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

2014
ANNUAL REPORT

*For identification purpose only

CONTENTS

DEFINITIONS

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

"Articles of Association"	the articles of association of Qingdao Port International Co., Ltd.
"Board"	the board of the directors of Qingdao Port International Co., Ltd.
"Board Diversity Policy"	the Board Diversity Policy of Qingdao Port International Co., Ltd.
"China Datang Corporation"	China Datang Corporation* (中國大唐集團公司), a partner of the Company
"China Marine Bunker"	China Marine Bunker Qingdao Co., Ltd.* (中國船舶燃料青島有限公司), a connected person of the Company
"China Merchants Group"	China Merchants Group Limited* (招商局集團有限公司), a partner of the Company
"China Ocean"	China Ocean Shipping Agency Ltd.* (中國青島外輪代理公司), a connected person of the Company
"China OST"	China Ocean Shipping Tally Co., Ltd.* (中國外輪理貨總公司), a connected person of the Company
"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
"Consolidated Group Companies"	the Company (including its branches) and its subsidiaries which are consolidated into in the consolidated financial statements of the Company
"COSCO Container"	COSCO Container Lines Co., Ltd.* (中遠集裝箱運輸有限公司), a connected person of the Company
"COSCO Group"	China Ocean Shipping (Group) Company* (中國遠洋運輸(集團)總公司), a partner of the Company
"COSCO Logistics"	COSCO Logistics (Qingdao) Co., Ltd.* (青島中遠物流有限公司), a connected person of the Company
"COSCO Shipping"	COSCO Container Shipping Agency Ltd.* (青島中遠集裝箱船務代理有限公司), a connected person of the Company
"CSRC"	China Securities Regulatory Commission
"Dagang Branch"	Dagang Branch of Qingdao Port International Co., Ltd.* (青島港國際股份有限公司大港分公司), a branch of the Company, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services

DEFINITIONS

"Datang Port"	Datang Qingdao Port Co., Ltd.* (大唐青島港務有限公司), a subsidiary acquired by the Company in 2014, in which the Company holds 51% equity interest, which is mainly engaged in construction and management of terminals and its ancillary facilities; cargo loading and unloading, warehousing services (excluding dangerous goods) and international freight forwarding
"Dongjiakou Operation I"	two metal ore and coal berths and their ancillary operating assets and liabilities in the Dongjiakou Port Area with a docking capacity of 300,000 DWTs and 200,000 DWTs, respectively, please refer to the Prospectus for details
"Dongjiakou Operation II"	two multi-purpose berths and their ancillary operating assets and liabilities in the Dongjiakou Port Area each with a docking capacity of 50,000 DWTs, please refer to the Prospectus for details
"Dongjiakou Operations"	Dongjiakou Operation I and Dongjiakou Operation II
"DWTs"	deadweight ton, which is a measure of how much weight a vessel carrying or can safely carry. DWT is the sum of the weight of cargo, fuel, fresh water, ballast water, provisions, passengers, and crew, and the term is often used to specify a vessel's maximum permissible deadweight
"Eimskip Asia"	Eimskip Asia BV, a shareholder of Qingdao Eimskip Cold Chain Logistics Limited* (青島怡之航冷鏈物流有限公司), one of subsidiaries of the Company
"Global Offering"	the Hong Kong Offering and the International Offering
"Group"	the Company and its branches and subsidiaries; when references are made to operational data such as throughput, including joint ventures and associates of the Company
"Group Loans"	major profitable assets of the Other Retained Operations, being loans extended by QDP to QQCTN, QQCTU, West United and other companies, which are included in trade and other receivables of Other Retained Operations
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huaneng Qingdao"	Huaneng Qingdao Port Operation Co., Ltd.* (華能青島港務有限公司), a joint venture in which the Company holds 49% equity interest, which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services

DEFINITIONS

"Huangwei Pipeline"	the pipeline that runs from Huangdao, Shandong to Weifang, Shandong
"IMC Group"	IMC Group Holdings Limited* (萬邦集團控股有限公司), a partner of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LNG"	liquefied natural gas
"Logistics Branch"	Logistics Branch of Qingdao Port International Co., Ltd.* (青島港國際股份有限公司物流分公司), a branch of the Company, which is mainly engaged in the business of providing container transshipment hub and agency service
"Management Rules on External Investment"	the Management Rules on External Investment of Qingdao Port International Co., Ltd.
"Management Rules on Investor Relations"	the Management Rules on Investor Relations of Qingdao Port International Co., Ltd.
"Maritime Power Strategy"	the strategy proposed by Xi Jinping, president of the PRC, to "coordinate the development of land and marine economies, adhere to the development path of enriching and strengthening the country by developing maritime industries, creating harmony between human and sea and achieving win-win results through cooperation, and boost efforts to build a maritime power by means of peaceful development and win-win cooperation". "Opinions on Promoting the Healthy Development of Marine Industry" issued by the State Council has formulated the guideline of "promoting the healthy development of marine industry to build a maritime power"
"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 in 2014, in which the Company holds 51% equity interest, which is mainly engaged in freight forwarding, incoming and outgoing cargo warehousing, transshipment and distribution, construction of warehousing and logistics facilities
"Mercuria Oil Terminal"	Qingdao Haiye Mercuria Oil Terminal Co., Ltd.* (青島海業摩科瑞倉儲有限公司), a subsidiary acquired by the Company in 2014, in which the Company holds 65% equity interest, which is mainly engaged in construction and management of warehouse as well as wholesale of machinery and equipment and construction materials
"One Belt and One Road"	Silk Road Economic Belt and 21st Century Maritime Silk Road

DEFINITIONS

"Other Retained Operations"	certain land use right, investment properties, non-operating property, plant and equipment, and 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
"PRC"	the People's Republic of China and for the purpose of this report excluding Hong Kong, Macau and Taiwan
"Procedural Rules of the Supervisory Committee"	the Procedural Rules of the Supervisory Committee of Qingdao Port International Co., Ltd.
"Prospectus"	the listing document of the Company in relation to the Global Offering dated 26 May 2014
"QDI Cargo"	Qingdao Port International Cargo Logistics Co., Ltd.* (青島港國際貨運物流有限公司), a wholly-owned subsidiary of the Company, which is mainly engaged in the business of providing logistics value added services, such as transportation and agency service
"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 in which the Company holds 30% equity interest, which is mainly engaged in the business of providing 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, which holds a proximately 73.71% equity interest in the Company as of the date of this report
"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
"QDP Dongjiakou Branch"	Dongjiakou Branch of Qingdao Port (Group) Co., Ltd.* (青島港(集團)有限公司董家口分公司), which was mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services, and whose major assets and liabilities had been transferred to QDOT and the Company in 2014
"QDP 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 of providing liquid bulk handling and ancillary services, and whose operating assets and liabilities had been transferred to Qingdao Shihua in March 2013

DEFINITIONS

"Qiangang Branch"	Qiangang Branch of Qingdao Port International Co., Ltd.* (青島港國際股份有限公司前港分公司), a branch of the Company, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services
"Qingdao Cargo"	Qingdao Cargo International Logistics Ltd.* (青島中貨國際物流有限公司), a connected person of the Company
"Qingdao Finance"	Qingdao Port Finance Co., Ltd.* (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interest) and QDP (holding 30% equity interest), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its group companies
"Qingdao Gangsheng"	Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd.* (青島港盛國際物流冷藏有限公司), a connected person of the Company
"Qingdao OST"	Qingdao Ocean Shipping Tally Co., Ltd.* (青島外輪理貨有限公司), a subsidiary in which the Company holds 84% equity interest, which is mainly engaged in the business of providing tallying services
"Qingdao Shenzhouxing"	Qingdao Shenzhouxing International Freight Co., Ltd.* (青島神州行國際貨運代理有限公司), a joint venture in which the Company holds 50% equity interest, which is mainly engaged in the business of international transportation agencies for importing and exporting goods, container unloading and transportation
"Qingdao Shihua"	Qingdao Shihua Crude Oil Terminal Co., Ltd.* (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interest, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
"Qingdao United"	Qingdao United International Shipping Agency Ltd.* (青島聯合國際船舶代理有限公司), a joint venture in which the Company holds 50% equity interest, which is mainly engaged in the business of shipping agency, cargo and container customs declaration
"Qingdao Yongli"	Qingdao Yongli Insurance Agent Co., Ltd.* (青島永利保險代理有限公司), a wholly-owned subsidiary of the Company, which is mainly engaged in the marketing of insurance products, collection of premium, survey for the loss of relevant insurance business as agent, wealth management and other business approved by the China Insurance Regulatory Commission

DEFINITIONS

"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 in which the Company holds a 31% equity interest, which is mainly engaged in the business of providing 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 in which QQCT indirectly holds 40% equity interest, which is mainly engaged in the business of providing container handling and ancillary services
"QWG Port Logistics"	Qingdao QWG Port Logistics Co., Ltd.* (青島港前灣港區保税物流中心有限公司), an associate in which the Company holds 23% equity interest, which is mainly engaged in the business of international transportation agency for importing and exporting goods, container and goods warehousing, container and goods unloading on the site
"Reporting Period"	From 6 June 2014 (the "Listing Date") to 31 December 2014
"Riqing Container"	Rizhao Riqing Container Terminal Co., Ltd.* (日照日青集裝箱碼頭有限公司)
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Sinotrans & CSC"	Sinotrans & CSC Holdings Co. Ltd.* (中國外運長航集團有限公司), a partner of the Company
"TEU"	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet and six inches and width of eight feet
"Tugboat and Barge Branch"	Tugboat and Barge Branch of Qingdao Port International Co., Ltd.* (青島港國際股份有限公司輪駁分公司), a branch of the Company, which is mainly engaged in the business of tugboat and ocean engineering
"West United"	Qingdao Qianwan West Port United Terminal Co., Ltd.* (青島前灣西港聯合碼頭有限責任公司), a joint venture in which the Company holds 51% equity interest (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services
"Zhenghua Logistics Group"	Zhenghua Logistics Group Corporation Limited* (振華物流集團有限公司), a shareholder of Qingdao Port International Trade Logistics Limited, one of subsidiaries of the Company

* The Chinese name(s) of the PRC entities have been translated into English in this annual report for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.

CORPORATE INFORMATION

CHINESE NAME OF THE COMPANY

青島港國際股份有限公司

ENGLISH NAME OF THE COMPANY

Qingdao Port International Co., Ltd.

LEGAL REPRESENTATIVE

Mr. ZHENG Minghui

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

(1) Headquarters in the PRC:
7 Ganghua Road
City North District, Qingdao
Shandong Province, PRC

(2) Principal Place of Business in Hong Kong:
36th Floor
Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

DATE OF LISTING

6 June 2014

PLACE OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited

ABBREVIATED CHINESE STOCK NAME

青島港

ABBREVIATED ENGLISH STOCK NAME

Qingdao Port

STOCK CODE

06198

TELEPHONE

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BOARD OF DIRECTORS

(1) Executive Directors

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

(2) Non-executive Directors

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

(3) Independent Non-executive Directors

Mr. WANG Yaping
Mr. CHAU Kwok Keung
Mr. YANG Qiulin

SUPERVISORY COMMITTEE

Mr. FU Xinmin (Chairman)
Mr. CHI Dianmou
Ms. XUE Qingxia
Ms. LIU Yuping
Mr. LI Xuxiu
Mr. LIU Dengqing

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Mr. CHEN Fuxiang
Ms. LAI Siu Kuen

AUTHORISED REPRESENTATIVES

Mr. ZHENG Minghui
Ms. LAI Siu Kuen

SPECIAL COMMITTEES OF BOARD OF DIRECTORS

(1) Strategy and Development Committee

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

(2) Audit Committee

Mr. CHAU Kwok Keung (Chairman)
Mr. SUN Yafei
Mr. YANG Qiulin

(3) Remuneration Committee

Mr. WANG Yaping (Chairman)
Mr. CHENG Xinnong
Mr. YANG Qiulin

(4) Nomination Committee

Mr. ZHENG Minghui (Chairman)
Mr. WANG Yaping
Mr. YANG Qiulin

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Center
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS

(1) As to Hong Kong law:

Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

(2) As to PRC law:

Jia Yuan Law Offices
F408 Ocean Plaza
158 Fuxing Men Nei Avenue
Xicheng District
Beijing, PRC

COMPLIANCE ADVISOR

Somerley Capital Limited
20th Floor
China Building
29 Queen's Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Bank of Qingdao Co., Ltd.
Bank of Communications Co., Ltd.

COMPANY PROFILE

The Port of Qingdao commenced operations in 1892 and is one of the largest comprehensive ports in the world. It occupies a central position among ports in Northeast Asia and is an important hub of international trade in the West Pacific.

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 Group is a primary operator of the Port of Qingdao and operates four port areas in Qingdao, including Qianwan Port Area, Huangdao Oil Port Area, Dongjiakou Port Area and Dagang Port Area. 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 ancillary services and financial services.

As of 31 December 2014, the Group operated 73 berths at the Port of Qingdao, which included 49 berths dedicated to handling a single type of cargo and 24 berths capable of handling metal ore, coal and other general cargo.

Leveraging natural deep-water capacity and industry-leading facilities and equipment, the Group can accommodate the world's largest container vessels, iron ore vessels and oil tankers. It also possesses world-leading stevedoring efficiency. During the year, the Group continued to rank first in the world in terms of Maersk berth efficiency, with a single-vessel unloading rate of 10,038 tons per hour for iron ores and 1,606 tons per hour for pulps.

COMPANY PROFILE

1892

2015

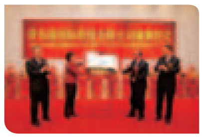
1892
The Port of Qingdao commenced operations

1974
Commencement of construction of the Huangdao Oil Port Area

1987
Commencement of construction of the Qianwan Port Area

2003
The Qingdao Port Authority was restructured as QDP

2008
Commencement of construction of the Dongjiakou Port Area



2013
The Company was established as a joint stock company with limited liability by QDP and five other promoters

2014
The Company was listed on the Main Board of the Hong Kong Stock Exchange

2014
Dongjiakou Port Area berthed ultra large crude carriers of 300,000 deadweight tons for the first time

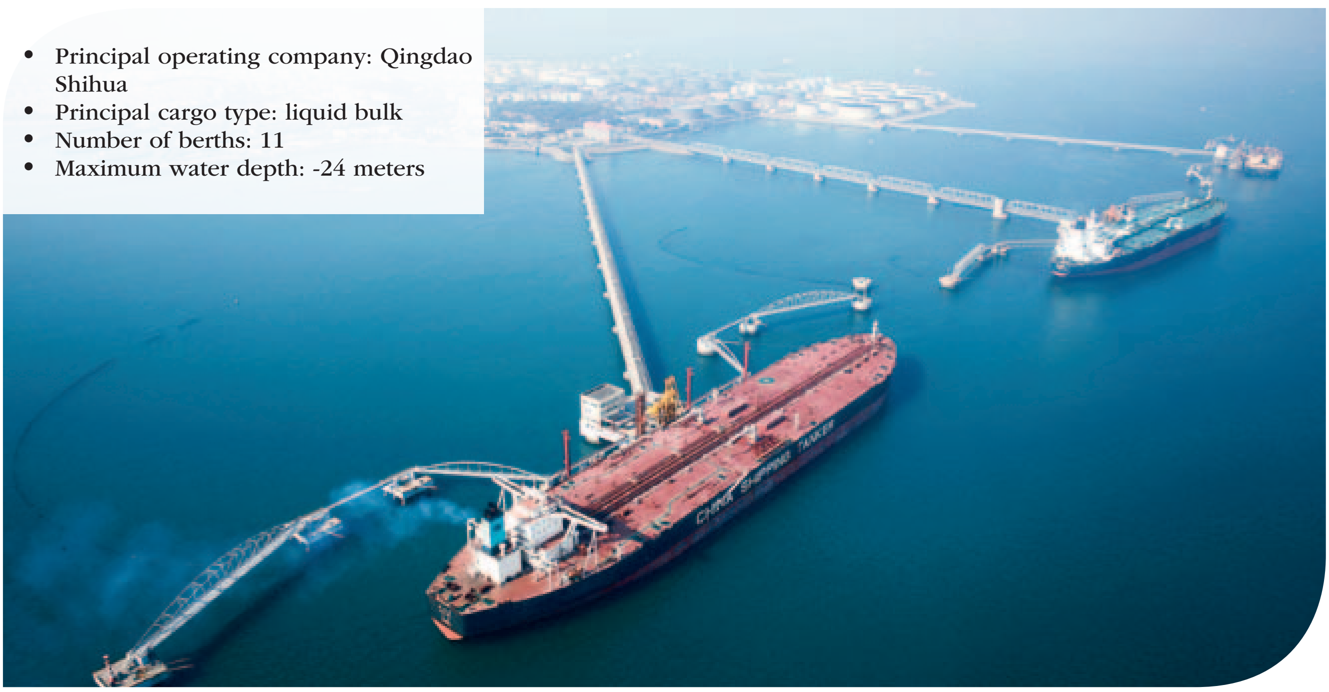
DISTRIBUTION OF PORT AREAS

1. Qianwan Port Area

- Principal operating companies: QQCT, QQCTU, Qiangang Branch, West United and Logistics Branch
- Principal cargo type: container and dry bulk
- Number of berths: 36
- Maximum water depth: -21 meters

2. Huangdao Oil Port Area

- Principal operating company: Qingdao Shihua
- Principal cargo type: liquid bulk
- Number of berths: 11
- Maximum water depth: -24 meters



COMPANY PROFILE

3. Dongjiakou Port Area

- Principal operating companies: QDOT, Huaneng Qingdao, Qingdao Shihua, Mercuria Oil Terminal, Mercuria Logistics and Datang Port
- Principal cargo type: dry bulk, liquid bulk and break bulk cargo
- Number of berths: 8
- Maximum water depth: -25 meters

4. Dagang Port Area

- Principal operating company: Dagang Branch
- Principal cargo type: container, dry bulk and liquid bulk
- Number of berths: 18
- Maximum water depth: -15 meters

Note: For details of the principal operating entities above, please refer to Note 38 to the financial statements.

2014 MAJOR EVENTS

January

- Entered into a strategic cooperation framework agreement with the municipal government of Jimo City, an important city in the Blue Economic Zone of Shandong Peninsula and the core area of Qingdao's Blue Silicon Valley (藍色矽谷), aiming to speed up the expansion of port business by leveraging on the resources of both parties.

- QDOT, a company owned by the Company, Mighty Star Investment Limited (貫星投資有限公司), COSCO Pacific (China) Investments Co., Ltd. (中遠太平洋(中國)投資有限公司) and IMC Qingdao Port Investment Pte. Ltd. (萬邦青島港投資有限責任公司) as to 30%, 25%, 25% and 20%, respectively, was established.

February

Mr. ZHENG Minghui, chairman of the Company, paid a visit to, among others, Xi'an in Shaanxi Province, Zhengzhou in Henan Province, Linyi and Dongying in Shandong Province to boost the construction of inland ports, aiming to build up an efficient and low-cost logistics channel connecting inland areas to the port of Qingdao and hence gain a reinforced control over cargoes from inland areas.

March

Qingdao Port High-speed Logistics (Linyi) Co., Ltd. (青島港(臨沂)高速物流有限公司), a company owned by QDI Cargo, a wholly-owned subsidiary of the Company, Shandong High-speed Logistics Group Co., Ltd. (山東高速物流集團有限公司) and Linyi City Construction and Investment Group Co., Ltd. (臨沂城市建設投資集團有限公司) as to 40%, 41% and 19%, respectively, was established to explore the hinterland market in Shandong Province.

2014 MAJOR EVENTS

April

- Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. (青島港董家口中外運物流有限公司), a company owned by the Company and Sinotrans Shandong Co., Ltd. (中外運山東公司) as to 49% and 51%, respectively, was established to explore comprehensive logistics business.

- Established a sister-port relationship with the Port of Antwerp in Belgium.

May

- Acquired 65% equity interest of Mercuria Oil Terminal and 51% equity interest of Mercuria Logistics to expand the oil storage and terminal operation business in Dongjiakou Port Area.

- Acquired 51% interest in Datang Port to expand the port operation business in Dongjiakou Port Area.

June

The Company was listed on the Main Board of the Hong Kong Stock Exchange and embarked on international capital market.

2014 MAJOR EVENTS

July

Qingdao Finance, a company owned by the Company and QDP as to 70% and 30% respectively, was established to further improve the efficiency in utilising the premium capital of the port.

August

Announced the interim results of the Company.

September

- Established Qingdao Port Investment and Development (Hong Kong) Co., Limited (青島港投資發展(香港)有限公司), which is wholly owned by the Company.
- Consolidated the superior logistics resources of the Company and re-established QDI Cargo, which is wholly owned by the Company, to build a full logistic services platform.
- Established Qingdao Port International Trade Logistics Co., Ltd. (青島港國際貿易物流有限公司), a company owned by the Company and Zhenhua Logistics Group (振華物流集團) as to 60% and 40% respectively, to explore trade financial business.
- Established Qingdao Port Eimskip Cold Chain Logistics Co., Ltd. (青島港怡之航冷鏈物流有限公司), a company owned by the Company and Eimskip Asia as to 70% and 30% respectively, to explore cold chain logistics business.

October

- Dongjiakou Port Area berthed ultra large crude carriers of 300,000 DWTs for the first time.
- Mr. ZHENG Minghui, chairman of the Company, met with the senior management of Maersk, MSC and CMA CGM, the top three largest shipping companies in the world, and signed letters of intent on deepening cooperation.

2014 MAJOR EVENTS

November

Mr. ZHENG Minghui, chairman of the Company, met with the chairman of DP World (迪拜環球港務集團), a world-leading port operator, in Middle East and signed a letter of intent on deepening cooperation.

December

- The "CSCL Globe", the largest container vessel in the world of 19,100 TEUs, made its maiden voyage to the Port of Qingdao.
- Signed a strategic cooperation framework agreement with the Comprehensive Bonded Zone of Yinchuan.
- Established sister-port relationship with the Port of Ponta da Madeira in Brazil.

FINANCIAL HIGHLIGHTS

I. REVENUE

Unit: RMB'000

	2014	2013	Year-on-year growth
Revenues	**6,903,070**	6,526,264	5.8%
Gross profit	**1,943,116**	2,051,622	-5.3%
Selling and administrative expenses	**(677,954)**	(865,122)	-21.6%
Share of profit of joint ventures and associates	**611,928**	513,258	19.2%
Profit before income tax	**2,017,382**	1,939,962	4.0%
Profit for the year	**1,621,880**	1,521,802	6.6%
Including: amounts attributable to the owners of the Company	**1,586,371**	1,500,499	5.7%

	2014	2013[Note 1] (Adjusted)	Year-on-year growth
Revenues	**6,903,070**	6,526,264	5.8%
Gross profit	**1,943,116**	1,871,315	3.8%
Selling and administrative expenses	**(677,954)**	(855,374)	-20.7%
Share of profit of joint ventures and associates	**611,928**	551,633	10.9%
Profit before income tax	**2,017,382**	1,711,322	17.9%
Profit for the year	**1,621,880**	1,359,916	19.3%
Including: amounts attributable to the owners of the Company	**1,586,371**	1,338,613	18.5%

II. CASH FLOW

Unit: RMB'000

	2014	2013	Year-on-year growth
Net cash generated from/(used in) operating activities	**812,897**	(244,272)	1,057,169
Dividends received	**852,929**	55,712	797,217
Net increase in cash and cash equivalents	**3,262,590**	448,057	2,814,533

III. ASSETS

Unit: RMB'000

	2014	2013	Year-on-year growth
Total assets	**28,327,307**	19,488,328	45.4%
Total liabilities	**15,909,008**	10,919,281	45.7%
Including: borrowings	**188,261**	—	
Net assets	**12,418,299**	8,569,047	44.9%
Share capital	**4,778,204**	4,000,000	19.5%
Equity attributable to the owners of the Company	**11,616,894**	8,545,099	35.9%
Equity per share attributable to the owners of the Company (RMB/share)	**2.43**	2.14	13.6%
Asset-liability ratio	**56.2%**	56.0%	0.2 percentage point

FINANCIAL HIGHLIGHTS

IV. FINANCIAL INDICATORS

Unit: RMB

	2014	2013	2013 Note 1 (Adjusted)	Change (%) over 2013 (Adjusted)
Earnings per share	**0.36**	0.41	0.37	-2.7%
Dividend payments per 1,000 shares upon Listing	**61.91**			
Dividend payout ratio upon Listing	**40%**			
Special dividends per 1,000 shares paid to promoters prior Listing Note 2	**162.60**			
Return on total assets	**6.8%**	6.7%	6.0%	0.8 percentage point
Return on net assets	**15.5%**	12.9%	13.9%	1.6 percentage points

Note 1: The "adjusted" financial information is unaudited. The adjustments made are to illustrate the impact on the results of Dongjiakou Operation I and Group Loans for the year ended 31 December 2013, for the convenience of the shareholders and investors of the Company to compare the results of the Company for the year ended 31 December 2014 with the results for the year ended 31 December 2013, details of which are set out in "Management Discussion and Analysis".

Note 2: Pursuant to a resolution passed at the shareholders' meeting of the Company held on 15 November 2013, QDP and other promoter shareholders of the Company prior to the Listing are entitled to a special dividend, details of which are set out in "Directors' Report".

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of the Company, I am pleased to report the annual report of the Company for the year ended 31 December 2014 to each of you.

According to the 2014 work report of the National Shipping Development Promoting Conference, the world economy stayed low and continued the trend of slow recovery in 2014, and the Chinese economy entered a state of "new normal " with more steady growth driven by more diversified factors. Port enterprises have entered a normal stage with medium-to-high or even medium growth speed, as the growth of marine shipping demands and major cargoes have gradually slowed down. Their era of stevedoring business-driven rapid growth has gone.

With active analysis on the above situation, the Company adjusted its idea of development to "economic efficiency-oriented" promptly, shifted its focuses to the quality and efficiency of development from the speed and scale of throughput growth. The Company endeavoured to promote a transformation of its business format from traditional port business to modern logistics services, and achieved speed lowering with the uptrend maintained under the new normal through developing modern whole-process comprehensive logistics services and continuously creating new growth points.

