078,591	5,740,504	6,526,264

8. **Other income**

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest income			
— from bank deposits	43,337	33,561	14,306
— from amounts due from related parties (Note 35)	96,349	106,479	96,458
Gains on acquisition of a subsidiary (Note 34)	16,984	—	—
Dividend income on available-for-sale financial assets	250	496	1,084
Government grants	9,264	18,232	12,689
Commission from port construction fees	5,186	15,382	13,318
Others	997	3,102	6,538
	172,367	177,252	144,393

9. **Other gains/(losses) — net**

	Year ended 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Gains on disposals of property, plant and equipment, land use rights and intangible assets	4,322	39	112,343
Donations	(112)	(2,278)	(1,852)
Others	(1,792)	(4,991)	(4,610)
	2,418	(7,230)	105,881

Gains on disposals of property, plant and equipment, land use rights and intangible assets for the year ended 31 December 2013 are mainly in connection with the sale of liquid bulk handling assets to a joint venture, Qingdao Shihua Crude Oil Terminal Co., Ltd. ("Qingdao Shihua") as stated in Note 18(f).

10. **Expenses by nature**

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Employee benefit expenses (Note 11)	1,516,849	1,706,576	1,891,708
Depreciation of property, plant and equipment (Note 18)	482,318	576,049	563,331
Raw material and consumables used (Note 24)	397,508	370,323	336,333
Materials used in contract work	131,455	146,475	328,054
Fuel and heating expenditures	379,573	494,857	474,431
Cost of sales for oil	155,669	156,832	163,085
Cost of sales for electricity	68,365	72,818	99,762
Transportation costs	285,524	492,916	507,524
Business tax and others	241,766	263,352	208,252
Subcontract costs	274,966	200,036	342,395
Repair and maintenance expenses	109,740	167,225	158,096
Operating lease rental (Note 18)	55,451	59,775	86,355
Insurance	10,813	11,229	12,940
Office expenses	16,433	21,636	21,268
Travelling expenses	9,028	9,159	8,069
Depreciation of investment properties (Note 19)	11,157	11,454	11,139
Amortisation of land use rights (Note 17)	3,111	5,401	12,856
Amortisation of intangible assets (Note 20)	5,156	5,549	5,889
Auditor's remuneration	2,443	4,591	5,737
Provision for inventories write-down (Note 24)	1,325	—	—
Provision for/(reversal of) impairment of trade and other receivables (Note 23)	8,227	(2,689)	(1,021)
Other expenses	147,936	147,165	103,561
Total cost of sales, selling and administrative expenses	4,314,813	4,920,729	5,339,764

11. Employee benefit expenses

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	1,082,650	1,265,705	1,455,987
Contributions to pension plans	107,426	106,531	109,815
Early retirement and supplemental benefit obligations (Note 29)	174,846	160,630	154,960
Housing benefits	60,226	70,973	72,437
Welfare, medical and other expenses	91,701	102,737	98,509
	1,516,849	1,706,576	1,891,708

(a) *Directors' and supervisors' emoluments*

The remuneration of every director and supervisor for the year ended 31 December 2011 is set out below:

Name	Salary, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Including: deferred compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cheng Xinnong (ii)	173	28	1,447	229	1,648
Jiao Guangjun	173	28	1,447	229	1,648
Wang Shaoyun	200	28	1,862	789	2,090
Ma Baoliang	200	28	1,862	789	2,090
Fu Xinmin	183	28	2,321	353	2,532
Xue Qingxia	171	28	79	—	278

The remuneration of every director and supervisor for the year ended 31 December 2012 is set out below:

Name	Salary, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Including: deferred compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cheng Xinnong (ii)	194	31	1,904	511	2,129
Jiao Guangjun	194	31	1,904	511	2,129
Wang Shaoyun	229	31	2,032	590	2,292
Ma Baoliang	204	31	2,268	590	2,503
Fu Xinmin	210	31	2,614	669	2,855
Xue Qingxia	197	31	73	—	301

The remuneration of every director and supervisor for the year ended 31 December 2013 is set out below:

Name	Salary, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Including: deferred compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Zheng Minghui (i)	231	23	385	—	639
Cheng Xinnong (ii)	295	34	1,997	584	2,326
Jiao Guangjun (ii)	269	34	1,997	584	2,300
Wang Shaoyun	307	34	2,236	671	2,577
Ma Baoliang	306	34	2,236	671	2,576
Fu Xinmin	319	34	2,318	692	2,671
Xue Qingxia	258	34	73	—	365

Notes:

All the directors and supervisors are appointed by the Company after its establishment in November 2013. The above tables represent their remunerations in the Relevant Period.

(i) Zheng Minghui was appointed as chairman of the board of QDP and the Company in April 2013 and November 2013 respectively.

(ii) Cheng Xinnong was appointed as President of the Company in November 2013, and Jiao Guangjun was appointed as President of the Company in January 2014.

(b) ***Five highest paid individuals***

The five individuals whose emoluments were the highest in the Group for each year are reflected in the analysis presented above.

The emoluments fell within the following bands:

	Year ended 31 December		
	2011	2012	2013
Emolument bands			
HKD2,000,001 - 2,500,000 (RMB1,572,400-1,965,500)	2	—	—
HKD2,500,001 - 3,000,000 (RMB1,965,500-2,358,600)	2	3	2
HKD3,000,001 - 3,500,000 (RMB2,358,600-2,751,700)	1	1	3
HKD3,500,001 - 4,000,000 (RMB2,751,700-3,144,800)	—	1	—
HKD4,000,001 - 4,500,000 (RMB3,144,800-3,537,900)	—	—	—

12. **Investments in subsidiaries - Company**

	As at 31 December 2013
Investments, at cost:	
Unlisted shares	687,059

As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, investments in subsidiaries are recorded at revaluation cost valued by independent valuers.

At 31 December 2013, the Company has the following significant subsidiaries:

Name	Country of incorporation and place of business	Principal activities	Effective interests held — directly held (%)	Interests held by non-controlling interests (%)
Qingdao Port (Group) Gang'an Construction Co., Ltd. ("Gang'an Construction")	PRC	Engineering and construction, sales of concrete	100	—
Qingdao Port (Group) Engineering Co., Ltd. ("Qingdao Port Engineering") (i)	PRC	Engineering and construction	100	—
Qingdao Ocean Shipping Tally Co., Ltd. ("Qingdao OST")	PRC	Ocean shipping tally services	84	16

The non-controlling interests for the years ended 31 December 2011, 2012 and 2013 are mainly attributed to Qingdao OST.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for Qingdao OST, which has non-controlling interests that are material to the Group.

Summarised balance sheets

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current			
Assets	143,645	149,569	141,941
liabilities	(38,256)	(25,003)	(25,692)
Total current net assets	105,389	124,566	116,249
Non-Current			
Assets	4,512	5,261	5,573
liabilities	(27,930)	(29,780)	(24,460)
Total non-current net assets	(23,418)	(24,519)	(18,887)
Net assets	81,971	100,047	97,362

Summarised income statements

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	221,108	249,903	245,478
Profit before income tax	143,162	166,642	159,786
Income tax expenses	(36,176)	(42,080)	(40,438)
Profit for the year	106,986	124,562	119,348
Other comprehensive income	(2,000)	990	4,920
Total comprehensive income	104,986	125,552	124,268
Total comprehensive income allocated to non-controlling interests	16,798	20,088	19,883
Dividends paid to non-controlling interests	14,605	17,206	20,317

Summarised cash flows

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	181,448	172,157	161,292
Income tax paid	(17,306)	(64,533)	(40,817)
Net cash generated from operating activities	164,142	107,624	120,475
Net cash used in investing activities	(1,150)	(1,123)	(633)
Net cash used in financing activities	(91,282)	(107,536)	(126,982)
Net increase/(decrease) in cash	71,710	(1,035)	(7,140)
Cash at beginning of year	67,944	139,654	138,619
Cash at end of year	139,654	138,619	131,479

The information above is the amounts before inter-company eliminations.

13. **Investments accounted for using equity method**

The amounts recognised in the consolidated income statement are as follows:

Group	**Year ended 31 December**		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Joint ventures	538,731	559,947	511,459
Associates	458	1,280	1,799
	539,189	561,227	513,258

The amounts recognised in the balance sheet are as follows:

	As at 31 December			
	Group			**Company**
	2011	**2012**	**2013**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Joint ventures	3,333,032	3,519,690	4,392,298	5,212,522
Associates	19,720	20,493	5,488	7,420
	3,352,752	3,540,183	4,397,786	5,219,942

As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, the Company's investments in joint ventures and associates are accounted at revaluation cost valued by independent valuers.

(a) ***Investments in joint ventures***

	As at 31 December			
	Group			**Company**
	2011	**2012**	**2013**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January/At 15 November 2013, date of the incorporation	3,110,583	3,333,032	3,519,690	5,212,522
(Disposals)/additions	(151,514)	76,000	819,630	—
Share of profit	538,731	559,947	511,459	—
Reversal/(elimination) of unrealised profit	3,475	520	(132,189)	—
Dividends from joint ventures	(168,243)	(449,809)	(326,795)	—
Changes in other equity	—	—	503	—
At 31 December	3,333,032	3,519,690	4,392,298	5,212,522

For the elimination of unrealised profit as at 31 December 2013, please refer to Note 18(f).

The joint ventures listed below are all unlisted and held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in joint ventures

Name of entity	Place of business/ Country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT")	PRC	31	Note i	Equity
Rizhao Riqing Container Terminal Co., Ltd. ("Riqing Container")	PRC	50	Note i	Equity
Qingdao Shihua	PRC	50	Note i	Equity
Qingdao Qianwan West Port United Terminal Co., Ltd. ("Qianwan West United") (Note iii)	PRC	51	Note i	Equity
Weihai Qingwei Container Terminal Co., Ltd.	PRC	49	Note i	Equity
Qingdao Cosport International Container Terminals Co., Ltd. ("Cosport Terminal")(Note 34)	PRC	50	Note i	Equity
Vopak Logistics (Qingdao) Co., Ltd.	PRC	50	Note ii	Equity
Qingdao Evergreen Container Storage & Transportation Co., Ltd.	PRC	40	Note ii	Equity
Qingdao Orient International Container Storage and Transportation Co., Ltd.	PRC	41	Note ii	Equity
Qingdao Bay Liquid Chemical Port Operation Co., Ltd.	PRC	50	Note ii	Equity
Qingdao QWG Port Logistics Co., Ltd.	PRC	23	Note ii	Equity
Qingdao Ganghai International Logistics Co., Ltd.	PRC	50	Note ii	Equity
Qingdao Shenzhouxing International Freight Co., Ltd.	PRC	50	Note ii	Equity
China Shipping Agency (Qingdao) Co., Ltd.	PRC	50	Note ii	Equity
Qingdao United International Shipping Agency Co., Ltd.	PRC	50	Note ii	Equity
Huaneng Qingdao Port Operation Co., Ltd.	PRC	49	Note ii	Equity
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. (Note iii)	PRC	51	Note ii	Equity

Note i: These companies are strategic partners for the Group, providing containerised and non-containerised cargo handling services and other port ancillary services.

Note ii: These companies provide logistics services or agency services, which are supplementary to the cargo handling services and other port ancillary services operated by the Group and its joint ventures in Note i.

Note iii: Although the Group's equity interests in these joint ventures are more than 50%, the Group does not have unilateral control over these joint ventures.

All of the companies are private companies and there is no quoted market price available for their shares.

There are no material contingent liabilities relating to the Group's interests in the joint ventures, and no material contingent liabilities of the joint ventures themselves.

Summarised financial information for joint ventures

Set out below are the summarised financial information for joint ventures which are accounted for using the equity method, and in the opinion of the Directors are material to the Group.

Summarised balance sheet — As at 31 December 2011

Name	QQCT	Qingdao Shihua
	RMB'000	RMB'000
Current		
Cash and cash equivalents	539,126	405,239
Other current assets (excluding cash)	261,267	953
Total current assets	800,393	406,192
Financial liabilities (excluding trade payables)	(450,000)	—
Other current liabilities (including trade payables)	(2,093,465)	(257,986)
Total current liabilities	(2,543,465)	(257,986)
Non-current		
Assets	8,954,074	866,420
Financial liabilities (excluding trade payables)	(1,300,000)	—
Total non-current assets	7,654,074	866,420
Non-controlling interests	(178,675)	—
Equity attributable to the owners of joint ventures	5,732,327	1,014,626

Summarised income statement — For year ended 31 December 2011

Name	QQCT	Qingdao Shihua
	RMB'000	RMB'000
Revenue	2,579,225	410,996
Cost of sales	(1,175,736)	(90,144)
Including: Depreciation and amortisation	(514,082)	(37,236)
Interest income	30,226	7,112
Interest expense	(79,813)	—
Profit before income tax	1,285,524	306,221
Income tax expenses	(139,295)	(77,140)
Profit for the year	1,146,229	229,081
Non-controlling interests	(5,387)	—
Profit attributable to the owners of joint ventures	1,140,842	229,081
Dividends received from joint ventures	—	118,000

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures — For year ended 31 December 2011

Summarised financial information	QQCT	Qingdao Shihua
	RMB'000	RMB'000
Opening equity attributable to the owners of joint ventures	4,608,298	1,021,545
Profit attributable to the owners of joint ventures for the year	1,140,842	229,081
Dividends paid	—	(236,000)
Others	(16,813)	—
Closing equity attributable to the owners of joint ventures	5,732,327	1,014,626
% of interest	31%	50%
Carrying value	1,777,021	507,313
Share of profit	353,661	114,541

Summarised balance sheet — As at 31 December 2012

Name	QQCT	Qingdao Shihua
	RMB'000	RMB'000
Current		
Cash and cash equivalents	462,904	391,116
Other current assets (excluding cash)	347,988	26,962
Total current assets	810,892	418,078
Other current liabilities (including trade payables)	(1,630,585)	(368,375)
Total current liabilities	(1,630,585)	(368,375)
Non-current		
Assets	10,070,867	1,208,080
Financial liabilities (excluding trade payables)	(3,450,000)	—
Total non-current assets	6,620,867	1,208,080
Non-controlling interests	(172,124)	—
Equity attributable to the owners of joint ventures	5,629,050	1,257,783

Summarised income statement — For year ended 31 December 2012

Name	QQCT	Qingdao Shihua
	RMB'000	RMB'000
Revenue	2,403,651	436,953
Cost of sales	(1,072,166)	(95,708)
Including: Depreciation and amortisation	(446,055)	(38,420)
Interest income	145,261	7,980
Interest expense	(183,653)	—
Profit before income tax	1,344,909	325,009
Income tax expenses	(170,134)	(81,852)
Profit for the year	1,174,775	243,157
Non-controlling interests	6,551	—
Profit attributable to the owners of joint ventures	1,181,326	243,157
Dividends received from joint ventures	396,511	—

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures — For year ended 31 December 2012

Summarised financial information	QQCT	Qingdao Shihua
	RMB'000	RMB'000
Opening equity attributable to the owners of joint ventures	5,732,327	1,014,626
Profit attributable to the owners of joint ventures for the year	1,181,326	243,157
Dividends paid	(1,279,066)	—
Other distribution	(1,282)	—
Others	(4,255)	—
Closing equity attributable to the owners of joint ventures	5,629,050	1,257,783
% of interest	31%	50%
Carrying value	1,745,006	628,892
Share of profit	366,211	121,579

Summarised balance sheet — As at 31 December 2013

Name	QQCT	Qingdao Shihua
	RMB'000	RMB'000
Current		
Cash and cash equivalents	499,279	221,055
Other current assets (excluding cash)	385,383	27,689
Total current assets	884,662	248,744
Financial liabilities (excluding trade payables)	(1,350,000)	—
Other current liabilities (including trade payables)	(2,511,344)	(318,929)
Total current liabilities	(3,861,344)	(318,929)
Non-current		
Assets	10,897,711	2,374,339
Financial liabilities (excluding trade payables)	(2,100,000)	—
Total non-current assets	8,797,711	2,374,339
Non-controlling interests	(159,660)	—
Equity attributable to the owners of joint ventures	5,661,369	2,304,154

Summarised income statement — For year ended 31 December 2013

Name	QQCT	Qingdao Shihua
	RMB'000	RMB'000
Revenue	2,428,162	596,769
Cost of sales	(1,036,084)	(233,378)
Including: Depreciation and amortisation	(395,580)	(87,554)
Interest income	192,406	3,087
Interest expense	(284,693)	—
Profit before income tax	1,218,658	330,345
Income tax expenses	(322,850)	(83,974)
Profit for the period	895,808	246,371
Non-controlling interests	12,531	—
Other reserves	(887)	—
Profit attributable to the owners of joint ventures	907,452	246,371
Dividends declared by joint ventures	274,071	—

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures — For year ended 31 December 2013

Summarised financial information	QQCT	Qingdao Shihua
	RMB'000	RMB'000
Opening equity attributable to the owners of joint ventures	5,629,050	1,257,783
Profit attributable to the owners of joint ventures for the year	907,452	246,371
Dividends paid	(884,100)	—
Capital injection	—	800,000
Other contributions	276	—
Others	8,691	—
Closing equity attributable to the owners of joint ventures	5,661,369	2,304,154
% of interest	31%	50%
Interest in joint ventures	1,755,024	1,152,077
Unrealised profit	—	(103,708)
Carry value	1,755,024	1,048,369
Share of profit before elimination	281,310	123,186
Unrealised profit	—	34,570
Share of profit	281,310	157,756

Individually immaterial joint ventures

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Aggregate carrying value of individually immaterial joint ventures	1,048,698	1,145,792	1,588,905
Aggregate amounts of the Group's share of profit	70,529	72,157	72,393

(b) **Investments in associates**

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January/At 15 November 2013, date of the incorporation	19,645	19,720	20,493	7,420
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	(15,908)	—
Share of profit	458	1,280	1,799	—
Dividends from associates	(383)	(507)	(896)	—
At 31 December	19,720	20,493	5,488	7,420

In the opinion of the Directors, associates are not material to the Group.

14. **Taxation**

(a) ***Income tax expenses***

The amounts of income tax expenses charged to the consolidated income statements represent:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
PRC income tax			
— Current	256,774	296,803	422,198
— Deferred (Note 31)	5,622	(16,523)	(4,038)
	262,396	280,280	418,160

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profits arising in or derived from Hong Kong for the Relevant Periods.

The Group is subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% of the assessable profit for the Relevant Periods.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average income tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before income tax	1,475,699	1,548,224	1,939,962
Less: Share of profit of associates and joint ventures	(539,189)	(561,227)	(513,258)
	936,510	986,997	1,426,704
Tax calculated at income tax rate	234,128	246,749	356,676
Income not subject to tax	(7,907)	(137)	—
Expenses not deductible for tax purposes	36,175	33,668	61,484
Income tax	262,396	280,280	418,160

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	Year ended 31 December 2011			Year ended 31 December 2012			Year ended 31 December 2013		
	Before tax	Tax credit	After tax	Before tax	Tax charge	After tax	Before tax	Tax charge	After tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value (losses)/gains on available-for-sale financial assets (Note 22)	(12,345)	3,086	(9,259)	5,050	(1,262)	3,788	2,742	(686)	2,056
Other comprehensive income									
Deferred tax (Note 31)		3,086			(1,262)			(686)	

(b) ***Value-added tax ("VAT") and related taxes***

Certain of the companies now comprising the Group are subject to output VAT generally calculated at 17% or 13% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or equipment can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The subsidiaries are also subject to city construction tax ("CCT") and educational surcharge ("ES") based on 7% and 3% of net VAT payable, respectively.

Pursuant to the Notice on Issuance of Business Tax to Value Added Tax Transformation Pilot Program ("Pilot Program") and the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Transportation Industry and Some Modern Service Industries Nationally (Caishui No.37, 2013) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenues derived from handling and ancillary services, transportation services which are previously subject to business tax ("BT") are then subject to VAT since 1 August 2013 at rates of 6% and 11% respectively.

(c) ***BT and related taxes***

In addition to the handling and ancillary services and transportation services which are subject to VAT from 1 August 2013, certain of the companies now comprising the Group are subject to BT at rates of 3% or 5% of the taxable revenue. In addition, the Group is subject to CCT and ES based on 7% and 3% of BT payable, respectively.

The related business tax is included in "cost of sales".

15. **Earnings per share**

(a) ***Basic***

Basic earnings per share for the year ended 31 December 2013 is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

The basic earnings per share for each of the years ended 31 December 2011 and 2012 is calculated on the profit attributable to owners of the Company and on the assumption that 3,600 million shares issued upon the establishment of the Company in connection with the Reorganisation were deemed to have been in issue since 1 January 2011.

	Year ended 31 December		
	2011	2012	2013
Profit attributable to owners of the Company (RMB'000)	1,195,011	1,247,326	1,500,499
Weighted average number of ordinary shares in issue (thousands)	3,600,000	3,600,000	3,650,000
Basic earnings per share (RMB per share)	0.33	0.35	0.41

(b) ***Diluted***

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding during the years ended 31 December 2011, 2012 and 2013.

16. **Dividends**

The Company had not been incorporated during the years ended 2011 and 2012. During the years ended 31 December 2011 and 2012, QDP had paid dividends to Qingdao SASAC of approximately RMB193,615,000 and RMB127,348,000 respectively.

Pursuant to the resolution of the shareholders' meeting held on 15 November 2013 and the applicable PRC financial regulations, the Company is required to make a distribution (the "Special Distribution") to QDP in an amount equal to the difference between the Group's combined equity attributable to owners of the Company as at 31 December 2012 and that as at 15 November 2013 (the date on which the Company was incorporated), as determined based on the audited accounts prepared in accordance with People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP"). The Company has appropriated the Special Distribution of RMB1,303,228,000 accordingly. During the period from 15 November 2013 to 31 December 2013, the Company paid approximately RMB270,688,000 to QDP.

During the years ended 31 December 2011, 2012 and 2013, certain of the Group's non-wholly owned subsidiaries had paid dividends to minority shareholders of approximately RMB14,605,000, RMB17,206,000 and RMB20,317,000 respectively.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

17. **Land use rights**

The Group's interests in land use rights represent prepaid operating lease payments for lands located in Qingdao, the PRC with a lease term of 35-50 years, analysed as follows:

	Year ended 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January/At 15 November 2013, date of the incorporation	85,261	206,953	206,953	—
Additions	697	—	1,035,904	2,810,790
Acquisition of a subsidiary (Note 34)	120,995	—	—	—
Disposals (Note 32)	—	—	(15,143)	—
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	(619,525)	—
As at 31 December	206,953	206,953	608,189	2,810,790
Accumulated amortisation				
At 1 January/At 15 November 2013, date of the incorporation	(15,866)	(18,977)	(24,378)	—
Amortisation charge (Note 10)	(3,111)	(5,401)	(12,856)	(5,294)
Disposals (Note 32)	—	—	4,599	—
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	22,811	—
As at 31 December	(18,977)	(24,378)	(9,824)	(5,294)
Net book value				
Cost	206,953	206,953	608,189	2,810,790
Accumulated amortisation	(18,977)	(24,378)	(9,824)	(5,294)
As at 31 December	187,976	182,575	598,365	2,805,496

Amortisation expenses have been charged in "Cost of sales".

