# 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


* *For identification purpose only*

INTERIM REPORT 2014

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# DEFINITIONS

Unless the context otherwise requires, the following expressions shall have the following meanings.

| | |
|---|---|
| "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 15 November 2013. Unless otherwise specified, references to the operational data or information of the Company such as throughput and berthing and storage capacity shall include the aggregate of such operational data or information of the Group and the joint ventures and associates of the Company (including Dongjiakou Operations) or such entity's predecessor, without regard to the proportion of interest held by the Company in such joint ventures and associates |
| "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) |
| "Datang Port" | Datang Qingdao Port Co., Ltd. (大唐青島港務有限公司), a subsidiary acquired by the Company during the reporting period |
| "Dongjiakou Operation I" | the operating assets and liabilities owned by QDP Dongjiakou Branch, namely two metal ore berths |
| "Dongjiakou Operation II" | the operating assets and liabilities owned by QDP Dongjiakou Branch, namely two multi-purpose berths |
| "Dongjiakou Operations" | Dongjiakou Operation I and Dongjiakou Operation II |
| "Group" | the Company and its branches and subsidiaries |
| "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Huangwei Pipeline" | the pipeline that runs from Huangdao, Shandong to Weifang, Shandong |
| "Mercuria Logistics" | Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司), a subsidiary acquired by the Company during the reporting period |
| "NSSF" | National Council for Social Security Fund |
| "Other Retained Operations" | certain other assets and liabilities retained by QDP |
| "QDOT" | Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture of the Company, which is mainly engaged in the business operations of ore, coal and other cargo handling and ancillary services |
| "QDP" | Qingdao Port (Group) Co., Ltd. (青島港（集團）有限公司), the controlling shareholder of the Company |

# DEFINITIONS

| | |
|---|---|
| "QDP Dagang Branch" | Dagang Branch of Qingdao Port (Group) Co., Ltd. (青島港（集團）有限公司大港分公司), whose major assets had been transferred to Dagang Branch of the Company |
| "Qingdao Finance" | Qingdao Port Finance Co., Ltd., a subsidiary established jointly by the Company and QDP |
| "Qingdao Shihua" | Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture of the Company, which is mainly engaged in the business operations of liquid bulk handling and ancillary services |
| "QQCT" | Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture of the Company, which is mainly engaged in the business operations of container handling and ancillary services |
| "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 joint venture of the QQCT, which is mainly engaged in the business operations of container handling and ancillary services |
| "Sinopec" | China Petroleum & Chemical Corporation |
| "Yougang Branch" | Yougang Branch of Qingdao Port (Group) Co., Ltd. (青島港（集團）有限公司油港分公司), which was mainly engaged in the business operations of liquid bulk handling and ancillary services, and whose assets had been transferred to Qingdao Shihua |

# COMPANY PROFILE

The Company was established on 15 November 2013, and was listed on the Main Board of the Hong Kong Stock Exchange on 6 June 2014.

The Company was established under the promotion by its holding company, QDP, together with Shenzhen Malai Storage Co., Ltd. (碼來倉儲(深圳)有限公司), Qingdao Ocean Shipping Co., Ltd. (青島遠洋運輸有限公司), China Shipping Terminal Development Co., Ltd. (中海碼頭發展有限公司), Everbright (Qingdao) Financial Leasing Co., Ltd. (光大控股(青島)融資租賃有限公司) and Qingdao International Investment Co., Ltd. (青島國際投資有限公司). As a primary operator of Qingdao Port, it operates four port areas of Qingdao, including Dagang Port Area, Qianwan Port Area, Huangdao Oil Port Area and Dongjiakou Port Area, and owns dedicated terminals capable of docking the world's currently largest container vessels, metal ore vessels and oil tankers. It is mainly engaged in the handling of different types of cargoes such as container, metal ore, coal and oil and the provision of ancillary services, logistics and port value-added services, port construction and port machinery manufacturing services.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. ZHENG Minghui *(Chairman)*
Mr. JIAO Guangjun *(President)*

### Non-executive Directors

Mr. CHENG Xinnong *(Vice Chairman)*
Mr. SUN Yafei
Mr. WANG Shaoyun
Mr. MA Baoliang

### Independent Non-executive Directors

Mr. XU Guojun
Mr. WANG Yaping
Mr. CHAU Kwok Keung

## SUPERVISORY COMMITTEE

Mr. FU Xinmin *(Chairman)*
Mr. CHI Dianmou
Ms. XUE Qingxia

## JOINT COMPANY SECRETARIES

Mr. CHEN Fuxiang
Ms. LAI Siu Kuen

## AUTHORISED REPRESENTATIVES

Mr. ZHENG Minghui
Ms. LAI Siu Kuen

## AUDIT COMMITTEE

Mr. CHAU Kwok Keung *(Chairman)*
Mr. SUN Yafei
Mr. XU Guojun

## REMUNERATION COMMITTEE

Mr. WANG Yaping *(Chairman)*
Mr. CHENG Xinnong
Mr. XU Guojun

## NOMINATION COMMITTEE

Mr. ZHENG Minghui *(Chairman)*
Mr. XU Guojun
Mr. WANG Yaping

## STRATEGY AND DEVELOPMENT COMMITTEE

Mr. ZHENG Minghui *(Chairman)*
Mr. CHENG Xinnong
Mr. SUN Yafei
Mr. WANG Shaoyun
Mr. JIAO Guangjun
Mr. MA Baoliang

## REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

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City North District, Qingdao
Shandong Province, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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# CORPORATE INFORMATION

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## LEGAL ADVISORS

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*As to PRC Law:*
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## COMPLIANCE ADVISOR

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Hong Kong

## AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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# MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2014, the global economy continued to recover with growth. The US economy presented a recovering and upward trend, indicating the impact of the financial crisis in 2008 was gradually eliminated. Some of the European countries involved in debt crisis had managed to reduce financing costs and withdraw from the international rescue plan, indicating the impact of the European debt crisis was gradually alleviated. The Japanese economy outperformed expectations in growth, providing positive reinforcement to the global economy. The PRC economy focused on the implementation of in-depth structural reforms in order to realize balanced and sustainable growth. According to data from the National Bureau of Statistics of the PRC, the gross domestic product (GDP) of the domestic economy was 7.4% during the first half of 2014. According to data from the Ministry of Transport of the PRC, cargo throughput handled at major ports of considerable size in the PRC amounted to 5,490 million tons during the first half of 2014, representing an increase of 5.2% on a year-on-year (YOY) basis, of which, foreign trade throughput handled was 1,780 million tons, representing an increase of 8.3% on a YOY basis. The stable growth of the global economy and the PRC economy, together with the continuous development of the port industry, provided a sound external environment for the development of the Company.

As stated in notes 1 and 2 to the unaudited condensed consolidated interim financial information for the six months ended 30 June 2014, as a result of the reorganisation of QDP, the controlling shareholder of the Company, on 15 November 2013 (i.e. the date of incorporation of the Company), the Dongjiakou Operations and the Other Retained Operations were not transferred to the Company. Accordingly, the results of Dongjiakou Operations and the Other Retained Operations were included in the condensed consolidated interim financial information for the six months ended 30 June 2013 but no longer consolidated into the Company's results of operations after 15 November 2013. In May 2014, the Company completed the acquisition of Dongjiakou Operation II from QDP, which is accounted for as a business combination under common control. Therefore, the results of operations of the Company for the six months ended 30 June 2014 will not be comparable to those of the six months ended 30 June 2013, which included Dongjiakou Operation I and the Other Retained Operations. In addition, in light of the completion of acquisition of Dongjiakou Operation II, the consolidated financial statements for the year ended 31 December 2013 have been restated.

During the first half of 2014, the Company handled cargo throughput of 203.84 million tons, representing an increase of 4.9% over the same period of last year.

For the six months ended 30 June 2014, the Group recorded a revenue and net profit of RMB3,548.4 million and RMB867 million, respectively, representing an increase of 4.8% and 9.9% over the same period of last year, respectively.

## Container Handling and Ancillary Services

During the first half of 2014, benefiting from (i) steady development of PRC economy, (ii) increased international trade lines and (iii) expansion of international transhipped containers, the Company handled container throughput of 8.33 million Twenty-foot Equivalent Unit (TEUs), representing an increase of 4.6% compared to the first half of 2013.

The Company's container handling and ancillary services are mainly operated by QQCT. During the first half of 2014, investment income derived from QQCT reached RMB199 million, representing an increase of 44.5% over the same period of last year.

### Metal Ore, Coal and Other Cargo Handling

During the first half of 2014, in light of the continuously declining global commodity prices and increasing effective demand from the domestic market, the Company accelerated the construction and operation of Dongjiakou Port Area, promoted the construction of ore distribution center and commodity trading platform and maintained its leading position in terms of ore handling efficiency in the world. During the first half of 2014, the Company handled metal ore, coal and other cargo throughput of 87.56 million tons, representing an increase of 2.3% compared to the first half of 2013. Revenue derived from the Group's metal ore, coal and other cargo handling and ancillary services was RMB1,565 million, representing an increase of 3.2% over the same period of last year. The gross profit margin is 29.8%, representing a decrease of 5.2 percentage points over the same period of last year, primarily due to the increase of subcontract business which generated lower margin.

### Liquid Bulk Handling and Ancillary Services

During the first half of 2014, through (i) expansion of new transportation channels for locally refined oil products; (ii) market promotion, (iii) acceleration of turnaround and (iv) reinforcement of railway delivery, the Company handled liquid bulk throughput of 28.56 million tons, remaining at the same level compared to the same period of last year.

Liquid bulk handling and ancillary services are mainly operated by Qingdao Shihua which is a joint venture of the Company. During the first half of 2014, income derived from investment in Qingdao Shihua was RMB92 million, representing an increase of 12.1% over the same period of last year.

### Logistics and Port Value-Added Services

During the first half of 2014, benefiting from active domestic market and increasing customer demand for total logistics services, the Company seized the opportunities arising from the governmental strategies of New Silk Road Economic Zone and New Maritime Silk Route for the 21st Century by constructing "dry ports" in Shandong, Henan, Shaanxi and Xinjiang and strengthening the cooperation with China Railway Corporation to accelerate the development of sea-rail intermodal transportation. To this end, there were seven newly opened railway lines in Shandong for the promotion of the layout of sea-rail intermodal transportation networks. Revenue derived from logistics and port value-added services of the Group reached RMB985 million, representing an increase of 19.6% over the same period of last year. The gross profit margin is 27.1%, representing an increase of 5.1 percentage points over the same period of last year, primarily due to the newly-developed logistics value-added services which generated higher margin

### Port Construction and Other Services

The continuous development of the port handling business effectively boosted the development of associated businesses such as port construction, fuel sales and power supply. During the first half of the year, revenue derived from the Group's port construction and other services was RMB929 million, representing an increase of 24.3% over the same period of last year. The gross profit margin is 30.8%, representing an increase of 3.5 percentage points over the same period of last year, primarily due to the increase in margin of part of the construction business and power supply.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Analysis on Changes in Income Statement

Unit: RMB'000

| | Unaudited | | |
|---|---|---|---|
| | **Six months ended 30 June 2014** | Six months ended 30 June 2013 | **Change %** |
| Revenue | **3,548,440** | 3,386,819 | 4.8 |
| Cost of sales | **(2,509,850)** | (2,310,754) | 8.6 |
| Selling and administrative expenses | **(325,472)** | (455,056) | -28.5 |
| Other gains – net | **2,939** | 96,771 | -97.0 |
| Share of profit of joint ventures | **333,991** | 256,266 | 30.3 |

Revenue of the Group for the first half of 2014 was RMB3,548.4 million, representing an increase of 4.8% over the same period of last year, which was mainly due to the increase of business volume in logistics and port value-added services, port construction and other services.

Cost of sales of the Group amounted to RMB2,510 million for the first half of 2014, representing an increase of 8.6% over the same period of last year, which was also mainly due to the increase of business volume in logistics and port value-added services, port construction and other services.

Selling and administrative expenses of the Group for the first half of 2014 amounted to RMB325 million, representing a decrease of 28.5% over the same period of last year, since the Group strengthened human resources management and reasonably adjusted remuneration policies to reduce labour costs as well as enhanced internal management to reduce administrative expenses.