At to the business model, the Company further diversified its earning bases. The Company established a brand new QDI Cargo platform, which is designated to have presence in inland port and sea-rail intermodal transportation by seizing the opportunities arising from the "One Belt and One Road" policy of China, so as to consolidate superior external logistics resources and develop new business formats such as bonding, ore sieving and mixing, and futures settlement warehouses, etc. With these initiatives, industrial chains between upstream and downstream were extended further to satisfy customerised demands from customers. To evidence that, logistics and port value-added services segment recorded profit of RMB561 million, representing an increase of 30% as compared to the same period last year. In addition, Qingdao Finance was set up by the Company to centralize control on funds and cut costs of financing, settlement and transactions. After operating for only 5 months, Qingdao Finance achived a breakthrough in capital operation by recording a total profit of RMB58.33 million.

CHAIRMAN'S STATEMENT

As to the production model, the Company focused on the release of the capabilities of the Dongjiakou Port Area, coordinated the resources of four major port areas for optimised allocation, with an effort to develop an efficient and low-cost production process. At the Dongjiakou Port Area, foreign trade dry bulk, liquid bulk and general cargo businesses were advancing to a full extent. At the Qianwan Port Area, the practice of "48 hours forecasting and 24 hours reporting" was highly appreciated by shipping companies. Ore stevedoring efficiency around the clock and Maersk container berthing efficiency both maintained the world's first position, achieving balanced efficiency and effectiveness. The Company recaptured early advantages for development during the "Big Vessel Era" of the port shipping industry, with the smooth docking of the world's largest container vessel and dry bulk vessel at the Qianwan Port Area and the Dongjiakou Port Area, respectively.

As to the management model, the Company built up an ever improving modern management system leveraging the opportunity of the successful listing of H shares. Under such system, the Company enhanced comprehensive budget management, strictly controlled cost growth, innovated new assessment and incentive mechanisms, and optimised employee structure. The Company established a series of internal management systems, including asset management, supplies bidding management, joint venture management and contract management, and set up a system for appointing financial officers to further upgrade the level of fine management. That resulted in a decrease in the selling and administrative expenses by RMB0.187 billion as compared to the same period of last year.

As to the strategic development and investment, the Company spared no efforts to build international and high level of cooperation platforms. For example, it has signed cooperative agreements with DP World, established friendly port relationship with Incheon Port of South Korea, Antwerp port of Belgium and Madeira port of Brazil, and visited headquarters of the global top three shipping companies, i.e. Maersk, MSC and CMA CGM and concluded new agreements for comprehensive cooperation with them. During the year, the Company joined hands with China Merchants Group, COSCO Group, IMC Group, Datang Corporation and Sinotrans & CSC and other Chinese and foreign giants in completing 13 equity investment projects. The Qianwan Port Area has commenced the construction of the currently most advanced automatic terminal in the world and this will increase service level and competence.

In 2014, the Group's cargo throughput was 394.09 million tons, representing an increase of 8% over the same period last year, among which container throughput was 16.48 million TEUs, representing an increase of 7% as compared to the same period last year. As of 31 December 2014, the Company recorded profit attributable to the equity holders of the Company of RMB1,586 million, and earnings per share was RMB0.36.

The Board of the Company recommended the payment of a final dividend of RMB61.91 per 1,000 shares, the payout ratio was 40%.

According to the 2014 work report of the National Shipping Development Promoting Conference, and from the view of demands for international economy and trade development, the world's shipping demand in a future period of time will maintain a stable growth with continuous increases in percentages of consumer goods and finished products that suit for containers. Logistics value-added services increased its output value as a percentage of the total port economy, indicating a gradual recovery of the world's port economies and transitional development.

With China's further progress of the "One Belt and One Road" and strong marine power strategies, the Port of Qingdao is well positioned as the confluence of "Silk Road Economic Belt" and "21st Century Maritime Silk Road" with outstanding advantages in geographical location, shipping routes and hinterland economy. Qingdao Port also possesses the great opportunities in expanding cargo sources and developing cold chain logistics and sea-rail intermodal transportation, thanks to the benefits from China-South Korea Free Trade Agreement. Qingdao Port will, by taking use of its advantages as the center of Northeast Asian ports cluster and the best sea route for cargos from inlands of China to be exported to South Korea, accelerate the construction of the international shipping and logistics center in the Northeast Asia.

CHAIRMAN'S STATEMENT

Looking forward to the year of 2015, the Group will actively push ahead development in terms of both ocean and land aspects in line with China's "One Belt and One Road" strategy, roundly elevate its function as a hub facing Japan and South Korea, expanding to Southeast Asia and connecting Middle Asia and Europe. The Group will explore platform construction and information operation for the port logistics and establish modern whole-process comprehensive logistics networks with the Port of Qingdao as the hub, and is committed to building a fourth generation port that is strong in logistics with proper presence, wide functions and access to the world, thereby delivering sustainable growth and creating more profitable returns for shareholders.

Last but not least, I would like to take this opportunity to thank, on behalf of the Board, all staff for their hard work in the past year, and extend my sincere gratitude to our shareholders and business partners for their confidence and strong support.

ZHENG Minghui
Chairman
20 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

I. MACRO SITUATION AND INDUSTRY OVERVIEW

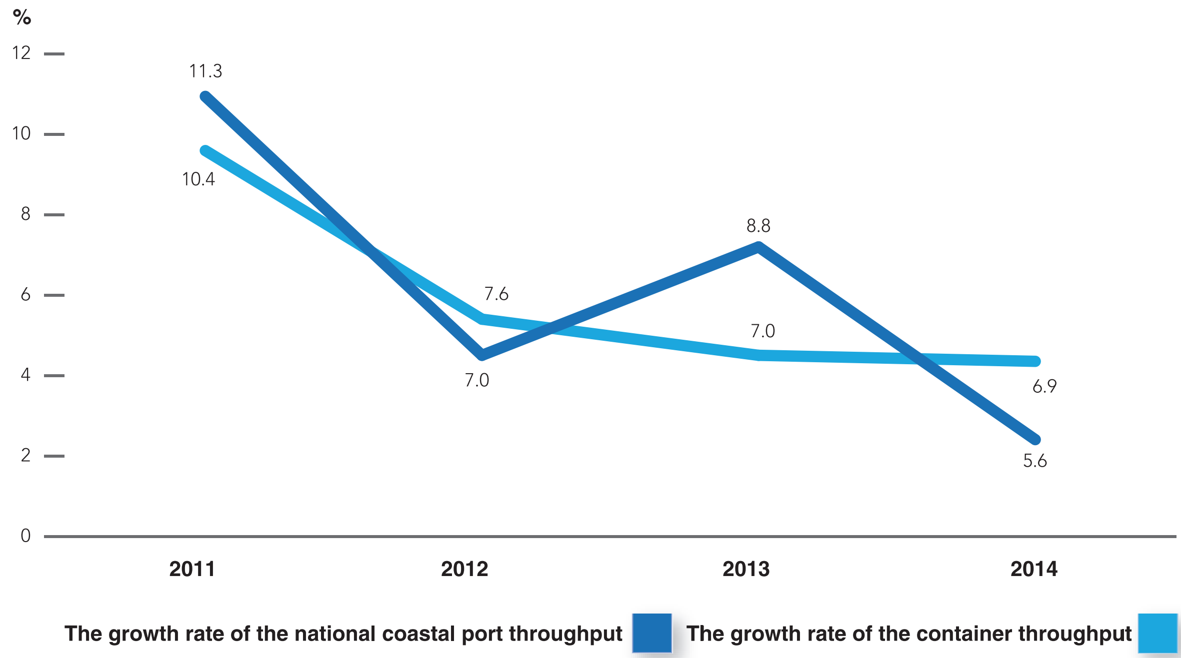
1. General Situation

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

2. Operation of Port Industry

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

The growth rate of the main national coastal port throughput



MANAGEMENT DISCUSSION AND ANALYSIS

II. REVIEW OF BUSINESS AND FINANCIAL CONDITION

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

1. Overall Review of Business and Results

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

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

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

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

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

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

Unit: RMB'000

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

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

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

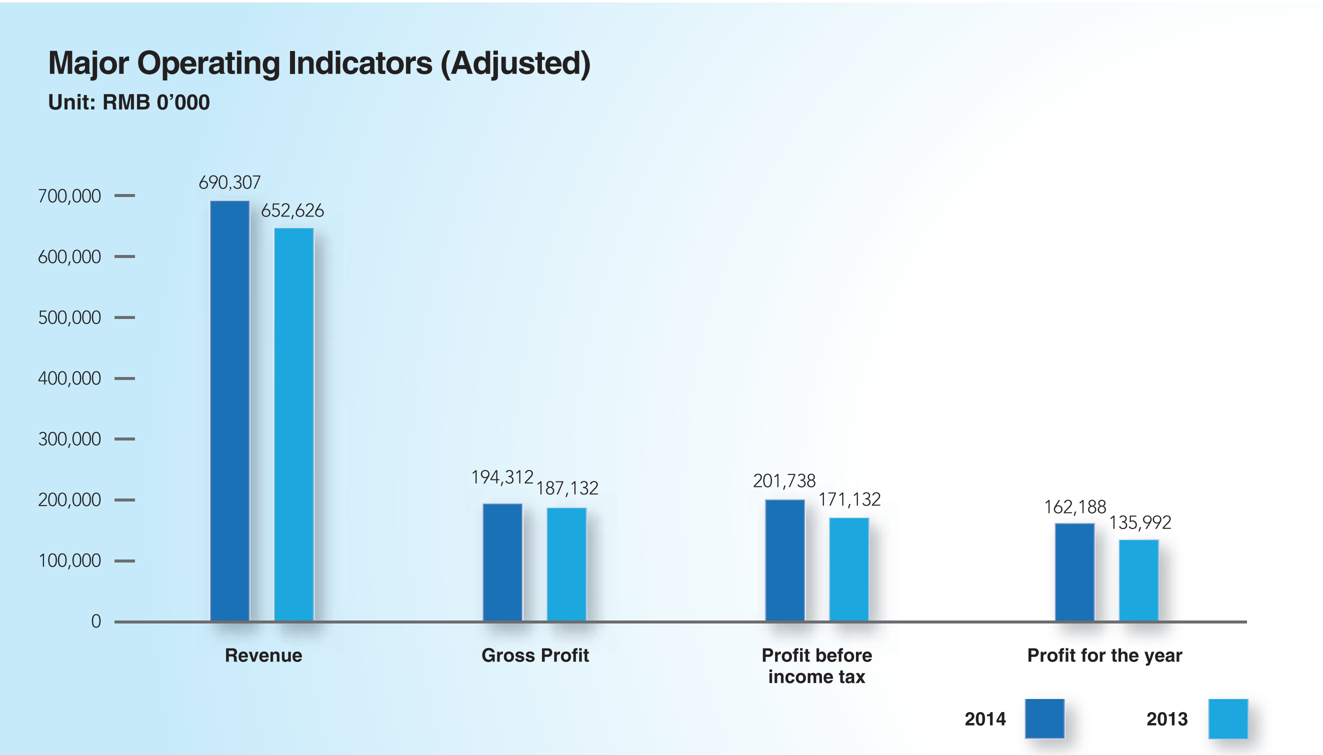
(c) Based on the profit of Dongjiakou Operation I during the period from 1 January 2013 to 14 November 2013, we calculated the share of profit of the joint ventures attributable to the Group on a 30% equity basis (i.e. the shareholding percentage of the Company in QDOT).

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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



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

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

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

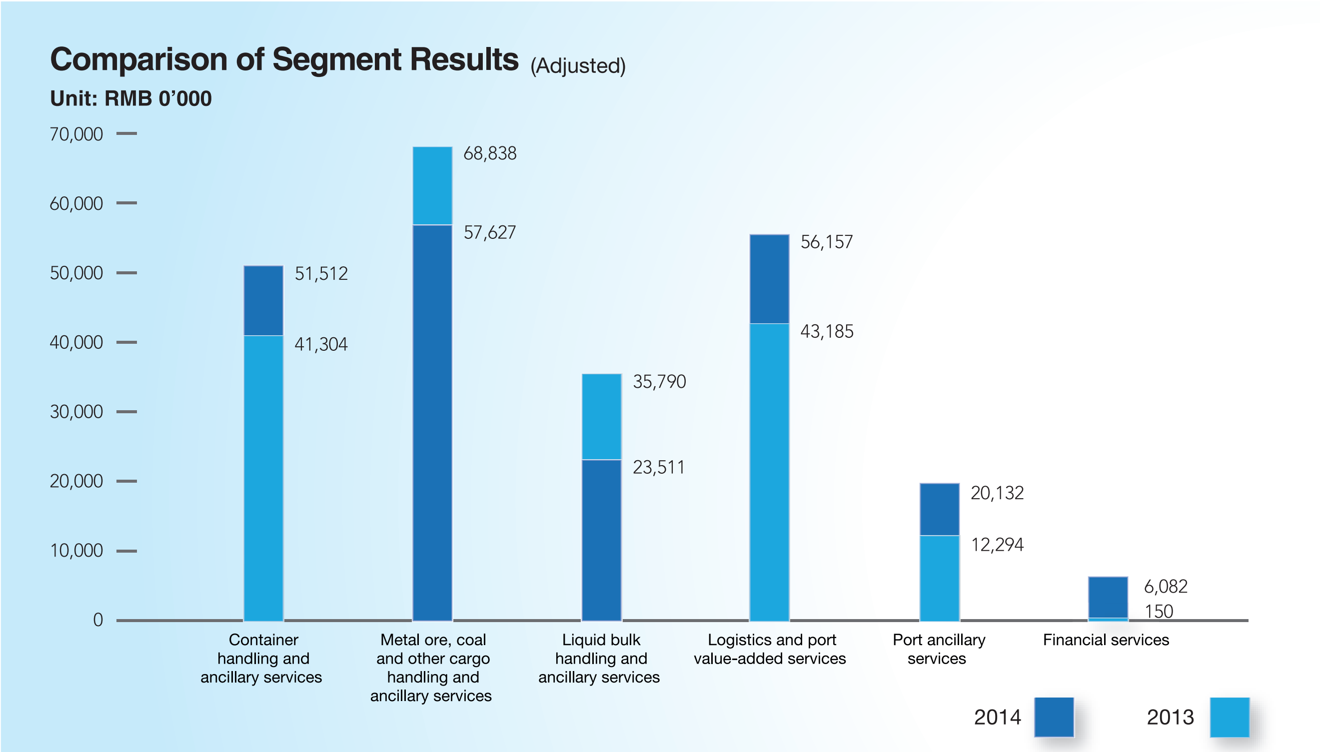
For 2014, the selling and administrative expenses of the Group decreased RMB177 million or 20.7% over the adjusted figure for the same period of last year, mainly due to the improvement in internal operation management, the cut down in administrative expenses and the reform in staff compensation and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

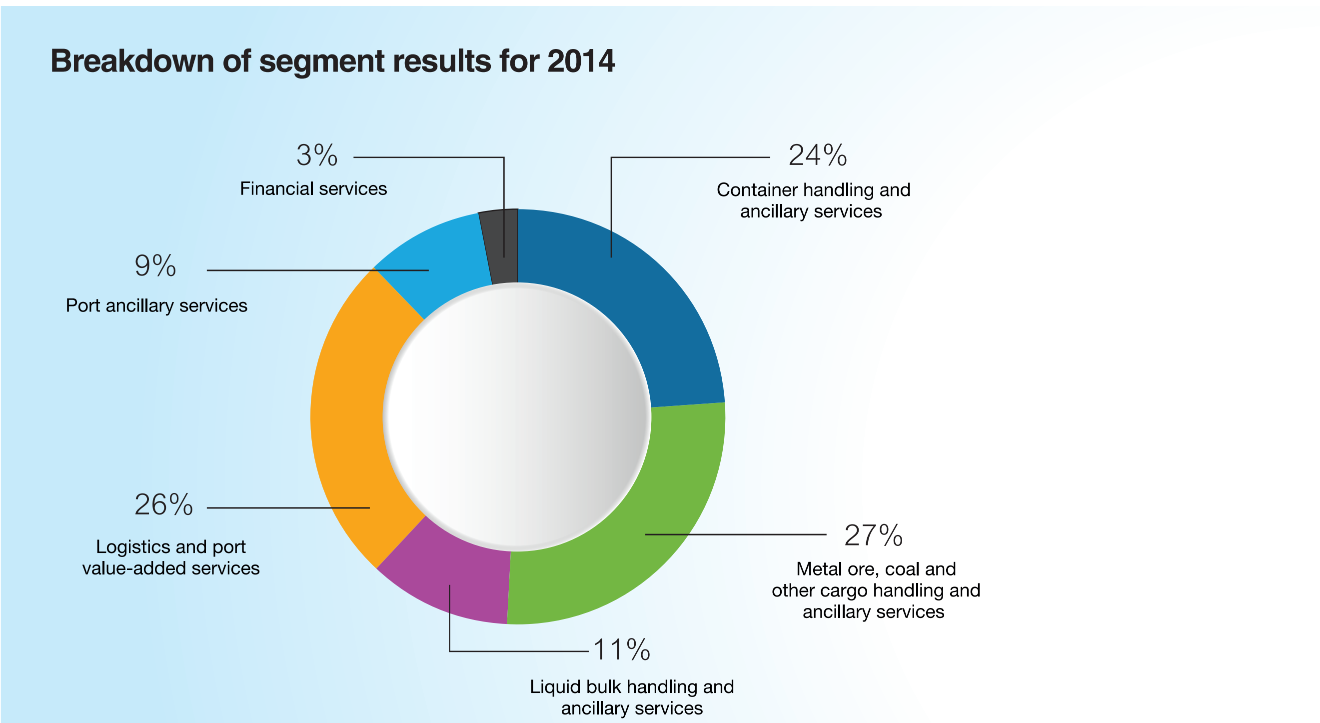
For 2014, the share of profit of joint ventures and associates amounted to RMB611 million, representing an increase of RMB60 million or 10.9% over the adjusted figure for the same period, which was mainly due to the significant increase in the results from container handling and ancillary services.

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

MANAGEMENT DISCUSSION AND ANALYSIS

2. Review of Business and Results by Segments





(1) Container handling and ancillary services

Business Review

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results Review

Unit: RMB'000

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

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

Container handling and ancillary services are primarily operated through one of our joint ventures QQCT, and its joint ventures such as QQCTU. In 2014, we have achieved throughput of 16.48 million TEUs, representing an increase of 7.0% over the same period, and a segment results of RMB515 million, representing an increase of RMB 102 million or 24.7% over the same period. The significant increase in profit is primarily due to the following reasons:

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

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

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

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

Business Review

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

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

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

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

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

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

Unit: RMB'000

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Liquid bulk handling and ancillary services

Business Review

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

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

Results Review

Unit: RMB'000

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

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

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

(4) Logistics and port value-added services

Business Review

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

Results Review

Unit: RMB'000

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(5) Port ancillary services

Unit: RMB'000

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

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

(6) Financial services

Unit: RMB'000

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

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

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

3. Financial Status

Unit: RMB'000

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

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

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

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

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

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

4. Cash Flow Analysis

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

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

5. Liquidity and Financial Resources

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

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

6. Capital Structure

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

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

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

7. Interest rate and exchange rates risks

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

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

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

8. Financial indicators

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

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

III. SIGNIFICANT CAPITAL EXPENDITURES

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

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

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

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

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

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

V. EMPLOYEES

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

VI. PLEDGE OF ASSETS

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

VII. CORPORATE SOCIAL RESPONSIBILITY

1. Environment protection

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

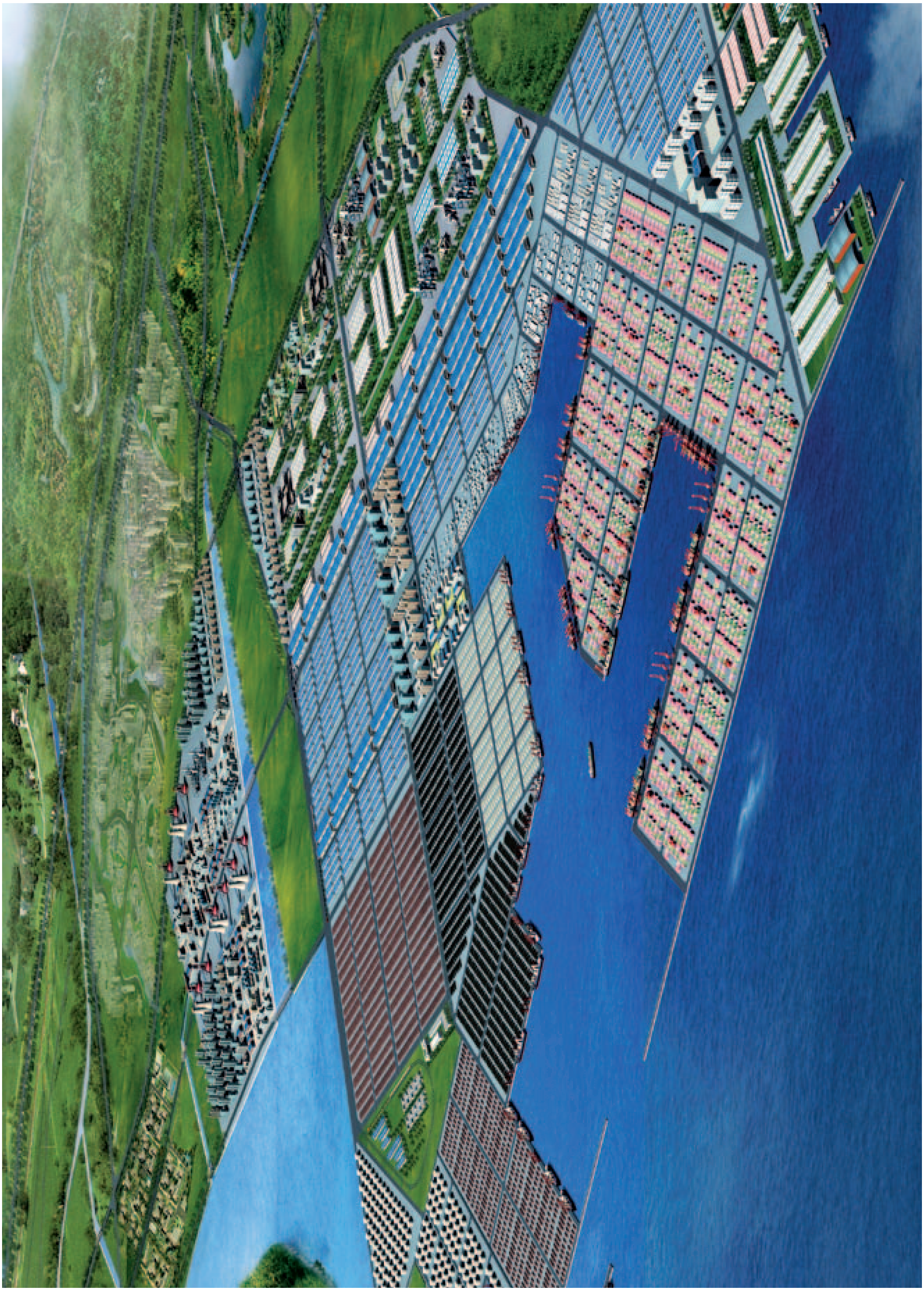
2. Employee Care

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

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

3. Community Care

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



Dongjiakou Port Area Planning Rendering

VIII. OUTLOOK FOR 2015

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY

1. Executive Directors

Mr. ZHENG Minghui (鄭明輝), aged 58, is a postgraduate of Nankai University (南開大學) and a senior economist. He has joined the QDP since April 2013, and has joined the Company since November 2013. He currently serves as the Chairman and an executive Director of the Company, chairman of Strategy and Development Committee, chairman of Nomination Committee, chairman of QDP, a director of Qingdao Port Investment Development (Hong Kong) Co., Limited (青島港投資發展(香港)有限公司), a wholly owned subsidiary of the Company, chairman of Qingdao Finance and chairman of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司), a wholly owned subsidiary of QDP. He has served as a senior economist, general manager and chairman of Qingdao Machinery Industry Corporation (青島市機械工業總公司), deputy director of the Qingdao Municipal Development and Reform Commission (青島市發展和改革委員會), director of Qingdao Municipal Commission of Transportation (青島市交通運輸委員會), secretary of Jimo Municipal Party Committee (即墨市委) and principal of Party School of the Municipal Party Committee (市委黨校), head of the Municipal Port and Shipping Administration Authority (青島市港航管理局) and president of QDP. Mr. ZHENG has over 30 years of experience in leadership and management of state authorities and large-scale state-owned enterprises.

Mr. JIAO Guangjun (焦廣軍), aged 48, is a bachelor of Wuhan Water Transportation Engineering College (武漢水運工程學院) (now known as Wuhan University of Technology (武漢理工大學)) and a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1988, and has joined the Company since November 2013. He currently serves as the President, an executive Director, member of Strategy and Development Committee and the Chief Safety Officer of the Company as well as chairman of Qingdao Port Technology Co., Ltd (青島港科技有限公司). He has served as manager of Yougang Company (油港公司) of Qingdao Port Authority, news center director, head of safety and technology department, assistant to the president and vice president of QDP and Vice President of the Company. Mr. JIAO has over 26 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

Note: Information stated in this section is up to 20 March 2015.

The biographical details of Mr. ZHENG Minghui (鄭明輝), Mr. JIAO Guangjun (焦廣軍), Mr. CHENG Xinnong (成新農), Mr. SUN Yafei (孫亞非), Mr. WANG Shaoyun (王紹雲), Mr. MA Baoliang (馬寶亮), Mr. WANG Yaping (王亞平), Mr. CHAU Kwok Keung (鄒國強), Mr. FU Xinmin (付新民), Mr. CHI Dianmou (遲殿謀), Ms. XUE Qingxia (薛清霞) and Mr. CHEN Fuxiang (陳福香) are set out in the Prospectus.