18. **Property, plant and equipment**

Group

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011									
Cost	1,069,456	6,287,681	2,598,094	2,639,351	872,621	475,827	110,108	1,546,746	15,599,884
Accumulated depreciation	(277,519)	(1,212,417)	(443,601)	(1,665,290)	(557,043)	(295,096)	(49,293)	—	(4,500,259)
Impairment	—	—	—	—	(4,800)	—	—	—	(4,800)
Net book amount	791,937	5,075,264	2,154,493	974,061	310,778	180,731	60,815	1,546,746	11,094,825
Year ended 31 December 2011									
Opening net book amount	791,937	5,075,264	2,154,493	974,061	310,778	180,731	60,815	1,546,746	11,094,825
Additions	1,550	46,695	3,622	49,209	38,553	231,920	11,401	2,522,511	2,905,461
Acquisition of a subsidiary (Note 34)	15	48,646	6,378	37,005	2,128	—	393	—	94,565
Transfers	—	2,364,037	6,602	—	5,492	—	—	(2,376,131)	—
Disposals (Note 32)	(4,993)	(1,023)	(149)	(2,890)	(1,402)	—	(159)	—	(10,616)
Depreciation charge (Note 10)	(27,442)	(157,224)	(82,732)	(118,556)	(65,783)	(23,880)	(6,701)	—	(482,318)
Closing net book amount	761,067	7,376,395	2,088,214	938,829	289,766	388,771	65,749	1,693,126	13,601,917
At 31 December 2011									
Cost	1,064,102	8,745,659	2,614,476	2,696,293	913,446	707,662	118,315	1,693,126	18,553,079
Accumulated depreciation	(303,035)	(1,369,264)	(526,262)	(1,757,464)	(618,880)	(318,891)	(52,566)	—	(4,946,362)
Impairment	—	—	—	—	(4,800)	—	—	—	(4,800)
Net book amount	761,067	7,376,395	2,088,214	938,829	289,766	388,771	65,749	1,693,126	13,601,917

Group

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012									
Cost	1,064,102	8,745,659	2,614,476	2,696,293	913,446	707,662	118,315	1,693,126	18,553,079
Accumulated depreciation	(303,035)	(1,369,264)	(526,262)	(1,757,464)	(618,880)	(318,891)	(52,566)	—	(4,946,362)
Impairment	—	—	—	—	(4,800)	—	—	—	(4,800)
Net book amount	761,067	7,376,395	2,088,214	938,829	289,766	388,771	65,749	1,693,126	13,601,917
Year ended 31 December 2012									
Opening net book amount	761,067	7,376,395	2,088,214	938,829	289,766	388,771	65,749	1,693,126	13,601,917
Additions	1,662	11,962	3,721	292,112	35,756	193,715	9,431	2,018,794	2,567,153
Transfers	17,907	498,305	11,644	330,444	1,475	—	—	(859,775)	—
Disposals (Note 32)	(6,686)	(91)	(35)	(450)	(2,450)	—	(460)	—	(10,172)
Depreciation charge (Note 10)	(25,976)	(196,820)	(89,895)	(168,457)	(59,577)	(26,843)	(8,481)	—	(576,049)
Closing net book amount	747,974	7,689,751	2,013,649	1,392,478	264,970	555,643	66,239	2,852,145	15,582,849
At 31 December 2012									
Cost	1,073,368	9,255,484	2,628,682	3,306,582	903,679	901,377	121,383	2,852,145	21,042,700
Accumulated depreciation	(325,394)	(1,565,733)	(615,033)	(1,914,104)	(633,909)	(345,734)	(55,144)	—	(5,455,051)
Impairment	—	—	—	—	(4,800)	—	—	—	(4,800)
Net book amount	747,974	7,689,751	2,013,649	1,392,478	264,970	555,643	66,239	2,852,145	15,582,849

Group

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013									
Cost	1,073,368	9,255,484	2,628,682	3,306,582	903,679	901,377	121,383	2,852,145	21,042,700
Accumulated depreciation	(325,394)	(1,565,733)	(615,033)	(1,914,104)	(633,909)	(345,734)	(55,144)	—	(5,455,051)
Impairment	—	—	—	—	(4,800)	—	—	—	(4,800)
Net book amount	747,974	7,689,751	2,013,649	1,392,478	264,970	555,643	66,239	2,852,145	15,582,849
Year ended 31 December 2013									
Opening net book amount	747,974	7,689,751	2,013,649	1,392,478	264,970	555,643	66,239	2,852,145	15,582,849
Additions	28,971	336	16,763	89,689	30,573	118,979	14,716	1,263,281	1,563,308
Transfers	12,328	675,140	15,151	183,548	1,749	29,332	—	(917,248)	—
Disposals (Note 32)	(14,423)	(439,143)	(478,130)	(8,512)	(41,555)	(2,635)	(1,340)	(745)	(986,483)
Depreciation charge (Note 10)	(29,044)	(176,757)	(71,778)	(185,845)	(52,678)	(36,876)	(10,353)	—	(563,331)
Distribution to QDP upon the completion of the Reorganisation (Note 3)	(598,019)	(3,385,170)	(324,349)	(748,965)	(51,839)	(564)	(17,308)	(1,806,377)	(6,932,591)
Reversal of impairment	—	—	—	—	4,800	—	—	—	4,800
Closing net book amount	147,787	4,364,157	1,171,306	722,393	156,020	663,879	51,954	1,391,056	8,668,552
At 31 December 2013									
Cost	279,109	5,685,274	1,508,592	2,540,295	646,234	1,021,736	90,997	1,391,056	13,163,293
Accumulated depreciation	(131,322)	(1,321,117)	(337,286)	(1,817,902)	(490,214)	(357,857)	(39,043)	—	(4,494,741)
Net book amount	147,787	4,364,157	1,171,306	722,393	156,020	663,879	51,954	1,391,056	8,668,552

Company

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 15 November 2013, date of the incorporation	225,386	4,822,642	1,698,625	872,037	130,230	709,566	51,159	1,470,120	9,979,765
Transfers	—	—	13,448	—	—	—	—	(13,448)	—
Depreciation charge	(901)	(11,861)	(4,198)	(20,890)	(9,734)	(5,105)	(869)	—	(53,558)
Closing net book amount....	224,485	4,810,781	1,707,875	851,147	120,496	704,461	50,290	1,456,672	9,926,207
At 31 December 2013									
Cost	225,386	4,822,642	1,712,073	872,037	130,230	709,566	51,159	1,456,672	9,979,765
Accumulated depreciation.....	(901)	(11,861)	(4,198)	(20,890)	(9,734)	(5,105)	(869)	—	(53,558)
Net book amount	224,485	4,810,781	1,707,875	851,147	120,496	704,461	50,290	1,456,672	9,926,207

(a) Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended 31 December		
	Group		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of sales	421,390	535,209	531,083
Selling and administrative expenses	60,928	40,840	32,248
	482,318	576,049	563,331

(b) Expenses of leasing of machinery and property amounting to RMB55,451,000, RMB59,775,000 and RMB86,355,000 during the years ended 31 December 2011, 2012 and 2013 respectively, are included in the consolidated income statement (Note 10).

(c) Construction-in-progress mainly comprises terminal facilities and storage facilities under construction or pending installation.

(d) As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, the Company's Property, plant and equipment is recorded at revaluation cost valued by independent valuers.

(e) The Group entered into three lease agreements with a joint venture QQCT in year 2000, 2003 and 2006, respectively. According to the agreements, the Group leased certain buildings, terminal facilities, storage facilities, machinery and equipment (collectively "port facilities") and land use rights in three batches to QQCT in order to provide QQCT with the land and facilities necessary to operate its container cargo handling business. The Group is also responsible for the maintenance of these port facilities. The leases run for 30 years. None of the leases includes contingent rentals. These leases are treated as operating leases as the risk and rewards incidental to ownership of the leased assets will lie with the Group during the lease term. The total contract amount of RMB5,886 million have been received in full by April 2010 and recorded as deferred income. The terms of these lease agreements have been determined by commercial negotiations among QDP and the other shareholders of QQCT based on their respective bargaining position to secure the full payments under the lease agreements as well as to compensate QDP for the significant expenditures incurred by QDP for the construction of the port facilities. The rental income will be recognised on a straight-line basis over the terms of the lease and recorded as revenue in the consolidated income statement, and the revenue relating to maintenance will be recognised when the maintenance service is rendered. The business tax and surcharges relating to the amounts received are recorded as taxes due on port facilities rental and others in trade and other receivables, and will be charged to the consolidated income statement in line with the recognition of rental income.

The net carrying amount of port facilities leased out under the arrangements is listed as below:

	As at 31 December		
	Group		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Buildings	29,636	28,310	26,984
Terminal facilities	1,930,298	1,875,139	1,819,979
Storage facilities	820,282	799,640	778,998
Machinery and equipment	227	160	94
	2,780,443	2,703,249	2,626,055

(f) On 19 December 2012, the Group entered into an agreement with Sinomart KTS Development Limited ("經貿冠德發展有限公司", namely "Sinomart KTS" , who holds 50% of equity interest of Qingdao Shihua). Each company contributed additional capital of RMB400 million to Qingdao Shihua. Sinomart KTS contributed in cash and the Group contributed with assets. The total assets transferred by the Group to Qingdao Shihua in 2013 were as follows:

	Carrying amount	Fair value
	RMB'000	RMB'000
Land use rights	9,576	30,900
Property, plant and equipment	980,556	1,251,030
Inventory	236	1,201
Total	990,368	1,283,131

Among the fair value of the above transferred assets, RMB400 million is accounted as capital contribution, and the remaining RMB883 million is treated as sale of assets to Qingdao Shihua. The unrealised profit is eliminated to the extent of the Group's interest in Qingdao Shihua.

(g) As at 31 December 2013, the Group is in the process of applying for or changing registration of the ownership certificates for certain properties with an aggregate carrying value of approximately RMB13 million. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

19. **Investment properties**

	Year ended 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January/At 15 November 2013, date of the incorporation	223,248	241,122	261,054	—
Additions	17,874	19,932	214,841	214,841
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	(243,428)	—
At 31 December	241,122	261,054	232,467	214,841
Accumulated depreciation				
At 1 January/At 15 November 2013, date of the incorporation	(39,824)	(50,981)	(62,435)	—
Depreciation charge (Note 10)	(11,157)	(11,454)	(11,139)	—
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	63,093	—
At 31 December	(50,981)	(62,435)	(10,481)	—
Net book value				
Cost	241,122	261,054	232,467	214,841
Accumulated depreciation	(50,981)	(62,435)	(10,481)	—
At 31 December	190,141	198,619	221,986	214,841
Fair value at end of the year	252,199	249,554	229,155	215,269

(a) Depreciation expenses have been charged in "Cost of sales".

(b) On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties. As at 31 December 2011, 2012 and 2013, the fair value of the Group's investment properties is valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent and professionally qualified valuer not related with the Group.

Due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement cost, which falls into the category of fair value measurements using significant unobservable inputs (Level 3) including replacement costs, estimated use life, etc. The Directors of the Company are of the view that it is the best estimate of the fair value of these investment properties.

20. **Intangible assets**

Group

	Software	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011			
Cost	13,744	58,771	72,515
Accumulated depreciation	(9,658)	(11,881)	(21,539)
Net book amount	4,086	46,890	50,976
Year ended 31 December 2011			
Opening net book amount	4,086	46,890	50,976
Additions	3,563	2,683	6,246
Depreciation charge (Note 10)	(1,835)	(3,321)	(5,156)
Closing net book amount	5,814	46,252	52,066
At 31 December 2011			
Cost	17,307	61,454	78,761
Accumulated depreciation	(11,493)	(15,202)	(26,695)
Net book amount	5,814	46,252	52,066
Year ended 31 December 2012			
Opening net book amount	5,814	46,252	52,066
Additions	1,067	—	1,067
Disposals (Note 32)	—	(544)	(544)
Depreciation charge (Note 10)	(2,211)	(3,338)	(5,549)
Closing net book amount	4,670	42,370	47,040
At 31 December 2012			
Cost	18,374	60,527	78,901
Accumulated depreciation	(13,704)	(18,157)	(31,861)
Net book amount	4,670	42,370	47,040
Year ended 31 December 2013			
Opening net book amount	4,670	42,370	47,040
Additions	5,231	3,001	8,232
Disposals (Note 32)	(82)	(988)	(1,070)
Depreciation charge (Note 10)	(2,589)	(3,300)	(5,889)
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	(8,195)	(8,195)
Closing net book amount	7,230	32,888	40,118
At 31 December 2013			
Cost	23,399	51,101	74,500
Accumulated depreciation	(16,169)	(18,213)	(34,382)
Net book amount	7,230	32,888	40,118

Company

	Software	Others	Total
	RMB'000	RMB'000	RMB'000
At 15 November 2013, date of the incorporation	8,317	32,269	40,586
Depreciation charge	(267)	(304)	(571)
Closing net book amount	8,050	31,965	40,015
At 31 December 2013			
Cost	8,317	32,269	40,586
Accumulated depreciation	(267)	(304)	(571)
Net book amount	8,050	31,965	40,015

Amortisation expenses have been charged in "selling and administrative expenses".

21. **Financial instruments by category**

(a) ***Group***

	Loans and receivables	Available-for-sale	Total
	RMB'000	RMB'000	RMB'000
31 December 2011			
Assets as per balance sheet			
Available-for-sale financial assets (Note 22)	—	82,014	82,014
Trade and other receivables excluding non-financial assets (Note 23)	4,575,473	—	4,575,473
Cash and cash equivalents (Note 26)	2,306,364	—	2,306,364
Restricted bank deposits (Note 26)	61,540	—	61,540
Total	6,943,377	82,014	7,025,391

	Other financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 30)	(1,914,728)

	Loans and receivables	Available-for-sale	Total
	RMB'000	RMB'000	RMB'000
31 December 2012			
Assets as per balance sheet			
Available-for-sale financial assets (Note 22)	—	111,064	111,064
Trade and other receivables excluding non-financial assets (Note 23)	4,922,285	—	4,922,285
Cash and cash equivalents (Note 26)	829,255	—	829,255
Restricted bank deposits (Note 26)	83,624	—	83,624
Total	5,835,164	111,064	5,946,228

	Other financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 30)	(2,658,639)

	Loans and receivables	Available-for-sale	Total
	RMB'000	RMB'000	RMB'000
31 December 2013			
Assets as per balance sheet			
Available-for-sale financial assets (Note 22)	—	72,208	72,208
Trade and other receivables excluding non-financial assets (Note 23)	2,025,247	—	2,025,247
Cash and cash equivalents (Note 26)	1,277,288	—	1,277,288
Restricted bank deposits (Note 26)	9	—	9
Total	3,302,544	72,208	3,374,752

	Other financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 30)	(3,862,838)

(b) ***Company***

	Loans and receivables	Available-for-sale	Total
	RMB'000	RMB'000	RMB'000
31 December 2013			
Assets as per balance sheet			
Available-for-sale financial assets (Note 22)	—	71,421	71,421
Trade and other receivables excluding non-financial assets (Note 23)	2,120,272	—	2,120,272
Cash and cash equivalents (Note 26)	1,054,036	—	1,054,036
Total	3,174,308	71,421	3,245,729

	Other financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 30)	(3,981,607)

22. **Available-for-sale financial assets**

	Year ended 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January/At 15 November 2013, date of the incorporation	46,634	82,014	111,064	—
Additions	47,725	24,000	—	71,421
Net (losses)/gains charge/credit to equity (Note 14)	(12,345)	5,050	2,742	—
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	(41,598)	—
At 31 December	82,014	111,064	72,208	71,421

Available-for-sale financial assets include the following:

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Listed equity securities, at fair value (Note a)				
— PRC	33,806	33,856	—	—
Unlisted equity investment, at cost (Note b)	48,208	77,208	72,208	71,421
	82,014	111,064	72,208	71,421

Available-for-sale financial assets are all denominated in RMB.

(a) The fair value of the listed equity securities is based on quoted market price.

(b) Unlisted equity investment measured at cost mainly presents the investment in Sinopec Qingdao Liquefied Natural Gas Co., Ltd., Shandong Binhai Hongrun Pipeline Logistics Co., Ltd., over which the Group has no control, joint control or significant influence. Management is of the opinion that the range of reasonable fair value estimate for the unlisted equity investments is significant and the probabilities of various estimates cannot be reasonably assessed. Accordingly, such financial assets are carried out at cost less accumulated impairment losses, if any.

23. Trade and other receivables

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	412,973	556,236	903,301	722,089
- third parties	362,543	487,401	674,696	562,389
- related parties (Note 35)	50,430	68,835	228,605	159,700
Less: Provision for impairment	(10,260)	(9,951)	(10,409)	(211)
Trade receivables - net	402,713	546,285	892,892	721,878
Bill receivables	1,003,072	865,645	387,230	319,856
- third parties	862,509	865,645	387,230	319,856
- related parties (Note 35)	140,563	—	—	—
Other receivables	1,175,598	1,498,648	745,397	1,078,794
- third parties	268,085	521,756	158,048	153,568
- related parties (Note 35)	907,513	976,892	587,349	925,226
Less: Provision for impairment	(66,253)	(63,636)	(272)	(256)
Other receivables - net	1,109,345	1,435,012	745,125	1,078,538
Amounts due from related parties (Note 35)	2,060,343	2,075,343	—	—
Taxes due on port facilities rentals and others (Note 18)	251,513	240,219	225,472	225,472
Prepayments (Note b)	229,925	191,204	90,573	76,270
VAT recoverable (Note c)	11,959	20,987	26,254	25,380
Trade and other receivables	5,068,870	5,374,695	2,367,546	2,447,394
Less: non-current portion:				
- Taxes due on port facilities rentals and others (Note 18)	(240,511)	(229,217)	(214,177)	(214,177)
- Prepayments (Note b)	(165,114)	(148,660)	(64,800)	(50,580)
- Other receivables	(21,000)	(21,000)	(1,000)	—
Non-current portion	(426,625)	(398,877)	(279,977)	(264,757)
Current portion	4,642,245	4,975,818	2,087,569	2,182,637

(a) The carrying amounts of trade and other receivables approximate their fair values and are mainly dominated in RMB.

(b) As of the respective balance sheet dates, current portion of prepayments are in connection with purchase of raw materials, while non-current portion of prepayments are in connection with purchase of property, plant and equipment and other long-term assets.

(c) Balance of VAT recoverable mainly represents the input VAT relating to purchase of materials and property, plant and equipment.

(d) As described in Note 3, the carrying amount of trade and other receivables of RMB3,190,901,000 is distributed to QDP upon completion of the Reorganisation, including the provision for impairment of RMB57,704,000.

(e) In general, the Group and the Company grant a credit period of 30 to 90 days to its trade customers. Ageing analysis of trade receivables at the respective balance sheet dates are as follows:

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 3 months	350,343	458,078	673,594	562,927
3 to 6 months	17,678	58,697	143,729	125,891
6 to 12 months	14,674	22,491	56,210	28,352
1 to 2 years	19,640	5,307	19,153	4,919
2 to 3 years	1,766	1,261	809	—
Over 3 years	8,872	10,402	9,806	—
	412,973	556,236	903,301	722,089

As of 31 December 2011, 2012 and 2013, the Group's trade receivables of RMB350,343,000, RMB458,078,000, RMB673,594,000 were neither past due nor impaired. As of 31 December 2013, the Company's trade receivables of RMB562,927,000 were neither past due nor impaired.

As of 31 December 2011, 2012 and 2013, the Group's trade receivables of RMB52,370,000, RMB88,207,000 and RMB219,298,000 were past due but not impaired. As of 31 December 2013, the Company's trade receivables of RMB158,951,000 were past due but not impaired. These receivables relate to a number of customers for whom there is no recent history of default. The 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. The ageing analysis of these trade receivables is as follows:

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
3 to 6 months	17,678	58,697	143,729	125,891
6 to 12 months	14,674	22,491	56,210	28,352
1 to 2 years	18,658	5,247	18,231	4,708
2 to 3 years	1,236	883	566	—
Over 3 years	124	889	562	—
	52,370	88,207	219,298	158,951

As of 31 December 2011, 2012 and 2013, the Group's trade receivables of RMB10,260,000, RMB9,951,000, RMB10,409,000 were impaired and fully provided for. As of 31 December 2013, the Company's trade receivables of RMB211,000 were impaired and fully provided for. The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default in payments. The Directors are of the opinion that the balances cannot be recoverable. The ageing analysis of these impaired receivables is as follows:

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
1 to 2 years	982	60	922	211
2 to 3 years	530	378	243	—
Over 3 years	8,748	9,513	9,244	—
	10,260	9,951	10,409	211

(f) Movements on the provision for impairment of trade and other receivables are as follows:

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January/At 15 November 2013, date of the incorporation	(68,286)	(76,513)	(73,587)	—
Provision for impairment	(8,227)	—	(1,562)	(467)
Unused amount reversed	—	2,689	2,583	—
Receivables written off as uncollectible	—	237	4,181	—
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	57,704	—
At 31 December	(76,513)	(73,587)	(10,681)	(467)

The Group entrusted Tiantong Securities with management of certain government bonds in 2003. As Tiantong Securities went bankruptcy in 2005, the Group made full provision for impaired receivables. Certain amount of provision has been reversed in 2012 and 2013 as the Group recovered some of the receivables from the insolvent assets of Tiantong Securities. As at 15 November 2013, the amount related to Tiantong Securities had been distributed to QDP.

The creation and release of provision for impaired receivables have been included in 'selling and administrative expenses' in the consolidated income statements (Note 10). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

24. **Inventories**

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	115,960	100,338	160,275	149,284
Completed properties held for sale	44,450	44,450	44,450	—
	160,410	144,788	204,725	149,284
Less: Provision for inventories write-down	(1,325)	(421)	—	—
	159,085	144,367	204,725	149,284

The cost of inventories recognised as expenses and included in cost of sales and selling and administrative expenses are as follows:

	Year ended 31 December		
	Group		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of inventories sold/consumed	386,718	356,531	327,628
Selling and administrative expenses	10,790	13,792	8,705
	397,508	370,323	336,333

The provisions for inventories write-down have been included in "cost of sales" in the consolidated income statements.

25. **Amounts due from customers for contract work**

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate cost incurred plus recognised profit less recognised losses for ongoing contracts	430,462	593,102	652,861	286,524
Less: Progress billings	(385,939)	(555,277)	(486,825)	(131,770)
Representing: Amounts due from customers for contract work	44,523	37,825	166,036	154,754

	Year ended 31 December		
	Group		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contract revenue recognised as revenue in the year	322,463	251,958	599,343

26. **Restricted bank deposits, cash and cash equivalents**

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Bank deposits				
- Terms deposits with initial term of over three months (Note d)	927,426	351,032	104,100	—
- other bank deposits	1,440,222	561,591	1,172,991	1,053,885
Cash on hand	256	256	206	151
	2,367,904	912,879	1,277,297	1,054,036
Less: restricted bank deposits (Note a)	(61,540)	(83,624)	(9)	—
Cash and cash equivalents	2,306,364	829,255	1,277,288	1,054,036
Cash and bank balances denominated in				
- RMB	2,366,252	910,643	1,276,533	1,054,036
- US dollars	1,652	2,236	764	—
	2,367,904	912,879	1,277,297	1,054,036

(a) The restricted bank deposits mainly included deposits for issuance of bill receivables and deposits as housing maintenance fund.

(b) The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(c) The maximum exposure to credit risk at each balance sheet date approximates the carrying amounts of the Group's cash and cash equivalents.

(d) Term deposits with initial term of over three months were treated as cash and cash equivalents as the Directors consider those deposits were readily convertible to known amounts of cash, subject to an insignificant risk of changes in value and kept for cash management purpose.

27. **Equity attributable to owners of the Company**

As mentioned in Note 3 above, the Financial Information has been prepared as if the current group structure had been in existence throughout each of the years ended 31 December 2011, 2012 and 2013, or since the respective dates of incorporation/ establishment of the combining companies, or since the date when the combining companies first came under the control of QDP, whichever is a shorter period. Equity attributable to owners of the Company during the years ended 31 December 2011, 2012 and 2013 represents the consolidated equities of the companies now comprising the Group after the elimination of inter-company transactions and balances.

(a) **Share capital and share premium**

	Number of shares	Share Capital	Share Premium	Total
	(thousands)	RMB'000	RMB'000	RMB'000
Capital contributions upon establishment of the Company	4,000,000	4,000,000	7,835,866	11,835,866
At 31 December 2013	4,000,000	4,000,000	7,835,866	11,835,866

On 15 November 2013, the Company was incorporated with an initial registered capital of RMB4,000 million divided into 4,000 million shares with a nominal value of RMB1.00 each. 90% of these shares were issued to and paid up by QDP using cash and the assets and liabilities relating to the Core Operations and 10% of these shares were issued to and paid up by other promoters as set out in Note 2 above.

(b) **Reserves**

(i) *Reversal of revaluation surplus*

As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, all the Company's assets and liabilities were revalued by independent valuers registered in the PRC. As a result of this revaluation, the Company has an asset revaluation surplus of approximately RMB4,830 million. Such asset revaluation surplus is not recognised in the Group's consolidated Financial Information prepared in accordance with IFRS because the assets and liabilities are recorded at predecessor cost.

(ii) *Statutory reserve fund*

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with PRC GAAP and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2013, the Board of Directors proposed appropriation of 10% of the Company's profit after tax as determined under the PRC GAAP, of RMB11,508,000 to the statutory surplus reserve fund.

(c) **Contributions from government**

Contributions from government mainly represent state capital injection.

(d) **Distributions**

(i) *Deemed distribution*

The Group purchased 100% equity interests of Qingdao Port Investment and Construction Group Ltd. ("Investment and Construction Group") from Qingdao SASAC in December 2012. The Group paid RMB1,000 million to Qingdao SASAC in 2012 regarding this acquisition, and subsequently contributed RMB150 million as capital injection to this entity in 2013. Investment and Construction Group is mainly engaged in public infrastructure construction which is unrelated to the Core Operations. Therefore, it will not be transferred to the Company pursuant to the Reorganisation, and the Financial Information has not included this entity as described in Note 3.3. The above cash paid in 2012 and 2013 amounting to RMB1,000 million and RMB150 million, respectively, were accounted for as deemed distributions to QDP.

A wholly owned subsidiary, Qingdao Yacht Port Co., Ltd., was established in 2013 with the paid-up capital of RMB100 million in cash. As the business and operations are unrelated to the Core Operations, it will not be transferred to the Company pursuant to the Reorganisation. The Financial Information has not included this entity as described in Note 3.3, and therefore the capital injection to this entity is accounted for deemed distribution to QDP.

(ii) *Distribution to QDP upon completion of the Reorganisation*

As described in Note 3, the carrying amount of the assets and liabilities of the Retained Operations is RMB9,899,760,000 and is distributed to QDP upon completion of the Reorganisation.

(iii) *Special Distribution*

As described in Note 16, a Special Distribution of RMB1,303,228,000 to QDP is appropriated pursuant to the resolution of the shareholders' meeting held on 15 November 2013.

(e) **Special Dividend**

Pursuant to the resolution of the shareholders' meeting held on 15 November 2013, QDP and the other promoters are entitled to a special dividend in an amount equal to the distributable profit of the Group generated from 16 November 2013 to the last day of the month prior to the listing of the Company's shares (the "Special Dividend"), which is the lower of the respective amounts of net profit for that period determined under PRC GAAP and IFRS.

Subsequent to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, profit generated will be attributable to all the shareholders then.