Other gains of the Group recorded in the first half of 2014 amounted to RMB3 million, representing a decrease of 97.0% over the same period of last year, as we recorded one-off gains on disposal generated from the transfer of assets of Yougang Branch to Qingdao Shihua by QDP in the first half of 2013.

Investment income from joint ventures amounted to RMB334 million during the first half of 2014, representing an increase of 30.3% over the same period of last year, which was mainly due to the increase in the profits attributable to the joint ventures of the Company, including QQCT and Qingdao Shihua.

## Analysis of Changes in the Balance Sheet

Unit: RMB'000

| | Unaudited As at 30 June 2014 | Audited As at 31 December 2013 (Restated) | Change % |
|---|---|---|---|
| Land use rights | **649,702** | 598,365 | 8.6 |
| Property, plant and equipment | **10,436,950** | 9,204,664 | 13.4 |
| Investment in joint ventures | **5,110,365** | 4,392,298 | 16.3 |
| Deferred income tax assets | **904,376** | 936,694 | -3.5 |
| Trade and other receivables (non-current) | **253,188** | 279,977 | -9.6 |
| Inventories | **151,806** | 204,725 | -25.8 |
| Trade and other receivables (current) | **2,379,841** | 2,088,472 | 14.0 |
| Restricted bank deposits | **1,010,000** | 9 | 11,222,122.2 |
| Cash and cash equivalents | **3,089,983** | 1,277,288 | 141.9 |
| Share capital | **4,705,800** | 4,000,000 | 17.6 |
| Share premium | **9,117,504** | 7,835,866 | 16.4 |
| Reserve | **(3,160,393)** | (3,290,767) | -4.0 |
| Non-controlling interests | **372,640** | 23,948 | 1,456.0 |
| Deferred income (non-current) | **3,975,970** | 4,078,613 | -2.5 |
| Borrowings (current and non-current) | **193,261** | — | |
| Trade and other payables (current) | **6,236,539** | 3,915,487 | 59.3 |

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2014, land use rights of the Group increased by 8.6% as compared with that of 31 December 2013, mainly due to the land use rights obtained by Datang Port, a subsidiary newly acquired during the reporting period by the Company.

As at 30 June 2014, property, plant and equipment of the Group increased by 13.4% as compared with that of 31 December 2013, mainly due to the increase in construction in progress at Dongjiakou Port Area during the reporting period.

As at 30 June 2014, investment in joint ventures of the Group increased by 16.3% as compared with that of 31 December 2013, mainly due to the increase in investments in QDOT of RMB420 million by the Company, recognition of gain on investment in joint ventures of RMB334 million and recognition of dividend from joint ventures of RMB61 million.

As at 30 June 2014, deferred income tax assets of the Group decreased by 3.5% as compared with that of 31 December 2013, mainly due to the partial reversal of deferred income tax assets resulting from the depreciation and amortisation of the revalutaion appreciation of assets.

As at 30 June 2014, trade and other receivables (non-current) of the Group decreased by 9.6% as compared with that of 31 December 2013, mainly due to the decrease in prepayments for engineering equipment.

As at 30 June 2014, inventories of the Group decreased by 25.8% as compared with that of 31 December 2013, mainly due to the decrease in raw materials resulting from the consumption of materials for the production of port machinery during the reporting period.

As at 30 June 2014, trade and other receivables (current) of the Group increased by 14.0% as compared with that of 31 December 2013, mainly due to the increase in receivables resulting from the increase in sales revenue and the increase in receivable turnover of eight days because of the financial difficulty of downstream customers including iron ore and steel traders and iron and steel producers during the reporting period.

As at 30 June 2014, restricted bank deposits of the Group increased by RMB1,010 million as compared with that of 31 December 2013, mainly due to the registered capital of RMB1,000 million paid by the Company and QDP for the investment in and establishment of Qingdao Finance. The deposit was retained in a capital versification account and restricted for use until Qingdao Finance commenced its operations. Qingdao Finance obtained the financial license on 18 July 2014 and completed business registration on 22 July 2014.

As at 30 June 2014, cash and cash equivalents of the Group increased by 141.9% as compared with that of 31 December 2013, mainly due to the proceeds from the initial public offering of the Company.

As at 30 June 2014, share capital of the Group increased by 17.6% as compared with that of 31 December 2013, while share premium increased by 16.4%, mainly due to the public offering of the Company during the reporting period. As at 30 June 2014, other reserves of the Group decreased by 4.0% as compared with that of 31 December 2013, mainly due to the inclusion of changes resulting from the decrease in the actuarial discounting rate of employee benefits for the reporting period in other reserves; profits or losses attributable to minority shareholders increased by 1,456.0% as compared with that of 31 December 2013, mainly due to the new minority interests resulting from the acquisition of Datang Port and Mercuria Logistics during the reporting period.

As at 30 June 2014, deferred income of the Group decreased by 2.5% as compared with that of 31 December 2013, mainly due to the recognition of leasing income from the leasing by QQCT of the Company's port facilities during the reporting period.

As at 30 June 2014, borrowings of the Group increased by RMB193 million as compared with that of 31 December 2013, mainly due to the increase in bank borrowings as a result of the acquisition of Datang Port.

As at 30 June 2014, trade and other payables of the Group increased by 59.3% as compared with that of 31 December 2013, mainly due to (i) the increase in amounts payable to QDP primarily for the acquisition of terminal assets of RMB1,640 million; (ii) the increase in subcontracting fees payble to QDOT of RMB150 million; and (iii) the amounts payable to NSSF for the reduction of state-owned shares and relevant amounts payable to listing intermediaries of RMB360 million during the reporting period.

## Cash Flow Analysis

For the six months ended 30 June 2014, the Company's net cash inflow amounted to RMB1,816 million, among which:

Net cash inflow from operating activities amounted to RMB191 million, representing an increase of RMB120 million over the same period of last year, mainly due to the increase in operating profits.

Net cash outflow from investing activities amounted to RMB945 million, representing an increase of RMB708 million over the same period of last year, mainly due to the payment of the registered capital of Qingdao Finance.

Net cash inflow from financing activities amounted to RMB2,570 million, representing an increase of RMB2,633 million over the same period of last year, mainly due to the proceeds from the initial public offering of the Company.

## Analysis of Changes in Owner's Equity

As at 30 June 2014, owner's equity of the Company amounted to RMB11,036 million, increased by RMB2,467 million as compared with that of 31 December 2013, among which, (i) 705.8 million new shares were issued, and thus share capital increased by RMB705.8 million and share premium increased by RMB1,281.6 million; (ii) actuarial losses on benefits and the effect of consolidation of enterprises under common control resulted in a decrease of RMB731 million in reserves; (iii) profit for the period amounted to RMB867 million; and (iv) the acquisition of subsidiaries increased minority interests by RMB351 million. For the six months ended 30 June 2014, net profit attributable to Company's shareholders amounted to RMB855 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and Financial Resources

As at 30 June 2014, balance of the Group's cash and deposit (including restricted deposit) amounted to RMB4,100 million. As at 30 June 2014, the Group's total borrowings amounted to RMB193 million and bear interest at floating rates.

Gearing ratio represents the percentage of total interest-bearing bank and other borrowings at the end of each financial period (after deduction of cash balance) in total equity. As at 30 June 2014, the Group's cash balance exceeded its total interest-bearing bank and other borrowings.

As at 30 June 2014, the Group's current ratio was 1.02. None of the Group's assets was pledged.

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

## Capital Structure

As at 30 June 2014, the Group's capital and reserve attributable to owners of the Company amounted to RMB10,663 million. The market capitalization of the Company was RMB12,924 million (based on the closing price of HK$3.46 per share on 30 June 2014). 776.38 million shares of the Company (including those transferred to NSSF by state-owned shareholders) have been publicly issued.

## Distribution of Pre-Listing Dividends and Interim Dividends

In accordance with the Provisional Regulation Relating to Corporate Reorganisation 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 the Ministry of Finance and the resolution of the shareholders' meeting dated 15 November 2013, (i) QDP was entitled to a special distribution, the amount equal to the difference between the Group's combined equity attributable to owners of the Company as at 31 December 2012 (the valuation date for the establishment of the Company) and that as at 15 November 2013 (the date of the incorporation of the Company). Such special distribution is approximately RMB1,303 million, RMB271 million of which has been paid. The Company intends to pay the remaining amounts to QDP within six months after the listing; and (ii) all promoters of the Company before the listing were entitled to a special dividend, the amount of which was estimated to be approximately RMB0.66 billion based on the distributable profit of the Group generated from 16 November 2013 to 31 May 2014 (the last day of the month prior to the global offering of the Company). The Company will make an announcement regarding the actual amount of such special dividend after it is determined upon the completion of the audit.

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

## Significant Capital Expenditures

In the first half of 2014, the Group invested RMB526 million in joint ventures including QDOT, spent RMB420 million on construction in progress including terminals, and purchased machinery and equipment in an amount of RMB60 million.

## Significant Acquisition and Disposal of Subsidiaries and Associates

In May 2014, the Company acquired 51% equity interest in Datang Port for a consideration of RMB179 million and 51% equity interest in Mercuria Logistics for a consideration of RMB273 million, respectively. In May 2014, the Company contributed RMB700 million to jointly establish Qingdao Finance (in which the Company holds 70% equity interest) with QDP.

Save as disclosed above, the Group did not have any other significant acquisition or disposal of subsidiaries or associates.

## Description of Other Matters

1. **Asset acquisition relating to Dongjiakou**

   QDOT, one of the joint ventures of the Company, acquired Dongjiakou Operation I from QDP in February 2014. After the public notice of subsequent acquisition for the post-closing adjusted assets ended on 8 August 2014, QDOT won the bidding for a consideration of RMB560 million and is in the process of asset transfer.

2. **Business relocation**

   Dagang Port Area is planned to be transformed and upgraded into a mother port for cruise liners, thus our operations at Dagang Port Area will gradually be relocated to Dongjiakou Port Area and Qianwan Port Area. In the first half of 2014, the construction of the mother port for cruise liners had no effect on the production of Dagang Branch.

   The government of Qingdao Economic and Technological Development Zone is in the process of adopting a new urban planning scheme that may relocate our port operations at Huangdao Oil Port Area to Dongjiakou Port Area. As at the date of this report, the Company has not received any relocation plan or related notice and the production of Huangdao Oil Port Area was not affected.

## Contingent Liabilities

As at 30 June 2014, the Company did not have any significant contingent liabilities.

## Employees

As of 30 June 2014, the Company had 7,866 employees and its subsidiaries and principal joint ventures had 4,979 employees.

The Company remains committed to its "people-focused" approach by safeguarding the legitimate rights and interests of employees, such as contributing on time and in full various social insurances required by the state, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. In addition, the Company has a fair, unbiased and rational remuneration system in place, which ensures a sustainable increase in each employee's income alongside the growth of the Company and sharing the achievements in the Company's development. In order to improve supplementary pension insurance systems and establish a long-term incentive system, for those personnel who will retire before 31 December 2015, extra welfare was provided in a lump sum on the day of establishment of the Company. For the personnel who will retire after 31 December 2015, the Company set up enterprise annuity program to provide pension scheme to them, which is considered as a defined contribution plan.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Encumbrances

As of 30 June 2014, none of the Company's assets was subject to any charge or pledge.

## Subsequent Events

On 2 July 2014, over-alloted shares were listed on the Hong Kong Stock Exchange, whereby 79,645,000 H shares with a par value of RMB1.00 each were offered at a price of HK$3.76 (approximately RMB2.98) each share. In respect of the exercise of the over-allotment option, 7,241,000 domestic shares (representing 10% of the number of new shares issued) were converted to H shares and transferred to NSSF, which were sold as part of the international offering.

On 28 July 2014 and 15 August 2014, QDP Dagang, Dagang Branch, QDP and the Company (collectively the "QDP Relevant Parties") received Litigation Documents in respect of the litigation against QDP Relevant Parties from CITIC Australia Commodity Trading Pty Ltd and Pacorini Metals (Shanghai) Logistics Company Limited (理資堂（上海）物流有限公司) as plaintiffs, requiring QDP Relevant Parties to deliver the Subject Cargo to the plaintiffs or compensate losses. For details of the aforesaid litigations, please refer to the Company's announcements published on 28 July 2014 and 15 August 2014 respectively.