The biographical details of Mr. YANG Qiulin (楊秋林), Ms. LIU Yuping (劉玉萍), Mr. LI Xuxiu (李旭修) and Mr. LIU Dengqing (劉登清) are set out in the Company's annoucement dated 29 September 2014.

The biographical details of Ms. JIANG Chunfeng (姜春鳳) are set out in the Company's annoucement dated 20 March 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2. Non-Executive Directors

Mr. CHENG Xinnong (成新農), aged 47, was graduated from Jimei Navigation Institute (集美航海專科學校) (now known as Jimei University (集美大學)) and is a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in August 1988, and has joined the Company since November 2013. He currently serves as the Vice Chairman, a non-executive Director of the Company, member of Strategy and Development Committee, member of Remuneration Committee, vice chairman, president and chief safety officer of QDP, as well as chairman, vice chairman and director of several subsidiaries, joint ventures and associates of the Company. He has served as deputy factory director of the Port Machinery Factory (港機廠) of QDP and manager of the Tugboat and Barge Branch of QDP, head of business department, vice president and executive vice president of QDP as well as an executive Director, the President and the Chief Safety Officer of the Company. Mr. CHENG has over 26 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

Mr. SUN Yafei (孫亞非), aged 59, has joined the QDP since April 2013, and has joined the Company since November 2013. He currently serves as a non-executive Director of the Company, member of Strategy and Development Committee, member of Audit Committee and vice chairman of QDP. He has served as deputy director and deputy secretary general of the General Office of Qingdao Municipal Party Committee (青島市委辦公廳), director of the Overseas Chinese Affairs Office of the Qingdao Municipal Government (青島市政府僑務辦公室) and head of Qingdao Municipal Food and Drug Supervision and Administration Authority (青島市食品藥品監督管理局). Mr. SUN has over 40 years of working experience in state authorities and large-scale state-owned enterprises.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. WANG Shaoyun (王紹雲), aged 60, is an economist. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in January 1972, and has joined the Company since November 2013. He currently serves as a non-executive Director of the Company, member of Strategy and Development Committee, and vice president of QDP. He has served as deputy head of Qingdao Port Authority as well as the director of General Officeof QDP, chairman of Qingdao Port Investment and Construction (Group) Co., Limited (青島港口投資建設(集團)有限責任公司), a wholly owned subsidiary of QDP, and a director of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司). Mr. WANG has over 40 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

Mr. MA Baoliang (馬寶亮), aged 57, was graduated from Shandong University (山東大學) with a college degree. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in October 1993, and has joined the Company since November 2013. He currently serves as a non-executive Director of the Company, member of Strategy and Development Committee and head of Labour Union of the Company, head of Labour Union of QDP and chairman of Qingdao Port Culture & Media Co., Ltd. (青島港文化傳媒有限公司). He has served as deputy general manager of Hongyu Company (宏宇公司), head of Labour Union of Communications Branch (通信分公司), deputy director of Publicity and Education Department of Qingdao Port Authority as well as deputy director and director of the Political Affairs Department of QDP. Mr. MA has over 20 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3. Independent Non-Executive Directors

Mr. WANG Yaping (王亞平), aged 51, is a bachelor in law of East China College of Political Science and Law (華東政法學院) (now known as East China University of Political Science and Law (華東政法大學)) and a second-grade lawyer. He has joined the Company since May 2014. He currently serves as an independent non-executive Director of the Company, chairman of Remuneration Committee, member of Nomination Committee, a senior partner and deputy director of Shandong Qindao Law Office (山東琴島律師事務所) and a supervisor of Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock code 00168 and 600600 respectively). Mr. WANG was awarded as Outstanding Lawyer in Shandong Province and in Qingdao City for several times.

Mr. CHAU Kwok Keung (鄒國強), aged 38, was graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration. He is a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst of CFA Institute. He has joined the Company since May 2014. He currently serves as an independent non-executive Director of the Company and chairman of Audit Committee as well as an executive director, chief financial officer and company secretary of Comtec Solar Systems Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 712). He has served as deputy group financial controller of China South City Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1668), qualified accountant, chief financial officer, company secretary and authorized representative of China.com Inc. (now known as Sino Splendid Holdings Limited), a company listed on the Hong Kong Stock Exchange (Stock Code: 8006) and a member of the supervisory committee of RIB Software AG, a German software company listed on the Frankfurt Stock Exchange (Stock Code: RSTAG). Mr. CHAU is experienced in financial management and corporate management.

Mr. YANG Qiulin (楊秋林), aged 48, is a master of science in applied accounting and finance of Hong Kong Baptist University, a certified public accountant, a certified public assets appraiser and the Excellent Certified Public Accountant in Shandong Province. He has joined the Company since September 2014. He currently serves as an independent non-executive Director of the Company, member of Audit Committee, member of Nomination Committee, member of Remuneration Committee and deputy general manager of Qingdao Branch of Reanda Certified Public Accountants Co., Ltd. (利安達會計師事務所) (special general partnership). He has served as the deputy head of Shandong Dongfang Junhe Certified Public Accountants Co., Ltd. (山東東方君和會計師事務所), the financial general manager of Shandong Zhongyuan Investment Group Co., Ltd. (山東中苑投資集團) and the deputy general manager of Shandong Reanda Dongxin Certified Public Accountants Co., Ltd. (山東利安達東信會計師事務所有限公司). Mr. YANG has extensive knowledge and practical experience in financial management and capital management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF MEMBERS OF THE SUPERVISORY COMMITTEE OF THE COMPANY

1. Shareholder Representative Supervisors

Mr. FU Xinmin (付新民), aged 57, joined the Qingdao Port Authority (青島港務局), which is now the QDP, in November 1975, and has joined the Company since November 2013. He currently serves as the Chairman of the Supervisory Committee of the Company, secretary of the Disciplinary Committee of QDP, supervisor of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司) and chairman of the supervisory committee of Qingdao Shihua. He has served as captain of the criminal investigation brigade, director of General Office and head of Labour Union of the Public Security Bureau of Qingdao Port Authority, head of the surveillance office of the Qingdao Port Authority, head of the supervision department, chief economist and head of the human resources department of QDP.

Mr. CHI Dianmou (遲殿謀), aged 57, is a postgraduate of Harbin Institute of Technology (哈爾濱工業大學) and a researcher of engineering application. He has joined the QDP since June 2012, and has joined the Company since November 2013. He currently serves as a Supervisor of the Company, vice president of QDP and a dirctor of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司). He has served as manager of City Construction and Investment Center of Qingdao Municipal (青島市城市建設投資中心), deputy general manager of Qingdao City Construction and Investment Group Limited Company (青島城市建設投資(集團)有限責任公司), deputy director of the Qingdao Municipal Construction Commission (青島市建設委員會) and vice chairman and general manager of Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2. Employee Representative Supervisors

Ms. XUE Qingxia (薛清霞), aged 51, is an accountant and was certified by China Institute of Internal Audit (中國內部審計協會) to be qualified for internal audit. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1985, and has joined the Company since November 2013. She currently serves as a Supervisor, deputy secretary of the Party Disciplinary Committee, head of the Supervision Department of the Company, deputy secretary of the Party Disciplinary Committee of QDP, as well as supervisiong chairperson and supervisor of several subsidiaries and joint ventures of the Company. She has served as deputy manager of the finance department of Minggang Company (明港公司) of QDP, deputy manager of the accounting and finance department, deputy head of the supervision department and deputy director of the materials and equipment tender and procurement center of Xigang Company (西港公司) of QDP.

Ms. LIU Yuping (劉玉萍), aged 49, is a senior political engineer. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in December 1983, and has joined the Company since November 2013. She currently serves as a Supervisor and the deputy chairperson of the Labour Union of the Company as well as deputy chairperson of the labour union of GDP. She has served as chairperson of the labour union of Qingdao Port Authority Processing Plant (青島港務局加工廠), deputy manager of Qingdao Port Tongda Industrial Co., Ltd. (青島港通達實業有限公司) and deputy chairperson of the labour union of Qingdao Port Authority (青島港務局).

3. Independent Supervisors

Mr. LI Xuxiu (李旭修), aged 48, is a postgraduate of Chinese Academy of Social Sciences (中國社會科學院), the Excellent Lawyer in China and an arbitrator of the China International Economic and Trade Arbitration Commission. He has joined the Company since September 2014. He currently serves as an independent Supervisor of the Company, senior partner and director of Shandong Deheng Law Firm (山東德衡律師事務所), a vice chairman of the litigation and arbitration committee of the Lawyers Association of Shandong Province (山東省律師協會) and a member of the civil cases professional committee of the All-China Lawyers Association (中華全國律師協會). He has been a teacher at the Ocean University of China (中國海洋大學), a lawyer, partner and deputy director, senior partner and deputy director of Shandong Deheng Law Firm (山東德衡律師事務所).

Mr. LIU Dengqing (劉登清), aged 44, is a doctorate in management studies of Tsinghua University. He has joined the Company since September 2014. He currently serves as an independent Supervisor of the Company, a partner, senior vice president and chief appraiser of China Enterprise Appraisals Company, Inc. (北京中企華資產評估有限責任公司), an independent director of Harbin Electric Company Limited (哈爾濱電氣股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 01133), an independent director of China Spacesat Co. Ltd. (中國東方紅衛星股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600118), a member of the 5th Merger and Reorganization Committee of CSRC, a project appraisal expert of financial institution state assets appraisal project of the Ministry of Finance (財政部) and a member of the Project Appraisal Expert Group of SASAC. He used to be a member of the 10th and 11th Issuance Review Committee of CSRC, a member of the 4th Merger and Reorganization Committee of CSRC. Mr. LIU has extensive experience in assets appraisal and is a certified public valuer, a certified real estate appraiser and a certified mining rights appraiser of China. He is one of the first Top 10 Youth Appraisers in China.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF THE SENIOR MANAGEMENT OF THE COMPANY

Mr. JIAO Guangjun (焦廣軍), the President of the Company, is one of the senior management. For his biographical details, please refer to "Executive Directors".

Ms. JIANG Chunfeng (姜春鳳), aged 39, is a master in management studies of Shandong Economics University (山東經濟學院) (now known as Shandong University of Finance and Economics (山東財經大學)) and a senior accountant. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 2002, and has joined the Company since November 2013. She currently serves as the Vice President, the Chief Financial Officer and the head of the Financial Department, and the head of the Overseas Business Department of the Company, a director of Qingdao Finance, a director and general manager of Qingdao Yongli, a director of Qingdao Port Technology Co., Ltd. (青島港科技有限公司) and a director of Qingdao Port Culture & Media Co., Ltd (青島港文化傳媒有限公司). She has served as deputy director of Financial Department and deputy director of Capital Markets Office of QDP. Ms. JIANG has over 12 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management and finance.

Mr. CHEN Fuxiang (陳福香), aged 48, is a bachelor in law of Renmin University of China (中國人民大學), a master in law of Dalian Maritime University (大連海事大學) and an economist and has been admitted as a lawyer of the PRC. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1988, and has joined the Company since November 2013. He currently serves as the Joint Company Secretary, Board secretary and the director of the General Office of the Board of the Company. He has served as deputy director of the General Office and the director of the Research Office of the Qingdao Port Authority, deputy director of the General Office of QDP, secretary of the Party Committee of the Dagang Branch, secretary of the Party Committee and commissar of Qingdao Port Public Security Bureau and director of the General Office of QDP. Mr. CHEN has over 26 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.

The Board is pleased to present the annual report and the audited financial statements of the Company for the year ended 31 December 2014.

- **Principal businesses and activities**

The Group operates the following businesses through its branches, subsidiaries, joint ventures and associates: (i) container handling and ancillary services, (ii) metal ore, coal and other cargo handling and ancillary services, (iii) liquid bulk handling and ancillary services, (iv) logistics and port value-added services, (v) port ancillary services and (vi) financial services.

More details regarding the subsidiaries, joint ventures and associates are set out in Notes 38, 11(a) and 11(b) to the financial statements respectively.

The performance of the Group's business segments for the year is set out in Note 5 to the financial statements.

- **Results and distribution**

The results of the Group for the year are set out in the consolidated income statement.

Pursuant to the resolution of the shareholders' meeting held on 15 November 2013, all promoter shareholders prior to the listing of the Company 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 the incorporation 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 People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") or International Financial Reporting Standards ("IFRS"), whichever is lower. At the board meeting held on 20 March 2015, the Board approved the Special Dividend, as determined based on the audited consolidated balance sheet as at 31 May 2014 prepared in accordance with PRC GAAP, distributable to QDP and other promoters of approximately RMB650,384,000.

The Board has proposed the distribution of final dividend RMB61.91 (tax inclusive) per 1,000 shares, totaling approximately RMB295,792,000 (tax inclusive) which represents 40% of distributable profits attributable to shareholders of the Company for the period from 1 June 2014 to 31 December 2014. Such distribution plan will be implemented subject to approval at the 2014 annual general meeting.

The dividend-related tax arrangements:

(i) Overseas enterprise shareholders

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

DIRECTORS' REPORT

(ii) Individual shareholders

The Notice of the PRC State Administration of Taxation Concerning the Collection and Management of Individual Income Tax after the Abolition of the Circular SAT No. [1993] 045 (Guo Shui Han [2011] No. 348) (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知（國稅函[2011] 348號）) promulgated by the SAT on 28 June 2011 provides:

In accordance with provisions of the "Notice of the State Administration of Taxation on Printing and Distributing the 'Measures for the Administration of Non-residents' Treatment under Tax Treaties (for trial implementation)'" (Guo Shui Fa [2009] No.124) (hereinafter referred to as the "Notice"), for the purpose of enjoying relevant tax incentives, the foreign resident individual or an agent authorized in a written form shall file an application and go through the relevant formalities. However, in view of the situation that the relevant dividends and interest rate regulated in aforesaid tax treaties and tax arrangements is normally 10%, and of the fact that there are numerous shareholders, for the purpose of simplifying the administration of tax collection, a domestic non-foreign-invested enterprise that issues shares in Hong Kong may, for the purpose of distributing dividends and bonuses, withhold individual income tax at the rate of 10% in general, and the application procedure is not required.

As for the situation that the dividends and interest rate is not 10%, the following regulations shall apply:

Where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is lower than 10%, the withholding agent shall, in accordance with provisions of the "Notice", file the application on behalf of the individual for claiming for treatment under DTA, and then refund the additional tax upon approval by the in-charge taxation authorities;

Where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is higher than 10% and lower than 20%, thewithholding agent shall withhold the individual income tax in accordance with theactual conventional tax rate when distributing dividends and bonus, and theapplication procedure is not required.

Where an individual who has earned the dividends is the resident of a country which has not signed a tax treaty with China, the withholding agent shall withhold the individual income tax at the rate of 20% when distributing dividends and bonus.

- **Share capital**

As at 31 December 2014, the Company had a total of 4,778,204,000 issued shares with a nominal value of RMB1.00 each, the shareholding structure of which is as follows:

Class	Number of shares	Percentage in the issued shares of the Company
Domestic shares	3,922,179,000	82.08%
H shares	856,025,000	17.92%
Total	4,778,204,000	100.00%

Changes in share capital of the Company during the year are set out in Note 27 to the financial statements.

- **Reserves**

  Details of changes in reserves of the Group and the Company for the year are set out in the Consolidated Statement of Changes in Equity and Note 28 to the financial statements.

- **Distributable reserves**

  As at 31 December 2014, the amount of reserves available for distribution of the Company was approximately RMB444 million.

- **Use of proceeds from the Global Offering**

  The Company raised a total of approximately HKD2,926 million, equivalent to approximately RMB2,326 million, by issuing H shares. After deducting the listing expenses of approximately RMB128 million, of which approximately RMB113 million was capitalised and deducted from share premium, the net proceeds amounted to approximately RMB2,198 million. As at 31 December 2014, we invested RMB841 million of the proceeds from the Global Offering in the projects as disclosed in Prospectus and used RMB268 million to fund our working capital in the way exactly as disclosed in the Prospectus.

- **Major customers and suppliers**

  During the year, the Group's major customers and suppliers accounted for the following percentages in the Group's revenue and purchases:

The largest customer as a percentage of the Group's revenue	Less than 8.5%
The top five customers as a percentage of the Group's revenue	Less than 20.2%
The largest supplier as a percentage of the Group's purchases	Less than 14.3%
The top five suppliers as a percentage of the Group's purchases	Less than 38.5%

  None of the directors, supervisors, their respective associates or any shareholders of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the above top five customers or suppliers.

- **Property, plant and equipment**

  Details of changes in property, machinery and equipment of the Group and the Company are set out in Note 17 to the financial statements.

- **Investment properties**

  Details of investment properties of the Group for the year are set out in Note 18 to the financial statements.

- **Directors, supervisors and their changes**

  As announced by the Company on 29 September 2014, upon approval by the second extraordinary general meeting of 2014 of the Company, Mr. XU Guojun (徐國君), the former independent non-executive Director of the Company, has resigned as an independent non-executive Director and a member of the respective special committees under the Board, and Mr. YANG Qiulin (楊秋林) has been appointed as an independent non-executive Director to fill such vacancy; the Company has elected Mr. LI Xuxiu (李旭修) and Mr. LIU Dengqing (劉登清) as members of the Supervisory Committee. Ms. LIU Yuping (劉玉萍), an employee representative Supervisor of the Company, has been elected as a member of the Supervisory Committee at the staff representative assembly of the Company.

Save for the above, there was no other change in our directors and supervisors from the Listing Date to the date of this annual report.

- **Biographical details of directors, supervisors and senior management**

  Information about directors, supervisors and senior management is set out in the section headed "Directors, Supervisors and Senior Management".

- **Service contracts of directors and supervisors**

  The Company has entered into service contracts with all directors and supervisors for a term up to the date of convening the third annual general meeting since the establishment of the Company or which shall be terminated pursuant to relevant terms of respective contracts.

  None of the directors and supervisors has entered into any service contract with the Company or any of its subsidiaries which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

- **Interests in contracts of significance of directors and supervisors**

  As at the year-end or any time during the year, save for service contracts, none of directors and supervisors was materially interested, directly or indirectly, in any contracts of significance to the Group entered into with the Company, any of its subsidiaries, its fellow subsidiaries or its controlling companies.

- **Management contracts**

  No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

- **Interests of directors in businesses competing with the Company**

  The Company has received confirmation letters from directors, confirming that other than business of the Group, none of the directors holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group.

- **Remuneration of directors and supervisors and the five highest paid individuals**

  Remuneration of directors and supervisors of the Company is determined by general meetings based on their roles and duties.

  Details of remuneration of directors, supervisors and the five highest paid individuals of the Company during the year are set out in Note 9 to the financial statements.

- **Interests and short positions of directors, supervisors and chief executives in shares, underlying shares and debentures of the Company and its associated corporations**

  So far as the directors are aware, as at 31 December 2014, none of the directors, supervisors or chief executives and their respective associates had any interest 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 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 for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules.

- **Interests of substantial shareholders**

So far as the directors are aware, as at 31 December 2014, the following person (other than the directors, supervisors and chief executives) had interest or short positions in the shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

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]	3,522,179,000 (L)	73.71%	89.80%	—

Notes:

(1) The letter "L" denotes long position in such securities.

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

Save as disclosed above, as at 31 December 2014, none of the persons had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company.

- **Directors' and Supervisors' rights to acquire shares or debentures**

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or Supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2014.

- **Share option scheme**

As of 31 December 2014, the Company did not implement any share option scheme.

- **Sufficiency of public float**

The Hong Kong Stock Exchange has granted the Company a waiver that the minimum public float requirement under Rule 8.08(1)(a) be reduced and the minimum percentage of the Company's H shares from time to time held by the public to be reduced to 16.62%. Based on publicly available information and so far as the directors are aware, as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public which is no less than 16.62%, and therefore in compliance with the Listing Rules.

DIRECTORS' REPORT

- **Purchase, sale or redemption of securities**

  During the year, the Company and any of its subsidiaries did not purchase, sell or redeem any of the listing securities of the Company.

- **Pre-emptive rights**

  There is no provision for pre-emptive rights under the Articles of Association and the laws of the PRC which would otherwise require the offer of new shares of the Company to existing Shareholders on a pro-rata basis.

- **Employees, remuneration and pension scheme**

  Details of employees, remuneration policy and pension scheme of the Company are set out in Note 9 and Note 31 to the financial statements.

- **Donation**

  The charity and other donations of the Group made for the year 2014 amounted to HK$1 million.

- **Contingent liabilities**

  The Group had no material contingent liabilities as of 31 December 2014.

- **Non-competition agreement and undertaking**

  The Company has received a confirmation letter issued by QDP which confirms that it has complied with the Non-Competition Agreement and Undertaking entered into with the Group during the Reporting Period.

- **Confirmation of compliance with the Corporate Governance Code**

  The Company is committed to implementation of sound corporate governance and has continued to improve and optimise its internal control system during the Reporting Period to safeguard shareholders' interests and enhance the value of the Company. The Company has adopted and complied with all applicable provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. For details of compliance with the Corporate Governance Code, please refer to the "Corporate Governance Report".

- **Auditors**

  This financial statements have been audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming annual general meeting. The Company will propose a resolution to re-appoint PricewaterhouseCoopers as the Company's auditor at the forthcoming annual general meeting.

  The Company has been engaging PricewaterhouseCoopers as the Company's auditor since the commencement of the preparation for its Hong Kong Listing.

- **Connected transactions**

Summary of the Company's connected persons

Connected Person	Connected Relationship
QDP	The controlling shareholder of the Company, currently holding 73.71% of the Company's total issued share capital.
China OST	The substantial shareholder with 16% equity interest in the Company's non-wholly owned subsidiary, Qingdao OST.
COSCO Group	The controlling shareholder of China OST and is therefore an associate of China OST.
Qingdao Finance	A connected subsidiary of the Company which is held as to 70% by the Company and the remaining 30% by QDP.
Qingdao Gangsheng	An associate of QDP, which is held as to 30% equity interest by QDP
Qingdao Shenzhouxing	An associate of China OST, belonging to COSCO Group and is also our joint venture in which the Company has 50% shareholding.
QWG Port Logistics	An associate of China OST, belonging to COSCO Group and is also our joint venture in which the Company has 23% shareholding.
Qingdao Ocean	An associate of China OST, belonging to COSCO Group
China Marine Bunker	An associate of China OST, belonging to COSCO Group
Qingdao United	An associate of China OST, belonging to COSCO Group and is also our joint venture in which the Company has 50% shareholding.
Qingdao Cargo	An associate of China OST, belonging to COSCO Group
COSCO Shipping	An associate of China OST, belonging to COSCO Group
COSCO Logistics	An associate of China OST, belonging to COSCO Group
China Ocean	An associate of China OST, belonging to COSCO Group
COSCO Container	An associate of China OST, belonging to COSCO Group

CONTINUING CONNECTED TRANSACTIONS

(A) Continuing connected transactions with QDP

i Lease Framework Agreement

The Company entered into a lease framework agreement (the "Lease Framework Agreement") on 9 May 2014 in respect of the lease of certain assets which include, among other things, land, buildings, tugboats and structures from QDP and/or its subsidiaries to the Group. The Lease Framework Agreement is valid for a term commencing from its signing date and ending on 31 December 2016. Details for the Lease Framework Agreement, please refer to the Prospectus.

ii General Framework Agreement

The Company entered into a general framework agreement with QDP and Qingdao Gangsheng on 9 May 2014, respectively. Pursuant to which, QDP and/or its subsidiaries provide a series of goods and services ("QDP General Services I"), and the Group provides a series of services to QDP and/or its subsidiaries ("QDP General Services II"). Qingdao Gangsheng provides certain goods and services ("Gangsheng General Services I"), and the Group provides certain goods and services to Qingdao Gangsheng("Gangsheng General Services II"). The agreement is valid for a term commencing from its signing dates and ending on 31 December 2016. Details for the said agreement, please refer to the Prospectus.

As Qingdao Gangsheng is an associate of QDP, and QDP General Services I is of the same nature as that of Gangsheng General Services I ("General Services I"), and QDP General Services II is of the same nature as that of Gangsheng General Services II ("General Services II"), QDP General Services I and Gangsheng General Services I shall be aggregated and QDP General Services II and Gangsheng General Services II shall be aggregated under the Listing Rules.

With the approval of the Board of the Company, the annual caps for QDP General Services I, Gangsheng General Services I, QDP General Services II, Gangsheng General Services II in this year have been adjusted, respectively. Please refer to the announcement made by the Company dated 29 December 2014 titled Adjustment to Annual Caps for Continuing Connected Transactions under QDP General Framework Agreement and Qingdao Gangsheng General Framework Agreement.

(B) Continuing connected transactions with Qingdao Finance

On 31 July 2014, Qingdao Finance entered into the Financial Services Framework Agreement with QDP and the Company, respectively, in relation to provision of deposit services, credit services and intermediary services from Qingdao Finance to QDP and/or its associates and the Group. The agreement is valid for a term commencing from its signing date and ending on 31 December 2016. Details for the agreement, please refer to the circular of the second extraordinary general meeting of 2014 of the Company dated 5 September 2014 and the poll results of the second extraordinary general meeting of 2014 dated 29 September 2014.

(C) Continuing connected transactions with COSCO Group

The Company entered into certain general goods and services agreements for provision of goods and services with each of Qingdao Shenzhouxing, QWG Port Logistics, Qingdao Ocean, China Marine Bunker, Qingdao United, Qingdao Cargo, COSCO Shipping, COSCO Logistics, China Ocean and COSCO Container (the "COSCO Associates") on 9 May 2014 (the agreement for provision of goods and services from the Group to the COSCO Associates is hereinafter referred to as the "COSCO General Framework Agreement I", and the agreement for provision of goods and services from the COSCO Associates to the Group is hereinafter referred to as the "COSCO General Framework Agreement II") for a term commencing from their signing dates and ending on 31 December 2016. Details for these agreements, please refer to the Prospectus.