28. **Deferred income**

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Port facilities rental income (Note 18)	4,507,313	4,350,581	4,136,073	4,135,990
Less : current portion	(211,249)	(212,225)	(212,308)	(212,225)
	4,296,064	4,138,356	3,923,765	3,923,765
Government grants				
- relating to property, plant and equipment	167,343	158,535	154,374	154,374
- relating to relocation and demolition	—	124,532	—	—
- other grants	15,929	24,589	474	474
	4,479,336	4,446,012	4,078,613	4,078,613

29. **Early retirement and supplemental benefit obligations**

The Group provided supplementary pension subsidies and post-employment medical benefits to its retired employees and those to be retired prior to 31 December 2015 which are considered to be defined benefit plans. In addition, termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The amounts of early retirement and supplemental benefit obligations recognised in the balance sheets are determined as follows:

	Year ended 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Balance sheet obligations for:				
Early retirement (Note a)				
Present value of early retirement obligations	230,670	230,730	216,783	213,195
Less: current portion	(28,930)	(27,330)	(27,283)	(26,785)
Non-current portion	201,740	203,400	189,500	186,410
Supplemental benefit obligations (Note b)				
Present value of supplemental benefit obligations	3,233,470	3,147,600	2,449,495	2,401,097
Less: current portion	(99,060)	(112,280)	(105,245)	(103,707)
Non-current portion	3,134,410	3,035,320	2,344,250	2,297,390
Total non-current portion	3,336,150	3,238,720	2,533,750	2,483,800
Income statement charge:				
Early retirement and supplemental benefit obligations (Note 11)	174,846	160,630	154,960	
- Early retirement	41,926	30,360	22,570	
- Supplemental benefit obligations	132,920	130,270	132,390	
Other comprehensive income:				
Remeasurement of supplemental benefit obligations				
- Losses/(gains) from change in actuarial assumptions	239,230	(117,050)	(419,810)	

The movement of early retirement and supplemental benefit obligations over the year/period is as follows:

(a) **Early retirement**

	Year ended 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January/At 15 November 2013, date of the incorporation	220,070	230,670	230,730	215,350
Interest cost	7,690	7,570	7,960	760
Present value of early retirement benefit obligations for new participants during the year/period	29,736	22,790	20,530	—
Immediate recognition of losses/(gains) of early retirement benefit obligations	4,500	—	(5,920)	100
Benefits paid	(31,326)	(30,300)	(31,567)	(3,735)
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	(4,950)	—
Transfer	—	—	—	720
At 31 December	230,670	230,730	216,783	213,195

(b) **Supplemental benefit obligations**

	Year ended 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January/At 15 November 2013, date of the incorporation	2,943,140	3,233,470	3,147,600	2,406,470
Interest cost	123,350	119,400	122,730	9,330
Current service cost	9,570	10,870	9,660	410
Remeasurements:				
Losses/(gains) from change in actuarial assumptions	239,230	(117,050)	(419,810)	300
Benefits paid	(81,820)	(99,090)	(119,695)	(17,073)
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	(290,990)	—
Transfer	—	—	—	1,660
At 31 December	3,233,470	3,147,600	2,449,495	2,401,097

The above obligations were determined based on actuarial valuations performed by an independent actuary, Towers Watson, Beijing, using the projected unit credit actuarial cost method.

The total charges were included in "selling and administrative expenses".

The principal actuarial assumptions used were as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Discount rate - early retirement	3.50%	3.50%	4.50%
Discount rate - supplemental benefit	3.75%	4.00%	4.75%
Salaries and welfare growth rate - early retirement	10%-12%	10%-12%	10%-12%
Jinglao allowance growth rate - supplemental benefit	3%-8%	3%-8%	3%-8%
Fushou allowance growth rate - supplemental benefit	3%-8%	3%-8%	3%-8%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics by China Life Annuitant Mortality Table 2000-2003. These assumptions are as follows:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Early retirement obligations			
Average age	50.9	51.9	52.9
Average expected future time till legally retirement	7.2	6.2	6.1
Supplemental benefit obligations			
Average age	60.6	61.6	62.6
Average expected future lifetime	21.6	22.6	23.6
Average future working years for active employees	2.4	1.4	0.8

As at 31 December 2013, the sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate - early retirement	0.25%	Decrease by 1.76%	Increase by 1.82%
Discount rate - supplemental benefit	0.25%	Decrease by 3.75%	Increase by 3.96%
Salaries and welfare growth rate - early retirement	1%	Increase by 6.29%	Decrease by 5.62%
Jinglao allowance growth rate - supplemental benefit	1%	Increase by 7.74%	Decrease by 6.39%
Fushou allowance growth rate - supplemental benefit	1%	Increase by 4.88%	Decrease by 3.87%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the Relevant Periods) has been applied as when calculating the pension liability recognised within the consolidated balance sheets.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

As at 31 December 2013, expected maturity analysis of undiscounted early retirement and supplemental benefit obligations:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Early retirement obligations	27,750	25,910	64,040	193,250	310,950
Supplemental benefit obligations	123,130	131,830	421,780	5,221,120	5,897,860
Total	150,880	157,740	485,820	5,414,370	6,208,810

30. **Trade and other payables**

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	447,557	730,333	719,299	725,170
- third parties	399,671	682,620	644,677	318,254
- related parties (Note 35)	47,886	47,713	74,622	406,916
Advance from customers	89,526	39,346	11,668	10,384
- third parties	52,268	626	11,668	10,384
- related parties (Note 35)	37,258	38,720	—	—
Bills payable	—	72,000	—	—
Warranties	2,873	566	54	54
Payables for purchases of property, plant and equipment	1,227,847	1,184,106	1,403,084	1,515,410
Other taxes payables	288,462	243,123	22,462	14,613
Salary, bonus and staff welfare benefits payable	36,558	28,624	18,519	16,656
Amounts due to fellow subsidiaries (Note 35)	144,579	182,409	—	—
Other payables and accruals	94,745	489,791	1,740,455	1,741,027
- third parties	79,670	266,692	132,434	94,402
- related parties (Note 35)	15,075	223,099	1,608,021	1,646,625
	2,332,147	2,970,298	3,915,541	4,023,314
Less: non-current portion	(2,873)	(566)	(54)	(54)
	2,329,274	2,969,732	3,915,487	4,023,260

Ageing analysis of the trade payables at the respective balance sheet dates is as follows:

	As at 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	401,054	713,976	712,268	718,139
1 to 2 years	36,501	12,441	5,384	5,384
2 to 3 years	5,327	841	976	976
Over 3 years	4,675	3,075	671	671
	447,557	730,333	719,299	725,170

31. **Deferred income tax**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income liabilities and when the deferred income tax related to the same tax authority.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets				
- to be recovered within 12 months	8,908	9,997	7,813	6,696
- to be recovered after more than 12 months	86,282	99,435	929,056	46,733
	95,190	109,432	936,869	53,429
Deferred tax liabilities				
- to be settled within 12 months	(3,848)	(1,567)	(175)	—
- to be settled after more than 12 months	(4,665)	(5,927)	—	—
	(8,513)	(7,494)	(175)	—
Deferred income tax assets (net)	86,677	101,938	936,694	53,429

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December			
	Group			Company
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January/At 15 November 2013, date of the incorporation	89,213	86,677	101,938	53,547
Income statement (charge)/credit (Note 14)	(5,622)	16,523	4,038	(118)
Tax credit/(charge) relating to components of other comprehensive income (Note 14)	3,086	(1,262)	(686)	—
Distribution to QDP upon the completion of the Reorganisation (Note 3)	—	—	(44,591)	—
Credited directly to equity	—	—	875,995	—
At 31 December	86,677	101,938	936,694	53,429

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group	Unrealised profit from inter-company sales	Impairment losses and others	Early retirement benefit	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets					
As at 1 January 2011	10,255	36,323	53,568	636	100,782
Credited/(charged) to the income statements	6,496	(15,664)	2,980	596	(5,592)
As at 31 December 2011	16,751	20,659	56,548	1,232	95,190
Credited/(charged) to the income statements	14,890	(959)	188	123	14,242
As at 31 December 2012	31,641	19,700	56,736	1,355	109,432

Group	Unrealised profit from inter-company sales	Impairment losses and others	Early retirement benefit	Accrued expenses	Assets revaluation surplus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2012	31,641	19,700	56,736	1,355	—	109,432
Credited/(charged) to the income statements	14,427	(1,559)	(2,540)	1,951	(5,925)	6,354
Distribution to QDP upon the completion of the Reorganisation (Note 3)	(36,149)	(15,471)	—	(3,292)	—	(54,912)
Credited directly to equity	—	—	—	—	875,995	875,995
As at 31 December 2013	9,919	2,670	54,196	14	870,070	936,869

As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, all the Company's assets and liabilities were revalued by independent valuers registered in the PRC. As a result of this revaluation, the Company has an asset revaluation surplus of approximately RMB4,830 million. Such asset revaluation surplus is not recognised in the Group's consolidated Financial Information prepared in accordance with IFRS because the assets and liabilities are recorded at predecessor cost. As the Group did not recognise the above asset revaluation surplus in the consolidated Financial Information, a deferred tax asset of approximately RMB875,995,000 relating to the revaluation surplus, is resulted and credited to capital reserve in 2013. And in the opinion of the Directors, the deferred tax asset relating to the revaluation surplus of investments in joint ventures and associates will not reverse in the foreseeable future and the relevant amount of RMB331,516,000 is not recognised as deferred tax asset. Recognised deferred tax asset is charged to taxation during each year based on the depreciation and amortisation charges on the asset revaluation surplus.

Group	Available-for-sale financial assets revaluation	Interest receivables	Total
	RMB'000	RMB'000	RMB'000
Deferred tax liabilities			
As at 1 January 2011	(7,751)	(3,818)	(11,569)
Charged to the income statements	—	(30)	(30)
Credited to other comprehensive income (Note 14)	3,086	—	3,086
As at 31 December 2011	(4,665)	(3,848)	(8,513)
Credited to the income statements	—	2,281	2,281
Charged to other comprehensive income (Note 14)	(1,262)	—	(1,262)
As at 31 December 2012	(5,927)	(1,567)	(7,494)
Credited to the income statements	—	(2,316)	(2,316)
Charged to other comprehensive income (Note 14)	(686)	—	(686)
Distribution to QDP upon the completion of the Reorganisation (Note 3)	6,613	3,708	10,321
As at 31 December 2013	—	(175)	(175)

Company	Impairment losses and others	Early retirement benefit	Accrued expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets				
As at 15 November 2013, date of the incorporation	—	53,015	532	53,547
Credited/(charged) to the income statements	117	283	(518)	(118)
As at 31 December 2013	117	53,298	14	53,429

32. **Cash generated from operations**

(a) Cash generated from operations

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before income tax for the year	1,475,699	1,548,224	1,939,962
Adjustments for:			
- Depreciation of property, plants and equipment (Note 18)	482,318	576,049	563,331
- Depreciation of investment properties (Note 19)	11,157	11,454	11,139
- Amortisation of land use rights (Note 17)	3,111	5,401	12,856
- Amortisation of intangible assets (Note 20)	5,156	5,549	5,889
- Amortisation of other non-current assets	8,415	11,213	18,126
- Recognition of deferred income	(205,229)	(205,229)	(200,108)
- Gains on disposals of property, plant and equipment, land use rights and intangible assets (Note b)	(4,322)	(39)	(112,343)
- Share of profit from joint ventures (Note 13 (a))	(538,731)	(559,947)	(511,459)
- Share of profit from associates (Note 13 (b))	(458)	(1,280)	(1,799)
- Gains on acquisition of a subsidiary (Note 8, Note 34)	(16,984)	—	—
- Dividend income on available-for-sale financial assets (Note 8)	(250)	(496)	(1,084)
- Provisions for / (reversal of) impairment of trade and other receivables (Note 23)	8,227	(2,689)	(1,021)
- Provisions for inventories write-down (Note 24)	1,325	—	—
- Finance costs	2,053	2,800	10,070
- Interest income from amounts due from related parties (Note 8, Note 35)	(96,349)	(106,479)	(96,458)
- Interest cost of retirement benefits (Note 29)	131,040	126,970	130,690
- Current service cost of retirement benefit (Note 29)	39,306	33,660	30,190
- Immediate recognition of gains/(losses) of early retirement benefit obligations (Note 29)	4,500	—	(5,920)
- Benefits paid (Note 29)	(113,146)	(129,390)	(151,262)
- Foreign exchange losses/(gains) - net	43	(2)	24

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Changes in working capital :			
- Inventories	(33,800)	14,718	(80,222)
- Amounts due from customers for contract work	(5,245)	6,698	(128,211)
- Trade and other receivables	266,186	(1,033,985)	(1,126,727)
- Trade and other payables	33,067	399,124	(187,802)
Cash generated from operations	1,457,089	702,324	117,861

(b) In the consolidated statements of cash flows, proceeds from sale of property, plant and equipment, land use right and intangible assets comprise:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net book amount (Note 17, Note 18, Note 20)	10,616	10,716	998,097
Capital contribution to Qingdao Shihua (Note 18(f))	—	—	(400,000)
Gains on disposals of property, plant and equipment, land use rights and intangible assets	4,322	39	112,343
Elimination of unrealised profit on disposals of property, plant and equipment, land use rights and intangible assets (Note 18(f))	—	—	110,183
Advances received *	—	200,000	400,000
Advances used	—	—	(200,000)
Cash received for prior year disposal transactions	34,179	90,835	28,528
Proceeds from sale of property, plant and equipment, land use rights and intangible assets	49,117	301,590	1,049,151

* In 2012, the Group received RMB200 million from Qingdao Shihua as advances for purchase of assets (Note 18(f)).

In 2013, the Group planned to transfer certain property, plant and equipment (included in Other Retained Operations as described in Note 2.3(iii)) to Investment and Construction Group, and received RMB400 million as advances. The related assets and liabilities are distributed to QDP upon the completion of the Reorganisation.

33. Commitments

(a) *Capital commitments*

The Group's and the Company's capital expenditure contracted for at the end of the Relevant Periods but not yet incurred is as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	895,294	940,758	331,726

(b) *Capital commitments-joint venture and associates*

The Group's and the Company's share of capital expenditure contracted for at the end of the Relevant Periods but not yet incurred in joint ventures and associates is as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	48,639	40,149	31,887

(c) *Investment commitments*

According to the relevant agreements, the Group's and the Company have the following investment commitments at the balance sheet date:

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Joint ventures and associates	2,400	540,000	540,000

34. **Business combinations**

The Group purchased 50% equity interests in Cosport Terminal, a joint venture, at a cash consideration of RMB184,092,000 from COSCO Qingdao Wharf Ltd.. The acquisition date was 30 April 2011, on which the Group obtained control over Cosport Terminal. Since then, Cosport Terminal has become a wholly owned subsidiary of the Group.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Consideration:	
At 30 April 2011	
- Cash transferred	184,092
- Fair value of 50% equity interest in Cosport Terminal before the business combination	184,092
Total consideration	368,184
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	6,247
Land use rights	120,995
Property, plant and equipment	94,565
Inventories	4,801
Trade and other receivables	153,917
Trade and other payables	(12,341)
Total identifiable net assets	368,184
Goodwill	—
Consideration settled in cash	184,092
Less: cash and cash equivalents in the subsidiary acquired	(6,247)
Net cash outflow on acquisition of the subsidiary	177,845

On 28 June 2011, Cosport Terminal was de-registered and its assets, liabilities and business were transferred to the Group.

The Group remeasured its 50% equity interests held in Cosport Terminal before the acquisition at fair value. A net gain of RMB16,984,000 was recognised in other income in the consolidated income statement for the year ended 31 December 2011.

35. **Significant related party transactions**

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The Group is controlled by QDP, the parent company and a state-owned enterprise established in the PRC. QDP is subject to the control of the PRC government.

In accordance with IAS 24 "Related party disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other government-related parties"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to those mentioned elsewhere in the Financial Information, the following are the significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises:

(a) *Transactions with related parties*

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
(1) With fellow subsidiaries			
Amounts paid on behalf of related parties for construction projects	3,929	174,785	240,322
Sales of goods	38	627	1,435
Amounts received from related parties	167,579	78,000	10,000
Provision of construction and other services	12,398	3,218	49,676
Purchase of goods or services	48,009	28,524	31,800
Interest expenses	2,053	2,800	2,598
(2) With associates:			
Sales of goods	1,640	2,243	2,565
Provision of construction and other services	—	1,069	792
Income for rental of property, plant and equipment	2,520	2,520	2,520
Purchase of goods or services	—	—	2,352
Payment for operating rental	360	360	360

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
(3) With joint ventures:			
Amounts paid on behalf of related parties for construction projects	128,337	169,104	57,542
Amounts paid to related parties	80,000	15,000	—
Sales of goods	197,281	172,913	180,773
Provision of construction and other services	119,480	64,961	59,008
Income for rental of port facilities	212,038	215,403	218,291
Interest income	2,570	5,360	5,202
Purchase of goods or services	135,774	165,018	39,254
Payment for operating rental	3,811	3,811	3,811
Sales of assets (Note 18(f))	—	—	883,131
(4) With other related parties:			
Amounts paid on behalf of related parties for construction projects	129,820	38,516	60,200
Amounts paid to related parties	640,000	—	—
Sales of goods	8,511	6,474	8,533
Provision of construction and other services	133,366	285,550	430,101
Income for rental of port facilities	2,519	2,519	4,215
Interest income	93,779	101,119	91,256
Purchase of goods or services	271,265	262,895	336,310
(5) With QDP:			
Amounts paid on behalf of related parties for construction projects	—	—	21,400
Provision of construction and other services	—	—	17,377
Payment for operating rental	—	—	5,207
Sales of goods	—	—	13,023
Purchase of goods or services	—	—	67,848
Purchase of assets	—	—	227,903

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(b) *Balance with related parties*

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade and other receivables			
Trade receivables due from			
- QDP	—	—	82,725
- Fellow subsidiaries	5,929	2,060	48,132
- Associates	997	1,206	12
- Joint ventures	26,411	29,122	42,658
- Others (i)	17,093	36,447	55,078
	50,430	68,835	228,605
Other receivables due from			
- Fellow subsidiaries	373,044	477,321	43,145
- Joint ventures	466,552	434,772	470,782
- Others (i)	67,917	64,799	73,422
	907,513	976,892	587,349
Amounts due from related parties (ii)			
- Joint ventures	80,000	95,000	—
- Others (i)	1,980,343	1,980,343	—
	2,060,343	2,075,343	—
Bills receivables			
- Joint ventures	140,563	—	—
Trade and other payables			
Trade payables due to			
- QDP	—	—	34,266
- Fellow subsidiaries	7,405	3,905	2,011
- Joint ventures	22,529	10,019	2,617
- Others (i)	17,952	33,789	35,728
	47,886	47,713	74,622
Other payables due to			
- QDP (v)	—	—	1,606,334
- Fellow subsidiaries	5,600	21,837	1,456
- Associates	20	20	40
- Joint ventures (iii)	9,435	200,273	191
- Others (i)	20	969	—
	15,075	223,099	1,608,021
Amounts due to			
- Fellow subsidiaries (iv)	144,579	182,409	—
Advance from customers			
- Joint ventures	117	2,050	—
- Others (i)	37,141	36,670	—
	37,258	38,720	—

(i) The Group's director, Cheng Xinnong, is also the director of New Qingdao Qianwan Container Terminal Co., Ltd. (the "QQCTN", a subsidiary of the Group's joint venture QQCT), Qingdao Qianwan United Container Terminal Co., Ltd. (the "QQCTU", a joint venture of QQCTN), and Qingdao Qianwan United Advance Container Terminal Co., Ltd. (the "QQCTUA", a joint venture of QQCTU), the Directors of the Company consider that the Company has significant influence over those companies and regard them to be related parties of the Group.

China Ocean Shipping Tally Company (the "China OST") is the minority interest holder of Qingdao OST, which is a significant subsidiary of the Company, the Directors of the Company consider China OST's parent group to be related parties of the Group.

(ii) Amounts due from related parties are as follows:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
- Joint venture*			
Qianwan West United	80,000	95,000	—
- Other related parties**			
QQCTN **	1,340,343	1,340,343	—
QQCTU ***	640,000	640,000	—

(iii) As at 31 December 2012, other payables due to joint ventures mainly represent advance received from Qingdao Shihua for disposal transaction (Note 32(b)).

(iv) Amounts due to fellow subsidiaries are all unsecured, of which RMB80 million with interest rate of 3.6% per annum, and was due on 11 April 2012 with one year extension in 2012 and 2013, respectively. The remaining balances are interest free.

(v) Other payables due to QDP mainly represent Special Distribution as stated in Note 16.

(vi) Except for (ii) and (iv) stated above, trade and other receivables from and trade and other payables to related parties are unsecured, interest free and have no fixed term of repayment.

* Amounts due from Qianwan West United are one year entrusted loans by Bank of Communications, among which RMB80 million was due on 5 June 2012 with one year extension in 2012 and 2013, respectively, RMB15 million was due on 17 February 2013 with one year extension in 2013. The interest rate was 90% of the one-year benchmark interest rate issued by People's Bank of China (PBoC) before the extension in 2013 and is the one-year benchmark interest rate issued by PBoC after the extension in 2013, ranging from 5.68% to 6.00% during the Relevant Periods.

** Amounts due from QQCTN represent payment on behalf of QQCTN for construction projects without fixed term of repayment. The interest rate was 81% of the half-year benchmark interest rate issued by PBoC before 1 July 2013 and is the half-year benchmark interest rate issued by PBoC after 1 July 2013, ranging from 4.33% to 5.60% during the Relevant Periods.

*** Amounts due from QQCTU are one year entrusted loan by Bank of Communications, which was due on 17 April 2012 with one year extension in 2012 and with half-year extension in 2013, respectively. The interest rate was 90% of the one-year benchmark interest rate issued by PBoC before the extension in 2013 and is the half-year benchmark interest rate issued by PBoC after the extension in 2013, ranging from 5.68% to 5.90% during the Relevant Periods.

(c) *Transactions and balances with other government-related entities*

In the ordinary course of business, the Group provides services to, purchase materials, equipments and subcontracting services from other government-related entities. These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

In the ordinary course of business, the Group places deposits with mainly state-owned financial institutions. The deposits are in accordance with terms as set out in the respective agreement, and the interest rates are set at prevailing market rates.

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Transactions with other government-related entities:			
- Interest from bank deposits	43,141	32,396	14,439
- Interest on bank borrowings	—	—	7,473

	As at 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Balances with other government-related entities:			
Restricted bank deposits	61,540	83,624	9
Cash and cash equivalents	2,305,331	828,212	1,261,288
	2,366,871	911,836	1,261,297

(d) *Key management compensation*

Key management includes directors, supervisors, president, vice president and chief accountant of the Company. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salary, housing allowances, other allowances and benefits-in-kind	1,164	1,205	2,283
Supplemental benefits	208	199	258
Discretionary bonuses	9,129	10,946	11,502
	10,501	12,350	14,043

36. **Subsidiaries and significant joint ventures**

(a) *Subsidiaries*

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, all of which are unlisted, and established and operating in the PRC:

Name	Establishment/ Place and date of incorporation and type of legal entity	Statutory auditor for the years ended 2011 and 2012	Registered and fully paid capital RMB'000	Effective interests held — directly held (%)	Principal activities
Qingdao Yongli Insurance Agent Co., Ltd.	The PRC/ 8 June 2001/ Limited liability company	Shandong Dadi limited liability of CPA firms	5,000	100	Insurance agency services
Qingdao Port International Cargo Logistics Co., Ltd. ("Qingdao Port Logistics", formerly named as "Qingdao Gangxin International Logistics Co., Ltd.")	The PRC/ 2 February 2004/ Limited liability company	Shinewing CPAs Company Limited	5,000	100	Logistics services

Name	Establishment/ Place and date of incorporation and type of legal entity	Statutory auditor for the years ended 2011 and 2012	Registered and fully paid capital RMB'000	Effective interests held — directly held (%)	Principal activities
Qingdao Hongyu Cargo Agency Co., Ltd.	The PRC/ 18 September 1996/ Limited liability company	Shinewing CPAs Company Limited	500	100	Cargo agency services
Qingdao Jieshun Customs Broker Co., Ltd.	The PRC/ 22 October 1996/ Limited liability company	Shandong Dadi limited liability of CPA firms	1,500	100	Customs broker services
Gang'an Construction (ii)	The PRC/ 2 December 2008/ Limited liability company	Shinewing CPAs Company Limited	30,000	100	Engineering and construction, sales of concrete
Qingdao Ocean Shipping Repair Co., Ltd. (i)	The PRC/ 5 January 1993/ Limited liability company	Shinewing CPAs Company Limited	2,850	100	Shipping repair services
Qingdao Port Engineering (i)	The PRC/ 13 May 1992/ Limited liability company	Shinewing CPAs Company Limited	22,330	100	Engineering and construction
Qingdao OST	The PRC/ 13 September 2008/ Limited liability company	Shinewing CPAs Company Limited	1,990	84	Ocean shipping tally services
Qingdao Gangjia Logistics Co., Ltd.	The PRC/ 25 March 2008/ Limited liability company	Shinewing CPAs Company Limited	5,000	51	Logistics services
Qingdao Bonded Port Area Gangrong Storage Center Co., Ltd.	The PRC/ 5 January 1995/ Limited liability company	Shinewing CPAs Company Limited	2,000	100	Storage services
Qingdao Port Passenger Terminal Duty Free Merchandise Co., Ltd. ("Duty Free Merchandise") (i)	The PRC/ 11 April 1994/ Limited liability company	Shinewing CPAs Company Limited	522	100	Sales of duty free merchandise

Name	Establishment/ Place and date of incorporation and type of legal entity	Statutory auditor for the years ended 2011 and 2012	Registered and fully paid capital RMB'000	Effective interests held — indirectly held (%)	Principal activities
Qingdao Port International Travel Agency Co., Ltd.	The PRC/ 26 July 2002/ Limited liability company	Shandong Dadi limited liability of CPA firms	522	100	Travel Agency
Qingdao Port Engineering Design Institute Co., Ltd. (i)	The PRC/ 8 August 1997/ Limited liability company	Shinewing CPAs Company Limited	500	100	Engineering design services
Qingdao Gangxin Properties Co., Ltd. ("Gangxin Properties") (ii)	The PRC/ 30 March 2007/ Limited liability company	Shinewing CPAs Company Limited	1,000	100	Property management services

For the year ended 31 December 2013, the statutory auditor for the above companies expect for Gangxin Properties, is PricewaterhouseCoopers Zhong Tian LLP.

(i) These companies were previously set up as state owned enterprises, and were transformed to limited liability companies in 2013.

(ii) These companies are deregistered in January 2014.

(b) *Significant joint ventures*

There are two significant joint ventures as at 31 December 2013, all of which are unlisted, established and operating in the PRC (Note 13(a)).

37. **Ultimate holding company**

The Directors regard Qingdao SASAC as the ultimate controlling party.