The Company does not expect the aforesaid litigations and relevant judgments and orders to have an adverse impact on the Group's business and operations and does not consider that the aforesaid matters constitute significant contingent liabilities.

## Outlook for the Second Half of 2014

From a global perspective, according to the World Economic Outlook issued by the World Bank in June 2014, it is expected that the world economy will gradually accelerate in the second half of 2014 with an expected annual growth rate of 2.8%, up by 0.4 percentage point as compared with that of 2013. From a domestic perspective, according to the National Bureau of Statistics of the PRC at a press conference held on 16 July 2014, China's national economy is able to maintain sustained and rapid growth in the second half of 2014. The continuous development of China's national economy is expected to facilitate the development of the port industry.

According to analysis of the International Monetary Fund, the fluctuation of European and American economies together with those in the emerging markets, will impose certain pressure on global economic recovery. From a domestic perspective, negative factors such as more intense regional trade frictions would challenge the momentum of foreign trade in the PRC, according to analysis of the China's General Administration of Customs.

# MANAGEMENT DISCUSSION AND ANALYSIS

During the second half of 2014, by seizing the opportunities arising from the governmental strategies of New Silk Road Economic Zone and New Maritime Silk Route for the 21st Century as well as those arising from the policy of the New Economic District in West Coast of Qingdao as the ninth state-level development zone, the Company will continue to focus on the construction of the fourth generation of the world's top logistics port and strategic deployment in the modern logistics service value chain, with a view to further strengthen and promote our position as the operator of one of the world's leading comprehensive ports, continuously increase our overall profitability and create stable and growing investment return for all shareholders of the Company, among which:

In respect of container handling and ancillary services segment, the Company will establish a mechanism of business integration with shipping lines to develop shipping routes. It will accelerate the development of dry port, ocean-railway multi-modal and cross-border transport and build an informatisation operation, aiming to increase its market share.

In respect of metal ore, coal and other cargo handling services segment, the Company will form an integrated logistics system through enhanced integration with big ore operators and dealers and set up ore and coal distribution and delivery bases. The focus is to develop "door to door" dedicated transport routes so as to increase competitiveness. The Company will also enhance cooperation with China Railways Corporation to pursue steady growth in ore and coal business.

As to liquid bulk handling and ancillary services segment, the Company will strengthen cooperation with long-standing customers such as Sinopec by shortening the turnover of inventories and ships and exploring market increment. Additionally, the Company will take advantage of the transport of Huangwei Pipeline to enhance local oil refiner portfolio and increase its market share in the local refining customer market.

As to other general cargo business segment, the Company will strive to increase capability, volume and revenue leveraging synergy effects of consolidated resources in the Dagang Port Area, the Qianwan Port Area and the Dongjiakou Port Area.

As to logistics and port value-added services segment, the Company will optimise transport routes to provide whole-process logistics solutions for customers. It will provide dry bulk sorting and processing services based on port resources, including comprehensive trade facilitation services for futures as soybean, coking coal and iron ores. The Company will also promote the operation of bulk commodity trading center and build Dongjiakou operation model for bulk commodity. Through Qingdao Finance, the Company will provide diversified financial services and increase profitability.

As to port construction and other services, the Company will speed up the pace to develop and operate the Dongjiakou Port Area by way of different forms of cooperation. A number of stevedoring, storage and transportation facilities will be built gradually to enhance the cargo handling capability at the Dongjiakou Port Area, so as to reconstruct another upgraded "Port of Qingdao". The Company will improve manufacturing of port and shipping equipment, construction and development, as well as information services with a view to build a modern comprehensive port services system, achieve the industrialisation of services and maximisation of efficiency.

For improving fine management, the Company will enhance control over safety quality, optimize business process and increase customer satisfaction. It will improve comprehensive budget management and carry out strict assessment for realising various indicators. Also, human resources management will be enhanced and labour resources will be arranged in a scientific way. The Company plans to optimise informatisation management so as to construct a smart port.

For facilitating external strategic cooperation, the Company will select to explore regional resources through various methods including equity joint ventures, and continue to increase open function and comprehensive competitive strength of the port.

# OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high corporate governance to safeguard interest of shareholders and increase the value as well as accountability of the Company.

The Company has complied throughout the period from 6 June 2014 (the "Listing Date") to 30 June 2014 with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by directors and supervisors of the Company. Specific enquiry has been made to all the directors and supervisors of the Company and each of the directors and supervisors of the Company has confirmed that he/she has complied with the Model Code throughout the period from the Listing Date to 30 June 2014.

## REVIEW BY THE AUDIT COMMITTEE

The Board has established the Audit Committee which comprises two independent non-executive directors, namely Mr. CHAU Kwok Keung (chairman) and Mr. XU Guojun and one non-executive director, namely Mr. SUN Yafei.

The Audit Committee of the Board has reviewed the unaudited interim results and interim report of the Group for the six months ended 30 June 2014.

## CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

Save as disclosed herein, as of 30 June 2014, there had been no changes to the directors' and supervisors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules from the publication of the prospectus of the Company.

The Company has appointed an additional employee representative supervisor. At the same time, the Company proposed to replace one independent non-executive director and appoint another two independent supervisors. For further details, please refer to the announcement of the Company dated 31 July 2014.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

# OTHER INFORMATION

## USE OF PROCEEDS FROM THE PUBLIC OFFERING

The net proceeds from the public offering of the Company was approximately RMB1,987.4 million. The Company intends to use the net proceeds in the manner as disclosed in the prospectus, of which, approximately 90% will be used to fund the construction of port facilities at the Dongjiakou Port Area, and approximately 10% will be used as general working capital of the Company.

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the directors are aware, as at 30 June 2014, none of the directors, supervisors or chief executive officer of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

During the period from the Listing Date to 30 June 2014, none of the directors or their respective spouses or children under the age of 18 was granted any right to acquire shares or debentures of the Company or its associated corporations exercised any of the said right.

# OTHER INFORMATION

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2014, so far as the directors are aware, the following persons (other than the directors and chief executive officer of the Company) will be taken or deemed to have interests and/or short positions in the shares or underlying shares of the Company which would be required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

| Name | Class of Shares | Capacity/ Nature of interest | Number of shares held(1) | Approximate percentage of shareholding in the registered capital of the Company % | Approximate percentage of shareholding in the total number of issued domestic shares of the Company % | Approximate percentage of shareholding in the total number of issued H shares of the Company |
|---|---|---|---|---|---|---|
| QDP | Domestic shares | Beneficial owner(2)(10) | 3,529,420,000 (L) | 75.00% | 89.82% | — |
| CLSA Limited ("CLSA") | H shares | Beneficial owner(3) (7) (12) | 79,645,000 (L)<br>116,457,000 (S) | 1.69%<br>2.47% | — | 10.26%<br>15.00% |
| CLSA B.V. | H shares | Interest in a controlled corporation(4) (7) (12) | 79,645,000 (L)<br>116,457,000 (S) | 1.69%<br>2.47% | — | 10.26%<br>15.00% |
| CITIC Securities Corporate Finance (HK) Limited ("CSCF") | H shares | Beneficial owner(3) (7) (12) | 79,645,000 (L)<br>116,457,000 (S) | 1.69%<br>2.47% | — | 10.26%<br>15.00% |
| CITIC Securities International Company Limited ("CITIC Securities Int'l") | H shares | Interest in a controlled corporation(5) (7) (12) | 79,645,000 (L)<br>116,457,000 (S) | 1.69%<br>2.47% | — | 10.26%<br>15.00% |
| CITIC Securities Company Limited ("CITIC Securities") | H shares | Interest in a controlled corporation(6) (7) (12) | 79,645,000 (L)<br>116,457,000 (S) | 1.69%<br>2.47% | — | 10.26%<br>15.00% |
| Central Huijin Investment Ltd. ("Huijin") | H shares | Interest in a controlled corporation(8) (9) (11) | 116,457,000 (L)<br>116,457,000 (S) | 2.47%<br>2.47% | — | 15.00%<br>15.00% |
| BOCI Asia Limited ("BOCI Asia") | H shares | Beneficial owner(8) (9) (11) | 116,457,000 (L)<br>116,457,000 (S) | 2.47%<br>2.47% | — | 15.00%<br>15.00% |
| BOC International Holdings Limited ("BOC Int'l") | H shares | Interest in a controlled corporation(8) (9) (11) | 116,457,000 (L)<br>116,457,000 (S) | 2.47%<br>2.47% | — | 15.00%<br>15.00% |
| Bank of China Limited ("BOC") | H shares | Interest in a controlled corporation(8) (9) (11) | 116,457,000 (L)<br>116,457,000 (S) | 2.47%<br>2.47% | — | 15.00%<br>15.00% |

Notes:

(1) The letter “L” denotes long position in such securities. The letter “S” denotes short position in such securities.

(2) QDP is wholly owned by the State-owned Assets Supervision and Administration Commission of Qingdao.

(3) CLSA held the share interest with BOCI Asia, UBS AG, Hong Kong Branch, Deutsche Bank AG, Hong Kong Branch and CSCF.

(4) CLSA B.V. held the share interest with CLSA, BOCI Asia, UBS AG, Hong Kong Branch, Deutsche Bank AG, Hong Kong Branch and CSCF.

(5) CITIC Securities Int’l held the share interest with CLSA, CSCF, BOCI Asia, UBS AG, Hong Kong Branch, Deutsche Bank AG, Hong Kong Branch and CSCF.

(6) CITIC Securities held the share interest with CLSA, CITIC Finance, BOCI Asia, UBS AG and Deutsche Bank AG, Hong Kong Branch.

(7) CITIC Securities indirectly holds 100% interest in CITIC Securities Int’l. CITIC Securities Int’l directly holds 100% interest in CSCF and indirectly holds 100% in CLSA B.V.. CLSA B.V. directly holds 100% interest in CLSA. Accordingly, CITIC Securities, CITIC Securities Int’l, CSCF and CLSA B.V. were deemed to have interest in the shares held by CLSA.

(8) These interest of shares were held jointly with CLSA and UBS AG, Hong Kong branch.

(9) Huijin indirectly holds 67.72% interest in BOC. BOC indirectly holds 100% interest in BOC Int’l. BOC Int’l directly holds 100% interest in BOCI Asia. Accordingly, Huijin, BOC and BOC Int’l. were deemed to have interest in the shares held by BOCI Asia.

(10) Subsequent to 30 June 2014, notification was received from QDP that it’s interest in shares of the Company were reduced to 3,522,179,000 shares.

(11) Subsequent to 30 June 2014, notifications were received from Huijin, BOC, BOC Int’l and BOCI Asia that they no longer held any long position and short position of the share interest in the Company.

(12) Subsequent to 30 June 2014, notification were received from CLSA, CLSA B.V., CSCF, CITIC Securities Int’l and CITIC Securities that they no longer held any long position and short position of the share interest in the Company.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

pwc 羅兵咸永道

**TO THE BOARD OF DIRECTORS OF QINGDAO PORT INTERNATIONAL CO., LTD.**
(incorporated in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 72, which comprises the interim condensed consolidated balance sheet of Qingdao Port International Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
Certified Public Accountants

Hong Kong, 28 August 2014

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2014

| | Note | Unaudited<br>Six months ended 30 June<br>2014<br>RMB'000 | <br><br>2013<br>RMB'000 |
|---|---|---|---|
| Revenue | 6 | **3,548,440** | 3,386,819 |
| Cost of sales | 8 | **(2,509,850)** | (2,310,754) |
| **Gross profit** | | **1,038,590** | 1,076,065 |
| Other income | | **16,803** | 69,769 |
| Selling and administrative expenses | 8 | **(325,472)** | (455,056) |
| Other gains - net | 7 | **2,939** | 96,771 |
| Share of profit of joint ventures | 9(a) | **333,991** | 256,266 |
| Share of profit of associates | 9(b) | **521** | 1,217 |
| **Profit before income tax** | | **1,067,372** | 1,045,032 |
| Income tax expenses | 10 | **(200,450)** | (256,072) |
| **Profit for the period** | | **866,922** | 788,960 |
| **Attributable to:** | | | |
| – Owners of the Company | | **854,959** | 778,916 |
| – Non-controlling interests | | **11,963** | 10,044 |
| | | **866,922** | 788,960 |
| **Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)** | | | |
| – basic | 11 | **0.21** | 0.22 |
| – diluted | 11 | **0.21** | 0.22 |

The notes on pages 30 to 72 form an integral part of this unaudited condensed consolidated interim financial information.