As the COSCO Associates are associates of China OST, and each agreement in COSCO General Framework Agreement I is of the same nature and each agreement in COSCO General Framework Agreement II is of the same nature, each agreement in COSCO General Framework Agreement I shall be aggregated and each agreement in COSCO General Framework Agreement II shall be aggregated under the Listing Rules.

Annual caps and amounts for the above continuing connected transactions are as follows:

Unit: RMB'000

		Annual cap for 2014	Amount incurred in 2014
A.	Continuing connected transactions with QDP		
i	Lease Framework Agreement		
	Land and buildings	62,550	62,550
	Tugboats	22,000	19,505
Subtotal		84,550	82,055
ii	General Services Agreement		
	General Services I		
	Of which: QDP General Services I	60,000	52,489
	Gangsheng General Services I	2,000	1,989
Subtotal		62,000	54,478
	General Services II		
	Of which : QDP General Services II	320,000	279,896
	Gangsheng General Services II	1,000	955
Subtotal		321,000	280,851
B.	Continuing connected transactions with Qingdao Finance		
	i Daily maximum balance deposited by the Group in Qingdao Finance (including accrued interest and commission fee)	5,000,000	3,672,889
	ii Daily maximum outstanding balance of the loans provided by Qingdao Finance to QDP and/or its associates (including accrued interest and commission fee)	500,000	–
C.	Continuing connected transactions with COSCO Group		
	i COSCO General Framework Agreement I	170,000	44,738
	ii COSCO General Framework Agreement I	431,000	318,917

Confirmation from the Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions are entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms, or, in the absence of similar transactions to judge whether the terms are normal commercial terms, on terms no less favourable to those adopted for transactions between the Group and independent third parties; and

(3) in accordance with the terms of such transaction agreements, which are in the interest of the Group and our Shareholders as a whole, and fair and reasonable; and

(4) do not exceed the annual cap amounts.

Confirmation from the Auditor

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company as set out in pages 65 to 66 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Hong Kong Stock Exchange Listing Rules. The Company has provided a copy of the auditor's letter to the Hong Kong Stock Exchange.

Others

Except the above connected transactions, the Group did not enter into any other continuing connected transactions which should comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For certain material related party transactions disclosed in Note 37 to the financial statements which are also continuing connected transactions under Chapter 14A of the Listing Rules, the Company had made disclosure when required under the Listing Rules.

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. Please refer to the Prospectus for details. In August 2014, QDOT acquired the post-closing adjusted subsequent assets of Dongjiakou Operation I from QDP for a consideration of RMB560 million.

In May 2014, the Company acquired Dongjiakou Operation II and other relevant assets from QDP for considerations of RMB550 million and RMB188 million, respectively.

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 2014, the construction of the mother port for cruise liners had no effect on the operation 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 in Huangdao Oil Port Area to Dongjiakou Port Area. As of the date of this report, we have not yet received any relocation plan or related notice and hence the operation of Huangdao Oil Port Area was not affected.

3. Litigations

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

More details of the cases as published on 28 July 2014 and 15 August 2014 have been set out in Note 40 to the financial statements.

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 would constitute material contingent liabilities.

By order of the Board
Zheng Minghui
Chairman

Qingdao, China
20 March 2015

SUPERVISORS' REPORT

In 2014, the Supervisory Committee of the Company maintained the interests of the Company and its shareholders by seriously undertaking its responsibilities and supervising the compliant operation, connected transactions and material investment projects of the Company in accordance with the Company Law of the Peoples' Republic of China, the Articles of Association and the Procedural Rules of the supervisory committee.

I. MEETING HELD BY THE SUPERVISORY COMMITTEE

During the year, the Supervisory Committee held three meetings, the details of which were as follow:

(1) On 7 May 2014, the Supervisory Committee held the third meeting of the first Supervisory Committee, in which Resolution on the Amendment of the Procedural Rules of the Supervisory Committee of Qingdao Port International Co., Ltd., Resolution on the Approval of the 2013 Work Report of the Supervisory Committee of Qingdao Port International Co, Ltd., Resolution on the Approval of the 2013 Financial Report of Qingdao Port International Co, Ltd. and Resolution on the Approval of the 2014 Remuneration Plan for Supervisors of Qingdao Port International Co, Ltd. were approved.

(2) On 31 July 2014, the Supervisory Committee held the fourth meeting of the first Supervisory Committee, in which Resolution on the Amendment of the Procedural Rules of the Supervisory Committee of Qingdao Port International Co., Ltd., Resolution on the Nomination of Candidates of the Independent Supervisors of the First Supervisory Committee and Resolution on the Approval of the 2014 Remuneration Plan for Independent Supervisors of Qingdao Port International Co, Ltd. were approved.

(3) On 28 August 2014, the Supervisory Committee held the fifth meeting of the first Supervisory Committee, in which Resolution on the Approval of the 2014 Interim Report of Qingdao Port International Co, Ltd. was approved.

For the year, our Supervisors also learned the decision-making process of major issues of the Company and legally exercised their power of supervision through sitting in such important meetings as the general meetings and the Board meetings.

II. INDEPENDENT ADVICES OF BOARD OF SUPERVISORS ON RELEVANT ISSUES

(i) Compliant Operation

During the year, the Board and the general meeting held meetings and considered resolutions through undertaking their responsibilities and operating legally in accordance with laws and regulations as well as the Articles of Association. The Directors and senior management maintained the interests of the Company and its shareholders by acting diligently and responsibly in the management and operation of the Company.

(ii) The Inspection of Financial Conditions of the Company

The Supervisory Committee has supervised the financial condition of the Company for 2014 effectively and is of the view that the Company has a sound financial system and a good financial condition. PricewaterhouseCoopers, the auditor of the Company, has audited the financial statements of the Company and issued an unqualified audit report. The Supervisory Committee has reviewed the audited financial reports for 2014 and believes that these financial reports has fairly and truly reflected the financial and operating conditions of the Company.

(iii) Use of Proceeds Raised from the Global Offering

The proceeds from the Global Offering have been used strictly following the requirements set out in the Prospectus with standard procedures and without misusing the proceeds during the Reporting Period.

(iv) Connected Transactions

Connected transactions entered into during the Reporting Period have been complying with the requirements of the relevant connected transaction agreements, and are fair and reasonable to the Company and its shareholders without harming their interests.

(v) Major External Investments

Major investments made during the Reporting Period have been complying with the Articles of Association and the Management Rules on External Investment without harming the interests of the Company and its shareholders.

III. OUTLOOK AND PROSPECT FOR 2015

In 2015, the Supervisory Committee of the Company will continue to seriously fulfill their responsibilities as supervisors in accordance with laws and regulations, the Articles of Association and the regulatory rules to further enhance the compliant operation of the Company, ensure the sustainable and healthy development of the Company and maintain the legal interests of the Company, public shareholders and investors.

By Order of the Supervisory Committee
FU Xinmin
Chairman of the Supervisory Committee

Qingdao, China
20 March 2015

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the period from 6 June 2014 (the "Listing Date") to 31 December 2014 (the "Reporting Period").

The Board is committed to uphold a high standard of corporate governance practices in the belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to ensure high standards of corporate governance of the Company and meet the expectations of shareholders and other stakeholders.

The Company has been in compliance with the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules during the Reporting Period.

I. THE BOARD

1. Composition of the Board

The Board currently comprises nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. Members of the Board of the Company are listed below:

Member of the Board	Position	Date of appointment
Mr. ZHENG Minghui (鄭明輝)	Chairman, executive Director	15 November 2013
Mr. CHENG Xinnong (成新農)	Vice Chairman, non-executive Director	15 November 2013
Mr. SUN Yafei (孫亞非)	Non-executive Director	15 November 2013
Mr. WANG Shaoyun (王紹雲)	Non-executive Director	15 November 2013
Mr. JIAO Guangjun (焦廣軍)	Executive Director, President	15 November 2013
Mr. MA Baoliang (馬寶亮)	Non-executive Director	15 November 2013
Mr. WANG Yaping (王亞平)	Independent non-executive Directors	8 May 2014
Mr. CHAU Kwok Keung (鄒國強)	Independent non-executive Directors	8 May 2014
Mr. YANG Qiulin (楊秋林)	Independent non-executive Directors	29 September 2014
Mr. XU Guojun (徐國君) (Note)	Independent non-executive Directors	8 May 2014

Note: Mr. XU Guojun (徐國君) was appointed on 8 May 2014 and resigned on 29 September 2014.

Our Directors are elected by the general meetings and will hold offices until the annual general meeting for the year 2015 being held in 2016. The Directors are subject to re-election for successive re-appointment when their directorships expire.

Biography of each Director is set out in the section headed "Directors, Supervisors and Senior Management". In addition, the list setting out the name, responsibility and function of each Director has been published on the websites of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (www.hkexnews.hk) and the Company (www.qingdao-port.com).

The Directors have no financial, business, family or other material/relevant relationships with each other.

Chairman and President

The posts of Chairman and President of the Company are segregated and held by different persons to ensure their respective independence of responsibility and accountability and the balance and restriction of power and authority between them. The Chairman, Mr. ZHENG Minghui, plays a critical role in leading the Board, ensuring that the Board is functioning properly and with well-formulated corporate governance practices and procedures, whilst Mr. JIAO Guangjun, the President, is mainly responsible for the day-to-day management of the Company's operations, including being in charge of the production and operation management of our Company, organising the enforcement of resolutions of the Board and coordinating overall business operations.

Responsibilities of the Board and Management

The Board is responsible to all shareholders and mainly responsible for determining the operating plans and investment projects of the Company, managing the disclosure of the Company's information, attending to the regular or irregular work report of the President and review the work of the President, and determining such matters as our external investments, asset purchase and sale and pledge of assets within the scope authorised by the general meetings.

Under the leadership of the President (who is also an executive Director), the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management. In order to ensure the effective operation of the Company, the management submits an operation report of the Company to the Board each month, which enables the Board to monitor the operation situation of the Company in time and to assess and supervise the management. Meanwhile, the management also communicates with the Board in formal and informal manners in respect of the issues related to the operation and business of the Company and provides sufficient information at appropriate time to allow the Board to make decisions with sufficient background information, which increases the decision-making efficiency and quality of the Board.

Independent Non-executive Directors

During the Reporting Period, the Company has three independent non-executive Directors in compliance with the Rules 3.10(1) and (2) of the Listing Rules, two of whom own accounting and financial management expertise and the other one owns expertise in law. The number of independent non-executive Directors accounts for one-third of the number of the Board members.

According to the Rule 3.13 of the Listing Rules, the independent non-executive Directors of the Company have made confirmations to the Company regarding their independence during the Reporting Period. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during the Reporting Period.

Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for the Directors and Supervisors to conduct securities transactions. After making specific enquiry to all Directors and Supervisors, all Directors and Supervisors confirmed that they have fully complied with the required standard set out in the Model Code during the period from the Listing Date/their respective appointment dates after the Listing Date to 31 December 2014.

Training and Continuous Professional Development of Directors

Prior to the listing, all Directors, Supervisors and members of senior management received trainings provided by Davis Polk & Wardwell in relation to the requirements of the Listing Rules on corporate governance, information disclosure, Directors' responsibility, securities dealings by Directors and new share offering, and the Company has prepared and distributed a memorandum of continuing obligations for all Directors, Supervisors and members of senior management.

On 29 September 2014, the newly appointed Director Mr. YANG Qiulin (楊秋林), newly appointed Supervisors Ms. LIU Yuping (劉玉萍), Mr. LI Xuxiu (李旭修) and Mr. LIU Dengqing (劉登清), and other Directors, Supervisors and members of senior management received trainings provided by Freshfields Bruckhaus Deringer, our legal adviser for Hong Kong law in relation to the "continuing obligations for Hong Kong listed company and its directors", and a memorandum of "primary continuing obligations and responsibilities required to be taken by Hong Kong listed company and its directors" was distributed to each of them.

On 13 November 2014, KCS Hong Kong Limited, a member of TMF Group, also arranged specific trainings on corporate governance practices and continuing obligations for Directors, Supervisors and members of senior management. In addition, the Company Secretary provides Directors with information such as the latest amendments to the Listing Rules and other applicable regulatory requirements, cases of Hong Kong listed companies, production and operation situations of the Company from time to time to allow them to learn the Company's information in time and fulfill their responsibilities.

The Directors get continuing professional development through participating in specific trainings, seminars, forums and reading publications on economy and securities to update their knowledge and technique, which will enable them to make continuous contributions to the Company with comprehensive knowledge and technique.

Liability Insurance of Directors, Supervisors and Members of Senior Management

The Company has been placing great emphasis on risk prevention of the Directors' liability, thus the Company has purchased insurances for all Directors, Supervisors and members of senior management to reduce risks that may be incurred in their normal performance of responsibilities.

Directors' Responsibility on Financial Statements

The Directors are responsible for the preparation of the financial statements for the year ended 31 December 2014 that give a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.

2. Board Meetings and General Meetings

During the year, the Company held ten Board meetings and three general meetings in total. The attendance of the above meetings by each Director is as follow:

Name of Directors	No. of Board Meetings Attended During the Tenure	Attendance Rate	No. of General Meetings Attended During the Tenure	Attendance Rate
Mr. ZHENG Minghui (鄭明輝)	10/10	100%	3/3	100%
Mr. CHENG Xinnong (成新農)	10/10	100%	3/3	100%
Mr. SUN Yafei (孫亞非)	10/10	100%	3/3	100%
Mr. WANG Shaoyun (王紹雲)	10/10	100%	3/3	100%
Mr. JIAO Guangjun (焦廣軍) (Note 1)	9/10	90%	3/3	100%
Mr. MA Baoliang (馬寶亮)	10/10	100%	3/3	100%
Mr. WANG Yaping (王亞平) (Note 2)	3/3	100%	3/3	100%
Mr. CHAU Kwok Keung (鄒國強) (Note 2)	3/3	100%	3/3	100%
Mr. YANG Qiulin (楊秋林) (Note 3)	1/1	100%	1/1	100%
Mr. XU Guojun (徐國君) (Note 4)	2/2	100%	2/2	100%

Note 1: On 28 August 2014, Mr. JIAO Guangjun (焦廣軍) was on a business trip and could not attend the Board meeting in person. He appointed Mr. ZHENG Minghui to exercise his voting right in the meeting on his behalf.

Note 2: Mr. WANG Yaping (王亞平) and Mr. CHAU Kwok Keung (鄒國強) were appointed on 8 May 2014. The Company held three general meetings and three Board meetings from the date of their appointment up to 31 December 2014.

Note 3: Mr. YANG Qiulin (楊秋林) was appointed on 29 September 2014. The Company held one general meeting and one Board meeting from the date of his appointment up to 31 December 2014.

Note 4: Mr. XU Guojun (徐國君) was appointed on 8 May 2014 and resigned on 29 September 2014. The Company held two general meetings and two Board meetings during his tenure.

Notices for all regular Board meeting and the agenda and accompanying Board paper will be given to all Directors at least fourteen days before the meetings and have sufficient time to review the papers. Minutes of each Board meeting are circulated to all Directors for perusal. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.

II. SPECIAL COMMITTEES OF BOARD

In May 2014, the Board established four special committees, namely Strategy and Development Committee, Audit Committee, Remuneration Committee and Nomination Committee.

1. Strategy and Development Committee

The Strategy and Development Committee consists of six Directors, namely Mr. ZHENG Minghui (鄭明輝), Mr. CHENG Xinnong (成新農), Mr. SUN Yafei (孫亞非), Mr. WANG Shaoyun (王紹雲), Mr. JIAO Guangjun (焦廣軍) and Mr. MA Baoliang (馬寶亮). Mr. ZHENG Minghui (鄭明輝) serves as the chairman of the Strategy and Development Committee.

The primary responsibility of the Strategy and Development Committee is to review the overall development and strategic plans of the Company, the major investment and financing proposals of the Company and other issues that are material to the development of the Company, and to make recommendations to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Strategy and Development Committee held two meetings, in which the implementation of the Company's operation plan for 2014 and the Company's operation plan for 2015 were approved respectively and recommendations were made to the Board.

The attendance of the meetings by each member is as follow:

Name of Members	No. of Meetings Attended	Attendance rate
Mr. ZHENG Minghui (鄭明輝) (Chairman)	2/2	100%
Mr. CHENG Xinnong (成新農)	2/2	100%
Mr. SUN Yafei (孫亞非)	2/2	100%
Mr. WANG Shaoyun (王紹雲)	2/2	100%
Mr. JIAO Guangjun (焦廣軍)	2/2	100%
Mr. MA Baoliang (馬寶亮)	2/2	100%

2. Audit Committee

The Audit Committee consists of three Directors, namely Mr. SUN Yafei (孫亞非), Mr. CHAU Kwok Keung (鄒國強) and Mr. YANG Qiulin (楊秋林), of which Mr. CHAU Kwok Keung (鄒國強) and Mr. YANG Qiulin (楊秋林) are both independent non-executive Directors. Mr. CHAU Kwok Keung (鄒國強), who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The primary responsibility of the Audit Committee is to review the financial information of the Company and its disclosure, oversee the financial operation status and internal control procedures of the Company, propose the appointment of external auditors and monitor their relationship with the Company and maintain close communication between the Company and its management with external auditors. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held two meetings, in which the Company's interim results announcement and interim report for 2014 were approved and recommendations were made to the Board. In addition, the Audit Committee discussed with the external auditors in respect of the Company's annual audit plan for 2014.

The attendance of the meetings by each member is as follow:

Name of Members	No. of Meetings Attended During the Tenure	Attendance rate
Mr. CHAU Kwok Keung (鄒國強) (Chairman)	2/2	100%
Mr. SUN Yafei (孫亞非)	2/2	100%
Mr. YANG Qiulin (楊秋林) (Note 1)	1/1	100%
Mr. XU Guojun (徐國君) (Note 2)	1/1	100%

Note 1: Mr. YANG Qiulin (楊秋林) was appointed on 29 September 2014. The Company held one Audit Committee meeting from the date his appointment to 31 December 2014.

Note 2: Mr. XU Guojun (徐國君) was appointed on 8 May 2014 and resigned on 29 September 2014. The Company held one Audit Committee meeting during his tenure.

Representatives of the external auditors attended all the audit committee meetings held in 2014.

3. Remuneration Committee

The Remuneration Committee consists of three Directors, namely Mr. WANG Yaping (王亞平), CHENG Xinnong (成新農) and Mr. YANG Qiulin (楊秋林), of which Mr. WANG Yaping (王亞平) and Mr. YANG Qiulin (楊秋林) are both independent non-executive Directors. Mr. WANG Yaping (王亞平) serves as the chairman of the Remuneration Committee.

The primary responsibility of the Remuneration Committee is to consider the remuneration structures and policies for all Directors and senior management of the Company, establish formal and transparent procedures to devise such remuneration policies and formulate the remuneration packages of Directors and members of senior management, as well as make recommendations to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held one meeting, in which the implementation of remuneration policy for Directors and senior management of the Company in 2014 was approved.

The attendance of the meetings by each member is as follow:

Name of Members	No. of Meetings Attended During the Tenure	Attendance rate
Mr. WANG Yaping (王亞平) (Chairman)	1/1	100%
Mr. CHENG Xinnong (成新農)	1/1	100%
Mr. YANG Qiulin (楊秋林) (Note 1)	1/1	100%
Mr. XU Guojun (徐國君) (Note 2)	N/A	N/A

Note 1: Mr. YANG Qiulin (楊秋林) was appointed on 29 September 2014. The Company held one Remuneration Committee meeting from the date his appointment up to 31 December 2014.

Note 2: Mr. XU Guojun (徐國君) was appointed on 8 May 2014 and resigned on 29 September 2014. The Company did not hold any Remuneration Committee meeting during his tenure.

Pursuant to the code B.1.5 of the Corporate Governance Code, the following table sets forth the remuneration of the Directors, supervisors and members of senior management categorised by remuneration group for the year ended 31 December 2014:

Group (Note)	Remuneration (RMB)	Numbers of Individuals
1	0-500,000	16
2	500,000-1,000,000	2

Note:

Group 1 includes 10 Directors and 6 supervisors of the Company.

Group 2 only includes 2 senior management members of the Company.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under the Appendix 16 of the Listing Rules are set out in Note 9 to the financial statements for the year.

4. Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. ZHENG Minghui (鄭明輝), Mr. WANG Yaping (王亞平) and Mr. YANG Qiulin (楊秋林), of which Mr. WANG Yaping (王亞平) and Mr. YANG Qiulin (楊秋林) are both independent non-executive Directors. Mr. ZHENG Minghui (鄭明輝) serves as the chairman of the Nomination Committee.

The primary responsibility of the nomination Committee is to develop standards and procedures for the election of the Board members and members of the senior management, and make recommendations to the Board; review the structure, number, composition and membership diversity of our Board and its committees, and make appropriate recommendations for adjustments made to the Board in line with the corporate strategies of our Company; and propose to the Board candidates for Directors, President, Vice President, Chief Financial Officer and Secretary to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held one meeting, in which the nomination of Mr. YANG Qiulin (楊秋林) as an independent non-executive Director was approved and recommendations were made to the Board.

The attendance of the meetings by each member is as follow:

Name of Members	No. of Meetings Attended During the Tenure	Attendance rate
Mr. ZHENG Minghui (鄭明輝) (Chairman)	1/1	100%
Mr. WANG Yaping (王亞平)	1/1	100%
Mr. YANG Qiulin (楊秋林) (Note 1)	N/A	N/A
Mr. XU Guojun (徐國君) (Note 2)	1/1	100%

Note 1: Mr. YANG Qiulin (楊秋林) was appointed on 29 September 2014. The Company did not hold any Nomination Committee meeting from the date his appointment up to 31 December 2014.

Note 2: Mr. XU Guojun (徐國君) was appointed on 8 May 2014 and resigned on 29 September 2014. The Company held one Nomination Committee meeting during his tenure.

According to the latest amendments to the Listing Rules on board diversity, the Board formulated and adopted the Board Diversity Policy. In designing the Board's composition, the Nomination Committee has considered Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

III. SUPERVISORY COMMITTEE

The supervisory committee consists of six Supervisors, including two shareholder representative Supervisors, two employee representative Supervisors and two independent Supervisors. The members of the supervisory committee of the Company are listed below:

Member of the supervisory committee	Position	Date of appointment
Mr. FU Xinmin (付新民)	Chairman of the Supervisory Committee, shareholder representative Supervisor	15 November 2013
Mr. CHI Dianmou (遲殿謀)	Shareholder representative Supervisor	15 November 2013
Ms. XUE Qingxia (薛清霞) (Note 1)	Employee representative Supervisor	15 November 2013
Ms. LIU Yuping (劉玉萍) (Note 2)	Employee representative Supervisor	29 September 2014
Mr. LI Xuxiu (李旭修) (Note 2)	Independent Supervisor	29 September 2014
Mr. LIU Dengqing (劉登清) (Note 2)	Independent Supervisor	29 September 2014

Note 1: The appointment of Ms. XUE Qingxia (薛清霞) became effective from the date when the Company convened its inaugural meeting on 15 November 2014. For the details, please refer to the Prospectus.

Note 2: The appointment of Ms. LIU Yuping (劉玉萍), Mr. LI Xuxiu (李旭修) and Mr. LIU Dengqing (劉登清) became effective from the date when the extraordinary general meeting of the Company was convened on 29 September 2014, at which the Directors of the Company granted an approval on the amendments to the articles of association. For the details, please refer to the announcement of the Company dated 29 September 2014.

Shareholder representative Supervisors and independent Supervisors are elected and removed at the general meeting, while employee representative Supervisors are democratically elected or replaced at the staff representative assembly. Each supervisor will hold offices until the annual general meeting for the year 2015 being held in 2016, and is subject to re-election for successive re-appointment when his/her tenure expires.

Biography of each supervisor is set out in the section headed "Directors, Supervisors and Senior Management".

During the Reporting Period, the supervisory committee held three meetings in total. The attendance of the meetings by each supervisor is as follow:

Name of Supervisors	No. of Meetings of the Supervisory Committee Attended During the Tenure	Attendance rate	No. of General Meetings Attended During the Tenure	Attendance rate
Mr. FU Xinmin (付新民) (chairman of the Supervisory Committee)	3/3	100%	3/3	100%
Mr. CHI Dianmou (遲殿謀)	3/3	100%	3/3	100%
Ms. XUE Qingxia (薛清霞)	3/3	100%	3/3	100%
Ms. LIU Yuping (劉玉萍) (Note 1)	N/A	N/A	1/1	100%
Mr. LI Xuxiu (李旭修) (Note 1)	N/A	N/A	1/1	100%
Mr. LIU Dengqing (劉登清) (Note 1)	N/A	N/A	1/1	100%

Note 1: Ms. LIU Yuping (劉玉萍), Mr. LI Xuxiu (李旭修) and Mr. LIU Dengqing (劉登清) were appointed on 29 September 2014. The Company held one general meeting and did not hold any meeting of the Supervisory Committee from the date of their appointments up to 31 December 2014.

The performance of responsibilities by the Supervisory Committee is set out under the section headed "Supervisors' Report".

IV. CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board of Directors;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

V. JOINT COMPANY SECRETARIES

During the Reporting Period, the Joint Company Secretaries of the Company, Mr. CHEN Fuxian and Ms. LAI Siu Kuen, a senior manager of KCS Hong Kong Limited (a company secretarial service provider), had complied with the requirements on taking no less than 15 hours of relevant professional training as set out in Rule 3.29 of the Listing Rules. Mr. CHEN and Ms. LAI also actively participate in studies and update their professional knowledge related to the Listing Rules and corporate governance to continuously improve their professional skills as the Joint Company Secretaries. The primary contact person at the Company is Mr. Chen Fuxian, one of the Joint Company Secretaries of the Company.

VI. AUDITOR

Financial statements contained in this report have been audited by PricewaterhouseCoopers. Service fees which shall be paid by the Company to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP for the year amount to RMB20.36 million (value added tax included).