38. **Subsequent events**

The following events took place subsequent to 31 December 2013 and up to the date of this report:

(a) As stated in Note 3 of Section II above, QDOT was established in January 2014, in which the Company contributed RMB 420 million, holds 30% interest and accounts for QDOT as a joint venture.

QDOT entered into an asset transfer agreement (the "Agreement I") with QDP on 18 February 2014 and acquired certain operating assets and liabilities of the Dongjiakou Operation I from QDP on 27 February 2014 (the "Closing Date I"). The consideration of this transfer was RMB2,989,024,000, which was determined based on an appraisal report of Dongjiakou Operation I as of 31 March 2013 (the "Valuation Date I"). The Agreement I also provides that QDP and QDOT shall conduct an audit within 90 days from the Closing Date I if there is any change in value of the assets and liabilities of Dongjiakou Operation I from the Valuation Date I to the Closing Date I. The increase in the unaudited net book value of the assets and liabilities of Dongjiakou Operation I was approximately RMB865.2 million (the "Post-closing Adjustment"). QDOT and QDP will conduct an audit and appraisal to ascertain the value of the Post-closing Adjustment pursuant to the Agreement I, and a supplementary and final acquisition in relation to Dongjiakou Operation I effecting the Post-closing Adjustment will be carried out through public tender process at Qingdao Property Exchange.

(b) The Company entered into an asset transfer agreement (the "Agreement II") on 23 April 2014 with QDP and acquired Dongjiakou Operation II and certain assets from QDP on 8 May 2014 (the "Closing Date II"). The consideration of this transfer was RMB738.7 million which was determined based on an appraisal report of Dongjiakou Operation II and other assets acquired as of 31 October 2013 (the "Valuation Date II"). The Agreement II also provides that the Company and QDP shall conduct an audit within 90 days from the Closing Date II if there is any change in value of Dongjiakou Operation II and the other assets acquired from Valuation Date II to Closing Date II.

(c) On 20 January 2014, the Company, Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) and Mercuria Energy Asia Investment Pte. Ltd. (摩科瑞能源亞洲投資私人有限公司) entered into an agreement pursuant to which the Company, Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) and Mercuria Energy Asia Investment Pte. Ltd. (摩科瑞能源亞洲投資私人有限公司) will inject cash amounting to USD42,990,000, USD5,375,000 and USD7,375,000 to Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司) ("Mercuria Oil Terminal") by capital injection, respectively. After the capital injection, the Company, Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) and Mercuria Energy Asia Investment Pte. Ltd. (摩科瑞能源亞洲投資私人有限公司) will hold 65%, 17.5% and 17.5% equity interests in Mercuria Oil Terminal, respectively. Mercuria Oil Terminal will be accounted for as a subsidiary of the Company. Up to the date of this report, the new share capital has not been paid up. Mercuria Oil

Terminal has not commenced its operation before 31 December 2013 and has not incurred any significant incomes and expenses. The following is the extract of the unaudited balance sheets of Mercuria Oil Terminal as at 31 December 2011, 2012 and 2013:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
	(unaudited)	**(unaudited)**	**(unaudited)**
ASSETS			
Non-current assets			
Property, plant and equipment	674	15,842	24,191
Other receivables and prepayments	10,365	65,895	141,580
	11,039	81,737	165,771
Current assets			
Other receivables and prepayments	—	35,373	55,382
Cash and cash equivalents	53,491	1,080	3,135
	53,491	36,453	58,517
Total assets	64,530	118,190	224,288
Equity			
Share capital	63,910	63,910	63,910
Liabilities			
Non-current liabilities			
Borrowing	—	—	48,000
Current liabilities			
Borrowing	—	—	60,000
Other payables	620	54,280	52,378
	620	54,280	112,378
Total liabilities	620	54,280	160,378
Total equity and liabilities	64,530	118,190	224,288

(d) On 23 December 2013, the Company, Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) and Mercuria Energy Asia Investment Pte. Ltd. (摩科瑞能源亞洲投資私人有限公司) entered into an agreement pursuant to which the Company, Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) and Mercuria Energy Asia Investment Pte. Ltd. (摩科瑞能源亞洲投資私人有限公司) will inject cash amounting to USD44,470,000, USD8,700,000 and USD10,700,000 to Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司) ("Mercuria Logistics") by capital injection, respectively. After the capital injection, the Company, Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司) and Mercuria Energy Asia Investment Pte. Ltd. (摩科瑞能源亞洲投資私人有限公司) will hold 51%, 24.5% and 24.5% equity interests in Mercuria Logistics, respectively. Mercuria Logistics will be accounted for as a subsidiary of the Company. Up to the date of this report, the new share capital has not been paid up. Mercuria Oil Terminal has not commenced its operation before 31 December 2013 and has not incurred any significant incomes and expenses. The following is the extract of the unaudited balance sheets of Mercuria Logistics as at 31 December 2011, 2012 and 2013:

	As at 31 December		
	2011	2012	2013
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	896	226,372	242,415
Other receivables and prepayments	62,198	—	—
	63,094	226,372	242,415
Current assets			
Other receivables and prepayments	—	25	20
Cash and cash equivalents	10,738	671	931
	10,738	696	951
Total assets	73,832	227,068	243,366
Equity			
Share Capital	63,891	63,891	63,891
Liabilities			
Non-current liabilities			
Borrowing	—	—	100,000
Current liabilities			
Other payables	9,941	163,177	79,475
Total liabilities	9,941	163,177	179,475
Total equity and liabilities	73,832	227,068	243,366

(e) The Company proposes to inject capital resulting in it holding 51% interest in Datang Qingdao Port Co., Ltd. (大唐青島港務有限公司) ("Datang Qingdao Port"). As at 31 December 2013, the sole shareholder of Datang Qingdao Port is Datang Shandong Power Generation Co., Ltd. (大唐山東發電有限公司), and its interest will decrease to 49% after the Company's capital injection. Datang Qingdao Port has not commenced its operation before 31 December 2013 and has not incurred any significant incomes and expenses. The following is the extract of the unaudited balance sheets of Datang Qingdao Port as at 31 December 2011, 2012 and 2013:

	As at 31 December		
	2011	2012	2013
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
ASSETS			
Non-current assets			
Land use right	—	—	57,896
Property, plant and equipment	74,682	114,643	113,912
Intangible assets	42	878	37,037
	74,724	115,521	208,845
Current assets			
Other receivables and prepayments	14,999	39,005	18,952
Cash and cash equivalents	5	168	—
	15,004	39,173	18,952
Total assets	89,728	154,694	227,797
Equity			
Share capital	85,000	115,000	152,000
Liabilities			
Non-current liabilities			
Borrowing	—	33,033	27,999
Current liabilities			
Borrowing	—	—	45,000
Other payables	4,728	6,661	2,798
	4,728	6,661	47,798
Total liabilities	4,728	39,694	75,797
Total equity and liabilities	89,728	154,694	227,797

(f) In 28 March 2014, the Company and Sinotrans Shandong Co., Ltd. (中國外運山東有限公司) entered into an agreement to set up a new joint venture, Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. (青島港董家口中外運物流有限公司) ("Sinotrans Dongjiakou Logistics"). The Company and Sinotrans Shandong Co., Ltd. will contribute cash of RMB49,000,000 and RMB51,000,000 and hold 49% and 51% equity interests respectively. Sinotrans Dongjiakou Logistics will be accounted for as a joint venture of the Company. Up to the date of this report, the contribution has not yet been completed.

(g) In 22 March 2014, Qingdao Port Logistics (a wholly owned subsidiary of the Company), Shandong High-speed Logistics Group Co., Ltd. (山東高速物流集團有限公司) and Linyi Mall Operation and Development Co., Ltd. (臨沂商城運營發展有限公司) entered into an agreement to set up a new joint venture, Qingdao Port High-speed Logistics (Linyi) Co., Ltd. (青島港(臨沂)高速物流有限公司) ("High-speed Logistics"). The Company, Shandong High-speed Logistics Group Co., Ltd. and Linyi Mall Operation and Development Co., Ltd. will contribute cash of RMB4,000,000, RMB4,100,000 and RMB1,900,000 and hold 40%, 41% and 19% equity interests, respectively. High-speed Logistics will be accounted for as a joint venture of the Company. The contribution has been completed in April 2014.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2013 up to the date of this report. Save as disclosed elsewhere in this report, no dividends have been declared or made by the Company or any of the companies now comprising of the Group in respect of any period subsequent to 31 December 2013.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed Financial Information in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2013 and based on the audited consolidated net tangible assets attributable to owners of the Company as of December 31, 2013 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of December 31, 2013 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to owners of the 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 the 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

(1) The audited consolidated net tangible assets of the Group attributable to owners of the 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 the Group attributable to owners of the 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 the 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 (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 the Group entered into subsequent to December 31, 2013. In addition, no adjustment has been made to reflect the special dividend that QDP and the other promoters are entitled to, in an amount equal to the distributable profit of the Group generated from November 16, 2013 to the last day of the month prior to the listing of the Company's shares. The Directors of the Company 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.

B UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and pro forma balance sheet of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of i) the establishment of Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (the "QDOT", a joint venture of the Group established on January 9, 2014) and the Dongjiakou Acquisition I, ii) the Dongjiakou Acquisition II, iii) the proposed acquisition of 65% equity interest of Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司) ("Mercuria Oil Terminal") and iv) the proposed acquisition of 51% equity interest of Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司) ("Mercuria Logistics") (collectively referred to as the "Enlarged Group") as if these acquisitions had taken place on December 31, 2013. The 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 Enlarged Group had the acquisitions been completed as at December 31, 2013.

The Company plans to inject capital resulting in it holding 51% interest in Datang Qingdao Port. The effect of the proposed acquisition of 51% equity interest in Datang Qingdao Port has not been illustrated in this unaudited pro forma financial information as the consideration has not been determined. The proposed establishment of the two new joint ventures, namely, Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. (青島港董家口中外運物流有限公司) and Qingdao Port High-speed Logistics (Linyi) Co., Ltd. (青島港(臨沂)高速物流有限公司) have not involved any proposed acquisition of business or company.

Unaudited pro forma balance sheet of the Enlarged Group as at December 31, 2013

		Pro forma adjustments				
	Audited consolidated balance sheet of the Group as at December 31, 2013 (1)	Establishment of QDOT and acquisition of Dongjiakou Operation I by QDOT(2)	Acquisition of Dongjiakou Operation II and certain other assets by the Company(3)	Acquisition of Mercuria Oil Terminal by the Company(4)	Acquisition of Mercuria Logistics by the Company(5)	Unaudited pro forma balance sheet of the Enlarged Group as at December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS						
Non-current assets						
Land use rights	598,365	—	—	—	—	598,365
Property, plant and equipment	8,668,552	—	724,420	24,191	321,859	9,739,022
Investment properties	221,986	—	—	—	—	221,986
Intangible assets	40,118	—	—	—	—	40,118
Investments in joint ventures	4,392,298	420,000	—	—	—	4,812,298
Investments in associates	5,488	—	—	—	—	5,488
Available-for-sale financial assets	72,208	—	—	—	—	72,208
Deferred income tax assets	936,694	—	—	—	—	936,694
Trade and other receivables	279,977	—	—	141,580	—	421,557
	15,215,686	420,000	724,420	165,771	321,859	16,847,736

		Pro forma adjustments				
	Audited consolidated balance sheet of the Group as at December 31, 2013 (1)	Establishment of QDOT and acquisition of Dongjiakou Operation I by QDOT(2)	Acquisition of Dongjiakou Operation II and certain other assets by the Company(3)	Acquisition of Mercuria Oil Terminal by the Company(4)	Acquisition of Mercuria Logistics by the Company(5)	Unaudited pro forma balance sheet of the Enlarged Group as at December 31, 2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets						
Inventories	204,725	—	—	—	—	204,725
Trade and other receivables	2,087,569	—	903	55,382	20	2,143,874
Amounts due from customers for contract work	166,036	—	—	—	—	166,036
Restricted bank deposits	9	—	—	—	—	9
Cash and cash equivalents	1,277,288	(420,000)	(738,718)	81,068	119,465	319,103
	3,735,627	(420,000)	(737,815)	136,450	119,485	2,833,747
Total assets	18,951,313	—	(13,395)	302,221	441,344	19,681,483
EQUITY						
Equity attributable to owners of the Company	8,008,084	—	(13,395)	—	—	7,994,689
Non-controlling interests	23,948	—	—	141,843	261,869	427,660
Total equity	8,032,032	—	(13,395)	141,843	261,869	8,422,349
LIABILITIES						
Non-current liabilities						
Deferred income	4,078,613	—	—	—	—	4,078,613
Early retirement and supplemental benefit obligations	2,533,750	—	—	—	—	2,533,750
Trade and other payables	54	—	—	—	—	54
Borrowings	—	—	—	48,000	100,000	148,000
	6,612,417	—	—	48,000	100,000	6,760,417
Current liabilities						
Early retirement and supplemental benefit obligations	132,528	—	—	—	—	132,528
Deferred income	212,308	—	—	—	—	212,308
Trade and other payables	3,915,487	—	—	52,378	79,475	4,047,340
Current income tax liabilities	46,541	—	—	—	—	46,541
Borrowings	—	—	—	60,000	—	60,000
	4,306,864	—	—	112,378	79,475	4,498,717
Total liabilities	10,919,281	—	—	160,378	179,475	11,259,134
Total equity and liabilities	18,951,313	—	(13,395)	302,221	441,344	19,681,483

Notes:

(1) The amounts are extracted from the Accountant's Report set out in Appendix I to this prospectus.

(2) The adjustment represents the capital contribution of RMB420,000,000 by the Company to establish QDOT. On January 9, 2014, the Company, Mighty Star Investment Limited, COSCO Pacific (China) Investment Co., Ltd., IMC Qingdao Port Investment Co., Ltd. jointly set up a new joint venture, QDOT, with equity interests of 30%, 25%, 25% and 20%, respectively. Pursuant to the joint venture agreement in relation to QDOT, the Company has joint control over QDOT with other investors and QDOT is accounted for as an "investment in joint venture" of the Group under the equity method in accordance with IAS 28.

QDOT entered into an asset transfer agreement (the "Agreement I") with QDP on February 18, 2014 and acquired certain operating assets and liabilities of the Dongjiakou Operation I from QDP on February 27, 2014 (the "Closing Date I"). The consideration of this transfer was RMB2,989,024,000, which was determined based on an appraisal report of Dongjiakou Operation I as of March 31, 2013 (the "Valuation Date I"). The Agreement I also provides that QDP and QDOT shall conduct an audit within 90 days from the Closing Date I if there is any change in value of the assets and liabilities of Dongjiakou Operation I from the Valuation Date I to the Closing Date I. The increase in the unaudited net book value of the assets and liabilities of Dongjiakou Operation I was approximately RMB865.2 million (the "Post-closing Adjustment"). QDOT and QDP will conduct an audit and appraisal to ascertain the value of the Post-closing Adjustment pursuant to the Agreement I, and a supplementary and final acquisition in relation to Dongjiakou Operation I effecting the Post-closing Adjustment will be carried out through public tender process at Qingdao Property Exchange. QDOT will apply acquisition method for Dongjiakou Acquisition I and the identifiable assets and liabilities will be booked at their respective fair values at the completion of such acquisition. For the purpose of this unaudited pro forma financial information, the Company has assumed that the final consideration would be approximately the same as the fair value of the identifiable assets and liabilities being acquired. Therefore, no gains on bargain purchase or goodwill would be recorded as a result of such acquisition in QDOT's financial statements. As QDOT is accounted for by the Company as an investment in joint venture using equity method, the Dongjiakou Acquisition I by QDOT will not have any direct impact on the consolidated financial statements of the Group if there is no gain on bargain purchase.

(3) The Company entered into an asset transfer agreement (the "Agreement II") on April 23, 2014 with QDP and acquired Dongjiakou Operation II and certain other assets from QDP on May 8, 2014 (the "Closing Date II"). The consideration of this transfer was RMB738.7 million which was determined based on an appraisal report of Dongjiakou Operation II and other assets acquired as of October 31, 2013 (the "Valuation Date II"). The Agreement II also provides that the Company and QDP shall conduct an audit within 90 days from the Closing Date II if there is any change in value of Dongjiakou Operation II and the other assets acquired from Valuation Date II to Closing Date II. The acquisition of Dongjiakou Operation II will be accounted for on a merger basis with reference to the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants as both the Company and QDP are under common control of the Qingdao SASAC before and after the acquisition. Pursuant to the merger accounting method, the Company will consolidate the assets and liabilities of Dongjiakou Operation II at their pre-combination carrying amounts, and the difference between the consideration and these carrying amounts will be recorded in "other reserves" of the consolidated financial statements of the Group. The acquisition of the other assets will be accounted for as an acquisition of assets and the consideration will be recorded as the cost of assets to the Group.

(4) On January 20, 2014, the Company, Qingdao Yijia Haiye Trading Co., Ltd. and Mercuria Energy Asia Investment Pte. Ltd. entered into an agreement pursuant to which the Company, Qingdao Yijia Haiye Trading Co., Ltd. and Mercuria Energy Asia Investment Pte. Ltd. will inject cash amounting to USD42,990,000, USD5,375,000 and USD7,375,000 to Qingdao Haiye Mercuria Oil Terminal Co., Ltd. ("Mercuria Oil Terminal") through capital injection, respectively. After the capital injection, the Company, Qingdao Yijia Haiye Trading Co., Ltd. and Mercuria Energy Asia Investment Pte. Ltd. will hold 65%, 17.5% and 17.5% equity interests in Mercuria Oil Terminal, respectively. Mercuria Oil Terminal will be accounted for as a subsidiary of the Company. This adjustment reflects the consolidation of the assets and liabilities of Mercuria Oil Terminal at their estimated fair value and the aforementioned capital injection, as if the proposed acquisition had taken place on December 31, 2013. For the purpose of this unaudited pro forma financial information, the Company has assumed that the fair value of the identifiable assets and liabilities being acquired would be approximately the same as the book value in the unaudited financial information of Mercuria Oil Terminal as at December 31, 2013.

(5) On December 23, 2013, the Company, Qingdao Yijia Haiye Trading Co., Ltd. and Mercuria Energy Asia Investment Pte. Ltd. entered into an agreement pursuant to which the Company Qingdao Yijia Haiye Trading Co., Ltd. and Mercuria

Energy Asia Investment Pte. Ltd. will inject cash amounting USD44,470,000, USD8,700,000 and USD10,700,000 to Qingdao Haiye Mercuria Logistics Co., Ltd. ("Mercuria Logistics") through capital injection, respectively. After the capital injection, the Company, Qingdao Yijia Haiye Trading Co., Ltd. and Mercuria Energy Asia Investment Pte. Ltd. will hold 51%, 24.5% and 24.5% equity interests in Mercuria Logistics, respectively. Mercuria Logistics will be accounted for as a subsidiary of the Company. This adjustment reflects the consolidation of the assets and liabilities of Mercuria Logistics at their estimated fair value and the aforementioned capital injection, as if the proposed acquisition had taken place on December 31, 2013. For the purpose of this unaudited pro forma financial information, the Company has assumed that the fair value of the identifiable assets and liabilities being acquired would be approximately the same as the book value in the unaudited financial information of Mercuria Logistics as at December 31, 2013 except for a revaluation surplus amounting to RMB79,444,000.

(6) The fair value of the identifiable assets (including intangible assets) and liabilities of the proposed acquisitions used in the preparation of this Unaudited Pro Forma Financial Information are subject to change and shall be assessed on the respective dates of completion. Consequently, the actual value of the assets (including goodwill and intangibles, if any) and liabilities to be recognised in connection with the acquisitions at their respective acquisition dates could be different from those stated in this Unaudited Pro Forma Financial Information.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Qingdao Port International Co., Ltd. (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 adjusted net tangible assets of the Group as at 31 December 2013, the unaudited pro forma balance sheet of the Group, Qingdao Port Dongjiakou Ore Terminal Co., Ltd., Qingdao Haiye Mercuria Oil Terminal Co., Ltd. and Qingdao Haiye Mercuria Logistics Co., Ltd. (together with the Group, the "Enlarged Group") as at 31 December 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-6 of the Company's prospectus dated 26 May 2014, in connection with the proposed initial public offering of the H shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-6 of the Company's prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering and the proposed acquisitions of the businesses or the companies on the Group's financial position as at 31 December 2013 as if the proposed initial public offering and the proposed acquisitions had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2013, on which an accountant's 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
T: +852 2289 8888, F:+852 2810 9888, www.pwchk.com

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 complies with ethical requirements and 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 prospectus 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 proposed initial public offering or the proposed acquisitions at 31 December 2013 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.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

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, 26 May 2014

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 28 February 2014 of the selected property interests of the Group.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

26 May 2014

The Board of Directors
Qingdao Port International Co., Ltd.
No. 7 Ganghua Road
Shibei District
Qingdao City
Shandong Province
The PRC

Dear Sirs,

In accordance with your instructions to value the selected property interests held by Qingdao Port International Co., Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the selected property interests as at 28 February 2014 (the "valuation date"). The selected properties include the properties: (1) that form part of the Group's property activities except for those with a carrying amount below 1% of the Group's total assets (the total carrying amount of property interests not valued does not exceed 10% of its total assets); (2) that do not form part of the Group's property activities if the carrying amount of a property interest is or is above 15% of the Group's total assets; and (3) a property which is significant to the operation of the Group.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including Real Estate Title Certificates relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisor — Jia Yuan Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in the period from 9 October 2013 to 12 April 2014 by Mr. William Chen, Ms. Corrina Li and Mr. Aaron Lin. Mr. William Chen is a probationer of the Royal Institution of Chartered Surveyors, Ms. Corrina Li has obtained a master degree in Economics with major subjects including real estate development and asset management, and Mr. Aaron Lin is a Certified Public Valuer, who have 11 years', 6 years' and 2 years' experience in the valuation of properties in the PRC respectively.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 20 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 28 February 2014	Interest attributable to the Group	Capital value attributable to the Group as at 28 February 2014
		RMB		RMB
1.	12 parcels of land, 105 buildings and various structures located at Qianwan Port Zone Qingdao Economic and Technological Development Zone Qingdao City Shandong Province The PRC	9,450,489,000	100% and 51%*	9,033,476,000
2.	A parcel of land, 5 buildings and various structures located at No. 7 Ganghua Road Shibei District Qingdao City Shandong Province The PRC	184,249,000	100%	184,249,000
	Total:	**9,634,738,000**		**9,217,725,000**

* For details please refer to page III-5.

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2014
				RMB
1.	12 parcels of land, 105 buildings and various structures located at Qianwan Port Zone Qingdao Economic and Technological Development Zone Qingdao City Shandong Province The PRC	The property comprises 12 parcels of land with a total site area of approximately 7,685,171.26 sq.m. and 105 buildings and various structures erected thereon which were completed in various stages between 1980 and 2013. The buildings have a total gross floor area of approximately 316,262.41 sq.m. The buildings mainly include office buildings, storage houses and ancillary buildings. The structures mainly include terminals, berths, cargo conveyors, railways, stacking yards and roads. The land use rights of 12 parcels of land of the property have been granted for terms with the expiry dates between 15 January 2051 and 20 November 2063 for ports and terminals, transport facilities and storage uses.	The property is currently occupied by the Group for office, port and ancillary berth facilities purposes except for a portion of the land with a total site area of approximately 481,199.15 sq.m. and 17 buildings with a total gross floor area of approximately 127,028.56 sq.m. together with various structures which are currently rented to various independent third parties and connected parties.	9,450,489,000 100% interest and 51% interest attributable to the Group: RMB9,033,476,000

Notes:

1. Pursuant to 10 Real Estate Title Certificates - Qing Fang Di Quan Shi Zi Di Nos. 2013160243, 2013160246, 2013160247, 2013160251, 2013160253, 2013160257, 2013160263, 2013160416, 201425274 and 201425278, 93 buildings with a total gross floor area of approximately 283,342.46 sq.m. are owned by the Company, and the land use rights of 8 parcels of land with a total site area of approximately 6,861,716.03 sq.m. have been granted to the Company for terms with the expiry dates between 15 January 2051 and 20 November 2063 for ports and terminals and storage uses.

2. Pursuant to 4 Real Estate Title Certificates - Qing Fang Di Quan Shi Zi Di Nos. 201138768, 2013122393, 2013122396 and 2013156279, 12 buildings with a total gross floor area of approximately 32,919.95 sq.m. are owned by Qingdao Qianwan West Port United Terminal Co., Ltd. (“West United”), and the land use rights of 4 parcels of land with a total site area of approximately 823,455.23 sq.m. have been granted to West United for terms with the expiry dates between 3 November 2053 and 29 April 2057 for ports and terminals and transport facilities uses. West United is a 51% interest owned subsidiary of the Company.

3. According to various Lease Agreements, a portion of land with a total site area of approximately 481,199.15 sq.m. and 17 buildings with a total gross floor lease area of approximately 127,028.56 sq.m. of the property are rented to various independent third parties and connected parties for various terms with the expiry dates between 31 December 2014 and 31 December 2032 at a total annual rent of RMB44,140,671, exclusive of management fees, water and electricity charges.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

   a. the Group has obtained legal title certificates for the buildings and the land use rights of the property mentioned in notes 1 and 2, and is entitled to solely occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights and the building ownership rights in the terms of the prescribed use terms stated in the Real Estate Title Certificates; and

   b. the property is not subject to any mortgage or other encumbrances.

5. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

   Details of the material property

(a)	General description of location of the property	:	The property is located at the south of Huanghe Road, in the northern part of Qingdao Economic and Technological Development Zone at the west coast of Jiaozhou Bay, Shandong Peninsula. It takes approximately 15 minutes' driving distance to the Haiwan Bridge and Qingdao-Jiaozhou Bay Tunnel, which connect the development zone and the downtown of Qingdao. Developments in the vicinity are mainly low to medium-rise factory complexes and warehouses.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	The property is not subject to any mortgage or pledges.
(c)	Environmental Issue	:	No environmental impact assessment has been carried out.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	The Group has obtained relevant title certificates to the property.
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 28 February 2014
				RMB
2.	A parcel of land, 5 buildings and various structures located at No. 7 Ganghua Road Shibei District Qingdao City Shandong Province The PRC	The property comprises the following two parts:- **Part A:** Part A comprises a parcel of land with a site area of approximately 14,760.6 sq.m. and a building and various ancillary structures erected thereon which were completed in various stages between 1995 and 2005. The building is a 24-storey ancillary office building with a gross floor area of approximately 29,379.74 sq.m. The structures comprise stacking yards and parterres. The land use rights of a parcel of land of Part A have been granted for a term expiring on 28 June 2051 for ports and terminals uses. **Part B:** Part B comprises 4 buildings with a total gross floor area of approximately 1,143.78 sq.m. and various structures, which are erected on the land owned by Qingdao Port (Group) Co., Ltd. ("QDP", the controlling shareholder of the Company). (see note 2) The buildings comprise a boiler room, an ancillary room and 2 industrial buildings. The structures comprise terminals, berths, stacking yards and sheds.	The property is currently occupied by the Group for office, port and ancillary berth facilities purposes except for the 4 buildings of Part B, which are currently vacant.	184,249,000 100% interest attributable to the Group: RMB184,249,000

Notes:

1. Pursuant to a Real Estate Title Certificate - Qing Fang Di Quan Shi Zi Di No. 2013143365, a building of Part A with a gross floor area of approximately 29,379.74 sq.m. is owned by the Company, and the relevant land use rights of a parcel of land with a site area of approximately 14,760.6 sq.m. of the property have been granted to the Company for a term expiring on 28 June 2051 for ports and terminals uses.

2. As advised by the Group, Part B is erected on the land owned by QDP and is free of charge for the use of land. For the 4 buildings of Part B with a total gross floor area of approximately 1,143.78 sq.m., which are occupied by Qingdao Port (Group) Engineering Co., Ltd.* ("Qingdao Port Engineering"), we have not been provided with any title certificate or construction permit. Qingdao Port Engineering is a wholly owned subsidiary of the Company. As advised by the Group, the 4 buildings are vacant now and will be demolished in the near future.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, *inter alia*, the following:

   a. the Group has obtained legal title certificates for the building and the land use rights of Part A mentioned in note 1, and is entitled to solely occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights and the building ownership rights in the terms of the prescribed use terms stated in the real estate title certificate;

   b. for the 4 buildings of Part B without proper title certificates or construction permit mentioned in note 2, the Group could obtain the building ownership rights fully and validly upon obtaining relevant title certificates. The Group may be required to demolish the buildings if they are deemed to be illegal by the relevant government authorities and need to pay a fine in accordance with the relevant PRC laws and regulations for the absence of construction permit;

   c. there is no significant dispute over the ownership which will affect the major business of the Group, and these 4 buildings are originally mainly used for service and ancillary purposes, which account a low proportion of all the buildings the Group used for production purpose. Therefore, there will be no significant adverse effect on listing and operation of the Group; and

   d. the property is not subject to any mortgage or other encumbrances.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to Part B of the property which has not obtained any proper title certificates and erected on the land not owned by the Group. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (including terminals and berths, etc.) of Part B of the property (excluding land element) as at the valuation date would be RMB497,500,000 assuming all relevant title certificates have been obtained and they could be freely transferred by the Group.

5. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

   Details of the material property

(a)	General description of location of the property	:	The property is located at the west of Shibei District of Qingdao, at the east coast of Jiaozhou Bay. It is near Xinjiang Road and Shanghe Road, which are two of the main roads of Qingdao. It takes approximately 5 minutes' driving distance to the Qingdao Railway Station, and is about 40 kilometers away from the Qingdao Liuting International Airport. Developments in the vicinity are mainly low to medium-rise factory complexes and warehouses.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	The property is not subject to any mortgage or pledges.
(c)	Environmental Issue	:	No environmental impact assessment has been carried out.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	The Group has not obtained the title certificates to 4 buildings of Part B of the property (see notes 2, 3(b) and 3(c)).
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document.

TAXATION

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor that purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investors, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section of this prospectus does not address any aspect of Hong Kong or PRC taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC, Hong Kong and other tax consequences of investing and disposing the H Shares.

TAXATION IN THE PRC

The following is a discussion of certain PRC tax provisions relating to the ownership and disposal of H Shares purchased in connection with the Global Offering and held by the investors as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares and does not take into account the specific circumstances of any particular investor. This summary is based on the PRC tax laws in effect as of the Latest Practicable Date, as well as on the Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006 and the Second Protocol to Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第二議定書) which became effective on June 11, 2008 (collectively, the "Arrangement"), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspects of PRC taxation other than tax on dividends, capital tax, stamp duty, estate duty, income tax, value-added tax and business tax. Prospective investors are urged to consult their tax advisors regarding PRC and other tax consequences of owning and disposing of H Shares.

Taxes Applicable to Joint-Stock Limited Companies

(i) Enterprise Income Tax

On March 16, 2007, the Fifth Meeting of the Tenth National People's Congress approved and enacted the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) ("Enterprise Income Tax Law"), which was effective from January 1, 2008. The Enterprise Income Tax Law establishes the rate of enterprise income tax at 25% for domestic enterprises. Enterprises established before the promulgation of the Enterprise Income Tax Law which are entitled to benefit from a preferential tax rate as per the tax laws and administrative regulations then prevailing gradually shift to the tax rate established by the Enterprise Income Tax Law within five years after effectiveness of the Enterprise Income Tax Law according to the "Notice on the Implementation of the Enterprise Income Tax Transitional Preferential Policies" (關於實施企業所得稅過渡優惠政策的通知) (Guo Fa [2007] No. 39), promulgated by the State Council on December 26, 2007. Those entitled to the preference of fixed tax holiday or fixed-term tax reductions may continue to benefit in the same manner according to the requirements of the State Council until expiration of the tax holiday or the term of the preference. For those who have not benefited from such preference due to the failure to realize profit, the preference will be applied starting from the effective date of the Income Tax Law, January 1, 2008.

(ii) **Business Tax**

According to the latest amended Provisional Regulations of The People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) and Detailed Rules for Implementation of the Provisional Regulations of The People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則), both of which became effective on January 1, 2009, all institutions and individuals engaged in the provision of services as prescribed in these regulations, the transfer of intangible assets or the sale of immovable properties within the PRC shall pay business tax. The latest amendments of the abovementioned regulations and rules are reflected in the following aspects:

- Insurance services provided by domestic insurance institutions for exporting goods are exempted from business tax.

- The withholding agent of the business tax should be: (i) the domestic agents of foreign entities or individuals, who provide taxable services, transferring intangible assets or selling estate within the territory of the PRC but have no business institutions in the PRC; or (ii) the assignee of the assets or the purchaser of the services in case there is no domestic agent.

- The column specifying the taxable services and business is deleted from the appendix of the regulations, which enable the Ministry of Finance and the SAFE to define the scope of taxable business and services.

- The preferential policies approved by the State Council before the effectiveness of the abovementioned amendments on January 1, 2009 could still be applied.

(iii) **Value-added Tax (VAT)**

According to the latest amended Provisional Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) and the Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例實施細則), both of which became effective on January 1, 2009, all institutions and individuals selling goods or providing processing, repairing or replacement services or importing goods within the PRC shall pay VAT. The tax rate of 13% shall be levied on general taxpayers selling or importing grain, edible vegetable oil, tap water, heating supply, air-conditioning, gas, liquefied petroleum gas, natural gas, marsh gas, coal products for civil use, books, newspapers, magazines, feedstuff, chemical fertilizer, pesticide, farming machines, films for agricultural use and other goods specified by the State Council. The rate applicable to goods exported by taxpayers shall be zero unless otherwise prescribed by the State Council. The rate of 17% shall be levied on taxpayers selling or importing goods other than the abovementioned items, and to taxpayers providing processing, repair or replacement services. The rate applicable to goods sold or taxable services provided by small-scale taxpayers is 3% (previously 6%). A small-scale taxpayer is defined as a taxpayer engaged in the manufacturing of goods or the supply of taxable services, or primarily dealing in the manufacturing of goods or supply of taxable services while concurrently engaged in the wholesale or retail of goods as secondary operations, and has annual taxable sales (hereinafter referred to as "taxable sales") of less than RMB0.5 million; or apart from aforementioned taxpayers, other taxpayers who have annual taxable sales of less than RMB0.8 million. Individuals who have a taxable scale volume beyond the figure set for small-scale taxpayer shall, and non-enterprise institutions or enterprises not frequently incurring taxable activities can, be deemed as be deemed as small-scale taxpayers for the purpose of VAT payment. In addition, the new regulations and rules also provide the following:

- The input tax for purchasing fixed assets could be deducted from the output tax;

- The withholding agent of the VAT should be: (i) the domestic agents of foreign entities or individuals, who provide taxable services within the territory of the PRC but have no business institutions in the PRC; or (ii) the assignee of the assets or the purchaser of the services in case there is no domestic agent.

- The preferential policies approved by the State Council before the effectiveness of the abovementioned amendments on January 1, 2009 could still be applied.

The PRC government is in the process of implementing value-added tax reform according to which certain industries will gradually transit to a value-added tax regime instead of a business tax regime. According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Tax Policies for Implementing across the Country the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries (財政部國家稅務總局關於在全國開展交通運輸業和部分現代服務業營業稅改征增值稅試點稅收政策的通知), the rate of value-added tax is 11% for the transportation industry and 6% for some modern service industries.

(iv) **Stamp Duty**

According to the Provisional Regulations of the People's Republic of China on Stamp Duty ((中華人民共和國印花稅暫行條例) and the Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Stamp Tax (中華人民共和國印花稅暫行條例實行細則) (as brought into effect on October 1, 1988), all institutions and individuals executing or receiving taxable documents within the PRC shall pay stamp tax. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble contracts in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the Ministry of Finance.

Taxes Applicable to Shareholders of Companies

(i) **Dividend-related Tax**

- ***Individual investors***

Pursuant to the Provisional Regulations Concerning Questions of Taxation on Enterprise Experimenting with the Share System (中華人民共和國股份制試點企業有關稅收問題的暫行規定) and the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) which was amended became effective on June 30, 2011 (the "New Individual Income Tax Law"), dividends paid by PRC companies are generally subject to a PRC withholding tax levied at a rate of 20%. For a foreign individual who is not resident of the PRC, the receipt of dividends from a company in the PRC is subject to a withholding tax of 20% unless reduced by an applicable tax treaty or specially exempted by the tax authority of the State Council.

On July 21, 1993, State Administration of Taxation of the People's Republic of China (the "SAT"), the RPC central government tax authority which succeeded the State Tax Bureau, issued a Notice of the PRC State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (國家稅務總局關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知) (Guo Shui Fa [1993] No. 45) (the "Tax Notice") which states that dividends paid by a PRC company to foreign individuals with respect to shares listed on an overseas stock exchange ("**Overseas Shares**"), such as H Shares, are temporarily not subject to PRC withholding tax.

In the letter dated July 26, 1994 to the former State Commission for Restructuring the Economic Systems of the PRC, the former Securities Commission of the State Council and China Securities Regulatory Committee, the SAT reiterated the temporary tax exemption set out in the Tax Notice for dividends received by a non-PRC resident from a PRC company listed overseas. According to such exemption, dividends may be subject to withholding tax at a rate of 20% in compliance with the Provisional Regulations and Individual Income Tax Law.

On January 4, 2011, the SAT issued a Notice of the PRC Sate Administration of Taxation Concerning the Collection and Management of Individual Income Tax after the Abolition of the Circular SAT No. [1993] 045 ([1993] 045) (the "New Tax Notice"). Pursuant to the New Tax Notice, after the abolition of the Tax Notice, dividends paid by a PRC non-foreign-funded company listed in Hong Kong to individual shareholders are subject to withholding tax according to the New Individual Income Tax Law and its implementation rules, and such withholding tax may be reduced or exempted pursuant to an applicable double taxation treaty. Generally, because we are a company listed in Hong Kong, we will withhold at a tax rate of 10% of the dividends received by individuals without application. If an applicable tax treaty provides that the applicable tax rate is lower than 10%, a non-PRC resident individual holder may be entitled to claim a refund from PRC tax authorities. If an applicable tax treaty provides that the tax rate is between 10% and 20%, it is possible that we may be required to withhold at the applicable treaty rate (but with respect to H Shares held through HKSCC Nominees, we currently intend to withhold at 10%). If no double taxation treaty is applicable, non-PRC resident individual holders of H Shares may be required to pay tax on the excess between the amount withheld by us and 20% of the amount of the pre-tax dividends.

- ***Enterprise Investors***

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, the PRC government may impose tax on dividends paid from a PRC company to a Hong Kong resident including a natural person and legal entity, but such tax shall not exceed 10% of the total sum of the dividends payable. If a Hong Kong resident holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total sum of dividends payable by that PRC company.

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) enforced from January 1, 2008 (the "New Enterprise Income Tax Law") and Regulation on the Implementation of the Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise, which did not establish a representative office or other facilities in China or whose established representative office or facility in China has no actual connections with the dividends received, shall be subject to a 10% enterprise income tax on its revenues sourced in China. Such withholding tax may be reduced or eliminated pursuant to an applicable double taxation treaty.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H share Holders Which Are Overseas Non-resident Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No. 897) which was promulgated by the State Administration of Taxation and became effective on November 6, 2008, a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards, shall withhold enterprise income tax at a uniform rate of 10%. Pursuant to that notice, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

- ***Tax Treaties***

Investors who are not PRC residents but either reside in countries which have entered into double-taxation treaties with the PRC or reside in Hong Kong SAR or Macau SAR, may be entitled to a reduction of the withholding tax imposed on the dividends paid to such investors by a PRC company. The People's Public of China currently has signed double-taxation avoidance arrangements with Hong Kong SAR and Macau SAR respectively, and has double taxation avoidance treaties with a number of other countries, which include but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, and the United States.

(ii) **Taxation on Sales of Shares**

- ***Individual Investors***

According to the New Individual Tax Law and the Implementation Rules of the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例) as amended on February 18, 2008, gains realised on the sale of equity interests shall be subject to individual income tax at a rate of 20%.

Pursuant to the Notice on Continuing the Income Tax-Free Policy on the Share Transfer of Individual Holders (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) jointly issued by the Ministry of Finance and the SAT dated March 30, 1998, in respect of suspending the enforcement of the collection of the individual income tax on gains realized in connection with sales of shares, gains on sales of shares by non-PRC resident individuals may be exempted from individual income tax. To our knowledge, as of the Latest Practicable Date, in practice the PRC tax authorities had not sought to collect individual income tax on such gains. If such tax is collected in the future, such tax may be reduced or eliminated by an applicable double taxation treaty.

- ***Enterprise Investors***

Pursuant to the New Enterprise Income Tax Law and Regulation on the Implementation of the Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法實施條例), a non-PRC resident enterprise, which did not establish a representative office or other facilities in China or whose established representative office or facility in China has no actual connections with the dividends received, shall be subject to a 10% enterprise income tax on its revenues sourced in China, including dividends and any gains on disposition of shares of a PRC company. There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, such tax may be reduced or eliminated pursuant to an applicable double taxation treaty.

(iii) **Estate Duty or Inheritance Tax**

There is no estate duty or inheritance tax levied in China at present.

(iv) **Stamp Duty**

According to the terms of the Provisional Regulations of the People's Republic of China on Stamp Duty, the applicable stamp tax of the PRC on transfers of shares of PRC public companies shall not apply to purchases and dispositions of H-shares that take place outside the PRC. The Provisional Rules provide that PRC stamp tax shall be only levied on all the types of documents executed or received and legally bound within the territory of the PRC and protected under the PRC laws.

TAXATION IN HONG KONG

Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by our Company.

Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporations at the rate of 16.5% and on non-corporate at a maximum rate of 15.0%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

SUMMARY OF PRC LEGAL AND REGULATORY PROVISIONS

This appendix contains a summary of laws and regulations on companies and securities in China, certain major differences between the PRC Company Law and the Company Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of China. The principal objective is to provide with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see the section entitled "Regulatory Environment".

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomy regulations, rules and regulations of State Council departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court case verdicts do not constitute binding precedents. However, they may be used for the purposes of judicial reference and guidance.

According to the Constitution and the Law on Legislation of the PRC (中華人民共和國立法法), the National People's Congress ("**NPC**") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the relevant provinces or autonomous regions but such local regulations shall conform with the

Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its standing committee but which contravene the Constitution or the Legislation Law. The Standing Committee has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law of Organization of the People's Courts (中華人民共和國人民法院組織法), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other divisions as needed such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (中華人民共和國民事訴訟法), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or non-compliance with social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is established in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the Company Law of the People's Republic of China (the "PRC Company Law"), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised as of December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, respectively and the latest revision of which was implemented on March 1, 2014;

- the Special Regulations, which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law, and were applicable to the overseas share subscription and listing of joint stock limited companies; and

- the Mandatory Provisions, which were jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in Appendix VI of this prospectus.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal nominal value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A state-owned enterprise that is reorganized into a joint stock limited company shall comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the disposal and valuation of the company's assets and liabilities and the establishment of internal management organs.

A joint stock limited company shall conduct its business in accordance with laws and professional ethics. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided for by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than two hundred promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, state-owned enterprises or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

According to the Securities Law of the People's Republic of China, the total capital of a company seeking to list its shares on a stock exchange shall be no less than RMB30 million.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations Concerning the Issuance and Trading of Shares (股票發行與交易管理暫行條例) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at nominal value or at a premium, but it may not issue shares below the nominal value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares". Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares". Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the promoters may make capital contributions in cash, in kind or by way of injection of assets, intellectual property rights, land use rights or other transferable non-cash property based on their appraised value. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities under the State Council, it shall publish a prospectus and financial accounts, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- it shall apply to the relevant Industry and Commerce Administration the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies in a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within ten days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the company's employees within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a lawfully established securities exchange or in other manners stipulated by the State Council. No modifications of registration in the share register caused by transfer of shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, whereas there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;

- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;

- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory

Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The confirmation letters of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Special Regulations, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-third of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of five to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors ten days before the meeting. Interim Board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within ten days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint one or more vice chairmen. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers:

- to review the company's financial position;

- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolution;

- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;

- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;

- make proposals for resolutions to shareholders' general meeting;

- to initiate proceedings against directors and senior management; and

- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;

- arrange for the implementation of the company's annual business plans and investment proposals;

- formulate the basic administration system of the company;

- formulate the company's detailed rules;

- recommend the appointment and dismissal of deputy managers and person-in-charge of finance;

- appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and

- other powers conferred by the board of directors or the articles of association.

Other provisions of the articles of association concerning the manager's powers shall also be complied with. The manager shall be in attendance at board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of company capital;
- depositing company capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess the commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to PRC Company Law, the company shall deliver its financial statements to all shareholders within the time limit stipulated in the articles of association and make its financial statements available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial statements.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above nominal value and other incomes required by the finance authority of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

Our reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make good the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firms

Pursuant to PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, rendering ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within ten days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issues within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a share certificate in registered form is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations on Issuance and Trading of Shares (股票發行與交易管理暫行條例). These regulations deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settlement, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation and penalties and dispute settlement. According to these regulations, a company must obtain the approval of the Securities Committee to offer its shares outside the PRC. In addition, if a company proposes to issue Renminbi denominated ordinary shares as well as special Renminbi-denominated shares, it must comply with the Provisional Regulations on Issuance and Trading of Shares. Provisions of these regulations in relation to acquisitions of listed companies and disclosure of information expressly apply to listed companies in general without being confined to listed companies on any particular stock exchange.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information related to joint stock limited liability companies with domestic listed foreign shares.

The Securities Law took effect on July 1, 1999 and was revised for the first time as of August 28, 2004, for the second time on October 27, 2005 and for the third time on June 29, 2013. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a company must obtain prior approval from the State Council's securities regulatory authorities to list shares outside the PRC. Article 239 of the Securities Law provides that specific measures with respect to shares of companies in the PRC that are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the "Arbitration Law") passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on 27 August, 2009. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Hong Kong Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that any disputes or claims arising (i) between holders of shares and the issuer; and (ii) between holders of shares and the issuer's directors, supervisors, manager or other senior management may be referred to arbitration for resolution. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC. In accordance with the Arbitration Regulations of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會仲裁規則) amended on 3 February, 2012 and implemented on 1 May, 2012, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin and Chongqing.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

On June 18, 1999, an arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. The Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (關於內地與香港特別行政區相互執行仲裁裁決的安排), which became effective on 1 February, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, Hong Kong arbitration awards are also enforceable in China.

OVERSEAS INVESTMENT REGULATIONS

Pursuant to the Regulations on the Administration of Overseas Investment (境外投資管理辦法) promulgated by the MOFCOM on March 16, 2009 which became effective on May 1, 2009, enterprises shall obtain approval from the MOFCOM for conducting overseas investment according to such regulations, and complete the procedures for the change of registration with the authority which approved the investments in compliance with relevant laws.

Pursuant to Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (境內機構境外直接投資外匯管理規定) promulgated by the SAFE which became effective on August 1, 2009, upon obtaining approval for overseas investment, a PRC enterprise shall apply for foreign exchange registration for its overseas direct investments with the foreign exchange administrative authorities.

Pursuant to the Provisional Management Method on Approval of Overseas Investment Projects (境外投資項目核准暫行管理辦法) promulgated by the NDRC which became effective on October 9, 2004, overseas investments in resource development projects and projects requiring large amount of foreign exchange shall be reviewed and approved by the NDRC or the State Council. Any change of the investors or shareholding structure of the approved projects shall be subject to the approval of the NDRC.

ANTI-MONEY LAUNDERING REGULATIONS

The Anti-money Laundering Law of the PRC (中華人民共和國反洗錢法), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including supervision over anti-money laundering, formulation of rules and regulations regarding anti-money laundering activities of financial institutions, monitoring and inspection of the anti-money laundering practice of financial institutions and investigations on suspicious transactions within their respective scope of authority. The persons in charge of the financial institutions shall be responsible for the effective implementation of internal control system regarding anti-money laundering. Financial institutions shall establish sound systems for distinguishing clients' identities, preserve the data for clients' identities and records of transactions, and a report system for transactions involving large sums of money and for dubious transactions.

Pursuant to the Anti-money Laundering Regulations for Financial Institutions (金融機構反洗錢規定) promulgated by the PBOC which became effective on January 1, 2007, financial institutions and their branches are required to establish a comprehensive internal control system for anti-money laundering and keep improving it, and set up a special anti-money laundering department or designate an internal department to implement the anti-money laundering measures, formulate internal anti-money laundering policies and procedures and organize anti-money laundering training for staff to enhance their anti-money laundering capability.

Pursuant to the Measures on the Administration over Client Identification and Maintenance of Client Identity Materials and Transaction Records of Financial Institutions (金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法) promulgated jointly by the PBOC, CBRC, CSRC and CIRC which became effective on August 1, 2007, financial institutions are required to establish a client identification system, maintain records for the identities and relevant transactions of all clients and keep all retail transaction documents and books.

Pursuant to the Administrative Measures on Reporting Large-Sum Transactions and Dubious Transactions Financial Institutions (金融機構大額交易和可疑交易報告管理辦法) promulgated by the PBOC which became effective on March 1, 2007, upon the detection of any transactions involving large sums of money or dubious transactions, the head office or the designated department of the financial institutions shall report such transactions to the China Anti-money Laundering Monitoring and Analysis Center.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company established and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain restrictions on membership, transfers of shares and making of securities offers. A public company's articles of association do not contain such restrictions.

Share Capital

Under Hong Kong law, the shares of a Hong Kong company have no nominal value and the directors may, with the prior approval of the shareholders if required, cause the company to issue new shares up to the maximum number (if any) set out in its articles of association. Under the PRC Company Law, a joint stock limited company may be established by promotion or public subscription. Any increase in our registered capital must be approved by our shareholders in general meeting and the relevant PRC governmental and regulatory authorities. Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. Hong Kong law does not specify such appraisal processes for a Hong Kong company, although there may be legal implications for the company and its directors if shares issued to shareholders do not appropriately reflect the value of the consideration promised.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded, by investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on Controlling Shareholders' disposal of shares, imposed by the undertakings given by our Company and our Controlling Shareholder to the Hong Kong Stock Exchange described in the section entitled "Underwriting" in this prospectus.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance that are in a number of respects more restrictive than those under the Hong Kong company law which allows financial assistance to be given on the basis of a solvency test and relevant directors' and shareholders' resolutions.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix entitled "Appendix VI — Summary of Articles of Association" to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except in accordance with the articles of association or, if the articles do not make such provisions, by written consent of 75% of the total voting rights of shareholders of the relevant class or by special resolution passed at a general meeting of shareholders of that class.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, transactions and arrangements, restrictions on companies providing certain loans and quasi-loans to and entering into certain transactions with directors providing indemnities and exemptions in respect of directors' liability and prohibitions against compensation for loss of office and employment of directors for a term exceeding three years without disinterested shareholders' approval. The Mandatory Provisions, however, specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a Hong Kong company. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders of a Hong Kong company or of its associated company to initiate a derivative action with the leave of the court on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may make a request in writing to the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or does not initiate proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a Hong Kong company are being or have been conducted in a manner unfairly prejudicial to his interests, or that an actual or proposed act or omission of the company is or would be so prejudicial, may petition to the court to restrain the relevant conduct, require the doing of a relevant act, appoint a receiver to the company's property and business, or make any other order as the court thinks fit. In addition, on the application of a specified number of members or member holding a specified percentage of issued shares, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a Hong Kong company. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a Hong Kong company, the minimum period of notice of an extraordinary general meeting is 14 days and for an annual general meeting is 21 days. 28 days' notice is required for a meeting to consider any matter (e.g. removal of directors and auditors) requiring "special notice".