Detail of aggregate amounts of the dividends paid and proposed to owners of the Company during the six months ended 30 June 2014 and 2013 are set out in Note 12.

The condensed consolidated interim financial information was authorised for issue on 28 August 2014.

| ZHENG MINGHUI | CHENG XINNONG |
|---|---|
| Director | Director |

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

| | Unaudited Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| **Profit for the period** | **866,922** | 788,960 |
| **Other comprehensive expense:** | | |
| *Items that will not be reclassified subsequently to profit or loss* | | |
| – Remeasurement of employee benefit obligations | **(163,199)** | (97,320) |
| **Other comprehensive expense for the period, net of tax** | **(163,199)** | (97,320) |
| **Total comprehensive income for the period** | **703,723** | 691,640 |
| **Attributable to:** | | |
| – Owners of the Company | **692,032** | 681,727 |
| – Non-controlling interests | **11,691** | 9,913 |

The notes on pages 30 to 72 form an integral part of this unaudited condensed consolidated interim financial information.

# UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2014

| | Note | Unaudited<br>As at<br>30 June<br>2014<br>RMB'000 | Audited<br>As at<br>31 December<br>2013<br>RMB'000<br>(Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **649,702** | 598,365 |
| Property, plant and equipment | 13 | **10,436,950** | 9,204,664 |
| Goodwill | 23 | **18,837** | — |
| Investment properties | | **223,831** | 221,986 |
| Intangible assets | | **75,509** | 40,118 |
| Investments in joint ventures | 9(a) | **5,110,365** | 4,392,298 |
| Investments in associates | 9(b) | **5,098** | 5,488 |
| Available-for-sale financial assets | | **72,208** | 72,208 |
| Deferred income tax assets | 21 | **904,376** | 936,694 |
| Trade and other receivables | 14 | **253,188** | 279,977 |
| | | **17,750,064** | 15,751,798 |
| **Current assets** | | | |
| Inventories | | **151,806** | 204,725 |
| Trade and other receivables | 14 | **2,379,841** | 2,088,472 |
| Amounts due from customers for contract work | | **275,365** | 166,036 |
| Restricted bank deposits | 15 | **1,010,000** | 9 |
| Cash and cash equivalents | 15 | **3,089,983** | 1,277,288 |
| | | **6,906,995** | 3,736,530 |
| **Total assets** | | **24,657,059** | 19,488,328 |

# UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2014

| | Note | Unaudited As at 30 June 2014 RMB'000 | Audited As at 31 December 2013 RMB'000 (Restated) |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 16 | **4,705,800** | 4,000,000 |
| Share premium | 16 | **9,117,504** | 7,835,866 |
| Reserves | | **(3,160,393)** | (3,290,767) |
| | | **10,662,911** | 8,545,099 |
| Non-controlling interests | | **372,640** | 23,948 |
| **Total equity** | | **11,035,551** | 8,569,047 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 17 | **119,511** | — |
| Deferred income | 18 | **3,975,970** | 4,078,613 |
| Early retirement and supplemental benefit obligations | 19 | **2,708,425** | 2,533,750 |
| Trade and other payables | 20 | **76,655** | 54 |
| | | **6,880,561** | 6,612,417 |
| **Current liabilities** | | | |
| Deferred income | 18 | **213,671** | 212,308 |
| Early retirement and supplemental benefit obligations | 19 | **132,528** | 132,528 |
| Trade and other payables | 20 | **6,236,539** | 3,915,487 |
| Current income tax liabilities | | **84,459** | 46,541 |
| Borrowings | 17 | **73,750** | — |
| | | **6,740,947** | 4,306,864 |
| **Total liabilities** | | **13,621,508** | 10,919,281 |
| **Total equity and liabilities** | | **24,657,059** | 19,488,328 |
| **Net current assets/(liabilities)** | | **166,048** | (570,334) |
| **Total assets less current liabilities** | | **17,916,112** | 15,181,464 |

The notes on pages 30 to 72 form an integral part of this unaudited condensed consolidated interim financial information.

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

| | | Unaudited | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to owners of the Company | | | | | | | |
| | Note | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Statutory reserve fund RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2014, as previously reported | | 4,000,000 | 7,835,866 | (3,951,742) | 11,508 | 112,452 | 8,008,084 | 23,948 | 8,032,032 |
| Adjustments for business combination under common control | | — | — | 537,015 | — | — | 537,015 | — | 537,015 |
| At 1 January 2014, as restated | | 4,000,000 | 7,835,866 | (3,414,727) | 11,508 | 112,452 | 8,545,099 | 23,948 | 8,569,047 |
| Profit for the period | | — | — | — | — | 854,959 | 854,959 | 11,963 | 866,922 |
| Other comprehensive expense | | | | | | | | | |
| – Remeasurement of employee benefit obligations | 19 | — | — | (162,927) | — | — | (162,927) | (272) | (163,199) |
| Total comprehensive (expense)/income | | — | — | (162,927) | — | 854,959 | 692,032 | 11,691 | 703,723 |
| Issue of new shares | | 705,800 | 1,399,831 | — | — | — | 2,105,631 | — | 2,105,631 |
| Shares issue expenses | | — | (118,193) | — | — | — | (118,193) | — | (118,193) |
| Dividends paid | 12 | — | — | — | — | — | — | (13,872) | (13,872) |
| Non-controlling interest from business combination | | — | — | — | — | — | — | 350,854 | 350,854 |
| Acquisition of Dongjiakou Operation II | | — | — | (567,955) | — | — | (567,955) | — | (567,955) |
| Others | | — | — | 6,297 | — | — | 6,297 | 19 | 6,316 |
| Total transactions with owners, recognised directly in equity | | 705,800 | 1,281,638 | (561,658) | — | — | 1,425,780 | 337,001 | 1,762,781 |
| At 30 June 2014 | | 4,705,800 | 9,117,504 | (4,139,312) | 11,508 | 967,411 | 10,662,911 | 372,640 | 11,035,551 |

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

| | | Unaudited | | |
|---|---|---|---|---|
| | Note | Equity attributable to owners of the Company RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2013 | | 14,947,930 | 22,074 | 14,970,004 |
| Profit for the period | | 778,916 | 10,044 | 788,960 |
| Other comprehensive expense | | | | |
| – Remeasurement of employee benefit obligations | 19 | (97,189) | (131) | (97,320) |
| Total comprehensive income | | 681,727 | 9,913 | 691,640 |
| Contributions from government | | 129,250 | — | 129,250 |
| Deemed distributions | | (150,000) | — | (150,000) |
| Dividends | | — | (20,317) | (20,317) |
| Others | | 4,059 | 78 | 4,137 |
| Total transactions with owners, recognised directly in equity | | (16,691) | (20,239) | (36,930) |
| At 30 June 2013 | | 15,612,966 | 11,748 | 15,624,714 |

The notes on pages 30 to 72 form an integral part of this unaudited condensed consolidated interim financial information.

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | Note | **2014** | 2013 |
| | | **RMB'000** | RMB'000 |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | **321,886** | 186,256 |
| Income tax paid | | **(130,572)** | (115,183) |
| Net cash generated from operating activities | | **191,314** | 71,073 |
| **Cash flows from investing activities** | | | |
| Payments on behalf of related parties | | **(184,596)** | (92,364) |
| Purchases of property, plant and equipment | | **(370,545)** | (1,154,218) |
| Repayments received from related parties | | **688,583** | 223,127 |
| Proceeds from sale of property, plant and equipment, land use rights and intangible assets | | **449** | 1,036,509 |
| Investments in joint ventures | | **(523,900)** | (328,996) |
| Increase in restricted bank deposits | 15 | **(1,000,000)** | — |
| Capital reduction of a joint venture | | **100,000** | — |
| Interest received | | **—** | 49,855 |
| Dividends received | | **336,169** | 29,447 |
| Government grants received | | **8,512** | — |
| Amounts paid to a related party | | **(4,100)** | — |
| Proceeds from acquisition of a subsidiary | | **4,142** | — |
| Net cash used in investing activities | | **(945,286)** | (236,640) |

# UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

| | Note | Unaudited<br>Six months ended 30 June<br>2014<br>RMB'000 | <br><br>2013<br>RMB'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of ordinary shares | | **2,342,038** | — |
| Capital contribution received from non-controlling interests for establishment of a subsidiary | | **300,000** | — |
| Contributions from government | | — | 129,250 |
| Amounts received from a related party | | — | 10,000 |
| Dividends paid | | **(13,872)** | (20,317) |
| Repayments of borrowings | | **(5,000)** | — |
| Repayments to related parties | | — | (32,320) |
| Payments for share issue expenses | | **(52,714)** | — |
| Deemed distributions | | — | (150,000) |
| Interest paid | | **(417)** | — |
| Net cash generated from/(used in) financing activities | | **2,570,035** | (63,387) |
| **Net increase/(decrease) in cash and cash equivalents** | | **1,816,063** | (228,954) |
| Cash and cash equivalents at beginning of the period | 15 | **1,277,288** | 829,255 |
| Exchange (losses)/gains on cash and cash equivalents | | **(3,368)** | 4 |
| Cash and cash equivalents at end of the period | 15 | **3,089,983** | 600,305 |

The notes on pages 30 to 72 form an integral part of this unaudited condensed consolidated interim financial information.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Qingdao Port International Co., Ltd. (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 as a result of the reorganisation of Qingdao Port (Group) Co., Ltd (the "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 "Hong Kong Stock Exchange"). The address of the Company's registered office is 7 Gang Hua Road, City North District, Qingdao City, Shandong Province, the PRC.

The Company and its subsidiaries (the "Group") are 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 PRC.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by QDP which is operating under the supervision and regulation of the State-owned Assets Supervision and Administration Commission of Qingdao (the "Qingdao SASAC").

Pursuant to the Reorganisation, the principal operations and businesses of QDP (the "Core Operations") and the relevant assets and liabilities 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.

In connection with the Reorganisation, the following assets and liabilities 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 rights, 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").

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION (Continued)

On 15 November 2013, QDP transferred cash and the assets and liabilities relating to the 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., Qingdao Ocean Shipping Co., Ltd., China Shipping Terminal Development Co., Ltd., Everbright (Qingdao) Financial Leasing Co., Ltd. and Qingdao International Investment Co., Ltd., 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.

Upon the establishment of the Company, the initial registered capital of the Company was RMB4,000 million, consisting of 4,000 million shares of RMB1.00 each. The H shares of the Company were listed on the Hong Kong Stock Exchange on 6 June 2014. Details of movements in the Company's share capital are set out in Note 16.

In May 2014, the Company completed the acquisition of Dongjiakou Operation II and certain other assets from QDP, with a total consideration of RMB738.72 million. The acquisition of Dongjiakou Operation II was regarded as a business combination under common control in a manner similar to a uniting of interests and was accounted for with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements for the year ended 31 December 2013 have been restated as a result of adoption of merger accounting for the above business combination under common control. Details of relevant restatement for the common control combination on the financial position as at 31 December 2013 are set out in Note 23(c). The acquisition of the other assets was accounted for as an acquisition of assets and the consideration was recorded as the cost of assets to the Group.

This unaudited condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 28 August 2014.

This condensed consolidated interim financial information has been reviewed, not audited.

## 2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the financial information of the Group for the year ended 31 December 2013 (the "Accountant's Report") presented in the Appendix I to the prospectus of the Company dated 26 May 2014 (the "Prospectus") in connection with the initial listing of the Company's share on the Hong Kong Stock Exchange which has been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

The Company and QDP are both state-owned enterprises controlled and owned by Qingdao SASAC. Accordingly, the Reorganisation referred to in Note 1 above has been accounted for as a reorganisation of businesses under common control in a manner similar to a uniting of interests. The condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six months ended 30 June 2013, which are presented for comparative purposes only, have been prepared as if the current group structure had been in existence throughout the period from 1 January 2013 to 30 June 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 the shorter period.