Services	**Fees Payable (RMB)**
Provision of audit and internal control services for the initial public offering in Hong Kong	12,719,814
Audit service	7,630,000
Scrutinising vote-taking service at the general meeting	13,000
Total	20,362,814

VII. INTERNAL CONTROL

The Company is committed to establishing high level internal control system, and the Board is responsible for reliable and effective operation of the internal control system and has conducted a review, they believe that internal control system is effective. The Company has adopted the following measures in order to establish effective internal control:

1. Compliance Control

The Company has established a set of Corporate Governance Mechanism to promote compliance operation of the general meetings, the Supervisory Committee and the Board. The Company is also complied with the requirements of the Listing Rules, SFO and the Guidelines on Disclosure of Inside Information that it regulates information disclosure matters. The Company has appointed compliance advisor pursuant to Rules 3A.19 of the Listing Rules, and the Company has seek advices from its compliance adviser before publishing announcement, circular and regular report. The Company continues to strengthen connected transaction management, increase frequency of regular review for continuing connected transactions and perform related approval and disclosure obligations according to the requirements of the Listing Rules.

2. Operation Control

The Company has established hierarchy control and approval mechanism for rate and impawning supervision to strengthen control through the whole process. The Company adjusts development initiatives timely by observing and evaluating the market in relation to business, changes of operation and economic environment, in order to reduce market risk. The Company implements centralised management on procurement, strictly inspects the procurement process of large-scale equipment and bulk goods and services to prevent procurement risk. The Company formulates a set of system on contract management, seal management and authorisation management to strengthen contract risk control. The Company has also built established safety accountability system and safety management system to safeguard the safety in production and operation of ports.

3. Investment Control

The Company has implemented centralised management on its external investments, and built a set of management process, ranging from project screening, decision and approval and risk control to disposal of investment. In the view that the Company has many joint venture companies, the Company has also set up specialised management system for joint ventures companies.

4. Finance Control

The Company has established a series of financial management measures, including business outsourcing, fixed assets leasing, insurance services, receivables, financing management and notes management, etc. to effectively prevent and reduce finance risk. The Company has implemented comprehensive budget management and promoted budget's process control, which provide quantitative index of finance and operation for the Board and management. The Company implemented a centralised appointment and regular rotation system for financial management personnel, and the Company implemented material matters real time reporting system for delegate units and strengthened centralized control. The Audit Committee communicates with auditors regularly to review the interim report and annual report, as well as supervise financial operation. The Company also pays high attention to the job qualifications and professional integrity of accounting and financial personnel, and the Company takes full consideration of resources and budget of continuous trainings. The Board has also reviews and satisfies with the Group's resources, staff qualification and experience on accounting and financial ability, and the training programs accepted by staffs and such budget are sufficient.

5. Internal Audit Control

The Company establishes a supervision department with corresponding supervision and audit responsibility, and the Company provides qualified designated personnel to assist the audit committee and supervisory committee to review and supervise the factuality, legitimacy and efficiency for the Group's financial revenues, financial budget, asset quality, operation performance, construction projects and related economic activities, so as to strengthen internal control and risk management.

VIII. INVESTOR RELATIONS

1. General Meetings and Shareholder's Rights

The Company is committed to maintaining communication with shareholders. Shareholders are encouraged to attend general meetings held by the Company and are invited to express their views and raise questions thereat.

The general meetings of the Company are divided into annual general meetings and extraordinary general meeting; and general meetings of the shareholders and class shareholder's meetings.

The annual general meeting is convened once a year within six months after the end of last fiscal year. The extraordinary general meeting is convened irregularly. In accordance with the Articles of Association, an extraordinary general meeting shall be convened on the requisition of two or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified of any business specified in such requisition. The Board of the Company shall as soon as possible proceed to convene the extraordinary general meeting or a class shareholder's meeting after receiving the above written requisition.

CORPORATE GOVERNANCE REPORT

The Company shall publish an announcement and issue the written notice of convening a general meeting forty-five days prior to the general meeting, which specifies the matters to be considered and date and venue of the meeting. Shareholders who individually or jointly hold more than 3% of the shares of our Company are entitled to submit a temporary proposal to the Board in writing 10 days before the general meeting; the Board shall issue a supplemental notice of the general meeting within 2 days upon receiving the proposal and publish an announcement for the extraordinary proposals. The proposals shall be within the scope of authority of the shareholders' meeting, and shall have clear object and detailed agenda items, and shall comply with laws, administrative regulations and the Articles of Association of the Company.

Directors, Supervisors and Joint Company Secretaries of our Company are present at the general meetings, while President, Chief Financial Officer and external auditor of the Company attend general meetings as non-voting attendees to respond to shareholders' questions in relation to proposed resolutions seeking approval at the meetings. The circular containing information relating to the general meetings will be dispatched to all the shareholders before the convening of the shareholders' general meeting as required.

Minutes of meetings of the general meetings are kept in the Company. A shareholder shall be entitled to inspect copies of minutes of meetings free of charge during office hours of the Company or pay reasonable fees to the Company in order to obtain copies of minutes of meetings.

On the shareholders' extraordinary general meeting of the Company held on 29 September 2014, the Chairman demanded that all resolutions to be passed by poll and had explained the procedures for voting at the meeting. At the meeting, the resolutions regarding amendments to the articles of association, appointment of independent Supervisors, as well as continuing connected transactions and proposed annual caps in connection with Qingdao Finance were considered and approved. For the details, please refer to the announcement on the poll results dated 29 September 2014 of the Company.

2. Amendments of Constitutional Document

The Company adopted new Articles of Association on 6 June 2014 (the listing date), and made amendments to Articles of Association at the extraordinary general meeting held on 29 September 2014, the revised version subsisting at the date of this report. The prevailing Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

3. Information Disclosure

The Company insists the principles of sufficiency, compliance, equality of opportunity, honest and trustworthy, focusing on efficiency and interactive communication, and disclosures the Company's information in a timely and precise manner according to the requirements of the Listing Rules.

To promote effective communication, the Company also publishes information such as latest announcement and business development of the Group in a timely manner on the Company's website, through which shareholders and investors can grasp the latest business condition and dynamic condition of the Company at the first time.

4. Investor Relations Management

The Company pays much attention to the management work of investor relations, and regards investor relations as an important aspect of corporate governance. The Company has established Investor Relations Management System, with secretary of the Board being responsible for the overall coordination and arrangement of the management work of investor relations, and general office of the Board being responsible for specific implementation. The Company is committed to setting up an efficient communication bridge between management and investors.

Since the listing of the Company in this year, in order to allow investors fully understand the results performance, operation strategy and development prospect of the Company, the Company has held various activities, including interim results conference, interim results road show, analysts on-site meeting, site visit and teleconference etc., through which the Company has deep communication with investors and related person.

Furthermore, the office of the Board reports investors' perception of the Company and relevant development to the management regularly, so that the management can understand the concerns of investors and the changes of relevant policies and requirements in time, thus improving its work on investor relations.

The Company considers the management of investor relations as a long-term systematic project. Looking forward, the Company will continuously review and improve its investor relations at appropriate time in accordance with the regulatory requirements of the Hong Kong Stock Exchange, the development trend of the capital market and investors' expectation, keep contact with domestic and oversea investors and maintain a good image in the capital market.

Shareholders and investors of the Company may send their enquiries and concerns to the Company by addressing them to the office of the Board. The contact details are as follows:

Office of the Board
Tel: 86532-82982011
E-mail: qggj@qdport.com
Address: 6 Gangqing Road, City North District, Qingdao, Shandong Province, People's Republic of China.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Qingdao Port International Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 87 to 210, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2015

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	5	**6,903,070**	6,526,264
Cost of sales	8	**(4,959,954)**	(4,474,642)
Gross profit		**1,943,116**	2,051,622
Other income	6	**127,536**	144,393
Selling and administrative expenses	8	**(677,954)**	(865,122)
Other gains - net	7	**24,579**	105,881
Finance costs		**(11,823)**	(10,070)
Share of profit of joint ventures	11(a)	**611,033**	511,459
Share of profit of associates	11(b)	**895**	1,799
Profit before income tax		**2,017,382**	1,939,962
Income tax expenses	12	**(395,502)**	(418,160)
Profit for the year		**1,621,880**	1,521,802
Attributable to:			
– Owners of the Company		**1,586,371**	1,500,499
– Non-controlling interests		**35,509**	21,303
		1,621,880	1,521,802
Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)			
– basic and diluted	13	**0.36**	0.41

The notes on pages 97 to 210 are an integral part of these consolidated financial statements.

Details of the aggregate amounts of the dividends paid and proposed to owners of the Company are set out in Note 15.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Profit for the year		**1,621,880**	1,521,802
Other comprehensive (expenses)/income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations	31(b)	**(171,490)**	419,810
Items that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets, net of tax	21	**—**	2,056
Other comprehensive (expenses)/income for the year, net of tax		**(171,490)**	421,866
Total comprehensive income for the year		**1,450,390**	1,943,668
Attributable to:			
– Owners of the Company		**1,415,286**	1,921,575
– Non-controlling interests		**35,104**	22,093
		1,450,390	1,943,668

The notes on pages 97 to 210 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000 (Restated)
ASSETS			
Non-current assets			
Land use rights	16	**751,859**	598,365
Property, plant and equipment	17	**10,686,050**	9,204,664
Goodwill	36	**18,837**	—
Investment properties	18	**220,994**	221,986
Intangible assets	19	**74,412**	40,118
Investments in joint ventures	11(a)	**4,448,192**	4,392,298
Investments in associates	11(b)	**5,472**	5,488
Available-for-sale financial assets	21	**72,208**	72,208
Deferred income tax assets	33	**888,267**	936,694
Trade and other receivables	22	**335,672**	279,977
		17,501,963	15,751,798
Current assets			
Inventories	23	**159,157**	204,725
Trade and other receivables	22	**2,716,426**	2,088,472
Amounts due from customers for contract work	24	**41,088**	166,036
Restricted bank deposits	25	**874,552**	9
Term deposits with initial term of over three months	25	**2,013,248**	—
Cash and cash equivalents	25	**4,534,746**	1,277,288
		10,339,217	3,736,530
Asset classified as held for sale	26	**486,127**	—
		10,825,344	3,736,530
Total assets		**28,327,307**	19,488,328
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**4,778,204**	4,000,000
Share premium	27	**9,269,751**	7,835,866
Other reserves	28	**(3,969,357)**	(3,403,219)
Retained earnings			
– Proposed dividends	15	**946,176**	—
– Others		**592,120**	112,452
		1,538,296	112,452
		11,616,894	8,545,099
Non-controlling interests		**801,405**	23,948
Total equity		**12,418,299**	8,569,047

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Trade and other payables	32	**55,618**	54
Borrowings	29	**82,011**	—
Deferred income	30	**3,846,012**	4,078,613
Early retirement and supplemental benefit obligations	31	**2,757,150**	2,533,750
		6,740,791	6,612,417
Current liabilities			
Trade and other payables	32	**8,674,060**	3,915,487
Current income tax liabilities		**45,561**	46,541
Borrowings	29	**106,250**	—
Deferred income	30	**211,086**	212,308
Early retirement and supplemental benefit obligations	31	**131,260**	132,528
		9,168,217	4,306,864
Total liabilities		**15,909,008**	10,919,281
Total equity and liabilities		**28,327,307**	19,488,328
Net current assets/(liabilities)		**1,657,127**	(570,334)
Total assets less current liabilities		**19,159,090**	15,181,464

The notes on pages 97 to 210 are an integral part of these consolidated financial statements.

The financial statements on pages 87 to 210 were approved by the Board of Directors on 20 March 2015 and were signed on its behalf.

Director　　　　　　　　Director

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BALANCE SHEET

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Land use rights	16	**2,729,429**	2,805,496
Property, plant and equipment	17	**10,228,205**	9,926,207
Investment properties	18	**214,190**	214,841
Intangible assets	19	**36,588**	40,015
Investments in subsidiaries	10	**2,155,686**	687,059
Investments in joint ventures	11(a)	**5,158,242**	5,212,522
Investments in associates	11(b)	**7,420**	7,420
Available-for-sale financial assets	21	**71,421**	71,421
Deferred income tax assets	33	**58,284**	53,429
Trade and other receivables	22	**243,129**	264,757
		20,902,594	19,283,167
Current assets			
Inventories	23	**93,102**	149,284
Trade and other receivables	22	**2,778,670**	2,182,637
Amounts due from customers for contract work	24	**18,572**	154,754
Term deposits with initial term of over three months	25	**1,000,000**	—
Cash and cash equivalents	25	**1,107,926**	1,054,036
		4,998,270	3,540,711
Asset classified as held for sale	26	**536,646**	—
		5,534,916	3,540,711
Total assets		**26,437,510**	22,823,878
EQUITY			
Equity attributable to owner of the Company			
Share capital	27	**4,778,204**	4,000,000
Share premium	27	**9,269,751**	7,835,866
Other reserves	28(e)	**(60,436)**	11,206
Retained earnings			
– Proposed dividends	15	**946,176**	—
– Others		**249,411**	47,105
	28(e)	**1,195,587**	47,105
Total equity		**15,183,106**	11,894,177

BALANCE SHEET (CONTINUED)

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Trade and other payables	32	**55,618**	54
Deferred income	30	**3,846,012**	4,078,613
Early retirement and supplemental benefit obligations	31	**2,698,460**	2,483,800
		6,600,090	6,562,467
Current liabilities			
Trade and other payables	32	**4,314,216**	4,023,260
Current income tax liabilities		—	1,257
Deferred income	30	**211,086**	212,225
Early retirement and supplemental benefit obligations	31	**129,012**	130,492
		4,654,314	4,367,234
Total liabilities		**11,254,404**	10,929,701
Total equity and liabilities		**26,437,510**	22,823,878
Net current assets/(liabilities)		**880,602**	(826,523)
Total assets less current liabilities		**21,783,196**	18,456,644

The notes on pages 97 to 210 are an integral part of these consolidated financial statements.

The financial statements on pages 87 to 210 were approved by the Board of Directors on 20 March 2015 and were signed on its behalf.

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		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	Owner's equity before the Reorganisation RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013		–	–	–	–	–	14,947,930	14,947,930	22,074	14,970,004
Profit for the year		–	–	–	–	123,960	1,376,539	1,500,499	21,303	1,521,802
Other comprehensive income/(expenses)										
- Changes in fair value of available-for-sale financial assets, net of tax	21	–	–	–	–	–	2,056	2,056	–	2,056
- Remeasurement of employee benefit obligations	31	–	–	(300)	–	–	419,320	419,020	790	419,810
Total comprehensive income/(expenses)		–	–	(300)	–	123,960	1,797,915	1,921,575	22,093	1,943,668
Contributions from government	28(c)	–	–	–	–	–	129,250	129,250	–	129,250
Capital contributions upon establishment of the Company										
- Capitalisation and issues of new shares to QDP from transfer of assets and liabilities in the Reorganisation	27	3,200,000	7,052,279	–	–	–	(10,252,279)	–	–	–
- Cash contributions from promoters	27	800,000	783,587	–	–	–	–	1,583,587	–	1,583,587
Reversal of revaluation surplus	28(a)	–	–	(4,830,045)	–	–	4,830,045	–	–	–
Deferred income tax arising from the assets revaluation surplus deductible for income tax purpose during the Reorganisation	33	–	–	875,995	–	–	–	875,995	–	875,995
Deemed distributions	28(d)	–	–	–	–	–	(250,000)	(250,000)	–	(250,000)
Distribution to QDP upon completion of the Reorganisation	28(d)	–	–	–	–	–	(9,899,760)	(9,899,760)	–	(9,899,760)
Special distribution to QDP	28(d)	–	–	–	–	–	(1,303,228)	(1,303,228)	–	(1,303,228)
Merger accounting for Dongjiakou Operation II	36(d)	–	–	537,015	–	–	–	537,015	–	537,015
Appropriations	28(e)	–	–	–	11,508	(11,508)	–	–	–	–
Dividends	15	–	–	–	–	–	–	–	(20,317)	(20,317)
Others		–	–	2,608	–	–	127	2,735	98	2,833
Total transactions with owners, recognised directly in equity, as restated		4,000,000	7,835,866	(3,414,427)	11,508	(11,508)	(16,745,845)	(8,324,406)	(20,219)	(8,344,625)
At 31 December 2013, as restated		4,000,000	7,835,866	(3,414,727)	11,508	112,452	–	8,545,099	23,948	8,569,047

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

		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	General reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 year		–	–	–	–	–	1,586,371	1,586,371	35,509	1,621,880
Other comprehensive expenses								–		
– Remeasurement of employee benefit obligations	31	–	–	(171,085)	–	–	–	(171,085)	(405)	(171,490)
Total comprehensive income/(expenses)		–	–	(171,085)	–	–	1,586,371	1,415,286	35,104	1,450,390
Issue of new shares		778,204	1,547,307	–	–	–	–	2,325,511	–	2,325,511
Shares issue expenses		–	(113,422)	–	–	–	–	(113,422)	–	(113,422)
Recognition of deferred income tax asset in respect of revaluation surplus associated with a joint venture classified as held for sale		–	–	11,825	–	–	–	11,825	–	11,825
Non-controlling interests from business combination	36	–	–	–	–	–	–	–	414,703	414,703
Capital contribution from non-controlling interests of subsidiaries		–	–	–	–	–	–	–	341,990	341,990
Distribution to QDP for the transfer of Dongjiakou Operation II	36(d)	–	–	(567,955)	–	–	–	(567,955)	–	(567,955)
Appropriations to statutory reserve fund	28(b)	–	–	–	127,420	–	(127,420)	–	–	–
Appropriation to general reserves	28(f)	–	–	–	–	33,107	(33,107)	–	–	–
Dividends	15	–	–	–	–	–	–	–	(13,872)	(13,872)
Others		–	–	550	–	–	–	550	(468)	82
Total transactions with owners, recognised directly in equity		778,204	1,433,885	(555,580)	127,420	33,107	(160,527)	1,656,509	742,353	2,398,862
At 31 December 2014		4,778,204	9,269,751	(4,141,392)	138,928	33,107	1,538,296	11,616,894	801,405	12,418,299

The notes on pages 97 to 210 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	**2014**	2013
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	**1,158,477**	117,861
Income tax paid		**(345,580)**	(362,133)
Net cash generated from/(used in) operating activities		**812,897**	(244,272)
Cash flows from investing activities			
Investments in joint ventures		**(574,941)**	(419,630)
Purchases of property, plant and equipment		**(586,817)**	(1,874,780)
Payments on behalf of related parties		**(466,135)**	(316,836)
Increase in amounts due from related parties		**(155,080)**	—
Increase in term deposits with initial term of over three months		**(2,013,248)**	—
Increase in restricted bank deposits		**(874,552)**	—
Dividends received		**852,929**	55,712
Repayments from related parties		**830,954**	956,181
Proceeds from sales of property, plant and equipment, land use rights and intangible assets	34(b)	**61,930**	1,049,151
Capital reduction in a joint venture	11(a)	**100,000**	—
Government grants received		**8,512**	—
Net cash inflow from acquisitions of subsidiaries		**4,959**	—
Interest received		**50,577**	96,458
Net cash used in investing activities		**(2,760,912)**	(453,744)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**2,325,511**	—
Cash contribution from promoters		—	1,583,587
Capital contribution from non-controlling interests of subsidiaries		**341,990**	—
Increase in amounts due to related parties		**3,887,911**	—
Contributions from government		—	129,250
Proceeds from borrowings		—	610,000
Dividends paid		**(1,046,412)**	(291,005)
Repayments of borrowings		**(170,000)**	—
Repayments to related parties		—	(153,899)
Interest paid		**(10,649)**	(1,756)
Payments for share issue expenses		**(117,746)**	(22,973)
Deemed distributions		—	(250,000)
Distribution to QDP in the Reorganisation		—	(457,131)
Net cash generated from financing activities		**5,210,605**	1,146,073
Net increase in cash and cash equivalents		**3,262,590**	448,057
Cash and cash equivalents at beginning of year		**1,277,288**	829,255
Exchange losses on cash and cash equivalents		**(5,132)**	(24)
Cash and cash equivalents at end of year	25	**4,534,746**	1,277,288

The notes on pages 97 to 210 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, and port ancillary services at the port of Qingdao in the PRC.

Prior to the incorporation of the Company, the abovementioned 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; and

(v) all operating assets and liabilities relating to port ancillary 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 the "Dongjiakou Operations");

(iii) certain land use rights, investment properties, non-operating property, plants and equipment, operating property, plants 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").

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 incorporation 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 main board of the Hong Kong Stock Exchange on 6 June 2014. Details of movements in the Company's share capital are set out in Note 27.

In May 2014, the Company completed the acquisition of Dongjiakou Operation II and certain other assets from QDP at the consideration of approximately RMB550.41 million and RMB188.31 million, respectively. The acquisition of Dongjiakou Operation II was regarded as a business combination under common control (Note 2). 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.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 20 March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The Company and QDP are both state-owned enterprises controlled and owned by the Qingdao SASAC. Accordingly, the Reorganisation and the acquisition of Dongjiakou Operation II referred to 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 consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended 31 December 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 31 December 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 consolidated financial statements 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).

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 36(d). As Dongjiakou Operation II had been in existence in the Group throughout the period from 1 January 2012 to 31 December 2012, there is no need to restate the consolidated financial statements as at 1 January 2013.

2.1.1 Amendments and interpretation to standards adopted by the Group

The following amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2014.

- Amendment to IAS 32 "Financial instruments: Presentation" on asset and liability offsetting
- Amendments to IFRS 10, 12 and IAS 27 "Consolidation for investment entities"
- Amendment to IAS 36 "Impairment of assets" on recoverable amount disclosures
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" - "Novation of derivatives"
- IFRIC 21 "Levies"

The adoption of the above amendments and interpretation did not have any material effect on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New and amended standards not yet adopted by the Group

A number of new standards, amendments to existing standards which are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing the consolidated financial statements are summarised as below:

	Effective for accounting periods beginning on or after
Amendment to IAS 19 regarding defined benefit plans	1 July 2014
Annual improvements 2012, which includes changes to: IFRS 8, IAS 16, 24 and 38	1 July 2014
Annual improvements 2013, which includes changes to: IFRS 3, 13 and IAS 40	1 July 2014
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendment to IFRS 11 on accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 and 41 on bearer plants	1 January 2016
Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associates or joint venture	1 January 2016
Amendments to IAS 27 on equity method in separate financial statements	1 January 2016
Annual improvements 2014, which includes changes to: IFRS 5, 7, IAS 19 and 34	1 July 2016
IFRS 15 "Revenue from Contracts with Customers"	1 January 2017
IFRS 9 "Financial Instruments"	1 January 2018

The Group has commenced an assessment of the related impact to the Group, and anticipate that the adoption of above new and amended standards will have no material impact on the results and financial position of the Group, except for those as set out below:

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 an entity 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 entity 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 15 provides specific guidance on capitalisation 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New and amended standards not yet adopted by the Group (Continued)

IFRS 9 "Financial instruments" replaces the whole of IAS 39.

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are 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 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. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 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 Group is yet to assess IFRS 9's full impact and will apply the new standard when it becomes effective.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

Common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Non-common control combinations

The Group applies the acquisition method to account for non-common control business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint ventures or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the Company's balance sheet, investments in associates are stated at cost less provision for impairment loss. The results of associates are accounted for by the Company on the basis of dividends received or receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint ventures equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in joint ventures are stated at cost less provision for impairment loss. The results of joint ventures are accounted for by the Company on the basis of dividends received or receivable.

2.5 Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group, its joint ventures and associates and the presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the income statement within "other gains/(losses) – net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

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

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

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

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

Construction-in-progress mainly represents terminal facilities and storage facilities under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction and acquisition of the assets.

No depreciation is provided for construction-in-progress until such time as the relevant assets are completed and ready for intended use. Construction-in-progress is transferred to relevant categories of property, plant and equipment upon the completion of their respective construction/installation and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment properties, principally comprising buildings, are held for long-term rental yields or for capital appreciation or both, and those are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment properties is calculated using the straight-line method to allocate costs to their residual values over their estimated useful lives of 30 years.

2.9 Land use rights

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

2.10 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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 the CGU containing the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Intangible assets

Intangible assets represent sea area use rights, software and others.

Sea area use rights represent prepaid operating lease payments for maritime space less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for maritime space over the remaining lease term or the operating license period, whichever is shorter. Once sea area use rights are used to reclamation, the net book value will be allocated to the cost of the land. The sea area use rights will be withdrawn upon obtaining the certificate for land use rights.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 years on a straight-line basis.

2.12 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred income tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial assets

2.14.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. As of 31 December 2014 and 2013, the Group only has financial assets designated in the categories of loans and receivables and available-for-sale financial assets.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 2.18), "restricted bank deposits", "term deposits with initial term of over three months" and "cash and cash equivalents" (Note 2.19), in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.14.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial assets (Continued)

2.14.2 Recognition and measurement (Continued)

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. However, if the range of reasonable fair value estimate is significant and the probabilities of various estimates cannot be reasonably assessed, such financial assets are carried out at cost less accumulated impairment losses.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(b) Assets classified as available for sale

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

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Inventories

Inventories, mainly comprising raw materials and completed properties held for sale, are stated at the lower of cost and net realisable value. The cost of completed properties held for sale comprises development expenditure and professional fees. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.18 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.23 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.24 Current and deferred income tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Current and deferred income tax (Continued)

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference, the deferred income tax liability is then not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans, post-employment medical plans, termination and early retirement benefits.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays a fixed contributions to 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.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group provided supplementary pension subsidies to retired employees and those to be retired prior to 31 December 2015. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

For defined contribution plans, the Group pays contributions to government agencies and publicly or privately administered pension insurance plans on a mandatory or contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense as incurred.

Past-service costs are recognised immediately in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Employee benefits (Continued)

(b) Other post-employment obligations

The Group provides post-employment healthcare benefits to retired employees and those to be retired prior to 31 December 2015. The expected costs of these benefits are accrued over the employment period using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Termination and early retirement benefits

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

(d) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees. The Group's liability in respect of these funds is limited to the contribution payable in each period. Housing funds are recognised as employee benefit expenses as incurred.