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting of a Hong Kong company with more than one member shall be at least two members unless the articles of association of the company otherwise provide. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, a resolution is passed at a general meeting on a show of hands by (for an ordinary resolution) a simple majority or (for a special resolution) at least 75% of the number of persons voting in person or by proxy. A resolution is passed on a poll by (for an ordinary resolution) a simple majority or (for a special resolution) at least 75% of the total voting rights of all the members voting in person or by proxy. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its annual balance sheet, profit and loss account, statement of changes in financial position and other relevant annexures 20 days before its shareholders' annual general meeting. In addition, a company established by the public subscription method under the PRC Company Law must publish its financial position. The Companies Ordinance requires a Hong Kong company to send to every shareholder a copy of reporting documents including financial statements, directors' report and auditor's report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. The financial statements of a Hong Kong company must be prepared in accordance with the standards issued or specified by the Hong Kong Institute of Certified Public Accountants. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing accounts according to the PRC GAAP, have its accounts prepared and audited in accordance with IFRS or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside of the PRC and that, to the extent there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a Hong Kong company may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Sections 668 to 674 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, demerger, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meetings.

Dispute Resolution

In Hong Kong, disputes between shareholders on the one hand, and a Hong Kong company or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Hong Kong Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors which includes, among other things, duty to act in good faith in the best interest of the company, duty not to put oneself in a position of conflict of interest with the company and duty to exercise director's powers for a proper purpose. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Hong Kong Listing Rules provide additional requirements which apply to us as an issuer established in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance Advisor

A company seeking a listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date to the date of the publication of its financial results for the first full financial year. The compliance advisor should provide professional advice to the company on a continuous basis regarding compliance with the Hong Kong Listing Rules and all other applicable laws and regulations, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may ask the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes to the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be outside of Hong Kong frequently.

Accountant's Report

The accountant's report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("**CASBE**") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his appointment, termination of appointment and his contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of the H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's total issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK$10,000 million.

Independent non-executive Directors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which directors are aware. Any general mandate given to the directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at a general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Hong Kong Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as at the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the Company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

Supervisors

A PRC company listed or seeking to list on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the supervisors in the securities of the PRC company in terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration of more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of the service contracts that require shareholders' approval and advise the shareholders (other than the shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise the shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Hong Kong Listing Rules.

Documents for Inspection

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of shareholders;
- a report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the PRC SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager

and other senior management), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and

- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and its Directors, Senior Management and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to the PRC issuer to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Takeovers Code and an agreement that the PRC issuer shall have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;

- an undertaking by the director or senior management to act as agent for each shareholder to observe and comply with his obligations to the shareholders as stipulated in the articles of association; and

- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between the company and its directors or senior management and between a holder of shares and a director or senior management, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

English Translation

All notices or other documents required under the Hong Kong Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to the holders of the H Shares are required to be in the English language, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make the listing of the H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

OTHER LEGAL AND REGULATORY PROVISIONS

Once listed on the Hong Kong Stock Exchange, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

SECURITIES ARBITRATION RULES

The Articles of Association provide that certain claims arising from the Articles of Association or the Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The securities arbitration rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies established in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

PRC LEGAL MATTERS

Jia Yuan Law Offices, our legal advisor on PRC law, has sent to us a legal opinion confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This legal opinion is available for inspection as referred to in the section entitled "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted by our shareholders in the shareholders' general meeting held on November 15, 2013 and revised on May 8, 2014, which will become effective on the date on which our H Shares are listed on the Hong Kong Stock Exchange. The principal objective of this appendix is to provide an overview of the Articles of Association and a copy of the full Chinese and English text of the Articles of Association is available for inspection as mentioned in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus.

1. DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare issue proposal for share allotment or issue, which are subject to approval by the shareholders at the shareholders' general meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws and administrative regulations.

(b) Power to dispose of assets of our Company or our subsidiaries

If the sum of the expected value of the fixed assets to be disposed of, and the value received from the fixed assets of our Company disposed of within the four months immediately preceding the proposal for disposal exceeds 33% of the value of fixed assets of our Company indicated on the latest audited balance sheet approved by the shareholders' meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the prior approval of shareholders at the shareholders' general meeting. The above disposal refers to the transfer of rights and interests in certain assets, but does not include the provision of guarantees with fixed assets. The validity of the transactions with respect to the disposal of fixed assets of our Company shall not be affected by the violation of the above restrictions contained in the Articles of Association.

(c) Indemnification or compensation for loss of office

As provided in the contract entered into between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments for loss of office or retirement as a result of the acquisition of our Company, subject to the approval of the shareholders at the shareholders' general meeting in advance. Acquisition of our Company refers to any of the following circumstances:

(i) an offer made from any parties to all the shareholders; or

(ii) an offer is made by any person such that the offeror will become the Controlling Shareholder of our Company (as defined in the Articles of Association).

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received shall belong to the person who sells the shares for accepting the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person in a proportional manner and all related expenses shall not be deducted from these payments distributed.

(d) **Loans to Directors, Supervisors or senior management**

Our Company shall neither provide the Directors, Supervisors or senior management of our Company or our parent company with loans or loan guarantees either directly or indirectly nor provide persons related to the above personnel with loans or loan guarantees.

The following transactions are exempted from the above clauses:

(i) our Company provides our subsidiaries with loans or loan guarantees;

(ii) our Company provides the Directors, Supervisors or senior management of the Company with loans, loan guarantees or any other fund pursuant to the employment contracts approved by the shareholders' meeting to pay all expenses incurred for the purpose of our Company or performing our duties; and

(iii) in case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors or senior management or other Related Persons with loans or guarantees for loans, provided that the conditions governing the above loans or loan guarantees shall be normal commercial conditions.

In the event that our Company provides loans in violation of this restriction, the person who receives the loan(s) must pay off the loan(s) immediately, regardless of the conditions of loans. Any loan provided by our Company in violation of the above requirements shall not be mandatorily enforced against us, unless under the following circumstances:

(i) the loan provider unknowingly provides loans to personnel related to the Directors, Supervisors or senior management of our Company or its parent company; or

(ii) the collateral provided by our Company is sold lawfully by the lender to the buyer in good faith.

For the purpose of the above provisions, "guarantee" includes the acts of the guarantor bearing the liabilities or providing properties to ensure that the obligor performs the obligations.

(e) **Provide financial aid for acquiring the shares or shares of any of our subsidiaries**

Pursuant to the Articles of Association:

(i) our Company or our subsidiaries shall not provide any financial assistance at any time or in any manner to a person that acquires or plans to acquire our shares. Such person include any who assumes obligations, directly or indirectly, from acquiring the shares, and

(ii) our Company or our subsidiaries shall not provide such person mentioned in the preceding paragraph with financial aid at any time or in any manner to mitigate or exempt the obligations of that person.

The following transactions are not prohibited:

(i) financial aid provided by our Company which is in good faith in our interest and the main purpose of the financial aid is not to acquire our shares or is an incidental part of a master plan of our Company;

(ii) lawful distribution of our properties by way of dividend;

(iii) distribution of dividends in the form of shares;

(iv) reduction of the registered capital, repurchase of the shares or adjustment of the equity structure pursuant to the Articles of Association;

(v) our Company grants loans within our scope of business and in the ordinary course of our business, provided that such loans shall not result in reduction in the net assets of our Company or even if the net assets are reduced, this financial aid is paid from the profit available for distribution; and

(vi) our Company provides the employee stock ownership plan with fund, provided that such loans shall not result in reduction in the net assets of our Company or, even if the net assets are reduced, this financial aid is paid from the profit available for distribution.

For the purpose of the above provisions, "financial aid" includes, but is not limited to:

(i) gifts;

(ii) guarantees (including acts of the guarantor assuming liabilities or providing property to ensure that the obligor performs the obligations), compensation (other than compensation in respect of our Company's own default), release or waiver of rights;

(iii) provision of loans or entering into agreements under which our Company needs to perform its obligations ahead of the other contracting parties, or a change in the parties to, or the novation of, or the assignment of rights arising under, such loans or agreements; or

(iv) financial aid provided by our Company in any other manner when it is insolvent, has no net assets, or will suffer significant decreases in net assets.

(f) **Disclosure of interests in contracts with our Company or Our Subsidiaries**

When any of the Directors, Supervisors and senior management has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into in any manner directly or indirectly (except for employment contracts that our Company has entered into with the Directors, Supervisors and senior management), the persons shall disclose the nature and degree of their interests to the Board of Directors as soon as possible no matter whether the above contracts, transactions, arrangements or suggestions are subject to the approval of the Board of Directors in normal circumstances.

Unless the Directors, Supervisors and senior management who have interests have made disclosure to the Board of Directors in accordance with the above requirements and the Board of Directors approves the matters at the meeting in which they are not included in the quorum nor participate in voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a party in good faith without knowledge of the acts of related Directors, Supervisors and senior management violating their obligations.

Where associates of the Directors, Supervisors and senior management have interests in certain contracts, transactions and arrangements, the related Directors, Supervisors and senior management shall be deemed to have interests.

(g) **Remuneration**

Our Company shall sign written agreements with the Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the shareholders' general meeting, including:

(i) remuneration for providing services as the Directors, Supervisors or senior management of our Company;

(ii) remuneration for providing services as the Directors, Supervisors or senior management of our subsidiaries;

(iii) remuneration for providing other services for management of our Company and our subsidiaries; and

(iv) compensation received by the Directors or Supervisors as a result of loss of position or retirement.

No Director or Supervisor shall institute any litigation against our Company over any interest payable relative to the above unless provided for in the above contracts.

(h) **Resignation, appointment and dismissal**

None of the following persons shall serve as our Director, Supervisor or senior management:

(i) anyone who has no civil capacity or has restricted civil capacity;

(ii) anyone who has been convicted of the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;

(iii) anyone who has served as director, factory manager or manager of a company or enterprise that is bankrupt and liquidated as a result of improper management, was personally liable for the bankruptcy of the company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of the company or enterprise;

(iv) anyone who has served as the legal representative of a company or enterprise whose business license was revoked due to violation of the law, was personally liable, and is within three years of the date on which the business license of our Company or enterprise was revoked;

(v) anyone who has a large sum of debt, which was not paid at maturity;

(vi) anyone who is investigated by the judicial agencies for violation of criminal law and whose case is pending;

(vii) anyone who may not serve as a head of the company pursuant to the provisions of the laws and administrative regulations, or regulations of the competent authorities;

(viii) anyone who is not a natural person;

(ix) anyone judged by the competent agencies to have violated the provisions of relevant securities laws, has been involved in deceptive or dishonest acts and is within five years of the date on which the judgment was made.

The validity of the acts of the Directors or senior management on behalf of our Company to bona fide third parties shall not be affected by any irregularities in their appointment, election or qualifications.

The Board of Directors consists of nine directors and these are elected at the shareholders' general meeting. The Directors need not hold any of our shares.

The Articles do not contain any provision relating to the retirement age of Directors.

The chairman and vice chairman of the Board shall be elected and dismissed by a vote of more than one half of all the Directors. Subject to compliance with related laws and administrative regulations, the shareholders' general meeting may remove any Director whose term has not expired by an ordinary resolution without affecting any claim for damages that may be made pursuant to any contract.

The Directors serve three-year terms. Upon expiration of the term, the Director may be re-elected.

Written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to our Company seven days before the shareholders' general meeting is convened (the period shall commence on the day after the dispatch of the notice of the general meeting appointed for such election by our Company).

(i) **Duties**

The Directors, Supervisors and senior management shall bear the obligations of good faith and diligence towards our Company. In the event of violation of obligations owed to our Company by the Directors, Supervisors and senior management, we shall have the right to take the following measures in addition to various rights and remedial measures stipulated in legal and administrative regulations:

(i) to require related Directors, Supervisors or senior management to compensate our Company for losses sustained as a result of their neglect of duty;

(ii) to cancel any contract or transaction entered into between the Company and related Directors, Supervisors or senior management as well as any contract or transaction entered into between our Company and any third person when the third person knew or should have known that the Directors, Supervisors or senior management acting on behalf of our Company violated their obligations owed to our Company;

(iii) to require the relevant Directors, Supervisors or senior management to turn over the gains obtained from the violation of their obligations;

(iv) to recover funds collected by the relevant Directors, Supervisors or senior management that should have been collected for our Company, including but not limited to commissions;

(v) to require the relevant Directors, Supervisors or senior management to return the interest earned or that may be earned from funds that should have been paid to our Company.

When performing their duties, the Directors, Supervisors and senior management must comply with the principle of integrity and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, but is not limited to, performing the following obligations:

(i) acting honestly in the best interest of our Company;

(ii) exercising his duties within the scope specified and not to act ultra vires;

(iii) exercising conferred discretionary powers personally without being manipulated by others; not transferring discretionary powers to other persons unless and to the extent permitted by laws and administrative regulations or with the informed consent of shareholders given in a general meeting;

(iv) treating shareholders of the same class equally and shareholders of different classes fairly;

(v) entering into any contract, transaction or arrangement with our Company is not allowed, unless in line with the Articles of Association or otherwise by the approval of the shareholders' general meeting with its full knowledge;

(vi) seeking private interests using the properties of our Company in any manner is not allowed, unless agreed by the shareholders' general meeting with its full knowledge.

(vii) using one's position to take bribes or other illegal gains is not allowed, nor is any form of embezzlement of our property, including, but not limited to, opportunities beneficial to our Company;

(viii) accepting commissions associated with transactions of our Company is not allowed unless agreed by the shareholders' general meeting with its full knowledge;

(ix) compliance with the Articles of Association, discharging duties in a faithful manner, safeguarding the interests of our Company rather than seeking private gain by taking advantage of one's position and authority in our Company;

(x) competing with our Company in any manner is not allowed, unless agreed by the shareholders at the shareholders' general meeting with its full knowledge;

(xi) misappropriation of our funds or lending these funds to others is not allowed, nor is depositing the assets of our Company in an account opened in one's own name or other names, nor is using the assets of our Company to provide guarantees for the debts of the shareholders or other individuals;

(xii) disclosure of any confidential information relating to our Company obtained during employment without the consent of the shareholders' general meeting with its full knowledge; unless in the interest of our Company, using such information is also not allowed; however, under the following circumstances the information may be disclosed to a court or other competent government agencies as required by (a) the provisions of the law; (b) the public interest; (c) the interest of the Directors, Supervisors or senior management.

The Directors, Supervisors and senior management may not direct the following personnel or institutions ("**Related Persons**") to do acts that the Directors, Supervisors and senior management is prohibited from doing:

(i) spouses or minor children of the Directors, Supervisors and senior management;

(ii) trustees of the directors, supervisors and senior management or the persons mentioned in (i);

(iii) partners of the directors, supervisors and senior management or persons mentioned in (i) and (ii);

(iv) a company in which that any of the Directors, Supervisors, President or senior management, alone or jointly with one or more persons referred to (i), (ii) and (iii) and other Directors, Supervisors, President or senior management have a de facto controlling interest;

(v) directors, supervisor, president or senior management of the controlled companies mentioned in (iv).

The fiduciary duties owed by the Directors, Supervisors and senior management may not necessarily terminate with the expiration of their terms; their obligations to keep the trade secrets of our Company in confidence shall survive the expiration of their terms, until such secrets become public available. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the length of time from the occurrence of the events to the time of resignation, as well as the circumstances and conditions under which the relationship with our Company is terminated.

Except as otherwise provided in the Articles of Association, liabilities of Directors, Supervisors and senior management arising from the violation of specific duties may be released by informed shareholders in general meetings.

Apart from the obligations set forth in related laws, administrative regulations or the listing rules of the stock exchange where the shares are listed, the Directors, Supervisors and senior management shall assume the following obligations for each of the shareholders when exercising their rights and performing their responsibilities:

(i) they may not cause our Company to operate beyond the scope of business indicated on our business license;

(ii) they shall sincerely take the best interests of our Company as the starting point of any action;

(iii) they may not deprive our Company of our properties in any manner, including, but not limited to, opportunities beneficial to our Company; and

(iv) they may not deprive the shareholders of personal rights and interests, including, but not limited to, the right to receive dividends distributed and to vote, except for restructuring of our Company approved at the shareholders' general meeting pursuant to the provisions of the Articles of Association.

The Directors, Supervisors and senior management have the duty when exercising their rights or carrying out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

(j) Borrowing powers

Subject to compliance with applicable laws, administrative regulations, the Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of the Company's properties and other rights permitted by the laws and administrative regulations provided that such action does not damage or abrogate rights of any Shareholder.

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, except for:

(i) provisions which authorize the Board to formulate proposals for the issuance of bonds by the Company; and

(ii) provisions which provide that the issue of bonds must be approved by the shareholders' general meeting by a special resolution.

2. AMENDMENT OF THE ARTICLES OF ASSOCIATION

We may amend the Articles of Association based on the provisions of the relevant laws, administrative regulations and the Articles of Association.

Any amendment to the Articles of Association that involves Mandatory Provisions shall be approved by company approval authorities authorized by the State Council before taking effect. Where the amendment of the Articles of Association involves our registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Rights conferred on any class of shareholders in the capacity of shareholders ("**Class Rights**") may not be varied or abrogated unless approved by a special resolution of shareholders in a general meeting and by holders of shares of that class at a separate meeting convened in accordance with the Articles of Association.

The following circumstances should be deemed to be change or abrogation of the Class Rights of a class:

(i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of class having voting or equity rights or privileges equal or superior to those of the shares of such class;

(ii) to effect an conversion of all or part of the shares of such class into shares of another class or to effect an conversion or create a right of conversion of all or part of the shares of another class into the shares of such class;

(iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

(iv) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

(v) to add, remove or reduce conversion privileges, options, voting rights, transferor pre-emptive rights, or rights to acquire securities of our Company attached to shares of such class;

(vi) to remove or reduce rights to receive payments payable by our Company in a particular currency attached to shares of such class;

(vii) to create a new class of shares having voting or equity right or privileges equal or superior to those of the shares of such class;

(viii) to restrict the transfer or ownership of the shares of such class or add to such restriction;

(ix) to issue rights to subscribe for, or convert into, shares in our Company of such class or another class;

(x) to increase the rights or privileges of shares of another class;

(xi) to reorganize our Company where the proposed reorganization will result in different classes of shareholders bearing a disproportionate burden of such reorganization; and

(xii) to vary or abrogate provisions in the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at the shareholders' general meeting, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but interested shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

The resolution of a class meeting shall be passed by votes representing more than two thirds of shareholders of that class with voting rights attending such class meeting.

When convening a class meeting, 45 days (excluding the date of the meeting) before the meeting is convened, our Company shall send a written notice to inform all registered holders of the class shares on matters to be deliberated at the meeting, as well as the date and venue of the meeting. Shareholders planning to attend the meeting shall send our Company a written reply concerning attendance at the meeting 20 days before the meeting.

In the event that the number of shares with voting power represented by shareholders planning to attend the meeting accounts for more than one half of the total number of class shares with voting power at the meeting, our Company may convene a class meeting. If this number is not reached, our Company shall again inform the shareholders of the matters to be deliberated as well as the date and venue of the meeting within five days in the form of an announcement and our Company may convene a class meeting once the announcement is delivered.

The notice of the class meeting needs only to be sent to the shareholders who have the right to vote at the meeting.

Insofar as possible, any class meeting shall be held in accordance with the same procedures as those of the shareholders' general meeting, and any clause that relates to the procedures for convening the shareholders' general meeting in the Articles of Association shall apply to any class meeting.

Apart from the holders of other class shares, the holders of domestic shares and the holders of overseas listed foreign shares are considered as shareholders of different classes.

The special procedures for voting at a meeting of a class of shareholders shall not apply in the following circumstances:

(i) where our Company issues, upon the approval by a special resolution of its shareholders in a general meeting, either separately or concurrently once every 12 months interval, not more than 20% of each of its existing issued domestic shares and overseas listed foreign shares; or

(ii) where our Company's plan to issue domestic shares and overseas listed Foreign Shares at the time of its establishment is carried out within 15 months from the date of approval of the Securities Authority of the State Council.

For the purposes of the Class Rights provisions of the Articles of Association, the meaning of "interested shareholder(s)" is:

(i) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange, a "controlling shareholder" within the meaning of the Articles of Association;

(ii) in the case of a repurchase of shares by an off-market contract, a holder of the shares to which the proposed contract relates; and

(iii) in the case of a reorganization of our Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed reorganization or who has an interest in the proposed reorganization different from the interest of shareholders of that class.

4. RESOLUTIONS NEEDED TO BE ADOPTED BY MAJORITY VOTE

The resolutions of the shareholders' meeting are categorized as ordinary resolutions and special resolutions.

An ordinary resolution can be adopted by a simple majority of the votes held by the shareholders (including proxies) attending the shareholders' general meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the shareholders (including proxies) attending the shareholders' general meeting.

5. VOTING RIGHTS

The ordinary shareholders have the right to attend or appoint a proxy to attend and vote at the shareholders' general meeting. When voting at the shareholders' general meeting, the shareholder (or proxy) may exercise his or her voting rights in accordance with the number of shares with voting power held with each share representing one vote.

When voting at a general meeting, shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favor with their total number of votes.

When the number of dissenting votes equals the number of supporting votes, the chairman of the meeting is entitled to one additional vote.

6. SHAREHOLDERS' GENERAL MEETINGS

The shareholders' general meetings are divided into annual shareholders' general meetings and extraordinary general meetings. Shareholders' general meetings are called by the Board of Directors. The annual shareholders' general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

7. ACCOUNTING AND AUDITS

(a) Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to PRC laws, administrative regulations, as well as accounting standards developed by the competent department in charge of finance under the State Council.

The Board of Directors shall submit the financial reports of our Company, as required by the laws, administrative regulations or directives promulgated by local governments and competent authorities to be prepared by our Company, at every annual shareholders' meeting.

Apart from the Chinese accounting standards for business enterprises and regulations, the financial reports of our Company shall also conform to international accounting standards and the accounting standards of overseas areas where the shares are listed. In the event of any major discrepancy between the financial reports prepared in accordance with the two accounting standards, such difference must be provided in the notes to the financial reports. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower, shall prevail.

Our Company shall make its financial reports available for inspection by the shareholders 20 days before the annual shareholders' general meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report.

Except as otherwise provided in the Articles of Association, our Company shall send the aforesaid reports along with the balance sheet to each of the holders of overseas listed Foreign Shares by the manner as stipulated in the Articles of Association of our Company or by postage-paid mail at least 21 days before the annual shareholders' general meeting is convened and the recipient's address shall be the address as shown in the register of shareholders.

Our Company's interim results or financial information published or disclosed by our Company shall at the same time be prepared in accordance with PRC accounting standards, regulations, international accounting standards as well as the accounting standards of the overseas area in which the shares are listed.

Apart from the obligations required in laws, administrative regulations or the listing rules of the stock exchange on which the shares are listed, our Company must publish the financial reports twice in each fiscal year. Interim financial reports shall be published within three months of the end of the first six months of a fiscal year, while the annual financial report shall be published within four months of the completion of each fiscal year.

The Company shall not keep any accounting books other than those specified by law.

(b) **Appointment and removal of accountants**

Our Company shall appoint an accounting firm with independent qualifications that meets appropriate requirements to be responsible for auditing its annual report and reviewing its other financial reports.

The term of the accounting firm appointed by our Company shall start at the close of the annual shareholders' general meeting and continue until the close of the next annual shareholders' general meeting.

Without prejudice to the right of the accounting firm to claim for compensation (if any) for being dismissed and replaced, the shareholders may replace the accounting firm through an ordinary resolution at the shareholders' general meeting prior to the expiration of the term of any accounting firm notwithstanding the terms and conditions of the contract howsoever entered into between our Company and the accounting firm.

Remuneration of the accounting firm and the manner in which the remuneration is determined shall be decided on by the shareholders at the shareholders' general meeting. The remuneration of the accounting firm appointed by the Board of Directors shall be confirmed by the Board of Directors.

The Company's appointment, removal or non-reappointment of an accounting firm shall be resolved by the shareholders at the general meeting and shall be filed with the securities regulatory agency of the State Council.

Before dismissing, reappointing, replacing or terminating the contract with the accounting firm, our Company shall send a notice to the accounting firm in advance notifying it of the matters relating to the dismissal, reappointment, replacement or contract termination, and the accounting firm shall be entitled to attend the shareholders' general meeting and make a statement.

In the event that the accounting firm requests to resign, it shall declare to the shareholders' general meeting whether our Company is affected by any improprieties.

The accounting firm shall resign by sending a written resignation notice to our Company's legal address. The notice shall take effect on the date of delivery to that address or on the date specified in the notice, whichever is later.

The notice shall include the following statements:

(i) its resignation does not include any statement that should be disclosed to the shareholders or creditors of our Company; or

(ii) any statement that should be disclosed.

Within 14 days of receipt of the notice mentioned above, our Company shall send the copy of the notice to related competent agencies. If the notice includes statements mentioned in (ii) of the preceding paragraph, our Company shall retain a copy thereof for perusal by the shareholders and deliver such copy in accordance with Articles of Association or send a copy of the above-mentioned statements to shareholders of overseas listed foreign invested shares in accordance with the addresses registered on the register of shareholders by postage-prepaid mail.

In the event that the resignation notice of the accounting firm includes any statement that should be disclosed to the shareholders or creditors, the accounting firm may request the Board of Directors to convene an extraordinary general meeting to hear its explanations regarding the resignation.

8. NOTIFICATION AND AGENDA OF SHAREHOLDERS' GENERAL MEETINGS

The shareholders' general meeting is the authorized organ of our Company that can perform duties and exercise powers in accordance with the law.

Apart from the approval of the shareholders' general meeting, our Company shall not enter into a contract with any person other than the Directors, Supervisors and senior management that would make a person responsible for the management of all or part of the main business of our Company.

Under any of the following circumstances, the Board of Directors shall convene an extraordinary general meeting within two months:

(i) the number of Directors is less than the number specified in the PRC Company Law or less than two thirds of the number required in the Articles of Association;

(ii) the uncovered losses of our Company reach one-third of its total paid-in share capital;

(iii) the shareholders with 10% or more voting power separately or jointly request to convene an extraordinary general meeting in writing;

(iv) the Board of Directors considers it necessary or the Supervisory Committee proposes convening an extraordinary meeting; or

(v) any other circumstances stipulated in laws. Administrative regulations, regulations of the competent authorities or the Articles of Association.