Dongjiakou Operations and Other Retained Operations as described in Note 1 above, either they are engaged in similar businesses with the Core Operations, or their operations and financial records are under common management and control of QDP, were included in the condensed consolidated interim financial information before the Reorganisation, and were 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).

## 3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the Accountant's Report as contained in the Appendix I of the Prospectus.

### 3.1 Amended standards and interpretation that are effective for the first time for the financial year beginning 1 January 2014

The Group's assessment of the impact of these amended standards and interpretations is set out below:

IAS 32 (Amendment), this amendment updates the application guidance in IAS 32, "Financial instruments: Presentation", and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group has applied this amendment and believes that the application of IAS 32 (Amendment) has 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. These amendments are not relevant to the Group's operation 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 has applied this amendment and believes that the application of IAs 36 (Amendment) has 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 believes that this amendment is irrelevant as it has no hedging instrument.

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 has applied the new interpretation and believes that the Group is not currently subjected to significant levies so the impact on the Group is not material.

## 3. ACCOUNTING POLICIES (Continued)

### 3.2 The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| IAS 19 (Amendment) | Defined benefit plans | 1 July 2014 |
| Annual improvements 2012 | Amendments to IFRS 2, 3, 8, 9 and IAS 16, 24, 37, 38, 39 | 1 July 2014 |
| Annual improvements 2013 | Amendments to IFRS 3, 13 and IAS 40 | 1 July 2014 |
| IFRS 14 | Regulatory deferral accounts | 1 January 2016 |
| IFRS 11 (Amendment) | Joint arrangement | 1 January 2016 |
| IAS 16 and IAS 38 (Amendment) | Property, Plant and Equipment and Intangible Assets | 1 January 2016 |
| IAS 27 (Amendment) | Consolidated and separate financial information | 1 January 2016 |
| IFRS 15 | Revenue from contracts with customers | 1 January 2017 |
| IFRS 9 | Financial instruments | 1 January 2018 |

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 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 must be presented separately from other items. The Group anticipates that the application of IFRS 14 will have no impact on the results and the financial position of the Group.

IFRS 11 (Amendment), this amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in IFRS 3, Business combinations). All principles of business combination accounting apply unless they conflict with IFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. The Group anticipates that the application of IFRS 11 (Amendment) will have no material impact on the results and the financial position of the Group.

## 3. ACCOUNTING POLICIES (Continued)

### 3.2 The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted: (Continued)

IAS 16 and IAS 38 (Amendment), these amendments clarify that the use of revenue-based methods to calculate the depreciation or amortisation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. As the Group does not use the revenue-based methods to calculate the depreciation or amortisation of an asset, the application of IAS 16 and IAS 38 (Amendment) will have no impact on the results and the financial position of the Group.

IAS 27 (Amendment), 'Separate financial statements' on the equity method in separate financial statements. These amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group anticipates that the application of IAS 27 (Amendment) will have no material impact on the results and the financial position of the Group.

IFRS 15, "Revenue from contracts with customers", establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. IFRS 11 provides specific guidance on capitaliation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group is yet to assess IFRS 15's full impact and will apply the new standard when it becomes effective.

IFRS 9, "Financial Instruments" is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 "Classification and Measurement" retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income ("OCI"), unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. IFRS 9 "Hedge Accounting" applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS 39. The guidance in IAS 39 on impairment of financial assets continues to apply. The Group is yet to assess IFRS 9's full impact and will apply the new standard when it becomes effective.

## 3. ACCOUNTING POLICIES (Continued)

### 3.3 Defined contributions

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Besides the pension and other post-employment obligations contained in the Appendix I of the Prospectus, the Group also provided supplemental pension scheme to employees who will retire after 31 December 2015 which are considered to be defined contribution plan, and are expensed as incurred.

This plan was approved by the Board of Directors meeting on 8 May 2014.

### 3.4 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Accountant's Report as contained in the Appendix I of the Prospectus.

## 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.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Accountant's Report as contained in the Appendix I of the Prospectus.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

### 5.2 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 non-derivative financial liabilities into relevant maturity groupings based on the remaining period at 30 June 2014 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 RMB'000** | **Between 1 and 2 years RMB'000** | **Between 2 and 5 years RMB'000** | **Over 5 years RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| **At 30 June 2014** | | | | | |
| Borrowings | **85,828** | **82,197** | **44,354** | **—** | **212,379** |
| Financial liabilities as included in trade and other payables | **6,086,462** | **80,121** | **—** | **—** | **6,166,583** |

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2013 | | | | | |
| Financial liabilities as included in trade and other payables | 3,862,838 | — | — | — | 3,862,838 |

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### 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 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.

As at 30 June 2014, the Group has no financial instruments measured at fair value (31 December 2013: nil).

## 6. 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.

## 6. SEGMENT INFORMATION (Continued)

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 - net, share of profit of joint ventures and associates directly attributable to each segment. Unallocated costs consist of corporate expenses and exchange loss. 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, trade and other receivables, restricted bank deposits and cash and cash equivalents.

Segment liabilities consist primarily of early retirement and supplemental benefit obligations, trade and other payables and borrowings. Unallocated liabilities comprise items such as head office's 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 rights, property, plant and equipment, investment properties and intangible assets.

During the six months ended 30 June 2014, 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.

## 6. SEGMENT INFORMATION (Continued)

The segment information for the reportable segments is as follows:

| | For the six months ended 30 June 2014 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Container handling and ancillary services RMB'000 | Metal ore, coal and other cargo handling and ancillary services RMB'000 | Liquid bulk handling and ancillary services RMB'000 | Logistics and port value-added services RMB'000 | Port construction and other services RMB'000 | Elimination RMB'000 | Total RMB'000 |
| Total segment revenue | 61,268 | 1,572,526 | 8,422 | 1,014,185 | 1,231,490 | (339,451) | 3,548,440 |
| Inter-segment revenue | — | (7,149) | — | (29,632) | (302,670) | 339,451 | — |
| Revenue from external customers | 61,268 | 1,565,377 | 8,422 | 984,553 | 928,820 | — | 3,548,440 |
| Total segment cost | (45,757) | (1,114,762) | (4,246) | (747,953) | (930,177) | 333,045 | (2,509,850) |
| Inter-segment cost | — | 16,065 | — | 29,998 | 286,982 | (333,045) | — |
| Cost from external customers | (45,757) | (1,098,697) | (4,246) | (717,955) | (643,195) | — | (2,509,850) |
| Share of profit of joint ventures | 211,250 | 4,168 | 92,328 | 26,245 | — | — | 333,991 |
| Share of profit of associates | — | — | — | 521 | — | — | 521 |
| Segment results | 217,540 | 356,461 | 95,172 | 254,970 | 240,571 | (5,460) | 1,159,254 |
| Unallocated costs | | | | | | | (97,701) |
| Unallocated other income | | | | | | | 5,819 |
| Profit before income tax | | | | | | | 1,067,372 |
| Income tax expenses | | | | | | | (200,450) |
| Profit for the period | | | | | | | 866,922 |

## 6. SEGMENT INFORMATION (Continued)

| | For the six months ended 30 June 2014 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Container handling and ancillary services RMB'000 | Metal ore, coal and other cargo handling and ancillary services RMB'000 | Liquid bulk handling and ancillary services RMB'000 | Logistics and port value-added services RMB'000 | Port construction and other services RMB'000 | Elimination RMB'000 | Total RMB'000 |
| **Other information:** | | | | | | | |
| Depreciation and amortisation | 9,247 | 119,259 | 3,194 | 33,392 | 62,528 | — | 227,620 |
| Unallocated depreciation and amortisation | | | | | | | 9,096 |
| Non-cash items other than depreciation and amortisation* | — | 34,145 | 181 | 9,438 | 25,216 | — | 68,980 |
| | As at 30 June 2014 (Unaudited) | | | | | | |
| Segment assets | 2,692,030 | 7,522,210 | 2,249,175 | 1,960,740 | 5,187,979 | (614,263) | 18,997,871 |
| Unallocated assets: | | | | | | | 5,659,188 |
| **Total assets** | | | | | | | 24,657,059 |
| Total assets include: | | | | | | | |
| – Interests in joint ventures | 2,545,401 | 863,867 | 1,401,537 | 299,560 | — | — | 5,110,365 |
| – Interests in associates | — | — | — | 5,098 | — | — | 5,098 |
| – Additions to non-current assets (other than financial instruments and deferred income tax assets) | — | 1,441,191 | 68,725 | 21,783 | 20,116 | (15,032) | 1,536,783 |
| Segment liabilities | 66,420 | 3,367,193 | 5,843 | 697,901 | 6,889,036 | (534,787) | 10,491,606 |
| Unallocated liabilities: | | | | | | | 3,129,902 |
| **Total Liabilities** | | | | | | | 13,621,508 |

## 6. SEGMENT INFORMATION (Continued)

| | For the six months ended 30 June 2013 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Container handling and ancillary services RMB'000 | Metal ore, coal and other cargo handling and ancillary services RMB'000 | Liquid bulk handling and ancillary services RMB'000 | Logistics and port value-added services RMB'000 | Port construction and other services RMB'000 | Elimination RMB'000 | Total RMB'000 |
| Total segment revenue | 66,483 | 1,519,434 | 232,741 | 839,230 | 1,375,365 | (646,434) | 3,386,819 |
| Inter-segment revenue | — | (1,968) | (198) | (16,277) | (627,991) | 646,434 | — |
| Revenue from external customers | 66,483 | 1,517,466 | 232,543 | 822,953 | 747,374 | — | 3,386,819 |
| Total segment cost | (47,420) | (989,041) | (91,446) | (654,118) | (1,142,083) | 613,354 | (2,310,754) |
| Inter-segment cost | — | 2,984 | 198 | 11,676 | 598,496 | (613,354) | — |
| Cost from external customers | (47,420) | (986,057) | (91,248) | (642,442) | (543,587) | — | (2,310,754) |
| Share of profit of joint ventures | 149,662 | 1,102 | 82,391 | 23,111 | — | — | 256,266 |
| Share of profit of associates | — | — | — | 1,217 | — | — | 1,217 |
| Segment results | 156,998 | 426,676 | 217,879 | 177,695 | 165,690 | (33,081) | 1,111,857 |
| Unallocated costs | | | | | | | (228,690) |
| Unallocated other income | | | | | | | 54,816 |
| Unallocated other gains | | | | | | | 107,049 |
| Profit before income tax | | | | | | | 1,045,032 |
| Income tax expenses | | | | | | | (256,072) |
| Profit for the period | | | | | | | 788,960 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. SEGMENT INFORMATION (Continued)

| | For the six months ended 30 June 2013 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Container handling and ancillary services RMB'000 | Metal ore, coal and other cargo handling and ancillary services RMB'000 | Liquid bulk handling and ancillary services RMB'000 | Logistics and port value-added services RMB'000 | Port construction and other services RMB'000 | Elimination RMB'000 | Total RMB'000 |
| **Other information:** | | | | | | | |
| Depreciation and amortisation | 4,911 | 174,573 | 17,340 | 31,838 | 77,331 | — | 305,993 |
| Unallocated depreciation and amortisation | | | | | | | 25,214 |
| Non-cash items other than depreciation and amortisation* | — | 34,744 | 1,214 | 9,181 | 25,481 | — | 70,620 |
| | As at 31 December 2013 (Audited) (Restated) | | | | | | |
| Segment assets | 2,849,236 | 5,433,174 | 1,980,634 | 1,865,207 | 4,979,476 | (423,193) | 16,684,534 |
| Unallocated assets: | | | | | | | 2,803,794 |
| **Total assets** | | | | | | | 19,488,328 |
| 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 | 1,857,815 | 266,747 | 40,725 | 640,129 | (36,846) | 2,772,677 |
| – 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.