(e) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.26 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions, if any.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

2.28 Revenue recognition

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

(a) Provision of services

The Group provides containerised and non-containerised cargo handling services, and other port ancillary services. Provision of storage services is recognised on a straight-line basis over the period of the service, other services are recognised in the period in which the services are rendered.

(b) Sales of goods

Sale of goods is recognised in the period when the goods are delivered and title has passed.

(c) Rental income

Rental income from operating lease is recognised in the income statement on a straight-line basis over the term of the lease.

2.29 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate. Interest income from bank deposits and loans to related parties are recognised in "other income" in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Contract work

A construction contract is defined by IAS 11 "Construction contracts" as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.31 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.32 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.33 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The operations and majority of the Group's customers are located in the PRC with most of the assets/liabilities and transactions denominated and settled in RMB. As the commercial transactions settled in foreign currencies are not material, the Directors of the Company are of the view that the Group's exposure to foreign exchange risk would be insignificant.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from restricted bank deposits, term deposits with initial term of over three months, cash and cash equivalents, amounts due from related parties, amounts due to related parties and bank borrowings. Except for restricted bank deposits, certain portion of the cash and cash equivalents, amounts due from related parties, amounts due to related parties and bank borrowings of RMB874,552,000, RMB1,783,274,000, RMB154,080,000, RMB3,554,411,000 and RMB188,261,000 respectively which are subjected to floating interest rates, the remaining financial assets/liabilities as mentioned above are all subjected to fixed interest rates. Financial assets/liabilities subjected to floating interest rates expose the Group to cash flow interest rate risk whereas financial assets/liabilities subjected to fixed interest rates expose the Group to fair value interest rate risk. Considering the financial assets/liabilities subjected to fixed interest rates are all with short maturity periods, the Directors of the Company are of the view that the Group's exposure to fair value interest rate risk would be insignificant.

At 31 December 2014, if borrowing interest rate had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately RMB 706,000 lower/higher (2013: nil), mainly as a result of higher/lower interest expense on variable rate borrowings.

At 31 December 2014, if interest income/expense rate applicable to the restricted bank deposits, cash and cash equivalents, amounts due from/to related parties had been 8 percent higher/lower than the respective average interest income/expense rates for the year ended 31 December 2014, with all other variables held constant, the Group's profit for the year would have been approximately RMB293,000 higher/lower (2013: RMB 276,000) which is mainly resulting from the higher/lower net interest income from the restricted bank deposits, cash and cash equivalents, amounts due from related parties and amounts due to related parties which bear floating interest rates.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk primarily arises from cash and cash equivalents, term deposits with initial term of over three months, restricted bank deposits and trade and other receivables (including notes receivables), except for prepayment.

For deposits with banks and financial institutions (including cash and cash equivalents, term deposits with initial term of over three months and restricted bank deposits), the Group has limited its credit exposure by restricting their selection of banks and financial institutions on reputable local joint-stock commercial banks or state-owned banks. Management believes these financial institutions are reputable and there is no significant credit risk of losses on such assets.

For customers, management assesses the credit qualities of customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set and regularly reviewed by management and the utilisation of which is monitored regularly.

For loans receivable from related companies, management considers that the related credit risk is remote as the counter-parties are all profitable terminal operators in China.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
At 31 December 2014					
Borrowings	116,778	81,858	3,521	—	202,157
Financial liabilities as included in trade and other payables	8,498,684	2,860	8,580	41,540	8,551,664
	8,615,462	84,718	12,101	41,540	8,753,821

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	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

	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**
Company					
At 31 December 2014					
Financial liabilities as included in trade and other payables	**4,144,355**	**2,860**	**8,580**	**41,540**	**4,197,335**

	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	3,981,607	—	—	—	3,981,607

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

The debt-to-equity ratios were as follows:

	2014 RMB'000	2013 RMB'000
Total borrowings (Note 29)	**188,261**	—
Amounts due to related parties (Note 32)	**3,887,911**	—
Less: cash and cash equivalents	**(4,534,746)**	(1,277,288)
Net cash	**(458,574)**	(1,277,288)
Total equity	**12,418,299**	8,569,047
Total capital	**11,959,725**	7,291,759
Gearing ratio	**N/A**	N/A

3.3 Fair value estimation

The fair value for measurement or disclosure purpose is determined based on the inputs as categorised into the following three levels within the fair value hierarchy:

- 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).

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

The fair value of investment properties as disclosed in Note 18 is determined using the methodology of discounted cash flow projection for industrial investment properties and market comparable analysis for commercial investment properties which are both based on the inputs within level 3 of the fair value hierarchy.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Judgments on the cost and completion date of construction-in-progress

The construction of terminal facilities involves various points in time and different part of the construction projects to complete and reach to its intended use. The Group transfers the construction-in-progress to relevant categories of property, plant and equipment in batches upon the completion of respective parts of the terminal facilities. The cost of terminal facilities may not be paid in full when the construction is completed and ready for its intended use. The Group estimates the completion progress, time to reach its intended use and the cost of the construction-in-progress to be transferred to property, plant and equipment where necessary. If the estimation differs significantly from the final settlement of the completed construction projects, the difference will impact the cost of property, plant and equipment and the depreciation charge.

(b) Useful lives and residual values of property, plant and equipment

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

(c) Early retirement and supplemental benefit obligations

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

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

Other key assumptions for early retirement and supplemental benefit obligations are based in part on current market conditions. Additional information is disclosed in Note 31.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(d) Impairment of trade and other receivables

The impairment of trade and other receivables is primarily assessed based on current market conditions and prior experience by taking into account past due status, financial position of debtors and guarantees obtained for the outstanding debts, if any. The Group reviews the adequacy of impairment on a regular basis. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required.

5. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision maker. Management has determined the operating segments based on the information reviewed by the Board of Directors 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 six 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 metal ore, coal and other cargo and storage;

– Liquid bulk handling and ancillary services: Loading and discharging of liquid bulk and storage;

– Logistics and port value-added services: Transshipment hub services, tallying, towing, cargo logistics and other services;

– Port ancillary services: Provision of facilities construction service and manufacturing of port related equipment and others; and

– Financial services: Provision of financial products and services to the Company, its subsidiaries and related parties (including provision of deposit-taking activities, corporate loans, financial lease, guarantee, insurance services and others).

During the year ended 31 December 2014, the following changes were made to the operating segments:

Port management services, previously included in port ancillary services, are now specifically allocated to container handling and ancillary services, metal ore, coal and other cargo handling and ancillary services, and liquid bulk handling and ancillary services.

Yard leasing services, previously included in port ancillary services, are now included in logistics and port value-added services.

During 2013, financial services have not been identified as a reportable operating segment and included in port ancillary services. With the incorporation Qingdao Port Finance Co., Ltd. ("Qingdao Finance") in 2014, financial services have been identified as a reportable operating segment.

5. SEGMENT INFORMATION (Continued)

The changes are in line with the internal management reporting to the Board of Directors.

The comparative segment information has been restated to reflect the abovementioned changes.

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 the Board of Directors closely monitors the share of net profit from those joint ventures.

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 interest income on corporate bank deposits and amounts due from related parties.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transactions are conducted in accordance with the terms as mutually agreed between the parties.

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, restricted bank deposits, term deposits with initial term of over three months and cash and cash equivalents. Unallocated assets consist of deferred income tax assets in connection with the reversal of the Company's asset revaluation surplus in the consolidated financial statements, corporate property, plant and equipment, intangible assets, available-for-sale financial assets, deferred income tax assets, trade and other receivables, and cash and cash equivalents.

Segment liabilities consist primarily of early retirement and supplemental benefit obligations, trade and other payables and borrowings. Unallocated liabilities consist of items such as corporate current income tax liabilities, bill payables and other payables to QDP.

Additions to non-current assets (other than financial instruments and deferred income tax assets) consist of additions to land use rights, property, plant and equipment, investment properties, intangible assets and other non-current assets.

During the year ended 31 December 2014, more than 90% of the Group's revenue is generated from customers located in the Mainland China and all of the non-current assets of the Group were located in the Mainland China.

5. SEGMENT INFORMATION (Continued)

The segment information for the reportable segments is as follows:

	For the year ended 31 December 2014							
	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 ancillary services RMB'000	Financial services RMB'000	Elimination RMB'000	Total RMB'000
Total reportable segment revenue	196,825	2,977,561	89,749	2,126,735	2,218,588	86,312	(709,612)	6,986,158
Inter-segment revenue	—	(15,181)	—	(47,780)	(646,651)	—	709,612	—
Reportable segment revenue from external customers	196,825	2,962,380	89,749	2,078,955	1,571,937	86,312	—	6,986,158
Total reportable segment costs	(60,794)	(2,152,210)	(15,423)	(1,519,838)	(1,884,925)	(19,701)	684,650	(4,968,241)
Inter-segment costs	—	28,417	—	47,904	597,869	10,460	(684,650)	—
Reportable segment costs associated with services provided to external customers	(60,794)	(2,123,793)	(15,423)	(1,471,934)	(1,287,056)	(9,241)	—	(4,968,241)
Share of profit of joint ventures	398,147	5,629	161,537	45,720	—	—	—	611,033
Share of profit of associates	—	—	—	895	—	—	—	895
Segment results	515,120	576,271	235,106	561,574	201,316	60,815	(24,962)	2,125,240
Unallocated costs								(133,597)
Unallocated other income								25,739
Profit before income tax								2,017,382
Income tax expenses								(395,502)
Profit for the year								1,621,880

5. SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2014							
	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 ancillary services RMB'000	Financial services RMB'000	Elimination RMB'000	Total RMB'000
Other information:								
Depreciation and amortisation	20,966	217,487	12,848	68,221	128,783	346	(2,620)	446,031
Unallocated depreciation and amortisation								12,553
Impairment provision	—	1,065	—	—	422	1,560	—	3,047
Non-cash items other than depreciation and amortisation*	—	43,260	340	13,530	40,160	50	—	97,340
	As at 31 December 2014							
Segment assets	2,568,831	7,735,186	3,112,594	2,361,649	5,103,100	7,347,351	(3,209,762)	25,018,949
Unallocated assets								3,308,358
Total assets								28,327,307
Total assets include:								
– Interests in joint ventures	1,835,768	925,586	1,362,820	324,018	—	—	—	4,448,192
– Interests in associates	—	—	—	5,472	—	—	—	5,472
Unallocated additions to non-current assets (other than financial instruments and deferred income tax assets)								10,473
Additions to non-current assets (other than financial instruments and deferred income tax assets)	—	1,590,878	348,640	141,564	94,346	7,260	(33,720)	2,148,968
Segment liabilities	71,370	2,866,400	436,272	800,135	7,057,470	6,446,587	(3,629,002)	14,049,232
Unallocated liabilities								1,859,776
Total liabilities								15,909,008

5. SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2013 (Restated)							
	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 ancillary services RMB'000	Financial services RMB'000	Elimination RMB'000	Total RMB'000
Total reportable segment revenue	192,954	3,118,443	322,009	1,724,372	2,223,988	2,040	(1,057,542)	6,526,264
Inter-segment revenue	—	(34,818)	—	(66,115)	(956,609)	—	1,057,542	—
Reportable segment revenue from external customers	192,954	3,083,625	322,009	1,658,257	1,267,379	2,040	—	6,526,264
Total reportable segment costs	(64,359)	(2,047,431)	(110,984)	(1,259,626)	(1,991,273)	(690)	999,721	(4,474,642)
Inter-segment costs	—	34,818	—	66,115	898,788	—	(999,721)	—
Reportable segment costs associated with services provided to external customers	(64,359)	(2,012,613)	(110,984)	(1,193,511)	(1,092,485)	(690)	—	(4,474,642)
Share of profit of joint ventures	304,243	4,422	157,027	45,767	—		—	511,459
Share of profit of associates	—	—	—	1,799	—		—	1,799
Segment results	413,043	777,926	357,898	431,847	122,943	1,500	(57,821)	2,047,336
Unallocated costs								(313,665)
Unallocated other income								109,312
Unallocated other gains								107,049
Finance costs								(10,070)
Profit before income tax								1,939,962
Income tax expenses								(418,160)
Profit for the year								1,521,802

5. SEGMENT INFORMATION (Continued)

	For the year ended 31 December 2013 (Restated)							
	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 ancillary services RMB'000	Financial services RMB'000	Elimination RMB'000	Total RMB'000
Other information:								
Depreciation and amortisation	20,064	335,630	22,966	96,540	119,211	18	(13,565)	580,864
Unallocated depreciation and amortisation								30,477
Impairment provision	—	—	—	—	1,562	—	—	1,562
Unallocated reversal of impairment provision								(2,583)
Non-cash items other than depreciation and amortisation*	—	38,570	2,140	2,570	81,480	10	—	124,770
	As at 31 December 2013 (Restated)							
Segment assets	2,948,000	5,412,658	2,308,103	1,982,977	4,880,281	6,563	(423,193)	17,115,389
Unallocated assets								2,372,939
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
Unallocated additions to non-current assets (other than financial instruments and deferred income tax assets)								3,707
Additions to non-current assets (other than financial instruments and deferred income tax assets)	4,107	1,857,815	266,747	40,725	640,111	18	(36,846)	2,772,677
Segment liabilities	61,450	1,716,246	160,237	639,844	6,965,488	930	(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.

5. SEGMENT INFORMATION (Continued)

Reportable segment revenue from external customers and reportable segment costs associated with services provided to external customers are reconciled to the consolidated figures as reported in the consolidated financial statement as follows:

	2014 RMB'000	2013 RMB'000
Revenue		
Reportable segment revenue from external customers	**6,986,158**	6,526,264
Less: interest income of Qingdao Finance (i)	**(83,088)**	—
Consolidated revenue	**6,903,070**	6,526,264

	2014 RMB'000	2013 RMB'000
Cost of sales		
Reportable segment costs associated with services provided to external customers	**4,968,241**	4,474,642
Less: interest expense of Qingdao Finance (ii)	**(8,287)**	—
Consolidated cost of sales	**4,959,954**	4,474,642

Notes:

(i) Reportable segment revenue from external customers of the Financial Services segment primarily comprised of the interest income as generated by Qingdao Finance and the amount has been classified and presented as other income in the consolidated income statement.

(ii) Reportable segment costs of the Financial Services segment primarily comprised of the interest expenses paid or payable by Qingdao Finance to QDP, fellow subsidiaries, joint ventures and associates and the amounts have been classified and presented as finance costs in the consolidated income statement.

5. SEGMENT INFORMATION (Continued)

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

	2014 RMB'000	2013 RMB'000 (Restated)
Segment assets	**25,018,949**	17,115,389
Unallocated assets and corporate assets:		
– Deferred income tax assets	**884,392**	933,272
– Property, plant and equipment	**106,816**	87,335
– Intangible assets	**34,801**	33,827
– Available-for-sale financial assets	**483**	483
– Trade and other receivables	**526,889**	487,954
– Cash and cash equivalents	**1,754,977**	830,068
	28,327,307	19,488,328

	2014 RMB'000	2013 RMB'000
Segment liabilities	**14,049,232**	9,164,607
Unallocated corporate liabilities:		
– Trade and other payables	**1,822,701**	1,724,710
– Current income tax liabilities	**37,075**	29,964
	15,909,008	10,919,281

Unallocated trade and other payables are mainly payables to QDP.

5. SEGMENT INFORMATION (Continued)

The Group's revenue (representing turnover) for the year ended 31 December 2014 are analysed as below:

	2014 RMB'000	2013 RMB'000 (Restated)
Revenue from handling, ancillary and other related services	**3,248,954**	3,598,588
Revenue from logistics and port value-added services	**2,078,955**	1,658,257
Revenue from port construction and equipment manufacturing	**723,436**	599,343
Rental income	**232,370**	231,675
Sales of electricity, oil and others	**619,355**	438,401
	6,903,070	6,526,264

6. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Interest income		
– from bank deposits	**101,388**	14,306
– from amounts due from related parties	**1,279**	96,458
Commission from port construction fees	**13,090**	13,318
Government grants	**4,676**	12,689
Income from available-for-sale financial assets	**6,639**	1,084
Others	**464**	6,538
	127,536	144,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER GAINS - NET

	2014 RMB'000	2013 RMB'000
Gains on disposals of property, plant and equipment, land use rights and intangible assets	**32,128**	112,343
Others	**(7,549)**	(6,462)
	24,579	105,881

Gains on disposals of property, plant and equipment, land use rights and intangible assets for the year ended 31 December 2013 were mainly in connection with the sale of liquid bulk handling assets to a joint venture, Qingdao Shihua Crude Oil Terminal Co., Ltd., as stated in Note 17(f).

8. EXPENSES BY NATURE

	2014 RMB'000	2013 RMB'000
Employee benefit expenses (Note 9)	**1,700,534**	1,891,708
Subcontract costs	**1,116,501**	342,395
Transportation costs	**691,295**	507,524
Depreciation of property, plant and equipment (Note 17)	**417,013**	563,331
Materials used in contract work	**375,315**	328,054
Raw materials and consumables used (Note 23)	**193,258**	336,333
Fuel and heating expenditures	**303,102**	474,431
Cost of sales for oil and electricity	**356,751**	262,847
Business tax and others	**126,961**	208,252
Operating lease rental (Note 17(b))	**116,615**	86,355
Repair and maintenance expenses	**53,357**	158,096
Amortisation of land use rights and intangible assets (Notes 16 and 19)	**19,317**	18,745
Amortisation of other non-current assets	**13,123**	18,126
Depreciation of investment properties (Note 18)	**9,131**	11,139
Auditor's remuneration	**7,198**	5,737
Provision for/(reversal of) impairment of trade and other receivables - net (Note 22(e))	**3,047**	(1,021)
Other expenses	**135,390**	127,712
Total cost of sales and selling and administrative expenses	**5,637,908**	5,339,764

9. EMPLOYEE BENEFIT EXPENSES

	2014 RMB'000	2013 RMB'000
Salaries, wages and bonuses	**1,170,936**	1,455,987
Contributions to pension plans	**117,971**	109,815
Early retirement and supplemental benefit obligations (Note 31)	**183,660**	154,960
Housing benefits	**81,658**	72,437
Welfare, medical and other expenses	**146,309**	98,509
	1,700,534	1,891,708

(a) Pensions – defined contribution plans

As of 31 December 2014, the contributions payable to the trustee of the Group's defined contribution plans amounted to RMB24,112,000 (2013: Nil).

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Directors' and supervisors' emoluments

The emoluments of every director and supervisor for the years ended 31 December 2014 and 2013 are set out below:

Year ended 31 December 2014

Name	Salary, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Including: deferred compensation RMB'000	Total RMB'000
Executive directors					
Zheng Minghui	—	—	—	—	—
Jiao Guangjun	264	39	—	—	303
Non-executive directors					
Cheng Xinnong	—	—	—	—	—
Sun Yafei	—	—	—	—	—
Wang Shaoyun	—	—	—	—	—
Ma Baoliang	300	39	—	—	339
Independent non-executive directors (i)					
Wang Yaping	141	—	—	—	141
Chau Kwok Keung	172	—	—	—	172
Yang Qiulin	53	—	—	—	53
Xu Guojun	—	—	—	—	—
Supervisors					
Fu Xinmin	—	—	—	—	—
Chi Dianmou	—	—	—	—	—
Xue Qingxia	258	39	70	—	367
Liu Yuping (ii)	68	—	—	—	68
Li Xuxiu (ii)	28	—	—	—	28
Liu Dengqing (ii)	28	—	—	—	28

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Directors' and supervisors' emoluments (Continued)

Year ended 31 December 2013

Name	Salary, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Including: deferred compensation RMB'000	Total RMB'000
Executive directors					
Zheng Minghui	231	23	385	—	639
Jiao Guangjun	269	34	1,997	584	2,300
Non-executive directors					
Cheng Xinnong	295	34	1,997	584	2,326
Wang Shaoyun	307	34	2,236	671	2,577
Ma Baoliang	306	34	2,236	671	2,576
Sun Yafei	—	—	—	—	—
Supervisors					
Fu Xinmin	319	34	2,318	692	2,671
Xue Qingxia	258	34	73	—	365
Chi Dianmou	—	—	—	—	—

Notes:

(a) All the directors and supervisors are appointed by the Company after its establishment on 15 November 2013, except for the followings:

(i) Wang Yaping, Chau Kwok Keung and Xu Guojun were appointed as independent non-executive directors on 8 May 2014. Xu Guojun resigned on 29 September 2014 and Yang Qiulin was appointed as independent non-executive director on the same date.

(ii) Liu Yuping, Li Xuxiu and Liu Dengqing were appointed as the supervisors of the Company on 29 September 2014.

(b) After the establishment of the Company, Zheng Minghui, Jiao Guangjun, Cheng Xinnong, Sun Yafei, Wang Shaoyun and Ma Baoliang continue to provide services to QDP and receive emoluments from QDP.

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2013: five) directors whose emoluments are reflected in the analysis as presented in Note 9 (b) above.

The emoluments payable to the remaining two (2013: Nil) individuals during the year are as follows:

	2014	2013
	RMB'000	RMB'000
Salaries, housing allowances, other allowances and benefits- in-kind	**521**	—
Supplemental benefits	**78**	—
Discretionary bonuses	**654**	—
	1,253	—

The emoluments fell within the following bands:

	2014	2013
Emolument bands		
HKD500,001 - 1,000,000		
(RMB394,451 - 788,900)	**2**	—

10. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2014	2013
	RMB'000	RMB'000
Investments, at cost:		
Unlisted shares	**2,155,686**	687,059

As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, investments in subsidiaries are recorded at revaluation cost valued by independent valuers.

Refer to Note 38 for the details of the subsidiaries as at 31 December 2014.

At 31 December 2014, the Company has the following significant subsidiaries:

Name	**Country of incorporation and place of business**	**Principal activities**	**Effective interests directly held (%)**	**Interests held by non –controlling interests (%)**
Qingdao Port (Group) Engineering Co. , Ltd. ("Qingdao Port Engineering")	PRC	Engineering and construction	100	—
Qingdao Ocean Shipping Tally Co., Ltd. ("Qingdao OST")	PRC	Ocean shipping tally services	84	16
Qingdao Finance	PRC	Financial services	70	30

The non-controlling interests as at 31 December 2014 are mainly attributable to Qingdao OST and Qingdao Finance.

Qingdao Finance was incorporated by the Company and QDP on 22 July 2014. Qingdao Finance has obtained the financial business operation license as approved by the China Banking Regulatory Commission in the Qingdao city.

Starting from 1 August 2014, any surplus cash as held by the Group's joint ventures, associates, QDP and its subsidiaries over the amounts as required for their daily operations are deposited with Qingdao Finance. The amounts as deposited by the aforesaid related parties with Qingdao Finance have been accounted for as the Group's other payables (Note 32(b)). Qingdao Finance invests surplus cash in time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity so that the above related parties can withdraw the deposited amounts at any time by serving an one-day advance notice to Qingdao Finance.

10. INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for Qingdao Finance and Qingdao OST, which have non-controlling interests that are material to the Group.

Summarised balance sheets

	Qingdao Finance		Qingdao OST	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Assets	**7,412,320**	—	**166,158**	141,941
Liabilities	**(6,465,510)**	—	**(17,279)**	(25,692)
Total net current assets	**946,810**	—	**148,879**	116,249
Non-current				
Assets	**96,926**	—	**6,129**	5,573
Liabilities	—	—	**(30,500)**	(24,460)
Total non-current net assets/(liabilities)	**96,926**	—	**(24,371)**	(18,887)
Net assets	**1,043,736**	—	**124,508**	97,362

Summarised income statements

	Qingdao Finance		Qingdao OST	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**83,096**	—	**263,232**	245,478
Profit before income tax	**58,330**	—	**160,934**	159,786
Income tax expenses	**(14,594)**	—	**(41,051)**	(40,438)
Profit for the year	**43,736**	—	**119,883**	119,348
Other comprehensive (expenses)/income	—	—	**(2,530)**	4,920
Total comprehensive income	**43,736**	—	**117,353**	124,268
Total comprehensive income allocated to non-controlling interests	**13,121**	—	**18,776**	19,883
Dividends paid to non-controlling interests	—	—	**13,872**	20,317

10. INVESTMENTS IN SUBSIDIARIES - COMPANY (Continued)

Summarised cash flows

	Qingdao Finance		Qingdao OST	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash flows from operating activities				
Cash generated from operations	**3,418,678**	—	**169,427**	161,292
Income tax paid	**(9,856)**	—	**(52,127)**	(40,817)
Net cash generated from operating activities	**3,408,822**	—	**117,300**	120,475
Net cash used in investing activities	**(7,768)**	—	**(12,463)**	(633)
Net cash generated from/(used in) financing activities	**1,000,000**	—	**(86,698)**	(126,982)
Net increase/(decrease) in cash and cash equivalents	**4,401,054**	—	**18,139**	(7,140)
Cash and cash equivalents at beginning of year	—	—	**131,479**	138,619
Exchange loss on cash and cash equivalents	**(647)**	—	—	—
Cash and cash equivalents at end of year	**4,400,407**	—	**149,618**	131,479

The information above is the amounts before inter-company eliminations.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Group

	2014	2013
	RMB'000	RMB'000
Joint ventures	**611,033**	511,459
Associates	**895**	1,799
	611,928	513,258

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

The amounts recognised in the balance sheets are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Joint ventures	**4,448,192**	4,392,298	**5,158,242**	5,212,522
Associates	**5,472**	5,488	**7,420**	7,420
	4,453,664	4,397,786	**5,165,662**	5,219,942

As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, the Company's investments in joint ventures and associates are accounted at revaluation cost valued by independent valuers.