When convening a shareholders' general meeting, our Company shall send a written notice to inform all registered shareholders of the matters to be deliberated at the meeting as well as the date and venue of the meeting 45 days before it is convened (excluding the date of meeting). Shareholders planning to attend shall send to our Company a written reply to that effect 20 days before the meeting is held.

At our Company's shareholders' general meeting, the shareholders jointly holding 3% or more shares with voting power are entitled to submit written proposals to our Company.

Our Company shall calculate the number of shares with voting power represented by the shareholders planning to attend the shareholders' general meeting in accordance with the written replies received 20 days before the meeting is convened. In the event that the number of shares with voting power represented by the shareholders planning to attend reaches more than one half of our total number of shares with voting power, our Company may convene the shareholders' general meeting. If this number is not reached, our Company shall again inform the shareholders of the matters to be deliberated and the date and venue of the meeting within 5 days in the form of an announcement before the shareholders' general meeting may be convened.

The notice of the shareholders' general meeting shall be in writing and meet the following requirements:

(i) specified venue, date and time of the meeting;

(ii) specified matters to be deliberated at the meeting;

(iii) inclusion of the equity registration date;

(iv) provision to the shareholders the materials and explanations about the cause and consequence necessary for the shareholders to make sound decisions about the matters to be deliberated. This principle includes, but is not limited to, the provision of the detailed terms and contract(s), if any, of the proposed transaction(s) and proper explanations when our Company proposes merger/s, redemption of shares, restructuring of stock capital or other restructuring;

(v) in the event that any of the Directors, Supervisors or senior management has material interests at stake in matters to be deliberated, the nature and extent of the interests at stake shall be disclosed. If the matters to be deliberated affect any Director, Supervisor, manager or other senior management as a Shareholder in a manner different from how they affect other shareholders of the same type, the difference shall be explained;

(vi) inclusion of the full text of any special resolution to be proposed for adoption at the meeting;

(vii) a clear explanation that the Shareholder is entitled to attend and vote at the shareholders' general meeting, or to appoint one or more entrusted representative to attend and vote at the meeting on his or her behalf and that such may not necessarily be shareholders;

(viii) specified delivery time and place of the power of attorney for proxy voting of the meeting; and

(ix) the name and telephone number of the regular contact person of the meeting.

The notice of the shareholders' general meeting and circular of the Company shall be sent in person or by postage-paid mail, and each recipient's address shall be according to the address indicated on the register of shareholders. For holders of domestic shares, the notice of our shareholders' general meeting may be given in the form of an announcement.

This announcement shall be published in one or more newspapers designated by the securities governing authority of the State Council within a period of 45 to 50 days before the meeting is convened. Once the announcement is made, all holders of domestic shares shall be deemed to have received the notice of our shareholders' general meeting. In the event that the notice of the meeting is not sent to persons entitled to receive it due to accident or oversight, or such persons fail to receive notice of the meeting, the meeting and resolutions made at the meeting shall not be thereby affected.

The shareholders require to convene an extraordinary general meeting or a class meeting in accordance with the following procedures:

(i) two or more than two shareholders who separately or jointly hold 10% or more of the shares carrying voting rights may request the Board to convene an extraordinary general meeting or class meeting by signing a written requirement or several copies with the same format and to illustrate the subject of the meetings. The Board shall convene an extraordinary general meeting or class meeting as soon as practicably upon receipt of the foresaid written requirement. The aforesaid number of share holdings is calculated as at the date of the submission of the written requirement by the shareholders.

(ii) if the Board fails to issue the notice to convene the meeting within 30 days after it received the aforesaid request, the shareholders who individually or in aggregate hold more than10% (including 10%) of voting right of the Company at such proposed meeting shall have the right to request the supervisory committee to convene the extraordinary general meeting or class meeting, and it shall be proposed to the supervisory committee in writing. The supervisory committee may convene the meeting at its own discretion within four months after the Board has received the request; if the supervisory committee does not convene and preside the general meeting, the shareholders who individually or in aggregate hold more than 10% (including 10%) of the Company's shares for more than 90 days consecutively may convene such meeting at their own discretion. The convene process shall be conducted in a manner which is as similar as possible to that of general meeting convened by the Board.

If the shareholders or supervisory committee call and convene a meeting by themselves since the Board cannot convene a meeting in accordance with the foresaid requirement, the expenses reasonably resulted therefrom shall be borne by our Company and be deducted from the amounts due to the Directors as a result of loss of office.

Shareholders who separately or jointly hold more than 3% of the shares of our Company may submit a temporary proposal to the Board in writing prior to 10 days since the convening of the shareholders' general meeting; the Board shall notify other shareholders within 2 days upon receiving the proposal and submit this temporary proposal to the shareholders' general meeting for consideration.

Apart from aforesaid matters, the convener shall not amend the proposals stated in the notice of the shareholders' general meeting or add new proposals upon issuance of the announcement on the notice of the shareholders' general meeting.

The shareholders' general meeting shall be convened by the Board and chaired by the president; if the president cannot or fails to perform his duties, the shareholders' general meeting shall be chaired by the vice-president; if both the president and the vice-president cannot or fail to perform their duties, the shareholders' general meeting shall be chaired by a director appointed by the Board. If the chairman is not appointed, the Directors attending the meeting can elect one person to be the chairman. If the shareholders cannot elect the chairman due to any reason, the shareholder (including his proxy) presented at the meeting who hold the shares carrying the maximum voting rights shall act as the chairman of the meeting.

The following matters shall be approved by the shareholders' general meeting through ordinary resolutions:

(i) working report of the Board of Directors and the Supervisory Committee;

(ii) plans of profits distribution and loss make-up schemes drafted by the Board of Directors;

(iii) appointment or dismissal of the members of the Board of Directors and the members of the Supervisory Committee who are not assumed by staff representatives, their remuneration and payment methods;

(iv) annual budget/final account report, balance sheet, income and other financial statements of our Company;

(v) annual report of our Company;

(vi) other matters in addition to those approved by special resolution stipulated in the laws, administrative regulations, Hong Kong Listing Rules or the Articles of Association.

The following matters shall be approved by special resolution at the shareholders' general meeting:

(i) the increase or reduction of registered share capital and issue of any class of shares, warrants and other similar securities of our Company;

(ii) issue of bonds by the Company;

(iii) division, merger, dissolution and liquidation of our Company and the change of form of our Company;

(iv) amendment of the Articles of Association;

(v) matters relating to the purchase, sale or guarantee of material assets made by our Company with an amount exceeding 30% of its latest audited total assets within one year;

(vi) the stock incentive plans;

(vii) other matters as required by the laws, administrative regulations, Hong Kong Listing Rules or the Articles of Association, and as approved by ordinary resolution of the shareholders' general meeting which are believed could materially affect our Company and need to be approved by special resolution.

9. SHARE TRANSFERS

Unless otherwise specified by the relevant laws and administrative regulations, the shares may be transferred legally without any lien attached.

The shares held by the promoters of our Company shall not be transferred within one year of the date of incorporation of our Company. Shares issued prior to any public offer of shares shall not be transferred within one year of the date on which the shares of our Company is first listed and traded on a stock exchange.

All fully paid Hong Kong listed foreign shares may be freely transferred in accordance with the Articles of Association. However, the Board of Directors may refuse to recognize any transfer documents without stating any reason unless the conditions stipulated in the Articles of Association are met.

Our Company shall not accept any pledge with its own shares as the subject matters.

10. RIGHTS OF OUR COMPANY TO REPURCHASE ITS OWN SHARES

Under any of the following circumstances, our Company may repurchase its own shares pursuant to the requirements of the laws, administrative rules and regulations and the Articles of Association:

(i) cancellation of the shares to reduce our Company's share capital;

(ii) merger with other companies which holds our Company's shares;

(iii) granting shares to the staff of our Company as incentives;

(iv) repurchase of the shares from shareholders who vote against any resolutions adopted at the shareholders' general meeting concerning the merger and division of our Company; or

(v) other circumstances as required by the laws and administrative regulations and as approved by the competent authorities of the PRC.

In the event our Company repurchases the shares for reasons stated in (i) through (iii) of the preceding paragraph, related resolutions must be adopted at the shareholders' general meeting. If our

Company repurchases the shares according to the provision of the preceding paragraph under the circumstances set forth in (i), the shares repurchased must be cancelled within 10 days of the date on which they are bought back. In the event of the circumstances set forth in (ii) and (iv), the shares repurchased must be transferred or cancelled within 6 months.

In the event that our Company repurchases the shares pursuant to the provisions of (iii) in the preceding paragraph, the shares repurchased may not exceed 5% of the total shares issued. The fund used for such repurchase be allocated from the after-tax net profit of our Company and the shares repurchased must be transferred to the staff within one year.

Our Company may repurchase shares in any of the following means:

(i) making a general offer of repurchase to all shareholders at the same proportion;

(ii) repurchasing shares through public dealing on a stock exchange; or

(iii) repurchasing shares by an off-market agreement.

Where our Company repurchases its own shares by an off-market agreement, it shall obtain prior approval at the shareholders' general meeting pursuant to the Articles of Association. Likewise, subject to the prior approval of the shareholders' general meeting, our Company may dissolve or change the contract signed in the aforesaid manner or waive any of its rights in the contract. As for the redeemable shares that our Company is entitled to repurchase, if they are not repurchased in the market or by bidding, the price may not exceed a certain maximum limit. If the shares are repurchased by bidding, a proposal to bid must be made to all shareholders on equal terms. The contract that repurchases the shares includes, but is not limited to, an agreement that consents to undertake the obligation to repurchase the shares and obtain the rights to repurchase them.

Our Company shall not transfer any contract that repurchases the shares or any rights conferred under the contract.

Unless our Company has entered into the liquidation process, we must observe the following provisions for the repurchase of issued shares:

(i) where our Company repurchases shares at book value, the funds shall be deducted from the book balance of our distributable profits and the proceeds obtained from the issue of new shares to repurchase the existing shares;

(ii) where our Company repurchases the shares at a premium to the book value, the portion of funds equivalent to book value shall be deducted from the book balance of our distributable profits and the proceeds obtained from the issue of new shares made for the purpose of repurchase of shares, while the portion of funds higher than book value shall be dealt with in the following manner:

a) where the shares repurchased were issued at book value, the funds shall be deducted from the book balance of our distributable profits;

b) where the shares repurchased were issued at a premium to the book value, the funds shall be deducted from the book balance of our distributable profits and the proceeds obtained from the issue of new shares made for the purpose of buying back of shares. However, the amount deducted from the proceeds obtained from the issue of new shares shall not exceed the total premium amount obtained when the shares bought back were issued or the amount (including the premium amount of the issue of new shares) in our capital reserve account when the shares are repurchased.

(iii) The funds paid by our Company for the following purposes shall be allocated from our distributable profits:

a) acquisition of rights to repurchase shares;

b) variation of any contract to repurchase shares;

c) release any obligation of our Company under any contract to repurchase shares.

(iv) after the total book value of the cancelled shares is deducted from our registered capital pursuant to the relevant provisions, the amount deducted from the distributable profits for paying up the book value portion of the shares bought back shall be credited to our capital reserve account.

11. DIVIDEND DISTRIBUTION

Our Company may distribute dividends by way of cash or shares.

Our Company shall appoint, on behalf of holders of overseas listed Foreign Shares, receiving agents to receive dividends and other payable funds that are distributed with respect to our overseas listed foreign shares and the receiving agent shall be a trust company registered under the Trustee Ordinance.

The receiving agents appointed by our Company shall comply with related provisions of the laws or the securities exchange where the shares are listed.

12. SHAREHOLDER PROXIES

Any shareholder who is entitled to attend and vote at our shareholders' general meeting has the right to appoint one or more persons (who may not necessarily be shareholders) as his or her shareholder proxy to attend and vote at the meeting in his or her place.

The shareholder proxy appointment shall be in writing and shall be signed by the appointer or a person duly authorized in writing. Where the appointer is a legal person, the stamp of the legal person shall be affixed, or signed by the Director or a duly authorized agent. The power of attorney must be kept at the residential address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated voting time. If the power of attorney is signed by another person authorized by the appointer by means of power of attorney or other instrument of authorization, the power of attorney or other instrument must be verified by a notary. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney appointing the entrusted representative at our residential address or other location designated at the notice convening the meeting.

Where the appointer is a legal person, a power of attorney may be signed by its duly authorized person to authorize its legal representative or any person authorized by resolutions of its Board of Directors or other governing body to attend our shareholders' general meeting as a representative.

Any form sent by the Directors to the Shareholder for appointing a shareholder proxy shall allow the Shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify that the shareholder proxy may vote at his or her own discretion if the Shareholder does not provide instructions.

The votes of the shareholder proxy given pursuant to the terms of an instrument of proxy shall remain valid notwithstanding the previous death, loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that our Company does not receive written notice concerning such matters before the related meeting is convened.

13. REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Pursuant to the understanding reached and agreement entered into between the competent agency in charge of securities under the State Council and the overseas securities regulatory agency, our Company may keep overseas a register of the holders of the overseas listed foreign shares and entrust an overseas entity to manage it. The original register of the holders of the overseas listed foreign shares listed in Hong Kong shall be kept in Hong Kong.

Our Company shall keep a copy of the register of the holders of the overseas listed foreign shares at our residential address. The overseas entrusted entity shall at all times maintain consistency between the original and copy of the register of the holders of the overseas listed foreign shares.

In case of inconsistency between the original and copy of the register of the holders of the overseas listed foreign shares, the original shall prevail.

Our Company must keep a complete register of shareholders.

The register of shareholders shall include the following:

(i) register of shareholders kept at our residential address other than those specified in (ii) and (iii);

(ii) register of the holders of our overseas listed foreign shares kept at the location of the stock exchange where such shares are listed;

(iii) register of shareholders kept in other locations according to the decision of the Board of Directors as required for the listing of the shares.

Different parts of the shareholders' register shall not overlap. The transfer of shares registered in a certain part of the register of shareholders shall not be registered elsewhere in the register of shareholders as long as the shares remain registered. Any alteration or rectification to any part of the register of shareholders shall be made in accordance with the laws in the place where such part of the register of shareholders is maintained.

No change of the register of shareholders as a result of share transfer shall be made within 30 days before the shareholders' general meeting is convened or within 5 days prior to the record date on which our Company decides to pay dividends.

When our Company convenes the shareholders' general meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of equities, the Board of Directors shall fix a date as the equity registration date, upon expiration of which the shareholders whose names appear on the register of shareholders shall be the shareholders.

Any person who objects to the register of shareholders and requests to register his or her name (title) in the register of shareholders or to remove his or her name (title) from the register of shareholders may apply to the court with jurisdiction to amend the register of shareholders.

The shareholders are entitled to obtain the following information, including but not limited to:

(i) the Articles of Association after paying the cost;

(ii) the right to inspect and copy the following after paying a reasonable fee:

a) all parts of the register of shareholders;

b) personal data of the Directors, Supervisors and senior management;

c) status of the share capital of our Company;

d) the latest audited financial statements, reports of the Board of Directors, auditors' reports and reports of the Supervisory Committee;

e) special resolutions of the shareholders' general meeting and/or the Board of Directors' meeting.

f) a copy of the latest annual inspection report filed with the State Administration of Industry and Commerce or other competent authorities;

g) report on the total book value, quantity, maximum and minimum prices of each class of own shares repurchased by our Company since the previous accounting year and all expenses paid by our Company for this purpose;

h) minutes of the shareholders' general meeting;

i) counterfoil of bonds and financial accounting reports of our Company.

Whenever a shareholder proposes to inspect the relevant information as described above or requests materials, he or she shall provide our Company with written documents certifying the type and number of the shares held and our Company shall provide the relevant information and materials in accordance with the requirements of the shareholder after verifying his or her identity.

14. QUORUM FOR SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

If the number of shares carrying voting rights represented by the shareholders intending to attend the meeting exceeds one half of the total number of shares carrying voting rights, our Company may convene the shareholders' general meeting.

If the number of a class of shares carrying voting rights represented by the shareholders intending to attend the meeting exceeds one half of the total number of such class of shares, our Company may convene a class meeting.

15. RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDER

Apart from the obligations required in laws, administrative regulations or the listing rules of the stock exchange on which the shares are listed, the Controlling Shareholder shall not make any decision that is detrimental to the interest of all or part of the shareholders on the following issues by exercising his or her shareholder voting rights:

(i) releasing the Directors and Supervisors from the duty of acting honestly in the best interest of our Company;

(ii) permitting the Directors and Supervisors (for their own or others' interests) to deprive our Company of assets in any form, including, but not limited to, any opportunity that is beneficial to our Company;

(iii) permitting the Directors and Supervisors (for their own or others' interests) to deprive the shareholders of their personal rights and interests, including, but not limited to, any dividend distribution or voting right, but excluding the restructuring of our Company approved at the shareholders' general meeting pursuant to the Articles of Association.

16. COMPANY LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

(i) the shareholders' general meeting adopts a resolution to dissolve our Company;

(ii) our Company needs to be dissolved for the purpose of merger or division;

(iii) our Company is declared legally bankrupt as a result of failure to pay debts as they fall due;

(iv) the business license is revoked, or our Company is ordered to close or be eliminated according to applicable law;

(v) where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of the shares carrying voting rights may request the court to dissolve our Company.

Where our Company is dissolved due to the provisions set forth in (i) above, the liquidation team shall be established within 15 days and the personnel of the liquidation team shall be consist of the persons determined by the shareholders' general meeting through an ordinary resolution. In the event that our Company is dissolved in accordance with the provisions set forth in (ii) above, the liquidation arrangement shall comply with merger or division contract. In the event that our Company is dissolved in accordance with the provisions set forth in (iii) and (v) above, the people's court shall organize the shareholders, related agencies and professionals to form the liquidation team pursuant to relevant provisions of the law. In the event that our Company is dissolved in accordance with the provisions set forth in (iv) above, the competent authorities shall organize the shareholders, related agencies and professionals to form the liquidation team.

If the Board of Directors decides to liquidate our Company except where our Company is liquidated after declaring bankruptcy, the Board of Directors shall state in the notice of the shareholders' general meeting convened for this purpose that the Board of Directors has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the start of liquidation.

Following a resolution to liquidate our Company is adopted by the shareholders' general meeting, the powers and duties of the Board of Directors shall terminate immediately.

In accordance with the instructions of the shareholders' general meeting, the liquidation team shall at least once a year report at the shareholders' general meeting on the income and expenditure of the liquidation team, the business of our Company and progress of the liquidation of our Company, and submit a final report at the shareholders' general meeting upon completion of liquidation.

Within ten days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in newspaper at least three times within 60 days. The creditors shall declare their claims to the liquidation team within 30 days of the date on which the notice is received or 90 days of the date of the first announcement if the notice is not received. The liquidation team shall register all of the creditors' claims.

The liquidation committee shall exercise the following powers during the liquidation period:

(i) to sort out our Company's assets and prepare a balance sheet and an inventory of assets respectively;

(ii) to notify the creditors by notice or announcement;

(iii) to deal with and settle the outstanding business matters of our Company;

(iv) to pay outstanding taxes;

(v) to settle all claims and debts;

(vi) to dispose of the residue assets of our Company after settlement of debts; and

(vii) to represent our Company in any civil proceedings.

A liquidation plan shall be work out by the liquidation committee after the stocktaking of our Company property has been performed and the balance sheet and property inventory have been compiled, and the same shall be submitted to the shareholders' meeting or to the relevant competent authority for confirmation.

Where liquidation is carried out as a result of dissolution of our Company, after dissolution and after a stocktake of our company's assets and compilation of a balance sheet and proper inventory, where the amount of assets is insufficient to settle debts, the liquidation committee shall promptly apply to the court for a declaration of bankruptcy.

If our Company has been declared bankrupt by the court, the liquidation committee shall hand over liquidation matters to the court.

Upon completion of liquidation of our Company, the liquidation team shall prepare a liquidation report, income and expenditure report and financial record during the liquidation period, which, after being verified by a China-registered accountant, shall be submitted to our general Shareholders meeting or the people's court for recognition.

Within 30 days of the date of approval by the shareholders' meeting or people's court, the liquidation team shall submit the above-mentioned documents to the company registration authority and apply for cancellation of our registration and publish an announcement on our termination.

17. OTHER IMPORTANT PROVISIONS

(a) General provisions

Our Company is a permanently existing joint stock limited liability company.

Our Company may invest in other limited liability companies or joint stock limited liability companies, provided that the liabilities of our Company to be invested in are limited to the amount of its capital contribution.

The Articles of Association is binding on our Company, the shareholders, Directors, Supervisors and senior management. These personnel may assert their rights in connection with the affairs of our Company based on the Articles of Association. Pursuant to the Articles of Association, shareholders may sue shareholders, Shareholders may sue the Directors, Supervisors and senior management, Shareholders may sue our Company, and our Company may sue shareholders, Directors, Supervisors and senior management.

(b) Increase or reduction of the registered capital

Our Company may increase registered capital by the following means:

(i) private issue of new shares to unspecified investors;

(ii) issue of new shares to its existing shareholders;

(iii) allotting bonus Shares to its existing shareholders;

(iv) other means approved by the laws and administrative regulations.

Upon approval to increase our Company's registered capital according to the provisions of the Articles of Association, the matter shall be dealt with in accordance with the procedures of related laws and administrative regulations.

Subject to compliance with related laws and administrative rules and regulations, our Company may decrease our registered share capital in line with the provisions of the Articles of Association.

If our Company decreases our registered capital, we must prepare a balance sheet and a list of properties.

After our Company's reduction in capital, our registered capital may not be less than the statutory minimum amount.

(c) **Shareholders**

The Shareholders are persons lawfully holding the shares and whose names (titles) are already listed in the register of shareholders. Each share of the same class has the same rights.

Shares issued by our Company to overseas investors and subscribed to in foreign currencies are known as foreign shares. Foreign shares that are listed overseas are known as overseas listed foreign shares. Overseas investors refer to investors from foreign countries or from Hong Kong, Macao and Taiwan who subscribe to the shares issued by our Company. Domestic shareholders refer to investors within the territory of the PRC other than the aforesaid regions that subscribe to the shares issued by our Company. Both domestic shareholders and foreign shareholders are ordinary shareholders, entitled to the same rights and assuming the same obligations.

The rights of our ordinary shareholders are as follows:

(i) to receive distribution of dividends and other forms of benefits according to the number of shares held;

(ii) to participate in or appoint a shareholder proxy to participate in and exercise voting rights at the shareholders' meeting;

(iii) to supervise and manage our business and operational activities, provide suggestions or submit queries;

(iv) to transfer the shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

(v) to obtain relevant information according to the provisions of the Articles of Association;

(vi) to participate in the distribution of the remaining assets of our Company according to the number of shares held upon our termination or liquidation;

(vii) to request our Company to repurchase the shares from shareholders who vote against any resolutions adopted at the shareholders' general meeting concerning the merger and division of our Company;

(viii) other rights conferred by laws, administrative regulations and the Articles of Association.

When any person is interested directly or indirectly in the shares of our Company, our Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person has failed to disclose his interests to our Company.

Our Company shall adopt the registered method for the shares.

The share certificates are signed by the chairman of the Board of Directors. Where the stock exchange on which the shares are listed requires our other senior management to sign the share certificates, they shall also be signed by other such person. The share certificates shall become effective after being affixed with the stamp of our Company or print-stamped. Affixing our Company stamp to the share certificates is subject to the authorization of the Board of Directors. The signature of the chairman of the Board of Directors or other related senior management may also be printed on the share certificates.

If any person whose name appears in the register of shareholders or requests to register his or her name (title) in the register of shareholders loses his or her share certificates ("**Original Share Certificates**"), he or she may apply to our Company to reissue new share certificates for those shares.

In the event holder of domestic shares applies to our Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to related provisions of the PRC Company Law.

In the event a holder of overseas listed foreign shares applies to our Company for reissue after losing the share certificates, the matter shall be dealt with pursuant to the laws and rules of the stock exchange where the original register of holders of the overseas listed foreign shares is kept, or other related provisions. If a holder of Hong Kong listed foreign shares loses share certificates and applies for a replacement issue, the share certificates shall be issued in compliance with the following requirements:

(i) the applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of share certificates, as well as a statement that nobody else may request to be registered as a shareholder with respect to the pertinent shares.

(ii) before deciding to issue new share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the shareholder with respect to the shares.

(iii) if our Company decides to issue new share certificates to the applicant, we shall publish an announcement in a newspaper designated by the Board of Directors indicating that we plan to reissue new share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days.

(iv) before publishing the announcement indicating that we plan to re-issue new share certificates, our Company shall submit a copy of the announcement to be published to the securities exchange on which the shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the application for reissue of new share certificates is not approved by the registered shareholders of the related shares, our Company shall mail the copy of the announcement to be published to the shareholders.

(v) in the event that nobody raises any objection to the reissue of new share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in (iii) and (iv) above, the new share certificates may be reissued according to the application.

(vi) when re-issuing new share certificates, our Company shall immediately cancel the Original Share Certificates and register the cancellation and replacement issue on the register of shareholders.