## 6. SEGMENT INFORMATION (Continued)

Reportable segment's assets and liabilities are reconciled to total assets and liabilities as follows:

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) (Restated) |
|---|---|---|
| Segment assets | **18,997,871** | 16,684,534 |
| Unallocated corporate assets: | | |
| – Property, plant and equipment | **539,341** | 518,190 |
| – Intangible assets | **36,550** | 33,827 |
| – Available-for-sale financial assets | **483** | 483 |
| – Deferred income tax assets | **910,261** | 933,272 |
| – Trade and other receivables | **695,255** | 487,954 |
| – Restricted bank deposits | **1,010,000** | — |
| – Cash and cash equivalents | **2,467,298** | 830,068 |
| | **24,657,059** | 19,488,328 |

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Segment liabilities | **10,491,606** | 9,164,607 |
| Unallocated corporate liabilities: | | |
| – Trade and other payables | **3,037,766** | 1,724,710 |
| – Current income tax liabilities | **92,136** | 29,964 |
| | **13,621,508** | 10,919,281 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6. SEGMENT INFORMATION (Continued)

### Entity-wide information

Breakdown of the revenue from all services is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Revenue from handling, ancillary and other related services | **1,635,067** | 1,816,492 |
| Revenue from logistics and port value-added services | **984,553** | 822,953 |
| Revenue from port construction and equipment manufacturing | **418,148** | 474,721 |
| Rental income | **152,162** | 148,611 |
| Sales of electricity, oil and others | **358,510** | 124,042 |
| | **3,548,440** | 3,386,819 |

## 7. OTHER GAINS – NET

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Gains on disposals of property, plant and equipment, land use rights and intangible assets | **6,642** | 102,100 |
| Donations | **—** | (1,840) |
| Others | **(3,703)** | (3,489) |
| | **2,939** | 96,771 |

Gains on disposals of property, plant and equipment, land use rights and intangible assets for the six months ended 30 June 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 13 (c).

## 8. EXPENSES BY NATURE

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Employee benefit expenses | **824,029** | 951,388 |
| Subcontract costs | **570,074** | 180,648 |
| Transportation costs | **350,193** | 249,460 |
| Materials used in contract work | **222,820** | 143,284 |
| Depreciation of property, plant and equipment (Note 13) | **214,596** | 302,035 |
| Cost of sales for oil and electricity | **134,771** | 85,653 |
| Fuel and heating expenditures | **196,979** | 234,835 |
| Raw material and consumables used | **84,197** | 219,351 |
| Business tax and others | **53,363** | 141,292 |
| Operating lease rental | **51,366** | 43,456 |
| Repair and maintenance expenses | **34,175** | 98,029 |
| Amortisation of land use rights and intangible assets | **9,069** | 8,392 |
| Depreciation of investment properties | **4,600** | 5,585 |
| Amortisation of other non-current assets | **8,451** | 15,195 |
| Auditor's remuneration | **3,500** | 780 |
| Other expenses | **73,139** | 86,427 |
| **Total cost of sales, selling and administrative expenses** | **2,835,322** | 2,765,810 |

## 9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The amounts recognised in the condensed consolidated interim income statement are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Joint ventures | **333,991** | 256,266 |
| Associates | **521** | 1,217 |
| | **334,512** | 257,483 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

The amounts recognised in the condensed consolidated interim balance sheet are as follows:

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Joint ventures | **5,110,365** | 4,392,298 |
| Associates | **5,098** | 5,488 |
| | **5,115,463** | 4,397,786 |

### (a) Investments in joint ventures

| | As at 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| At 1 January | **4,392,298** | 3,519,690 |
| Additions | **526,350** | 728,996 |
| Disposals | **(100,000)** | — |
| Share of profit | **333,991** | 256,266 |
| Reversal/(elimination) of unrealised profit | **12,654** | (141,386) |
| Dividends from joint ventures | **(61,187)** | (29,369) |
| Changes in other equity | **6,259** | 4,007 |
| At 30 June | **5,110,365** | 4,338,204 |

The additions of investments in joint ventures for the six months ended 30 June 2014 mainly comprise the capital contribution to Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (the "QDOT").

## 9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

### (b) Investments in associates

| | As at 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| At 1 January | **5,488** | 20,493 |
| Share of profit | **521** | 1,217 |
| Dividends from associates | **(911)** | — |
| At 30 June | **5,098** | 21,710 |

## 10. INCOME TAX EXPENSE

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 six months ended 30 June of 2014 (six months ended 30 June of 2013: nil).

The Group is subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% (2013: 25%) of the assessable profit for the six months ended 30 June of 2014.

The amounts of income tax expenses charged to the condensed consolidated interim income statement represent:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| PRC income tax | | |
| – Current | **177,482** | 265,059 |
| – Deferred (Note 21) | **22,968** | (8,987) |
| | **200,450** | 256,072 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share for the six months ended 30 June 2014 is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

The basic earnings per share for the period ended 30 June 2013 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 2013.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Restated) |
| Profit attributable to owners of the Company (RMB'000) | **854,959** | 778,916 |
| Weighted average number of ordinary shares in issue (thousands) | **4,094,107** | 3,600,000 |
| **Basic earnings per share (RMB per share)** | **0.21** | 0.22 |

### (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 six months ended 30 June 2014 and 2013.

## 12 DIVIDENDS

Pursuant to the resolution of the shareholders' meeting held on 15 November 2013 (the "Shareholders' Resolution") 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. As at 31 December 2013, the Company paid approximately RMB270,688,000 to QDP and during the six months ended 30 June 2014, the Company had not yet paid the remaining portion.

Pursuant to the Shareholders' Resolution, 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, the date immediately after the date of establishment of the Company, to the last day of the month prior to the listing of the Company's shares (the "Special Dividend"), in accordance with PRC GAAP or IFRS, whichever is lower. The Company estimated that the Special Dividend would amount to approximately RMB0.66 billion, which is subject to the completion of the audit.

During the six months ended 30 June 2014, certain of the Group's non-wholly owned subsidiaries had paid dividends to minority shareholders of approximately RMB13,872,000.

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.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Unaudited | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Buildings RMB'000 | Terminal facilities RMB'000 | Storage facilities RMB'000 | Loading equipment RMB'000 | Machinery and equipment RMB'000 | Vessels RMB'000 | Transportation equipment RMB'000 | Construction-in-progress RMB'000 | Total RMB'000 |
| **At 1 January 2014 as previously reported** | | | | | | | | | |
| 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 |
| **Adjustments for business combination under common control (Note 23)** | | | | | | | | | |
| Cost | — | 267,580 | — | 83,668 | — | — | — | 198,299 | 549,547 |
| Accumulated depreciation | — | (5,000) | — | (8,435) | — | — | — | — | (13,435) |
| **Net book amount** | — | 262,580 | — | 75,233 | — | — | — | 198,299 | 536,112 |
| **At 1 January 2014 as restated** | | | | | | | | | |
| Cost | 279,109 | 5,952,854 | 1,508,592 | 2,623,963 | 646,234 | 1,021,736 | 90,997 | 1,589,355 | 13,712,840 |
| Accumulated depreciation | (131,322) | (1,326,117) | (337,286) | (1,826,337) | (490,214) | (357,857) | (39,043) | — | (4,508,176) |
| **Net book amount** | 147,787 | 4,626,737 | 1,171,306 | 797,626 | 156,020 | 663,879 | 51,954 | 1,589,355 | 9,204,664 |
| **Six months ended 30 June 2014** | | | | | | | | | |
| Opening net book amount, as restated | 147,787 | 4,626,737 | 1,171,306 | 797,626 | 156,020 | 663,879 | 51,954 | 1,589,355 | 9,204,664 |
| Additions | 466 | — | 384 | 30,000 | 14,913 | 1,878 | 5,376 | 611,707 | 664,724 |
| Transfers | — | — | 901 | — | 516 | — | — | (1,417) | — |
| Disposals | — | — | — | (447) | — | — | — | (425,420) | (425,867) |
| Acquisition of subsidiaries (Note 23) | — | — | — | — | 238 | — | 700 | 1,207,087 | 1,208,025 |
| Depreciation charge (Note 8) | (4,591) | (62,289) | (24,360) | (78,457) | (17,283) | (22,921) | (4,695) | — | (214,596) |
| **Closing net book amount** | 143,662 | 4,564,448 | 1,148,231 | 748,722 | 154,404 | 642,836 | 53,335 | 2,981,312 | 10,436,950 |
| **At 30 June 2014** | | | | | | | | | |
| Cost | 279,575 | 5,952,854 | 1,509,877 | 2,653,516 | 661,901 | 1,023,614 | 97,073 | 2,981,312 | 15,159,722 |
| Accumulated depreciation | (135,913) | (1,388,406) | (361,646) | (1,904,794) | (507,497) | (380,778) | (43,738) | — | (4,722,772) |
| **Net book amount** | 143,662 | 4,564,448 | 1,148,231 | 748,722 | 154,404 | 642,836 | 53,335 | 2,981,312 | 10,436,950 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Unaudited | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Buildings RMB'000 | Terminal facilities RMB'000 | Storage facilities RMB'000 | Loading equipment RMB'000 | Machinery and equipment RMB'000 | Vessels RMB'000 | Transportation equipment RMB'000 | Construction-in-progress RMB'000 | Total 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 |
| **Six months ended 30 June 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 | 30,377 | 437 | 14,346 | 65,409 | 17,289 | 118,716 | 14,325 | 701,382 | 962,281 |
| Transfers | — | — | — | 48,561 | — | 29,332 | — | (77,893) | — |
| Disposals | (14,423) | (439,117) | (478,131) | (8,073) | (40,524) | — | (793) | — | (981,061) |
| Depreciation charge (Note 8) | (16,213) | (97,122) | (40,020) | (99,844) | (27,740) | (16,095) | (5,001) | — | (302,035) |
| **Closing net book amount** | 747,715 | 7,153,949 | 1,509,844 | 1,398,531 | 213,995 | 687,596 | 74,770 | 3,475,634 | 15,262,034 |
| **At 30 June 2013** | | | | | | | | | |
| Cost | 1,089,322 | 8,816,804 | 2,164,897 | 3,412,479 | 880,444 | 1,049,425 | 134,915 | 3,475,634 | 21,023,920 |
| Accumulated depreciation | (341,607) | (1,662,855) | (655,053) | (2,013,948) | (661,649) | (361,829) | (60,145) | — | (5,757,086) |
| Impairment | — | — | — | — | (4,800) | — | — | — | (4,800) |
| **Net book amount** | 747,715 | 7,153,949 | 1,509,844 | 1,398,531 | 213,995 | 687,596 | 74,770 | 3,475,634 | 15,262,034 |

(a) Construction–in-progress mainly comprises terminal facilities and storage facilities under construction or pending installation.

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Group entered into three lease agreements with a joint venture Qingdao Qianwan Container Terminal Co., Ltd. ("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 handing 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 still 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 30 June 2014 RMB'000 (Unaudited)** | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Buildings | **26,321** | 26,984 |
| Terminal facilities | **1,792,400** | 1,819,979 |
| Storage facilities | **768,677** | 778,998 |
| Machinery and equipment | **8** | 94 |
| | **2,587,406** | 2,626,055 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) On 19 December 2012, the Group entered into an agreement with Sinomart KTS Development Ltd. ("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 March 2013 were as follows:

| | Carrying amount RMB'000 | Fair value 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.