(a) Investments in joint ventures

Group	**2014**	2013
	RMB'000	RMB'000
At 1 January	**4,392,298**	3,519,690
Additions	**602,367**	819,630
Capital reduction in a joint venture (Note)	**(100,000)**	—
Share of profit	**611,033**	511,459
Realisation/(elimination) of unrealised profit	**19,295**	(132,189)
Dividends from joint ventures	**(591,031)**	(326,795)
Changes in other reserves	**357**	503
Reclassification to held for sale (Note 26)	**(486,127)**	—
At 31 December	**4,448,192**	4,392,298

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in joint ventures (Continued)

Company	**Year ended 31 December 2014 RMB'000**	Period from 15 November 2013 (date of the incorporation) to 31 December 2013 RMB'000
At beginning of year/period	**5,212,522**	5,212,522
Additions	**582,366**	—
Capital reduction in a joint venture (Note)	**(100,000)**	—
Reclassification to held for sale (Note 26)	**(536,646)**	—
At end of year/period	**5,158,242**	5,212,522

Note:

The Group and Rizhao Port Co., Ltd. ("Rizhao Port") hold 50% equity interest of Rizhao Riqing Container Terminal Co., Ltd. ("Riqing Container") respectively, which was accounted for as a joint venture of the Group. The Group and Rizhao Port reached an agreement to reduce the registered capital of Riqing Container on 15 February 2014. The capital reduction in proportion to the Group's equity interest in Riqing Container of RMB100,000,000 was received by the Group in March 2014.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in joint ventures (Continued)

The Group's joint ventures as at 31 December 2014 are set out below:

Nature of investment in joint ventures

Name of entity	Place of business/ Country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT")	PRC	31	Note i	Equity
Qingdao Shihua Crude Oil Terminal Co. , Ltd. ("Qingdao Shihua")	PRC	50	Note i	Equity
Qingdao Qianwan West Port United Terminal Co., Ltd. ("Qianwan West United") (Note iii)	PRC	51	Note i	Equity
Weihai Qingwei Container Terminal Co., Ltd.	PRC	49	Note i	Equity
Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (the "QDOT")	PRC	30	Note i	Equity
Vopak Logistics (Qingdao) Co., Ltd.	PRC	50	Note ii	Equity
Qingdao Evergreen Container Storage & Transportation Co., Ltd.	PRC	40	Note ii	Equity
Qingdao Orient International Container Storage & Transportation Co., Ltd.	PRC	41	Note ii	Equity
Qingdao Bay Liquid Chemical Port Operation Co., Ltd.	PRC	50	Note ii	Equity
Qingdao Qianwan Port Area Bonded Logistics Center Co., Ltd.	PRC	23	Note ii	Equity
Qingdao Ganghai International Logistics Co., Ltd.	PRC	50	Note ii	Equity
Qingdao Shenzhouxing International Transportation Co., Ltd.	PRC	50	Note ii	Equity
China Shipping Agency (Qingdao) Co., Ltd.	PRC	50	Note ii	Equity

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in joint ventures (Continued)

Nature of investment in joint ventures (Continued)

Name of entity	Place of business/ Country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Qingdao United International Shipping Agency Co., Ltd.	PRC	50	Note ii	Equity
Huaneng Qingdao Port Operation Co., Ltd.	PRC	49	Note ii	Equity
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. (Note iii)	PRC	51	Note ii	Equity
Qingdao Port High-speed Logistics (Linyi) Co., Ltd. ("High-speed Logistics")	PRC	40	Note ii	Equity
Qingdao Port Dongjiakou Sinotrans Logistics Co., Ltd. ("Sinotrans Dongjiakou Logistics")	PRC	49	Note ii	Equity
Qingdao Port Yuntai Logistics Co., Ltd.	PRC	40	Note ii	Equity
Henan Yuqing International Logistics Co., Ltd.	PRC	49	Note ii	Equity

Notes:

(i) These companies are strategic partners for the Group which provide containerised and non-containerised cargo handling services and other port ancillary services.

(ii) These companies provide logistics services or agency services, which are supplementary to the cargo handling services and other port ancillary services as operated by the Group and its joint ventures as mentioned in Note i.

(iii) Although the Group's equity interests in these joint ventures are more than 50%, the Group does not have unilateral control over these joint ventures.

All of the joint ventures are private companies and there is no quoted market price available for their shares.

There are no material contingent liabilities relating to the Group's interests in the joint ventures, and no material contingent liabilities of the joint ventures themselves.

Summarised financial information for joint ventures

Set out below are the summarised financial information for joint ventures which are accounted for using the equity method, and in the opinion of the Directors are material to the Group.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in joint ventures (Continued)

Summarised balance sheet – As at 31 December 2014

	QQCT RMB'000	Qingdao Shihua RMB'000
Current		
Cash and cash equivalents	551,101	118,196
Other current assets (excluding cash)	822,701	60,455
Total current assets	1,373,802	178,651
Financial liabilities (excluding trade payables)	(500,500)	—
Other current liabilities (including trade payables)	(1,691,478)	(378,746)
Total current liabilities	(2,191,978)	(378,746)
Non-current		
Assets	9,174,996	2,609,370
Liabilities	(2,588,480)	—
Total non-current net assets	6,586,516	2,609,370
Net assets of the joint ventures	5,768,340	2,409,275
Less: non-controlling interests	(155,996)	—
Net assets attributable to the owners of joint ventures	5,612,344	2,409,275

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in joint ventures (Continued)

Summarised income statement – For year ended 31 December 2014

	QQCT RMB'000	Qingdao Shihua RMB'000
Revenue	2,705,313	765,026
Cost of sales	(1,020,315)	(282,017)
Including: Depreciation and amortisation	(320,968)	(105,860)
Interest income	171,785	2,237
Interest expense	(261,729)	—
Profit before income tax	1,604,662	442,057
Income tax expenses	(409,539)	(111,441)
Profit for the year	1,195,123	330,616
Non-controlling interests	3,596	—
Profit attributable to the owners of joint ventures	1,198,719	330,616
Dividends declared by joint ventures and entitled by the Group	392,729	112,748
Dividends received by the Group from joint ventures	666,800	112,748

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in joint ventures (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in the joint ventures - For year ended 31 December 2014

Summarised financial information	**QQCT RMB'000**	**Qingdao Shihua RMB'000**
Opening equity attributable to the owners of joint ventures	5,661,369	2,304,154
Profit attributable to the owners of joint ventures for the year	1,198,719	330,616
Dividends paid	(1,266,867)	(225,495)
Other distribution	(276)	—
Others	19,399	—
Closing equity attributable to the owners of joint ventures	5,612,344	2,409,275
Equity interest held by the Group	31%	50%
Interests in joint ventures	1,739,826	1,204,638
Unrealised profit	—	(96,059)
Carrying value	1,739,826	1,108,579
Share of profit before elimination	371,603	165,308
Unrealised profit	—	(3,740)
Share of profit	371,603	161,568

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in joint ventures (Continued)

Summarised balance sheet – As at 31 December 2013

	QQCT RMB'000	Qingdao Shihua RMB'000
Current		
Cash and cash equivalents	499,279	221,055
Other current assets (excluding cash)	385,383	27,689
Total current assets	884,662	248,744
Financial liabilities (excluding trade payables)	(1,350,000)	—
Other current liabilities (including trade payables)	(2,511,344)	(318,929)
Total current liabilities	(3,861,344)	(318,929)
Non-current		
Assets	10,897,711	2,374,339
Liabilities	(2,100,000)	—
Total non-current net assets	8,797,711	2,374,339
Net assets of the joint ventures	5,821,029	2,304,154
Less: non-controlling interests	(159,660)	—
Net assets attributable to the owners of joint ventures	5,661,369	2,304,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in joint ventures (Continued)

Summarised income statement - For year ended 31 December 2013

	QQCT RMB'000	Qingdao Shihua RMB'000
Revenue	2,428,162	596,769
Cost of sales	(1,036,084)	(233,378)
Including: Depreciation and amortisation	(395,580)	(87,554)
Interest income	192,406	3,087
Interest expense	(284,693)	—
Profit before income tax	1,217,771	330,345
Income tax expenses	(322,850)	(83,974)
Profit for the year	894,921	246,371
Non-controlling interests	12,531	—
Profit attributable to the owners of joint ventures	907,452	246,371
Dividends declared by joint ventures and entitled by the Group	274,071	—
Dividends received by the Group from joint ventures	—	—

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in joint ventures (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in joint ventures - For year ended 31 December 2013

Summarised financial information	QQCT RMB'000	Qingdao Shihua RMB'000
Opening equity attributable to the owners of joint ventures	5,629,050	1,257,783
Profit attributable to the owners of joint ventures for the year	907,452	246,371
Dividends paid	(884,100)	—
Capital injection	—	800,000
Other contributions	276	—
Others	8,691	—
Closing equity attributable to the owners of joint ventures	5,661,369	2,304,154
Equity interest held by the Group	31%	50%
Interest in joint ventures	1,755,024	1,152,077
Unrealised profit	—	(103,708)
Carrying value	1,755,024	1,048,369
Share of profit before elimination	281,310	123,186
Unrealised profit	—	34,570
Share of profit	281,310	157,756

Individually immaterial joint ventures

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2014 **RMB'000**	2013 RMB'000
Aggregate carrying value of individually immaterial joint ventures	**1,599,787**	1,588,905
Aggregate amounts of the Group's share of profit of individually immaterial joint ventures	**77,862**	72,393

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investments in associates

Group

	2014	2013
	RMB'000	RMB'000
At 1 January	**5,488**	20,493
Distribution to QDP (Note)	—	(15,908)
Share of profit	**895**	1,799
Dividends from associates	**(911)**	(896)
At 31 December	**5,472**	5,488

In the opinion of the Directors, associates are not material to the Group.

Note:

The distribution during the year ended 31 December 2013 represented the investments in associates in connection with the Other Retained Operations as distributed to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013) (Note 2.1).

Company

	Year ended 31 December 2014	Period from 15 November 2013 (date of the incorporation) to 31 December 2013
	RMB'000	RMB'000
Equity investments, at cost		
At beginning and end of year/period	**7,420**	7,420

12. TAXATION

(a) Income tax expenses

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

	2014	2013
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	**344,600**	422,198
Deferred income tax charge/(credit) (Note 33)	**50,902**	(4,038)
	395,502	418,160

The Group is subject to PRC enterprise income tax which has been provided for based on the statutory income tax rate of 25% on the assessable profit of the Company and its subsidiaries for the current and the prior year.

No Hong Kong profits tax has been provided for as the Group has no estimated assessable profit arising in or derived from Hong Kong for the current and the prior year.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average income tax rate applicable to profit of the consolidated entities as follows:

	2014	2013
	RMB'000	RMB'000
Profit before income tax	**2,017,382**	1,939,962
Less: Share of profit of joint ventures and associates	**(611,928)**	(513,258)
	1,405,454	1,426,704
Tax calculated at the statutory income tax rate in the PRC	**351,364**	356,676
Expenses not deductible for tax purposes	**44,138**	61,484
Income tax expenses	**395,502**	418,160

12. TAXATION (Continued)

(b) Value-added tax ("VAT") and related taxes

Certain revenue of the Group are subject to output VAT generally calculated at 17% or 13% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or equipment can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The subsidiaries are also subject to city construction tax ("CCT") and educational surcharge ("ES") based on 7% and 3% of net VAT payable, respectively.

Pursuant to the Notice on Issuance of Business Tax to Value Added Tax Transformation Pilot Program ("Pilot Program") and the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Transportation Industry and Some Modern Service Industries Nationally (Caishui No.37, 2013) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenues derived from handling and ancillary services, transportation services which are previously subject to business tax are then subject to VAT since 1 August 2013 at rates of 6% and 11% respectively.

(c) Business Tax ("BT") and related taxes

In addition to the handling and ancillary services and transportation services which are subject to VAT from 1 August 2013, certain revenue of the Group are subject to BT at rates of 3% or 5% of the taxable revenue. In addition, the Group is subject to CCT and ES based on 7% and 3% of the related BT payable, respectively.

The related business tax is included in "cost of sales".

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the year ended 31 December 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 year.

	2014	2013
Profit attributable to owners of the Company (RMB'000)	**1,586,371**	1,500,499
Weighted average number of ordinary shares in issue (thousands)	**4,440,444**	3,650,000
Basic earnings per share (RMB per share)	**0.36**	0.41

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding during the years ended 31 December 2014 and 2013.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB1,275,902,000 for the year ended 31 December 2014 (2013: RMB58,613,000).

15. DIVIDENDS

Pursuant to the resolution of the shareholders' meeting held on 15 November 2013 and the applicable PRC financial regulations, the Company is required to make a distribution (the "Special Distribution") to QDP in an amount equal to the difference between the Group's combined equity attributable to owners of the Company as at 31 December 2012 and that as at 15 November 2013 (the date on which the Company was incorporated), as determined based on the audited accounts prepared in accordance with People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP"). The Company has appropriated the Special Distribution of approximately RMB1,303,228,000 accordingly. The Company has paid approximately RMB270,688,000 to QDP in December 2013 and settled the remaining portion in December 2014.

Pursuant to the resolution of the shareholders' meeting held on 15 November 2013, QDP and 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 the incorporation 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. At the board meeting held on 20 March 2015, the Board approved the Special Dividend, as determined based on the audited consolidated balance sheet as at 31 May 2014 prepared in accordance with PRC GAAP, distributable to QDP and other promoters of approximately RMB650,384,000.

A dividend in respect of the period from 1 June 2014 to 31 December 2014 of approximately RMB61.91 per thousand ordinary shares, amounting to a total dividend of approximately RMB295,792,000, is to be proposed at the annual general meeting on 6 June 2015. The consolidated financial statements do not reflect this dividend payable and the aforementioned distribution of Special Dividend to QDP and other promoters of RMB946,176,000 in total.

During the years ended 31 December 2014 and 2013, certain of the Group's non-wholly owned subsidiaries had paid dividends to minority shareholders of approximately RMB13,872,000 and RMB20,317,000 respectively.

16. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments for lands located in Qingdao, the PRC with a lease term of 35 - 50 years, and are analysed as follows:

Group

	2014	2013
	RMB'000	RMB'000
Cost		
At 1 January	**608,189**	206,953
Additions	—	1,035,904
Acquisition of subsidiaries (Note 36)	**165,727**	—
Disposals	—	(15,143)
Distribution to QDP (Note b)	—	(619,525)
As at 31 December	**773,916**	608,189
Accumulated amortisation		
At 1 January	**(9,824)**	(24,378)
Amortisation charge	**(12,233)**	(12,856)
Disposals	—	4,599
Distribution to QDP (Note b)	—	22,811
As at 31 December	**(22,057)**	(9,824)
Net book value	**751,859**	598,365

16. LAND USE RIGHTS (Continued)

Company

	Year ended 31 December 2014 RMB'000	Period from 15 November 2013 (date of the incorporation) to 31 December 2013 RMB'000
Cost		
At beginning of year/period	**2,810,790**	2,810,790
Disposals	**(12,900)**	—
At end of year/period	**2,797,890**	2,810,790
Accumulated amortisation		
At beginning of year/period	**(5,294)**	—
Amortisation charge	**(63,382)**	(5,294)
Disposals	**215**	—
At end of year/period	**(68,461)**	(5,294)
Net book value	**2,729,429**	2,805,496

Note:

(a) Amortisation expenses have been charged in "cost of sales".

(b) The distribution during the year ended 31 December 2013 represented the land use rights in connection with the Other Retained Operations as distributed to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013) (Note 2.1).

17. PROPERTY, PLANT AND EQUIPMENT

Group

	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
Year ended 31 December 2013									
Opening net book amount	747,974	7,689,751	2,013,649	1,392,478	264,970	555,643	66,239	2,852,145	15,582,849
Additions	28,971	336	16,763	89,689	30,573	118,979	14,716	1,263,281	1,563,308
Transfers	12,328	675,140	15,151	183,548	1,749	29,332	—	(917,248)	—
Disposals (Note 34(b))	(14,423)	(439,143)	(478,130)	(8,512)	(41,555)	(2,635)	(1,340)	(745)	(986,483)
Depreciation charge (Note 8)	(29,044)	(176,757)	(71,778)	(185,845)	(52,678)	(36,876)	(10,353)	—	(563,331)
Distribution to QDP (Note g)	(598,019)	(3,385,170)	(324,349)	(748,965)	(51,839)	(564)	(17,308)	(1,806,377)	(6,932,591)
Adjustments for business combination under common control (Notes 2.1 and 36(d))	—	262,580	—	75,233	—	—	—	198,299	536,112
Reversal of impairment	—	—	—	—	4,800	—	—	—	4,800
Closing 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
At 31 December 2013, 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

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	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
Year ended 31 December 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	2,529	2,374	333	39,243	45,709	5,773	14,742	966,834	1,077,537
Transfers	—	272,390	35,603	45,043	1,279	—	—	(354,315)	—
Disposals (Note 34(b))	(11,006)	—	(1,833)	(8,462)	(968)	(1,825)	(6,926)	(425,420)	(456,440)
Transfer to prepayment for other non-current assets	—	—	—	—	—	—	—	(17,156)	(17,156)
Acquisitions of subsidiaries (Note 36)	—	—	—	—	239	—	700	1,293,519	1,294,458
Depreciation charge (Note 8)	(9,098)	(123,097)	(48,804)	(143,079)	(36,242)	(46,399)	(10,294)	—	(417,013)
Closing net book amount	130,212	4,778,404	1,156,605	730,371	166,037	621,428	50,176	3,052,817	10,686,050
At 31 December 2014									
Cost	270,563	6,227,618	1,542,424	2,699,303	692,449	1,025,530	99,416	3,052,817	15,610,120
Accumulated depreciation	(140,351)	(1,449,214)	(385,819)	(1,968,932)	(526,412)	(404,102)	(49,240)	—	(4,924,070)
Net book amount	130,212	4,778,404	1,156,605	730,371	166,037	621,428	50,176	3,052,817	10,686,050

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	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 15 November 2013 (date of the incorporation)	225,386	4,822,642	1,698,625	872,037	130,230	709,566	51,159	1,470,120	9,979,765
Transfers	—	—	13,448	—	—	—	—	(13,448)	—
Depreciation charge	(901)	(11,861)	(4,198)	(20,890)	(9,734)	(5,105)	(869)	—	(53,558)
Closing net book amount	224,485	4,810,781	1,707,875	851,147	120,496	704,461	50,290	1,456,672	9,926,207
At 31 December 2013									
Cost	225,386	4,822,642	1,712,073	872,037	130,230	709,566	51,159	1,456,672	9,979,765
Accumulated depreciation	(901)	(11,861)	(4,198)	(20,890)	(9,734)	(5,105)	(869)	—	(53,558)
Net book amount	224,485	4,810,781	1,707,875	851,147	120,496	704,461	50,290	1,456,672	9,926,207
Year ended 31 December 2014									
Opening net book amount	**224,485**	**4,810,781**	**1,707,875**	**851,147**	**120,496**	**704,461**	**50,290**	**1,456,672**	**9,926,207**
Acquisition of Dongjiakou Operation II	—	**249,264**	—	**80,200**	—	—	—	**178,000**	**507,464**
Additions	**1,539**	**423**	**333**	**42,083**	**36,544**	**3,909**	**14,323**	**714,527**	**813,681**
Transfers	—	—	**35,957**	—	—	—	—	**(35,957)**	—
Disposals	**(10,806)**	—	**(2,034)**	**(504)**	**(544)**	**(3,560)**	**(9,790)**	**(442,576)**	**(469,814)**
Depreciation charge	**(11,105)**	**(142,923)**	**(51,476)**	**(235,943)**	**(36,237)**	**(61,703)**	**(9,946)**	—	**(549,333)**
Closing net book amount	**204,113**	**4,917,545**	**1,690,655**	**736,983**	**120,259**	**643,107**	**44,877**	**1,870,666**	**10,228,205**
At 31 December 2014									
Cost	**215,850**	**5,072,329**	**1,746,262**	**991,635**	**165,994**	**707,301**	**54,371**	**1,870,666**	**10,824,408**
Accumulated depreciation	**(11,737)**	**(154,784)**	**(55,607)**	**(254,652)**	**(45,735)**	**(64,194)**	**(9,494)**	—	**(596,203)**
Net book amount	**204,113**	**4,917,545**	**1,690,655**	**736,983**	**120,259**	**643,107**	**44,877**	**1,870,666**	**10,228,205**

(a) Depreciation expenses have been charged to the consolidated income statement as follows:

Group

	2014 RMB'000	2013 RMB'000
Cost of sales	**401,299**	531,083
Selling and administrative expenses	**15,714**	32,248
	417,013	563,331

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Expenses for leasing of machinery and property as included in the consolidated income statement amounted to RMB116,615,000 during the year ended 31 December 2014 (2013: RMB86,355,000) (Note 8).

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

(d) As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, the Company's property, plant and equipment are recorded at revaluation cost valued by independent valuers. Such asset revaluation surplus is not recognised in the Group's consolidated financial statements prepared in accordance with IFRS because the assets and liabilities are recorded of predecessor cost.

(e) The Group entered into three lease agreements with a joint venture, QQCT, in year 2000, 2003 and 2006, respectively. According to the agreements, the Group leased certain buildings, terminal facilities, storage facilities, machinery and equipment (collectively "port facilities") and land use rights in three batches to QQCT in order to provide QQCT with the land and facilities necessary to operate its container cargo 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 risks and rewards incidental to ownership of the leased assets still retained by the Group. The total contract amount of RMB5,886 million have been received in full by April 2010 and recorded as deferred income (Note 30). 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 as at 31 December 2014, is analysed as below:

Group

	2014	2013
	RMB'000	RMB'000
Buildings	**25,659**	26,984
Terminal facilities	**1,764,820**	1,819,979
Storage facilities	**758,355**	778,998
Machinery and equipment	**8**	94
	2,548,842	2,626,055

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(f) 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). Pursuant to the agreement, both the Group and Sinomart KTS have to contribute additional capital of RMB400 million to Qingdao Shihua. The Group and Sinomart KTS injected assets and cash respectively to Qingdao Shihua in 2013 as their settlement of the additional capital contribution to Qingdao Shihua. The total assets as transferred by the Group to Qingdao Shihua in 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
Inventories	236	1,201
Total	990,368	1,283,131

Assets with fair value of RMB400 million (with carrying amount of approximately RMB347 million) are transferred to Qingdao Shihua as the Group's settlement of the additional capital contribution while the remaining assets with fair value of approximately RMB883 million (with carrying amount of approximately RMB643 million) are disposals of assets to Qingdao Shihua. The unrealised profit arising from the disposals of assets to Qingdao Shihua has been eliminated to the extent of the Group's interest in Qingdao Shihua.

(g) The distribution during the year ended 31 December 2013 represented the property, plant and equipment in connection with the Dongjiakou Operations and Other Retained Operations of approximately RMB4,239,751,000 and RMB2,692,840,000 respectively as distributed to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013) (Note 2.1).

18. INVESTMENT PROPERTIES

Group

	2014 RMB'000	2013 RMB'000
Cost		
At 1 January	**232,467**	261,054
Additions	**8,139**	214,841
Distribution to QDP (Note c)	**—**	(243,428)
At 31 December	**240,606**	232,467
Accumulated depreciation		
At 1 January	**(10,481)**	(62,435)
Depreciation charge (Note 8)	**(9,131)**	(11,139)
Distribution to QDP (Note c)	**—**	63,093
At 31 December	**(19,612)**	(10,481)
Net book value	**220,994**	221,986
Fair value at end of the year	**259,042**	229,155

18. INVESTMENT PROPERTIES (Continued)

Company

	Year ended 31 December 2014 RMB'000	Period from 15 November 2013 (date of the incorporation) to 31 December 2013 RMB'000
Cost		
At beginning of year/period	**214,841**	—
Additions	**8,138**	214,841
At end of year/period	**222,979**	214,841
Accumulated depreciation		
At beginning of year/period	—	—
Depreciation charge	**(8,789)**	—
At end of year/period	**(8,789)**	—
Net book value	**214,190**	214,841
Fair value at end of the year	**220,145**	215,269

(a) Depreciation expenses have been charged in "Cost of sales".

(b) The Group's investment properties are valued by Qingdao Hengyuande Real Estate Appraisal Ltd., an independent valuer. Valuations are based on income approach for industrial investment properties and market approach for commercial investment properties.

(c) The distribution during the year ended 31 December 2013 represented the investment properties in connection with the Other Retained Operations as distributed to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013) (Note 2.1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INTANGIBLE ASSETS

Group

	Software RMB'000	Sea area use rights RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013				
Cost	18,374	—	60,527	78,901
Accumulated amortisation	(13,704)	—	(18,157)	(31,861)
Net book amount	4,670	—	42,370	47,040
Year ended 31 December 2013				
Opening net book amount	4,670	—	42,370	47,040
Additions	5,231	—	3,001	8,232
Disposals (Note 34(b))	(82)	—	(988)	(1,070)
Amortisation charge (Note 8)	(2,589)	—	(3,300)	(5,889)
Distribution to QDP (Note b)	—	—	(8,195)	(8,195)
Closing net book amount	7,230	—	32,888	40,118
At 31 December 2013				
Cost	23,399	—	51,101	74,500
Accumulated amortisation	(16,169)	—	(18,213)	(34,382)
Net book amount	7,230	—	32,888	40,118
Year ended 31 December 2014				
Opening net book amount	**7,230**	—	**32,888**	**40,118**
Additions	**3,327**	**1,363**	—	**4,690**
Acquisition of a subsidiary (Note 36)	**737**	**35,951**	—	**36,688**
Amortisation charge (Note 8)	**(2,974)**	**(465)**	**(3,645)**	**(7,084)**
Closing net book amount	**8,320**	**36,849**	**29,243**	**74,412**
At 31 December 2014				
Cost	**27,463**	**37,314**	**51,101**	**115,878**
Accumulated amortisation	**(19,143)**	**(465)**	**(21,858)**	**(41,466)**
Net book amount	**8,320**	**36,849**	**29,243**	**74,412**

19. INTANGIBLE ASSETS (Continued)

Company

	Software RMB'000	Sea area use rights RMB'000	Others RMB'000	Total RMB'000
At 15 November 2013 (date of the incorporation)	8,317	—	32,269	40,586
Amortisation charge	(267)	—	(304)	(571)
Closing net book amount	8,050	—	31,965	40,015
At 31 December 2013				
Cost	8,317	—	32,269	40,586
Accumulated amortisation	(267)	—	(304)	(571)
Net book amount	8,050	—	31,965	40,015
Year ended 31 December 2014				
Opening net book amount	**8,050**	—	**31,965**	**40,015**
Additions	**1,452**	**1,363**	—	**2,815**
Amortisation charge	**(2,569)**	**(27)**	**(3,646)**	**(6,242)**
Closing net book amount	**6,933**	**1,336**	**28,319**	**36,588**
At 31 December 2014				
Cost	**9,769**	**1,363**	**32,269**	**43,401**
Accumulated amortisation	**(2,836)**	**(27)**	**(3,950)**	**(6,813)**
Net book amount	**6,933**	**1,336**	**28,319**	**36,588**

(a) Amortisation expenses have been charged in "Cost of sales" and "Selling and administrative expenses".