(vii) all expenses incurred by our Company from the cancellation of the Original Share Certificates and replacement issue of the new share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

(d) **Regulations on the powers of the shareholders' general meeting**

The shareholders' general meeting shall exercise the following powers in accordance with the laws:

(i) to decide on the operating policies and investment plans of our Company;

(ii) to elect and remove directors (non-staff representatives), and to fix the remuneration of the Directors;

(iii) to elect and remove supervisors (shareholders representatives), and to fix the remuneration of the Supervisors;

(iv) to review and approve the reports of the Board of Directors;

(v) to review and approve the reports of the Supervisory Committee;

(vi) to review and approve the proposed annual financial budgets and final accounts of our Company;

(vii) to review and approve the profit distribution plans and plans on making up losses of our Company;

(viii) to adopt resolutions on the increment or reduction of registered capital of our Company and the repurchase of its own shares;

(ix) to adopt resolutions on matters such as merger, division, dissolution, liquidation or change of corporate form of our Company;

(x) to adopt resolutions on the issue of bonds of our Company;

(xi) to adopt resolutions on the appointments, dismissals or non-reappointments of accounting firms;

(xii) to amend the Articles of Association of the Company;

(xiii) to review and approve the proposal submitted by shareholder(s) holding in aggregate more than 3% of our Company's shares;

(xiv) to make decisions on matters relating to the major purchases and disposals of our Company's material assets of a value exceeding 30% our Company's latest audited total assets in a year;

(xv) to approve connected transactions which required to be approved by shareholders' general meeting in accordance with the listing rules where our Company is listed;

(xvi) to approve the change of the use of proceeds;

(xvii) to approve of stock incentive plan; and

(xviii) to approve other matters required by the laws, administrative regulations, regulations of the competent authorities or the Articles of Association to be resolved by shareholders' general meeting.

(e) **Regulations on the powers of the board of directors and convening the Board of Directors' meetings**

The Board of Directors is responsible to the shareholders' general meeting and exercises the following powers:

(i) to convene the shareholders' general meeting and report on work to the shareholders' general meeting;

(ii) to implement the resolutions of the shareholders' general meeting;

(iii) to determine our business plans, investment project without approval of the shareholders' general meeting in accordance with the Articles of Association;

(iv) to formulate our annual financial budget and final account;

(v) to formulate our profit distribution and loss offset plans;

(vi) to formulate the policy for plan for increasing or decreasing our registered capital, as well as the issue of corporate bonds, other securities and listing plans;

(vii) to formulate plans for major acquisition or share purchase of the Company, corporate merger, separation, changing the form and dissolution of our Company;

(viii) to determine such matters as our external investment, purchase/sale of assets, asset pledge, and entrusting wealth management within the scope authorized by the shareholders' general meeting;

(ix) to decide on the setup of our Company's internal management organization;

(x) to appoint or dismiss the president of our Company, secretary of the board of directors, chairman of all special committees of Board and company secretary; based on the nomination of the president, appoint or dismiss our vice president and other senior management, and determine their remuneration;

(xi) to set our basic management systems;

(xii) to make the amendment plan to this Articles of Association;

(xiii) to formulate our Company's major acquisitions and sale plan;

(xiv) to manage the disclosure of our Company's information;

(xv) to propose the appointment or replacement of the accounting firm that performs audits for our Company at the shareholders' general meeting;

(xvi) to attend to the work report of our president and review the work of the president regularly or irregularly;

(xvii) to check and approve our Company's any major transactions, significant sales, significant acquisitions and counter-offers under the Hong Kong Listing Rules and submit it to shareholder's approval;

(xviii) to check and approve any transactions that shall be disclosed except our Company's any major transactions, significant sales, significant acquisitions or counter-offers under the Hong Kong Listing Rules;

(xix) to approve the connected transactions may not requiring approval or announcement of the shareholder's meeting under Hong Kong Listing Rules;

(xx) to check and approve the connected transaction shall be approve by the shareholder's meeting under Hong Kong Listing Rules; and

(xxi) other powers and duties authorized by the laws, administrative regulations, regulations of the competent authorities and this Articles of Association as well as the shareholders' general meeting.

All of the above resolutions adopted by the Board of Directors, except those in (vi), (vii) and (xiii) and those that must be approved by more than a two-thirds vote of the Directors otherwise specified in laws, administrative regulations and the Articles of Association, shall be approved by a simple majority of votes by the Directors.

Meetings of the Board of Directors shall be convened at least 4 times a year and be called by the chairman of the Board of Directors, and a notice of at least 14 days shall be sent to all Directors before the meeting is convened.

The chairman of the Board of Directors shall convene and preside over a special meeting of the Board of Directors within 10 days since receiving the proposal in case of the occurrence of any one of the following events:

(i) when the chairman of the Board of Directors or the President deems necessary;

(ii) when the shareholders representing over 10% of voting rights make a proposal;

(iii) when over one third of Directors make a proposal;

(iv) when the Supervisory Committee makes a proposal;

(v) when the relevant regulatory authorities require.

The Directors shall attend the Board of Directors meeting in person. Where a director is unable to attend a board meeting due to any reason, he or she may entrust, in writing, another director to attend the meeting on his or her behalf and the power of attorney shall stipulate the scope of authority. The entrusted director shall exercise the right of the entrusting director within the designated scope of authority. If a director does not attend a certain meeting of the Board of Directors, nor entrusts a representative to attend the meeting, this shall be regarded as a waiver of his or her voting rights at that meeting.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors before the Board of Directors meeting can be convened. Each director has one vote. Resolutions made by the Board of Directors must be approved by more than one-half of all the Directors' votes.

When the number of affirmative votes equals the number of dissenting votes, the chairman of the Board of Directors is entitled to one additional vote.

(f) **Independent Director**

The Board of Directors shall include at least one-third (and at least three) independent Directors. The independent Directors shall discharge duties in accordance with appropriate requirements of the laws, administrative rules and regulations, Hong Kong Listing Rules and the Articles of Association.

(g) **Secretary of the Board of Directors**

The secretary of the Board of Directors must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors.

(h) **Supervisory Committee**

Our Company shall set up a Supervisory Committee.

The Supervisory Committee consists of three Supervisors and includes one chairman. The Supervisors serve three-year terms and may be re-elected. The chairman of the Supervisory Committee shall be elected and dismissed by more than a two-thirds vote of the members of the Supervisory Committee.

The Supervisory Committee shall consist of one staff representatives of our Company. The Supervisors assumed by non-staff representatives shall be elected and dismissed by the shareholders' general meeting. The Supervisors assumed by the staff representatives shall be elected and dismissed through the staff representatives meetings, staff meetings or through other forms of democratic election.

The Directors, President and other senior management shall not also serve as Supervisors.

The Supervisory Committee shall convene at least one meeting every six months. The chairman shall convene meetings of the Supervisory Committee.

The Supervisory Committee lawfully exercises the following powers:

(i) to examine the financial standing of our Company;

(ii) to supervise the Directors and senior management to ensure that they do not, in performing their duties to our Company, act in contravention of any laws, administrative regulations or the Articles of Association, and to put forward suggestions for dismissing any directors or senior management who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings;

(iii) to require the Directors and senior management to take corrective measures when their actions are detrimental to our interests;

(iv) to verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the shareholders' general meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by the certified public accountants and practicing auditors;

(v) to propose to convene an extraordinary general meeting, where the Board of Directors fails to perform the duties in relation to convening or presiding over the shareholders' general meeting, to convene and preside over the shareholders' general meeting;

(vi) to represent our Company in negotiating with or in bringing actions against the Directors and senior management;

(vii) to submit proposals at the shareholders' general meetings;

(viii) to propose to convene extraordinary meetings of the Board of Directors;

(ix) other powers and duties stipulated in the Articles of Association.

The Supervisors shall attend the board meeting as observers, query or provide suggestions on the resolutions of the board meeting.

(i) **President**

Our Company includes one president, nominated, appointed or dismissed by the Board of Directors. The president is responsible to the Board of Directors and exercises the following powers:

(i) to be in charge of the producing and operational management of our Company, to organize the enforcement of resolutions of the Board of Directors;

(ii) to organize the implementation of the annual operation plans and investment schemes of our Company;

(iii) to formulate the structure scheme of the internal management agency of our Company;

(iv) to formulate the substantial management system of our Company;

(v) to formulate the substantial rules of our Company;

(vi) to propose the appointment or dismissal of vice presidents, and chief financial officer of our Company;

(vii) other duties authorized by the Articles of Association and the board of directors.

(j) **Reserves**

When the annual after-tax profits of our Company are distributed, our Company must allocate 10% of the profits to our statutory reserve. When the total amount of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no more allocations need to be provided.

If our statutory reserve is insufficient to offset our losses incurred during the previous year, the profits generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth in the preceding paragraph.

After allocation to the statutory reserve from the after-tax profits of our Company, we may also allocate to the reserves at will from after-tax profits in line with the resolution(s) adopted at the shareholders' general meeting.

After offsetting the losses and allocating to the reserve, all remaining profits may be distributed to the Shareholders based on the proportion of respective shareholdings upon obtaining the approval from shareholders' general meeting.

Our statutory reserves must be used only for offsetting our losses, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset our losses.

(k) **Disputes resolution**

Our Company shall comply with the following rules governing the disputes resolution:

(i) whenever any disputes or claims arise between holders of overseas listed foreign shares and our Company, holders of overseas listed foreign shares and our Company's Directors, Supervisors or other senior management, or holders of overseas listed foreign shares and holders of domestic shares, based on our Articles of Association, or any rights or obligations conferred or imposed by the Company Law, or any other relevant laws and administrative regulations concerning the affairs of our Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where the aforesaid disputes or claims is referred to arbitration, such disputes or claims shall be referred in their entirety, and all persons (being our Company, our Company's shareholders, Directors, Supervisors or senior management) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of shareholders and disputes concerning the register of shareholders need not be resolved by arbitration.

(ii) a claimant may elect arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

(iii) if any dispute or claim of rights arising for the reasons stated in paragraph (i) is referred to arbitration, the laws of the PRC shall apply, save as otherwise provided in laws and administrative regulations.

(iv) the award of an arbitration body shall be final and binding on all parties.

INFORMATION ABOUT OUR COMPANY

Establishment

Our Company was established in the PRC on November 15, 2013 as a joint stock limited liability company under the laws of the PRC with a registered share capital of RMB4,000 million.

Our Company has established a place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong, the predecessor to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) on December 20, 2013. Ms. LAI Siu Kuen, the joint company secretary of our Company, has been appointed as our agent for the acceptance of service of process in Hong Kong whose correspondence address is 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix VI. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix V.

Changes in Share Capital

At our establishment, our initial registered capital was RMB4,000 million, divided into 4,000 million shares with nominal value of RMB1.00 each, all of which were fully paid up.

Immediately following completion of the Global Offering:

- assuming the Over-allotment Option is not exercised, the registered capital of our Company will be RMB4,705,800,000, comprising 776,380,000 H Shares and 3,929,420,000 Domestic Shares, representing approximately 16.50% and 83.50%, respectively, of the registered capital of our Company; or

- assuming the Over-allotment Option is fully exercised, the registered capital of our Company will be RMB4,811,670,000, comprising 892,837,000 H Shares and 3,918,833,000 Domestic Shares, representing approximately 18.56% and 81.44%, respectively, of the registered capital of our Company.

Save as aforesaid, as at the Latest Practicable Date, there has been no alterations in our share capital since our establishment.

Resolutions of our Shareholders

Pursuant to the general meetings held on November 15, 2013 and May 8, 2014, our Shareholders resolved that, among other things:

(a) our Company's issuance of H Shares to be listed on the Hong Kong Stock Exchange. The number of H Shares to be issued shall not be more than 15% of the total issued share capital (including any shares issued pursuant to any Over-allotment Option) of our Company as enlarged by the Global Offering;

(b) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date, and authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Hong Kong Listing Rules;

(c) our Company has granted a general mandate to our Board to issue such number of Domestic Shares and/or H Shares which are less than 20% of the H Shares in issue or Domestic Shares in issue (as the case may be). Such general mandate will become effective from the Listing Date and ends on the earlier of the date of first annual general meeting of our Company after Listing or the date of shareholders' general meeting at which the Shareholders withdraw or revise the terms of the general mandate; and

(d) authorization to our Board to handle all matters that are necessary for the issuing and listing of our Shares.

Our Subsidiaries

The list of our subsidiaries as at the Latest Practicable Date is set out in "Our History, Reorganization and Corporate Structure — Global Offering — Our corporate structure prior to the Global Offering" in this prospectus. The following sets out the changes in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus:

- On December 31, 2013, the registered capital of Qingdao Bonded Port Area Gangrong Storage Center Co., Ltd.* (青島保稅區港榮倉儲中心有限公司) increased from RMB2,000,000 to RMB3,000,000.

- On January 24, 2014, the registered capital of Qingdao Port International Cargo Logistics Co., Ltd.* (青島港國際貨運物流有限公司) was increased from RMB5 million to RMB55 million by capital injection from our Company.

- On February 12, 2014, Qingdao Hongyu Cargo Agency Co., Ltd.* (青島宏宇貨運代理有限公司) transferred its 22% shareholding in Qingdao Port International Cargo Logistics Co., Ltd.* (青島港國際貨運物流有限公司) to our Company for a consideration of RMB1.

Save as disclosed above and in "Our History, Reorganization and Corporate Structure — Reorganization — Equity interests" in this prospectus, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

1. the Reorganization Agreement dated November 25, 2013 entered into between QDP and our Company pursuant to which our Company agreed to issue 3,600,000,000 shares to QDP for a consideration of certain fixed assets, intangible assets, construction-in-progress, inventories, receivables, payables, bank deposits, other assets and the relevant liabilities, valued at RMB10,652,779,500;

2. the first supplemental agreement to the Reorganization Agreement dated December 18, 2013 entered into between QDP and our Company, pursuant to which QDP further contributed to our Company the land use rights of two parcels of land acquired by QDP at RMB341,420,000 in aggregate;

3. the second supplemental agreement to the Reorganization Agreement dated January 4, 2014, entered into between QDP and our Company, pursuant to which certain equity interests, intangible assets and fixed assets contributed by QDP to our Company were substituted by cash payment of RMB167,122,355;

4. the non-competition agreement dated May 8, 2014 entered into between QDP and our Company pursuant to which QDP has agreed, among other things that, it and its controlled entities will not, on its own or together with third parties, directly or indirectly, in or outside the PRC, engage in, participate in, or assist or support any party in engaging in or participating in any business or activity that competes or may compete with the current and future core operations of our Company or its controlled entities;

5. a cornerstone investment agreement dated May 21, 2014 entered into among our Company, Sinotruk (Hong Kong) International Investment Limited (中國重汽（香港）國際資本有限公司), BOCI Asia Limited (中銀國際亞洲有限公司), CITIC Securities Corporate Finance (HK) Limited (中信証券融資(香港)有限公司), CLSA Limited (中信里昂證券有限公司), UBS AG, Hong Kong Branch, UBS Securities Hong Kong Limited and Deutsche Bank AG, Hong Kong Branch, pursuant to which Sinotruk (Hong Kong) International Investment Limited (中國重汽（香港）國際資本有限公司) agreed to subscribe for our H Shares in the amount of US$20 million;

6. a cornerstone investment agreement dated May 19, 2014 entered into among our Company, DP World Asia Holdings Limited (杜拜環球港務亞洲控股有限公司), BOCI Asia Limited (中銀國際亞洲有限公司), CITIC Securities Corporate Finance (HK) Limited (中信証券融資(香港)有限公司), CLSA Limited (中信里昂證券有限公司), UBS AG, Hong Kong Branch, UBS Securities Hong Kong Limited and Deutsche Bank AG, Hong Kong Branch, pursuant to which DP World Asia Holdings Limited (杜拜環球港務亞洲控股有限公司) agreed to subscribe for our H Shares in the amount of HK$77,500,000;

7. a cornerstone investment agreement dated May 19, 2014 entered into among our Company, Ming Cheng Company Limited, BOCI Asia Limited (中銀國際亞洲有限公司), CITIC Securities Corporate Finance (HK) Limited (中信証券融資(香港)有限公司), CLSA Limited (中信里昂證券有限公司), UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, pursuant to which Ming Cheng Company Limited agreed to subscribe for our H Shares in the amount of HK$60 million;

8. a cornerstone investment agreement dated May 19, 2014 entered into among our Company, Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited (上海振華港口機械（香港）有限公司), BOCI Asia Limited (中銀國際亞洲有限公司), CITIC Securities Corporate Finance (HK) Limited (中信証券融資(香港)有限公司), CLSA Limited (中信里昂證券有限公司), UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, pursuant to which Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited (上海振華港口機械（香港）有限公司) agreed to subscribe for our H Shares in the amount of US$50 million;

9. a cornerstone investment agreement dated May 19, 2014 entered into among our Company, No.2 Engineering Company Ltd. of CCCC First Harbor Engineering Company Ltd., BOCI Asia Limited (中銀國際亞洲有限公司), CITIC Securities Corporate Finance (HK) Limited (中信証券融資(香港)有限公司), CLSA Limited (中信里昂證券有限公司), UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, pursuant to which No.2 Engineering Company Ltd. of CCCC First Harbor Engineering Company Ltd. agreed to subscribe for our H Shares in the amount of US$50 million;

10. a cornerstone investment agreement dated May 19, 2014 entered into among our Company, China International Marine Containers (Hong Kong) Ltd. (中國國際海運集裝箱（香港）有限公司) and BOCI Asia Limited (中銀國際亞洲有限公司), CITIC Securities Corporate Finance (HK) Limited (中信証券融資(香港)有限公司), CLSA Limited (中信里昂證券有限公司), UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, pursuant to which China International Marine Containers (Hong Kong) Ltd. (中國國際海運集裝箱（香港）有限公司) agreed to subscribe for our H Shares in the amount of US$30 million; and

11. the Hong Kong Underwriting Agreement.

Intellectual Property Rights

As at the Latest Practicable Date, we have registered or have applied for the registration of the following material intellectual property rights.

Trademarks

Our Company has registered a trademark as below:

Trademark	Place of Registration
QGGJ	Hong Kong

Our Company has applied for registration of a domestic trademark as below:

Trademark	Place of Registration
QGGJ	PRC

Domain Names

As at the Latest Practicable Date, we have registered the material domain name as below:

www.qingdao-port.com

Patents

As at the Latest Practicable Date, Qingdao OST, our non-wholly owned subsidiary, possesses three utility model patents as below:

Name of Patents	Expiry Dates
Data transmission system applied in container visualized tallying system (一種應用於集裝箱可視化理貨系統的數據傳輸系統)	June 8, 2023
Control center management system applied in container visualized tallying system (一種應用於集裝箱可視化理貨系統的監控中心管理系統)	June 8, 2023
Video capture system applied in container visualized tallying system (一種應用於集裝箱可視化理貨系統的視頻採集系統)	June 8, 2023

As at the Latest Practicable Date, we had been licensed by QDP to use the following patents at no cost:

Name of Patents	Expiry Dates
Liftable outdoor illuminating lights (戶外用可升降式照明燈)	April 8, 2024
Assembled pulley (組合裝配式滑輪)	April 15, 2024
Piston top curved surface processing device for vertical lathe (立車用活塞頂部曲面加工裝置)	September 13, 2024
Power supplying device of tyre type gantry crane (輪胎式龍門起重機的供電裝置)	August 18, 2026
Automatic-disengagement hook (自動摘除式吊鉤)	October 9, 2026
Deviation rectifying method of tyre type container gantry crane (一種輪胎式集裝箱龍門起重機的糾偏方法)	April 23, 2027
Container gantry crane having bidirectional electric supply (具有雙向供電的集裝箱龍門起重機)	November 25, 2027
Door for goods yards (貨場用大門)	June 3, 2029
Crane coil steel spreader (吊車用卷鋼吊具)	June 10, 2029
Gantry crane wire rope replacement device (門式起重機鋼絲繩的更換裝置)	April 21, 2030
Protective device of elevating mechanism of stacker-reclaimer (堆取料機俯仰機構的防護裝置)	April 21, 2030
Protective device for stacker-reclaimer connected cables (堆取料機穿連電纜線的保護裝置)	April 28, 2030
Coil flip bracket (卷鋼翻轉用支架)	May 28, 2030

Name of Patents	Expiry Dates
Automatic correction method for tyred container door type crane (一種輪胎式集裝箱門式起重機的自動糾偏方法)	July 18, 2030
Automatic separation pallet of utilized cargo network (成組貨物網路自動脱離貨盤)	September 20, 2030

Please see "Connected Transactions—Continuing Connected Transactions—Exempt Continuing Connected Transactions— (1) Patent Licensing Agreement" of this prospectus for more details. All these patents relate to our loading and unloading facilities, machinery and technology.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

Disclosure of Interests

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Hong Kong Listing Rules.

Substantial Shareholders

For the information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please see "Substantial Shareholders" of this prospectus.

So far as our Directors are aware, the following persons (other than our Directors, Supervisors or chief executive) will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company:

Members of our Company	Persons with 10% or more interest (other than us)	Percentage of that persons' interest
Qingdao OST	China OST	16%
Qingdao Gangjia Logistics Co., Ltd.*	Qingdao Yijia Haiye Trading Co., Ltd. (青島益佳海業貿易有限公司)	49%
West United	Qingdao Merchants	49%
Qingdao Dongjiakou IMC Logistics	IMC Dongjiakou Logistics Pte. Ltd. (萬邦董家口物流有限公司)	49%

Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Each of our Directors entered into a contract with our Company in May 2014. The principal particulars of these service contracts are: (a) each of the contracts commenced from each Director's respective appointment date until the third annual shareholders' general meeting upon the establishment of our Company; and (b) each of the contracts is subject to termination in accordance with their respective terms. Our Directors may be reappointed subject to Shareholders' approval and every Director is subject to retirement by rotation once every three years.

Each of our Supervisors entered into a contract with our Company in May 2014, in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Directors' and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" of this prospectus and under Note 11(a) to the financial information in the Accountant's Report set out in Appendix I to this prospectus, no Director or Supervisor received any other remuneration or benefits in kind from our Company in respect of each of the three financial years ended December 31, 2011, 2012 and 2013.

Under current arrangements, it is expected that our Directors and Supervisors would receive compensation (including remuneration, benefits in kind but excluding the discretionary bonuses) from our Company for the year ending December 31, 2014 in the aggregate amount of approximately RMB650,000 and RMB370,000, respectively.

Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or Supervisors and any of the parties listed in "Qualification of Experts" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(ii) materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(b) none of the parties listed in "Qualification of Experts" of this Appendix:

(i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our Shares or any of our securities;

(c) none of our Directors or Supervisors or their associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five business customers or suppliers;

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO;

(e) none of our Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with our business; and

(f) none of our Directors or Supervisors has been paid in cash or shares or otherwise by any person in respect of the three years ended December 31, 2011, 2012 and 2013, as an inducement to join or upon joining our Company, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Litigation

As at the Latest Practicable Date, our Company was not involved in any litigation, arbitration or administrative proceedings of material importance which could have a material adverse effect on our financial condition or results of operations, and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against us.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

All Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3.07 of the Hong Kong Listing Rules.

Preliminary Expenses

Our estimated preliminary expenses are approximately RMB11.9 million and are payable by our Company.

Qualification of Experts

The qualifications of the experts who have given opinions in this prospectus are as follows:

Name	Qualification
BOCI Asia Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
CITIC Securities Corporate Finance (HK) Limited	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
UBS Securities Hong Kong Limited	A licensed corporation to conduct type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
Drewry Maritime Service (Asia) Pte Ltd.	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer and consultant
Jia Yuan Law Offices	PRC legal advisor

Sponsor's fees

The Joint Sponsors will be paid by our Company a total fee of US$6 million to act as sponsors to our Company in connection with the Global Offering.

Consents of Experts

Each of the experts referred to in "Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of any of their certificates, letters, opinions or reports and the references to their names included herein in the form and context in which they are respectively included.

Compliance Advisor

We have appointed Crosby Securities Limited as our compliance advisor upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

Taxation of H Shareholders

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

No Material Adverse Change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2013.

Binding Effect

This prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company.

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option.

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares.

(d) there are no arrangements under which future dividends are waived or agreed to be waived.

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.

(f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months.

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

(i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought.

(j) our Company has no outstanding convertible debt securities or debentures.

Our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the Sino-foreign Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法).

Our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Restrictions on Share Repurchases

Please refer to "Appendix V — Summary of Principal Legal and Regulatory Provisions — The PRC Company Law, Special Regulations and Mandatory Provisions — Repurchase of Shares" in this prospectus for details.

Reorganization

We underwent the Reorganization in preparation for the Global Offering. Please refer to "Our History, Reorganization and Corporate Structure — Reorganization" in this prospectus for details.

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The Promoters are QDP, Malai Storage, Qingdao Ocean, China Shipping Terminal, Everbright Qingdao FLC and Qingdao IIC. Save as disclosed in this prospectus, within the two years immediately preceding the Latest Practicable Date, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the Promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

Particulars of the Selling Shareholder

Certain particulars of the Selling Shareholder are set out as follows:

Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), a company established in the PRC whose registered office is at 6 Gangqing Road, City North District, Qingdao City, Shandong Province, PRC (中國山東省青島市市北區港青路6號). The number of Sale Shares to be sold by the Selling Shareholder will not be more than 81,167,000 (assuming full exercise of the Over-allotment Option).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Other Information — Consents of Experts" in Appendix VII to this prospectus;

(c) a copy of each of the material contracts referred to in "Further Information about Our Business — Summary of Material Contracts" in Appendix VII to this prospectus; and

(d) the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountant's report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of the companies comprising the Group for the three years ended December 31, 2013;

(d) the report in relation to unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the letter, the summary of values, the valuation certificates and the valuation report relating to selected property interests of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III to this prospectus;

(f) the material contracts referred to in "Further Information about Our Business — Summary of Material Contracts" in Appendix VII to this prospectus;

(g) the written consents referred to in "Other Information — Consents of Experts" in Appendix VII to this prospectus;

(h) the PRC legal opinions issued by Jia Yuan Law Offices, the legal advisor to the Company on the PRC law dated May 26, 2014 in respect of our general matters and property interests of the Group;

(i) the service contracts referred to in "Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — Service Contracts" in Appendix VII to this prospectus;

(j) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations;

(k) the industry report commissioned by our Company from Drewry; and

(l) the statement of particulars of the Selling Shareholder.

青島港國際股份有限公司
QINGDAO PORT INTERNATIONAL CO., LTD.*

* For identification purpose only