## 14. TRADE AND OTHER RECEIVABLES

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) (Restated) |
|---|---|---|
| **Trade receivables** | **1,006,119** | 904,204 |
| – third parties | **799,499** | 675,599 |
| – related parties (Note 24) | **206,620** | 228,605 |
| Less: Provision for impairment | **(10,409)** | (10,409) |
| Trade receivables - net | **995,710** | 893,795 |
| **Other receivables** | **422,000** | 745,397 |
| – third parties | **214,075** | 158,048 |
| – related parties (Note 24) | **207,925** | 587,349 |
| Less: Provision for impairment | **(272)** | (272) |
| Other receivables - net | **421,728** | 745,125 |
| Bill receivables | **859,062** | 387,230 |
| Taxes due on port facilities rentals and others | **219,924** | 225,472 |
| VAT recoverable (Note c) | **31,920** | 26,254 |
| Prepayments (Note b) | **104,685** | 90,573 |
| Trade and other receivables | **2,633,029** | 2,368,449 |
| Less: non-current portion: | | |
| – Taxes due on port facilities rentals and others | **(208,630)** | (214,177) |
| – Prepayments | **(43,558)** | (64,800) |
| – Other receivables | **(1,000)** | (1,000) |
| Non-current portion | **(253,188)** | (279,977) |
| Current portion | **2,379,841** | 2,088,472 |

## 14. TRADE AND OTHER RECEIVABLES (Continued)

(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) In general, the Group grants a credit period of 30 to 90 days to its trade customers. As at 30 June 2014, the ageing analysis of trade receivables are as follows:

| | **As at 30 June 2014 RMB'000 (Unaudited)** | As at 31 December 2013 RMB'000 (Audited) (Restated) |
|---|---|---|
| Less than 3 months | **730,747** | 674,497 |
| 3 to 6 months | **123,639** | 143,729 |
| 6 to 12 months | **120,926** | 56,210 |
| 1 to 2 years | **17,455** | 19,153 |
| 2 to 3 years | **3,765** | 809 |
| Over 3 years | **9,587** | 9,806 |
| | **1,006,119** | 904,204 |

## 15. RESTRICTED BANK DEPOSITS, CASH AND CASH EQUIVALENTS

| | **As at 30 June 2014 RMB'000 (Unaudited)** | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Bank deposits | | |
| – term deposits with initial term of over three months (Note d) | **56,264** | 104,100 |
| – other bank deposits | **4,042,123** | 1,172,991 |
| Cash on hand | **1,596** | 206 |
| | **4,099,983** | 1,277,297 |
| Less: restricted bank deposits (Note a) | **(1,010,000)** | (9) |
| Cash and cash equivalents | **3,089,983** | 1,277,288 |
| Cash and bank balances are denominated in | | |
| – RMB | **4,099,014** | 1,276,533 |
| – US dollars | **969** | 764 |
| | **4,099,983** | 1,277,297 |

(a) As at 30 June 2014, the restricted bank deposits mainly represented the capital injection of RMB1,000 million contributed by the Company and QDP to set up a subsidiary, Qingdao Port Finance Co., Ltd. ("Qingdao Finance"), in which the Company holds 70% of the equity interest. The deposit is retained in a capital verification account, and restricted for use until Qingdao Finance commences its operation. Qingdao Finance obtained the Financial License and completed the registration in July 2014.

(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.

## 16 SHARE CAPITAL AND SHARE PREMIUM

| | 2014 | |
|---|---|---|
| | **Number of shares (thousands)** | **Nominal value (RMB'000)** |
| Registered, issued and fully paid | | |
| – Domestic shares of RMB1.00 each | **3,929,420** | **3,929,420** |
| – H shares of RMB1.00 each | **776,380** | **776,380** |
| As at 30 June (unaudited) | **4,705,800** | **4,705,800** |

The Company was incorporated on 15 November 2013, with an initial registered capital of RMB4,000 million, consisting of 4,000 million shares of RMB1.00 each.

The Company's H shares were listed on the Hong Kong Stock Exchange on 6 June 2014 and 705.8 million new H shares with a nominal value of RMB1.00 each were issued to the investors by way of international offering and public offering at HKD3.76 (equivalent to approximately RMB2.98) each. The Company raised net proceeds of approximately RMB1,987.4 million (HKD2,500 million) from the issuance of 705.8 million new shares, of which paid-up share capital was RMB705.8 million and share premium was approximately RMB1,281.6 million.

Upon the issuance of new shares by the Company, 70.58 million domestic shares (10% of the number of new shares issued) were converted into H shares and transferred to the National Council for Social Security Fund of the PRC which were sold as part of the international offering.

As a result, the registered share capital of the Company increased from 4,000 million shares to 4,705.8 million shares, comprising 3,929.42 million domestic shares and 776.38 million H shares, representing approximately 83.5% and 16.5% of the registered capital, respectively.

## 17. BORROWINGS

| | **As at 30 June 2014 RMB'000 (Unaudited)** | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| **Bank borrowings** | | |
| – non-current | **119,511** | — |
| – current | **73,750** | — |
| | **193,261** | — |

## 17. BORROWINGS (Continued)

Movements in borrowings is analysed as follows:

| | RMB'000 |
|---|---|
| **Six months ended 30 June 2014** | |
| Opening amount as at 1 January 2014 | — |
| Additions from acquisition of subsidiaries (Note 23) | **198,261** |
| Repayment | **(5,000)** |
| **Closing amount as at 30 June 2014** | **193,261** |

Interest expense on borrowings for the six months ended 30 June 2014 is RMB 5,189,000 (30 June 2013: nil). This is directly attributable to the construction of qualifying assets and therefore is capitalise as part of the costs of the assets.

The Group has the following undrawn borrowing facilities:

| | As at 30 June 2014 RMB'000 | As at 31 December 2013 RMB'000 |
|---|---|---|
| Floating rate: | | |
| – expiring within one year | **4,648,412** | 4,575,905 |

## 18. DEFERRED INCOME

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Port facilities rental income (Note 13) | **4,028,238** | 4,136,073 |
| Less: current portion | **(213,671)** | (212,308) |
| | **3,814,567** | 3,923,765 |
| Government grants | | |
| – relating to property, plant and equipment | **152,891** | 154,374 |
| – relating to relocation and demolition | **8,512** | — |
| – other grants | — | 474 |
| | **3,975,970** | 4,078,613 |

## 19. 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:

| | **As at 30 June 2014 RMB'000 (Unaudited)** | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| **Balance sheet obligations for:** | | |
| **Early retirement (Note a)** | | |
| Present value of early retirement obligations | **215,085** | 216,783 |
| Less: current portion | **(27,283)** | (27,283) |
| **Non-current portion** | **187,802** | 189,500 |
| **Supplemental benefit obligations (Note b)** | | |
| Present value of supplemental benefit obligations | **2,625,868** | 2,449,495 |
| Less: current portion | **(105,245)** | (105,245) |
| **Non-current portion** | **2,520,623** | 2,344,250 |
| **Total non-current portion** | **2,708,425** | 2,533,750 |

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014 RMB'000 (Unaudited)** | 2013 RMB'000 (Unaudited) |
| **Income statement charge:** | | |
| Early retirement and supplemental benefit obligations | **71,615** | 76,034 |
| – Early retirement | **12,072** | 8,845 |
| – Supplemental benefit obligations | **59,543** | 67,189 |
| **Other comprehensive income:** | | |
| Remeasurement of supplemental benefit obligations | **163,199** | 97,320 |
| – Losses from change in financial assumptions | **163,199** | 97,320 |

## 19. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

The movement of early retirement and supplemental benefit obligations over the period is as follows:

### (a) Early retirement

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| At 1 January | **216,783** | 230,730 |
| Interest cost | **4,672** | 3,885 |
| Immediate recognition of losses of early retirement benefit obligations | **7,400** | 4,960 |
| Benefits paid | **(13,770)** | (17,060) |
| At 30 June | **215,085** | 222,515 |

### (b) Supplemental benefit obligations

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| At 1 January | **2,449,495** | 3,147,600 |
| Interest cost | **56,908** | 61,775 |
| Current service cost | **2,635** | 5,414 |
| Losses from change in actuarial assumptions | **163,199** | 97,320 |
| Benefits paid | **(46,369)** | (61,890) |
| At 30 June | **2,625,868** | 3,250,219 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 20. TRADE AND OTHER PAYABLES

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Trade payables | 743,632 | 719,299 |
| – third parties | 539,076 | 644,677 |
| – related parties (Note 24) | 204,556 | 74,622 |
| Advance from customers | 41,758 | 11,668 |
| – third parties | 18,305 | 11,668 |
| – related parties (Note 24) | 23,453 | — |
| Bills payable | 20,000 | — |
| Warranties | 184 | 54 |
| Payables for purchases of property, plant and equipment | 1,235,002 | 1,403,084 |
| Other taxes payables | 48,792 | 22,462 |
| Salary, bonus and staff welfare benefits payable | 65,033 | 18,519 |
| Other payables and accruals | 4,158,793 | 1,740,455 |
| – third parties | 473,669 | 132,434 |
| – related parties (Note 24) | 3,685,124 | 1,608,021 |
| | 6,313,194 | 3,915,541 |
| Less: non-current portion | (76,655) | (54) |
| | 6,236,539 | 3,915,487 |

## 20. TRADE AND OTHER PAYABLES (Continued)

At 30 June 2014, the ageing analysis of the trade payable are as follows:

| | **As at 30 June 2014 RMB'000 (Unaudited)** | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Less than 1 year | **739,434** | 712,268 |
| 1 to 2 years | **2,904** | 5,384 |
| 2 to 3 years | **957** | 976 |
| Over 3 years | **337** | 671 |
| | **743,632** | 719,299 |

## 21. 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 tax liabilities and when the deferred income tax related to the same tax authority.

The gross movement on the deferred income tax account is as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2014 RMB'000 (Unaudited)** | 2013 RMB'000 (Unaudited) |
| At 1 January | **936,694** | 101,938 |
| Income statement (charge)/credit (Note 10) | **(22,968)** | 8,987 |
| Acquisition of subsidiaries | **(19,861)** | — |
| Credited directly to equity | **10,511** | — |
| At 30 June | **904,376** | 110,925 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 22 COMMITMENTS

### (a) Capital commitments

The Group's has the following capital commitments at the balance sheet date:

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Property, plant and equipment | | |
| – Contracted for but not incurred | **505,984** | 331,726 |
| – Anthorised but not contracted for | **3,594,938** | 2,585,715 |

### (b) Capital commitments – joint ventures and associates

The Group's share of capital expenditure contracted for at 30 June 2014 but not yet incurred in joint ventures and associates is as follows:

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Property, plant and equipment | **198,792** | 31,887 |

### (c) Investment commitments

The Group has the following investment commitments at the balance sheet date:

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| Joint ventures and associates | | |
| – Contracted for but not incurred | **231,110** | 540,000 |
| – Anthorised but not contracted for | **297,294** | 268,304 |

## 23 BUSINESS COMBINATIONS

(a) The Company purchased 51% equity interests in Datang Qingdao Port Co., Ltd. ("Datang Qingdao Port"), at a cash consideration of RMB179,110,000 from Datang Shandong Power Generation Co., Ltd. The acquisition date was 31 May 2014, on which the Company obtained control over Datang Qingdao Port. Since then, Datang Qingdao Port has become a subsidiary of the Company.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed recognised at the acquisition date.

| | **As at 31 May 2014 RMB'000** |
|---|---|
| Purchase consideration | |
| – cash paid | **179,110** |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | **179,110** |
| Land use rights | **57,307** |
| Property, plant and equipment | **311,223** |
| Intangible assets | **36,786** |
| Other receivables | **2,524** |
| Other payables | **(54,566)** |
| Borrowings | **(198,261)** |
| **Total identifiable net assets** | **334,123** |
| Non-controlling interest | **(163,721)** |
| Goodwill | **8,708** |
| Purchase consideration | **179,110** |
| Outflow of cash to acquire business, net of cash acquired | |
| – cash consideration | **179,110** |
| – cash and banks in subsidiary acquired | **(179,110)** |
| Cash outflow on acquisition | — |

The assets of Datang Qingdao Port mainly comprise construction-in-progress. Datang Qingdao Port has not commenced its operations before 30 June 2014 and has not incurred any significant incomes or expenses.

## 23 BUSINESS COMBINATIONS (Continued)

(b) The Company acquired 51% equity interests in Qingdao Haiye Mercuria Logistics Co., Ltd. ("Mercuria Logistics"), at a consideration of RMB 273,422,000. The acquisition date was 23 May 2014, on which the Company obtained control over Mercuria Logistics. Since then, Mercuria Logistics has become a subsidiary of the Company.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired and liabilities assumed recognised at the acquisition date.

| | **As at 23 May 2014 RMB'000** |
|---|---|
| Purchase consideration | |
| – non-cash consideration | **273,422** |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | **4,142** |
| Property, plant and equipment | **896,802** |
| Other receivables | **20** |
| Other payables | **(430,677)** |
| Deferred tax liabilities | **(19,861)** |
| **Total identifiable net assets** | **450,426** |
| Non-controlling interest | **(187,133)** |
| Goodwill | **10,129** |
| Purchase consideration | **273,422** |
| Acquisition-related costs (included in administrative expenses in the interim consolidated income statement for the period ended 30 June 2014) | **250** |
| Inflow of cash to acquire business, net of cash acquired | |
| – cash consideration | — |
| – cash and banks in subsidiary acquired | **4,142** |
| Cash inflow on acquisition | **4,142** |

The assets of Mercuria Logistics mainly comprise construction-in-progress. Mercuria Logistics has not commenced its operations before 30 June 2014 and has not incurred any significant incomes or expenses.

(c) The Company adopts merger accounting for common control combination in respect of the acquisition of Dongjiakou Operation II as mentioned in Note 1. Pursuant to the Recorganisation and as mentioned in Note 2 Basis of preparation, Dongjiakou Operation II was included in the condensed consolidated interim financial information before the Reorganisation, and was accounted for as a distribution to QDP at the effective date of the Reorganisation on 15 November 2013. Therefore, the condensed consolidated interim balance sheet as at 1 January 2013 and the Group's results for the period ended 30 June 2013 were not restated. The consolidated balance sheet as at 31 December 2013 were restated and included the additions of property, plant and equipment of RMB536,112,000, the increase of trade and other receivables by RMB903,000 and the increase of reserves by RMB537,015,000.

## 24 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2014** | 2013 |
| | | **RMB'000** | RMB'000 |
| | | **(Unaudited)** | (Unaudited) |
| (1) | With fellow subsidiaries | | |
| | Amounts paid on behalf of related parties for construction projects | **—** | 140,980 |
| | Provision of construction and other services | **149,542** | 712 |
| | Sales of goods | **1,060** | 560 |
| | Purchase of goods or services | **23,930** | 8,041 |
| (2) | With associates: | | |
| | Sales of goods | **47** | 1,063 |
| | Provision of construction and other services | **16** | 138 |
| | Purchase of goods or services | **—** | 40 |
| | Income for rental of port facilities | **—** | 2,520 |
| | Payment for operating rental | **—** | 360 |
| (3) | With joint ventures: | | |
| | Amounts paid on behalf of related parties for construction projects | **28,975** | 2,585 |
| | Sales of assets (Note 13(c)) | **—** | 883,131 |
| | Sales of goods | **131,718** | 76,145 |
| | Provision of construction and other services | **130,998** | 14,288 |
| | Income for rental of port facilities | **114,843** | 109,877 |
| | Purchase of goods or services | **191,427** | 33,467 |
| | Interest income | **—** | 2,793 |
| | Amounts paid to a related party | **4,100** | — |
| | Payment for operating rental | **20** | 3,751 |

## 24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions with related parties (Continued)

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| (4) With other related parties: | | |
| Sales of goods | **6,388** | 5,887 |
| Provision of construction and other services | **163,819** | 232,354 |
| Income for rental of port facilities | **1,865** | 1,259 |
| Interest income | — | 48,275 |
| Purchase of goods or services | **146,461** | 139,402 |
| Amounts paid on behalf of related parties for construction projects | **1,232** | — |
| (5) With QDP: | | |
| Amounts paid on behalf of QDP for construction projects | **289,367** | — |
| Sales of goods | **26,050** | — |
| Provision of construction and other services | **85,290** | — |
| Purchase of goods or services | **217,154** | — |
| Payment for operating rental | **33,325** | — |
| Sales of assets | **13,139** | — |
| Acquisition of Dongjiakou Operation II and certain other assets (Note 1) | **738,717** | — |

Transactions with QDP are mainly occurred between the Group and Dongjiakou Operation I and other Retained Operations which are retained by QDP at the effective date of the Reorganisation (15 November 2013) as stated in Note 1 and 2.

(6) The Company and QDP entered into an agreement to set up a new subsidiary, Qingdao Finance in May 2014. Qingdao Finance obtained the Financial License and completed the registration in July 2014 (Note 15).

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

## 24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (b) Balance with related parties

| | **As at 30 June 2014 RMB'000 (Unaudited)** | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| **Trade and other receivables** | | |
| Trade receivables due from | | |
| – QDP | **21,898** | 82,725 |
| – Fellow subsidiaries | **9,008** | 48,132 |
| – Associates | **—** | 12 |
| – Joint ventures | **144,148** | 42,658 |
| – Others (i) | **31,566** | 55,078 |
| | **206,620** | 228,605 |
| Other receivables due from | | |
| – Fellow subsidiaries | **11,103** | 43,145 |
| – Associates | **—** | — |
| – Joint ventures | **183,974** | 470,782 |
| – Others (i) | **12,848** | 73,422 |
| | **207,925** | 587,349 |
| Advance from customers | | |
| – Fellow subsidiaries | **17,243** | — |
| – Joint ventures | **4,553** | — |
| – Associates | **1,657** | — |
| | **23,453** | — |

## 24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (b) Balance with related parties (Continued)

| | As at 30 June 2014 RMB'000 (Unaudited) | As at 31 December 2013 RMB'000 (Audited) |
|---|---|---|
| **Trade and other payables** | | |
| Trade payables due to | | |
| – QDP | **34,616** | 34,266 |
| – Fellow subsidiaries | **4,141** | 2,011 |
| – Joint ventures | **142,003** | 2,617 |
| – Others (i) | **23,796** | 35,728 |
| | **204,556** | 74,622 |
| Other payables due to | | |
| – QDP (ii) | **3,503,093** | 1,606,334 |
| – Fellow subsidiaries | **105,312** | 1,456 |
| – Associates | **20** | 40 |
| – Joint ventures | **209** | 191 |
| – Others (i) | **76,490** | — |
| | **3,685,124** | 1,608,021 |

(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 Co., Ltd (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) Other payables due to QDP mainly represent Special Distribution as stated in Note 12, the consideration for storage facilities purchased from QDP, the consideration for acquisition of Dongjiakou Operation II, and the cash advance from the entrusted construction agreement with QDP.

(iii) Trade and other receivables from and trade and other payables to related parties are unsecured, interest free and have no fixed term of repayment.

## 24 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (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.

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **Transactions with other government-related entities:** | | |
| – Interest from bank deposits | **1,953** | 3,734 |

| | As at | As at |
|---|---|---|
| | **30 June** | 31 December |
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| **Balances with other government-related entities:** | | |
| Restricted bank deposits | **10,000** | 9 |
| Cash and cash equivalents | **2,882,775** | 1,261,288 |
| | **2,892,775** | 1,261,297 |

### (d) Key management compensation

Key management includes directors, supervisors and secretary of the board of the Company. The compensation paid or payable to key management for employee services is shown below:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Salary, housing allowances, other allowances and benefits-in-kind | **1,248** | 896 |
| Supplemental benefits | **246** | 181 |
| Discretionary bonuses | **6,335** | 5,433 |
| | **7,829** | 6,510 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 25 SUBSEQUENT EVENT

(a) Dagang Branch ("QDP Dagang") of QDP, Dagang Branch ("Dagang Branch") of the Company, QDP and the Company (QDP Dagang, Dagang Branch, QDP and the Company collectively, the "QDP Relevant Parties") received a writ of summons and a notice of responses to action ((2014) Qing Hai Fa Hai Shang Chu Zi No. 773) dated 25 July 2014 and a complaint dated 29 June 2014 served by Qingdao Maritime Court (the "Court") of the PRC (collectively, the "Litigation Documents I"). Pursuant to the Litigation Documents I, CITIC Australia Commodity Trading Pty Ltd. ("CITIC"), as plaintiff, claims that it suffered a severe loss from its unavailability to dispose 223,270 tonnes of sandy metallurgical grade aluminium and 5,004 tonnes of electrolytic copper ("Subject Cargo I") as result of the QDP Relevant Parties' refusal to deliver the Subject Cargo I (the "Legal Proceeding I") to it. Therefore, CITIC requests the Court to, inter alia: (i) confirm the legitimate ownership of CITIC over the Subject Cargo I which is currently stored in the bonded warehouses owned by QDP Dagang and Dagang Branch in Qingdao; (ii)order the QDP Relevant Parties to deliver the Subject Cargo I to CITIC, and if failing, to compensate CITIC for the loss of goods of US$108,078,798 (equivalent to approximately RMB664,987,225); and (iii) order the QDP Relevant Parties to bear all the property preservation fees and legal costs in respect of the Legal Proceeding I. According to the Litigation Documents I, the Court will hold the first hearing regarding the Legal Proceeding I on 9 September 2014.

QDP Relevant Parties received a writ of summons and a notice of responses to action ((2014) Qing Hai Fa Hai Shang Chu Zi No. 794) dated 12 August 2014 and a complaint and a writ of summons and a notice of responses to action ((2014) Qing Hai Fa Hai Shang Chu Zi No. 795) dated 12 August 2014 and a complaint (collectively, the "Litigation Document II") served by the Court of the PRC. Pursuant to the Litigation Document II, Pacorini Metals (Shanghai) Logistics Co. Ltd., ("Pacorini Logistics"), as plaintiff, claims that it suffered damage to its legitimate interests from its unavailability to 8,085 tonnes of aluminum ingots and 112,731 tonnes of alumina (the "Subject Cargo II") due to refusal by Qingdao Hongtu Logistic Co., Ltd. ("Qingdao Hongtu") and the QDP Relevant Parties to deliver the Subject Cargo II (the "Legal Proceeding II"). Therefore, Pacorini Logistics requests the Court to, inter alia: (i) order Qingdao Hongtu and the QDP Relevant Parties to deliver to Pacorini Logistics the Subject Cargo II, or to compensate for the corresponding value or market value of the the Subject Cargo II (tentatively about RMB120,065,057 and USD38,892,195); and (ii) order Qingdao Hongtu and the QDP Relevant Parties to bear all the property preservation fees and legal costs in respect of the Legal Proceeding II. According to the Litigation Document II, the Court has notified that the first hearing regarding the Legal Proceeding II will be held on 28 October 2014 and on 29 October 2014, respectively.

As far as the Company is aware, the Subject Cargo I and Subject Cargo II involved in the Legal Proceeding I and Legal Proceeding II were stored at QDP Dagang under the name of Qingdao Hongtu, a third party cargo shipment agency. The Subject Cargo I and II have been detained by the relevant public security authority (the "Public Security Authority") due to the suspected involvement in criminal activities and Qingdao Hongtu is under a fraud investigation by the Public Security Authority as well.

Given there is no contractual relationship between the Company and CITIC and Pacorini Logistics, the management of the Company's initial assessment is that the Legal Proceeding is without merit and the Company will vigorously contest the allegations made under the Litigation Documents. The PRC legal advisor of the Company is of the view that considering the arrangements reached in the reorganisation agreement dated 25 November 2013 entered into between the Company and QDP, QDP will provide corresponding compensation to the Company for the damages arising from the judgment which may be rendered against the Company by the Court. Accordingly, the Board does not envisage that the Legal Proceeding and the related judgment and order would have an adverse impact on the business and operation of the Group.

## 25 SUBSEQUENT EVENT (Continued)

(b) The over-allotment shares were listed on the Hong Kong Stock Exchange on 2 July 2014 and 79,645,000 H shares with a nominal value of RMB1.00 each were issued at HKD3.76 (equivalent to approximately RMB2.98) per share. In connection with the exercise of over-allotment option, 7,241,000 domestic shares (10% of the number of H shares issued) were converted into H shares and transferred to the National Social Security Fund.

(c) A joint venture of the Company, QDOT, entered into an asset transfer agreement (the "Agreement") 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"). The consideration of this transfer was approximately RMB2,989 million, which was determined based on an appraisal report of Dongjiakou Operation I as of 31 March 2013 (the "Valuation Date"). The Agreement also provides that QDP and QDOT shall conduct an audit and appraisal to ascertain whether there is any change in value of the assets and liabilities of Dongjiakou Operation I from the Valuation Date to the Closing Date (the "Post-closing Adjustment"), 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 and QDP had completed the public tender process on 8 August 2014 and QDOT won the bid. The Post-closing Adjustment is RMB560 million.