(b) The distribution during the year ended 31 December 2013 represented the intangible assets in connection with the Other Retained Operations as distributed to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013) (Note 2.1).

20. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
31 December 2014			
Assets as per balance sheet			
Available-for-sale financial assets (Note 21)	—	72,208	72,208
Trade and other receivables excluding non-financial assets (Note 22)	2,722,379	—	2,722,379
Cash and cash equivalents (Note 25)	4,534,746	—	4,534,746
Restricted bank deposits (Note 25)	874,552	—	874,552
Term deposits with initial term of over three months (Note 25)	2,013,248	—	2,013,248
Total	10,144,925	72,208	10,217,133

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Borrowings (Note 29)	188,261
Trade and other payables excluding non-financial liabilities (Note 32)	8,542,966
Total	8,731,227

20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(a) Group (Continued)

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
31 December 2013			
Assets as per balance sheet			
Available-for-sale financial assets (Note 21)	—	72,208	72,208
Trade and other receivables excluding non-financial assets (Note 22)	2,026,150	—	2,026,150
Cash and cash equivalents (Note 25)	1,277,288	—	1,277,288
Restricted bank deposits (Note 25)	9	—	9
Total	3,303,447	72,208	3,375,655

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 32)	3,862,838

20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(b) Company

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
31 December 2014			
Assets as per balance sheet			
Available-for-sale financial assets (Note 21)	—	71,421	71,421
Trade and other receivables excluding non-financial assets (Note 22)	2,724,171	—	2,724,171
Cash and cash equivalents (Note 25)	1,107,926	—	1,107,926
Term deposits with initial term of over three months (Note 25)	1,000,000	—	1,000,000
Total	4,832,097	71,421	4,903,518

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 32)	4,197,335

20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(b) Company (Continued)

	Loans and receivables RMB'000	Available-for-sale RMB'000	Total RMB'000
31 December 2013			
Assets as per balance sheet			
Available-for-sale financial assets (Note 21)	—	71,421	71,421
Trade and other receivables excluding non-financial assets (Note 22)	2,120,272	—	2,120,272
Cash and cash equivalents (Note 25)	1,054,036	—	1,054,036
Total	3,174,308	71,421	3,245,729

	Other financial liabilities at amortised cost RMB'000
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 32)	3,981,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2014 RMB'000	2013 RMB'000
At 1 January	**72,208**	111,064
Net gains credit to equity	—	2,742
Distribution to QDP (Note c)	—	(41,598)
At 31 December	**72,208**	72,208

Company

	Year ended 31 December 2014 RMB'000	Period from 15 November 2013 (date of the incorporation) to 31 December 2013 RMB'000
Unlisted equity investments, at cost		
At beginning and end of year/period	**71,421**	71,421

(a) Available-for-sale financial assets are all denominated in RMB.

(b) Available-for-sale financial assets are all unlisted equity investment measured at cost. They mainly represent investments in Sinopec Qingdao Liquefied Natural Gas Co., Ltd., Shandong Binhai Hongrun Pipeline Logistics Co., Ltd., over which the Group has no control, joint control or significant influence. Management is of the opinion that the range of reasonable fair value estimate for the unlisted equity investments is significant and the probabilities of various estimates cannot be reasonably assessed. Accordingly, such financial assets are carried at cost less accumulated impairment losses, if any.

(c) The distribution during the year ended 31 December 2013 represented the available-for-sale financial assets in connection with the Other Retained Operations as distributed to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013) (Note 2.1).

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Trade receivables				
– third parties	**1,034,005**	675,599	**859,297**	562,389
– related parties (Note 37)	**366,911**	228,605	**210,353**	159,700
	1,400,916	904,204	**1,069,650**	722,089
Less: Provision for impairment	**(12,167)**	(10,409)	**(1,495)**	(211)
Trade receivables - net	**1,388,749**	893,795	**1,068,155**	721,878
Other receivables				
– third parties	**261,032**	158,048	**184,748**	153,568
– related parties (Note 37)	**196,150**	587,349	**768,815**	925,226
	457,182	745,397	**953,563**	1,078,794
Less: Provision for impairment	**(1,561)**	(272)	**—**	(256)
Other receivables - net	**455,621**	745,125	**953,563**	1,078,538
Bill receivables	**722,929**	387,230	**702,453**	319,856
Amounts due from related parties (Note 37)	**155,080**	—	**—**	—
Taxes due on port facilities rentals and others (Note 17(e))	**214,375**	225,472	**214,375**	225,472
VAT recoverable (Note c)	**33,659**	26,254	**23,843**	25,380
Prepayments (Note b)	**81,685**	90,573	**58,717**	76,270
Prepaid income tax	**—**	—	**693**	—
Trade and other receivables - net	**3,052,098**	2,368,449	**3,021,799**	2,447,394
Less: non-current portion				
– Taxes due on port facilities rentals and others	**(203,081)**	(214,177)	**(203,081)**	(214,177)
– Prepayments (Note b)	**(41,208)**	(64,800)	**(40,048)**	(50,580)
– Other receivables	**(91,383)**	(1,000)	**—**	—
Non-current portion	**(335,672)**	(279,977)	**(243,129)**	(264,757)
Current portion	**2,716,426**	2,088,472	**2,778,670**	2,182,637

22. 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 31 December 2014, current portion of prepayments are in connection with purchase of raw materials, while non-current portion of prepayments are in connection with purchases of property, plant and equipment and other long-term assets.

(c) Balance of VAT recoverable mainly represents the input VAT relating to purchases of materials and property, plant and equipment.

(d) In general, the Group and the Company grant a credit period of 30 to 90 days to its trade customers. At the 31 December 2014 and 2013, ageing analysis of trade receivables is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Less than 3 months	**988,255**	674,497	**742,500**	562,927
3 to 6 months	**233,216**	143,729	**209,463**	125,891
6 to 12 months	**117,054**	56,210	**96,448**	28,352
1 to 2 years	**49,595**	19,153	**21,239**	4,919
2 to 3 years	**3,947**	809	—	—
Over 3 years	**8,849**	9,806	—	—
	1,400,916	904,204	**1,069,650**	722,089

As of 31 December 2014, the Group's trade receivables of RMB988,255,000 (2013: RMB674,497,000) were neither past due nor impaired. As of 31 December 2014, the Company's trade receivables of RMB742,500,000 (2013: RMB562,927,000) were neither past due nor impaired.

22. TRADE AND OTHER RECEIVABLES (Continued)

As of 31 December 2014, the Group's trade receivables of RMB400,494,000 (2013: RMB219,298,000) were past due but not impaired. As of 31 December 2014, the Company's trade receivables of RMB325,655,000 (2013: RMB158,951,000) were past due but not impaired. These receivables relate to a number of customers for whom there is no recent history of default. The Directors are of the opinion that no provision for impairment is necessary as there has not been a significant change in credit quality and that the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
3 to 6 months	**233,216**	143,729	**209,463**	125,891
6 to 12 months	**117,054**	56,210	**96,448**	28,352
1 to 2 years	**47,363**	18,231	**19,744**	4,708
2 to 3 years	**2,763**	566	—	—
Over 3 years	**98**	562	—	—
	400,494	219,298	**325,655**	158,951

As of 31 December 2014, the Group's trade receivables of RMB12,167,000 (2013: RMB10,409,000) were impaired and fully provided for. As of 31 December 2014, the Company's trade receivables of RMB1,495,000 (2013: RMB211,000) were impaired and fully provided for. The individually impaired trade receivables relate to customers that were in financial difficulties or customers that were in default in payments. The Directors are of the opinion that the balances cannot be recoverable. The ageing analysis of these impaired receivables is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
1 to 2 years	**2,232**	922	**1,495**	211
2 to 3 years	**1,184**	243	—	—
Over 3 years	**8,751**	9,244	—	—
	12,167	10,409	**1,495**	211

22. TRADE AND OTHER RECEIVABLES (Continued)

(e) Movements on the provision for impairment of trade and other receivables are as follows:

Group

	2014	2013
	RMB'000	RMB'000
At 1 January	**(10,681)**	(73,587)
Provision for impairment	**(4,054)**	(1,562)
Unused amount reversed	**1,007**	2,583
Receivables written off as uncollectible	**—**	4,181
Distribution to QDP (Note g)	**—**	57,704
At 31 December	**(13,728)**	(10,681)

Company

	Year ended 31 December 2014	Period from 15 November 2013 (date of the incorporation) to 31 December 2013
	RMB'000	RMB'000
At beginning of year/period	**(467)**	—
Provision for impairment	**(1,239)**	(467)
Unused amount reversed	**211**	—
At end of year/period	**(1,495)**	(467)

The creation and release of provision for impaired receivables have been included in 'selling and administrative expenses' in the consolidated income statement (Note 8). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(f) The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(g) The distribution during the year ended 31 December 2013 represented the exclusion of the provision for impairment on those trade and other receivables in connection with the Dongjiakou Operations and Other Retained Operations as being distributed to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013) (Note 2.1).

23. INVENTORIES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**114,388**	160,275	**93,102**	149,284
Completed properties held for sale	**44,769**	44,450	**—**	—
	159,157	204,725	**93,102**	149,284
Less: Provision for inventories write-down	**—**	—	**—**	—
	159,157	204,725	**93,102**	149,284

The cost of inventories sold/consumed have been charged to the consolidated income statement as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Cost of sales	**185,818**	327,628
Selling and administrative expenses	**7,440**	8,705
	193,258	336,333

24. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Aggregate cost incurred plus recognised profit less recognised losses for ongoing contracts	**395,665**	652,861	**109,205**	286,524
Less: Progress billings	**(354,577)**	(486,825)	**(90,633)**	(131,770)
	41,088	166,036	**18,572**	154,754
Representing:				
Amounts due from customers for contract work	**41,088**	166,036	**18,572**	154,754

Group

	2014	2013
	RMB'000	RMB'000
Contract revenue recognised as revenue in the year	**723,436**	599,343

25. BANK DEPOSITS AND CASH ON HAND

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank deposits				
– Term deposits with initial term of over three months	**2,013,248**	—	**1,000,000**	—
– Other bank deposits	**5,409,088**	1,277,091	**1,107,782**	1,053,885
Cash on hand	**210**	206	**144**	151
	7,422,546	1,277,297	**2,107,926**	1,054,036
Less: Restricted bank deposits (Note a)	**(874,552)**	(9)	—	—
Term deposits with initial term of over three months	**(2,013,248)**	—	**(1,000,000)**	—
Cash and cash equivalents	**4,534,746**	1,277,288	**1,107,926**	1,054,036
Cash and bank balances denominated in				
– RMB	**7,358,394**	1,276,533	**2,049,667**	1,054,036
– US dollars	**5,893**	764	—	—
– HKD	**58,259**	—	**58,259**	—
	7,422,546	1,277,297	**2,107,926**	1,054,036

(a) The restricted bank deposits mainly included mandatory reserve deposit placed with the People's Bank of China by Qingdao Finance.

(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 bank deposits.

26. ASSET CLASSIFIED AS HELD FOR SALE

Rizhao Riqing Container Terminal Co., Ltd. ("Riqing Container"), a joint venture of the Group with 50% equity interests held by the Group and Rizhao Port Co., Ltd. ("Rizhao Port"), respectively, has been presented as held for sale following the approval of the board meeting on 13 November 2014 for selling the Group's entire equity interests in Riqing Container. The transaction was being carried out through public tender process at the Qingdao Property Exchange.

In February 2015, Rizhao Port became the successful bidder. A share transfer agreement was signed between the Group and Rizhao Port on 10 February 2015. The consideration, amounting to RMB639 million, was determined based on an appraisal report of Riqing Container as of 30 September 2014. Rizhao Port has paid RMB320 million upon the signing of the share transfer agreement and the remaining consideration is expected to be settled within 12 months from the date of the share transfer agreement.

In view of the above, the Group's interest and the Company's cost of investment in Riqing Container have been reclassified as asset classified as held for sale in the balance sheets as of 31 December 2014.

27. SHARE CAPITAL AND SHARE PREMIUM

	2014		2013	
	Number of shares (thousands)	**Nominal value (RMB'000)**	Number of shares (thousands)	Nominal value (RMB'000)
Registered, issued and fully paid				
– Domestic shares of RMB1.00 each	**3,922,179**	**3,922,179**	4,000,000	4,000,000
– H shares of RMB1.00 each	**856,025**	**856,025**	—	—
As at 31 December	**4,778,204**	**4,778,204**	4,000,000	4,000,000

On 15 November 2013, the Company was incorporated with an initial registered capital of RMB4,000 million divided into 4,000 million shares with a nominal value of RMB1.00 each. QDP has subscribed 90% of the Company's registered capital and settled its capital contributions by cash and the injection of certain assets/liabilities relating to the Core Operations to the Company while the promoters of the Company as mentioned in Note 1 settled their capital contributions for the subscription of the remaining 10% of the Company in cash (collectively the "Initial Capital Contributions"). The share premium arising from the Initial Capital Contributions amounted to approximately RMB7,835,866,000.

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 the Hong Kong Public Offering and the International Offering at HKD3.76 (equivalent to approximately RMB2.98) each. On 2 July 2014, the Company exercised the over-allotment option and 72.4 million H shares with a nominal value of RMB1.00 each were issued at HKD3.76 (equivalent to approximately RMB2.99) per share. The Company raised proceeds of approximately RMB2,325.5 million (HKD2,926.0 million) from the issuance of 778.2 million new H shares and incurred shares issue expenses of approximately RMB128.0 million, of which approximately RMB113.4 million was capitalised and deducted from share premium. The net proceeds raised from the issue of H shares were credited to paid-up share capital and share premium amounted to RMB778.2 million and approximately RMB1,433.9 million respectively.

In connection with the issuance of new shares and the exercise of the over-allotment option by the Company, 77.8 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 Hong Kong Public Offering and the International Offering.

As a result, the registered shares of the Company increased from 4,000 million shares to 4,778.2 million shares, comprising 3,922.2 million domestic shares and 856.0 million H shares, representing approximately 82.1% and 17.9% of the registered capital, respectively.

28. OTHER RESERVES

(a) Reversal of revaluation surplus

As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, all the Company's assets and liabilities were revalued by independent valuers registered in the PRC. As a result of this revaluation, the Company has an asset revaluation surplus of approximately RMB4,830 million. Such asset revaluation surplus is not recognised in the Group's consolidated financial statements prepared in accordance with IFRS because the assets and liabilities are recorded at predecessor cost. The aforementioned reversal, net of the related deferred income tax, has been debited to the Group's capital reserve.

(b) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to appropriate 10% of its profit after tax as determined in accordance with PRC GAAP and regulations applicable to the Company, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the Company. The appropriation to the reserve must be made before any distribution of dividends to equity holders. The statutory surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

For the year ended 31 December 2014, the Board of Directors proposed appropriation of 10% of the Company's profit after tax of RMB127,420,000 to the statutory surplus reserve fund.

(c) Contributions from government

Contributions from government mainly represented state capital injection.

(d) Distributions

(i) Deemed distributions

The business and operations of certain entities are unrelated to the Core Operations and they were not transferred to the Company pursuant to the Reorganisation as described in Note 1. Accordingly, the capital injections to these entities during the year 31 December 2013, amounting RMB250 million in total, was accounted for as deemed distributions to QDP.

28. OTHER RESERVES (Continued)

(d) Distributions (Continued)

(ii) Distribution to QDP upon completion of the Reorganisation

As described in Notes 1 and 2.1, the carrying amount of the assets and liabilities of the Dongjiakou Operations and other Retained Operations as distributed to QDP upon completion of the Reorganisation amounted to approximately RMB9,899,760,000.

(iii) Special distribution

As described in Note 15, a Special Distribution to QDP of RMB1,303,228,000 has been appropriated pursuant to the resolution of the shareholders' meeting held on 15 November 2013.

(e) Other reserves and retained earnings - Company

	Other reserves			
	Capital reserve RMB'000	Statutory reserve fund RMB'000	Total RMB'000	Retained earnings RMB'000
At 15 November 2013 (date of the incorporation)	—	—	—	—
Profit for the period from 15 November 2013 (date of the incorporation) to 31 December 2013	—	—	—	58,613
Remeasurement of employee benefit obligations	(302)	—	(302)	—
Appropriations	—	11,508	11,508	(11,508)
At 31 December 2013	(302)	11,508	11,206	47,105
At 1 January 2014	(302)	11,508	11,206	47,105
Profit for the year	—	—	—	1,275,902
Remeasurement of employee benefit obligations	(167,530)	—	(167,530)	—
Appropriations	—	127,420	127,420	(127,420)
Acquisition of Dongjiakou Operation II	(31,532)	—	(31,532)	—
At 31 December 2014	(199,364)	138,928	(60,436)	1,195,587

(f) General reserves

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" ("Requirement"), issued by the Ministry of Finance, in addition to the impairment allowance, Qingdao Finance establishes a general reserve within the equity attributable to owners through the appropriation of profit to address unidentified potential impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement, and the minimum threshold can be accumulated over a period of no more than five years.

During the year ended 31 December 2014, Qingdao Finance has appropriated 0.5% of the aggregate amount of risk assets to the general reserve which amounted to RMB33,107,000.

29. BORROWINGS

Group

	2014 RMB'000	2013 RMB'000
Bank borrowings		
– non-current	**82,011**	—
– current	**106,250**	—
	188,261	—

As at 31 December 2014, bank borrowings bear interest rate of 6.47% per annum. Interest expenses are directly attributable to the construction of qualifying assets and therefore are capitalised as part of the costs of the assets.

At 31 December 2014, the Group's borrowings were repayable as follows:

Group

	2014 RMB'000	2013 RMB'000
Within 1 year	**106,250**	—
Between 1 and 2 years	**78,750**	—
Between 2 and 5 years	**3,261**	—
	188,261	—

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2014 RMB'000	2013 RMB'000
6 months or less	**188,261**	—

29. BORROWINGS (Continued)

The carrying amounts of the Group's borrowings approximate their fair value, as the impact of discounting is not significant.

The Group's borrowings are all denominated in RMB.

As at 31 December 2014, the Group has the following undrawn borrowing facilities:

	2014	2013
	RMB'000	RMB'000
Floating rate:		
– expiring within one year	**4,518,864**	4,575,905

30. DEFERRED INCOME

	Group		**Company**	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Port facilities rental income (Note 17(e))	**3,910,078**	4,136,073	**3,910,078**	4,135,990
Less: current portion	**(211,086)**	(212,308)	**(211,086)**	(212,225)
	3,698,992	3,923,765	**3,698,992**	3,923,765
Government grants				
– relating to property, plant and equipment	**147,020**	154,374	**147,020**	154,374
– other grants	**—**	474	**—**	474
	147,020	154,848	**147,020**	154,848
	3,846,012	4,078,613	**3,846,012**	4,078,613

31. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS

The Group provided supplementary pension subsidies and post-employment healthcare 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:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Balance sheet obligations for:				
Early retirement (Note a)				
Present value of early retirement obligations	**182,700**	216,783	**179,822**	213,195
Less: current portion	**(21,900)**	(27,283)	**(21,612)**	(26,785)
Non-current portion	**160,800**	189,500	**158,210**	186,410
Supplemental benefit obligations (Note b)				
Present value of supplemental benefit obligations	**2,705,710**	2,449,495	**2,647,650**	2,401,097
Less: current portion	**(109,360)**	(105,245)	**(107,400)**	(103,707)
Non-current portion	**2,596,350**	2,344,250	**2,540,250**	2,297,390
Total non-current portion	**2,757,150**	2,533,750	**2,698,460**	2,483,800
Income statement charge:				
Early retirement and supplemental benefit obligations (Note 9)	**183,660**	154,960		
– Early retirement	**(6,260)**	22,570		
– Supplemental benefit obligations	**189,920**	132,390		
Other comprehensive income:				
Remeasurement of supplemental benefit obligations				
– Losses/(gains) from change in actuarial assumptions	**171,490**	(419,810)		

31. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

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

(a) Early retirement

Group

	2014	2013
	RMB'000	RMB'000
At 1 January	**216,783**	230,730
Interest cost	**9,140**	7,960
Present value of early retirement benefit obligations for new participants during the year	**10,260**	20,530
Immediate recognition of gains of early retirement benefit obligations	**(25,660)**	(5,920)
Benefits paid	**(27,823)**	(31,567)
Distribution to QDP (Note b)	—	(4,950)
At 31 December	**182,700**	216,783

Company

	Year ended 31 December 2014	Period from 15 November 2013 (date of the incorporation) to 31 December 2013
	RMB'000	RMB'000
At beginning of year/period	**213,195**	215,350
Interest cost	**8,990**	760
Present value of early retirement benefit obligations for new participants during the year/period	**10,230**	—
Immediate recognition of (gains)/losses of early retirement benefit obligations	**(25,110)**	100
Benefits paid	**(27,483)**	(3,735)
Transfer	—	720
At end of year/period	**179,822**	213,195

31. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

(b) Supplemental benefit obligations

Group

	2014	2013
	RMB'000	RMB'000
At 1 January	**2,449,495**	3,147,600
Interest cost	**113,860**	122,730
Current service cost	**76,060**	9,660
Remeasurements:		
Losses/(gains) from change in actuarial assumptions	**171,490**	(419,810)
Benefits paid	**(104,945)**	(119,695)
Distribution to QDP (Note b)	—	(290,990)
Transfer	**(250)**	—
At 31 December	**2,705,710**	2,449,495

Company

	Year ended 31 December 2014	Period from 15 November 2013 (date of the incorporation) to 31 December 2013
	RMB'000	RMB'000
At beginning of year/period	**2,401,097**	2,406,470
Interest cost	**111,600**	9,330
Current service cost	**71,160**	410
Remeasurements:		
Losses from change in actuarial assumptions	**167,530**	300
Benefits paid	**(103,487)**	(17,073)
Transfer	**(250)**	1,660
At end of year/period	**2,647,650**	2,401,097

Notes:

(a) The above obligations were determined based on actuarial valuations performed by an independent actuary, Towers Watson, Beijing, using the projected unit credit actuarial cost method.

(b) The distribution during the year ended 31 December 2013 represented the early retirement and supplemental benefit obligations in connection with the Other Retained Operations as distributed to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013) (Note 2.1).

31. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

The total charges were included in "selling and administrative expenses".

The principal actuarial assumptions used were as follows:

	2014 RMB'000	2013 RMB'000
Discount rate - early retirement	**3.75%**	4.50%
Discount rate - supplemental benefit	**4.00%**	4.75%
Salaries and welfare growth rate - early retirement	**10% - 12%**	10% - 12%
Jinglao allowance growth rate - supplemental benefit	**5%**	3% - 8%
Fushou allowance growth rate - supplemental benefit	**3%**	3% - 8%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics by China Life Annuitant Mortality Table 2000-2003. These assumptions are as follows:

	2014 RMB'000	2013 RMB'000
Early retirement obligations		
Average age	**52.6**	52.9
Average expected future time till legally retirement	**6.2**	6.1
Supplemental benefit obligations		
Average age	**63.2**	62.6
Average expected future lifetime	**21.3**	23.6
Average future working years for active employees	**0.5**	0.8

As at 31 December 2014, the sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate - early retirement	0.25%	Decrease by 1.74%	Increase by 1.80%
Discount rate - supplemental benefit	0.25%	Decrease by 3.74%	Increase by 3.95%
Salaries and welfare growth rate - early retirement	1%	Increase by 6.29%	Decrease by 5.64%
Jinglao allowance growth rate - supplemental benefit	1%	Increase by 7.98%	Decrease by 6.62%
Fushou allowance growth rate - supplemental benefit	1%	Increase by 4.76%	Decrease by 3.80%

31. EARLY RETIREMENT AND SUPPLEMENTAL BENEFIT OBLIGATIONS (Continued)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the financial period) has been applied as when calculating the pension liability recognised within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

As at 31 December 2014, expected maturity analysis of undiscounted early retirement and supplemental benefit obligations:

	Less than a year RMB'000	Between 1 - 2 years RMB'000	Between 2 - 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Early retirement obligations	22,680	20,690	49,780	157,780	250,930
Supplemental benefit obligations	126,540	132,330	416,120	5,091,190	5,766,180
Total	149,220	153,020	465,900	5,248,970	6,017,110

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables				
– third parties	**553,973**	644,677	**411,053**	318,254
– related parties (Note 37)	**319,585**	74,622	**319,555**	406,916
	873,558	719,299	**730,608**	725,170
Advances from customers				
– third parties	**62,711**	11,668	**20,290**	10,384
– related parties (Note 37)	**5,049**	—	**57,574**	—
	67,760	11,668	**77,864**	10,384
Bills payable	**1,241,052**	—	**1,241,052**	—
Warranties	**2,638**	54	**2,638**	54
Payables for purchases of property, plant and equipment	**1,317,675**	1,403,084	**812,143**	1,515,410
Other taxes payables	**41,262**	22,462	**24,720**	14,613
Salary, bonus and staff welfare benefits payable	**75,052**	18,519	**67,277**	16,656
Amounts due to related parties (Notes b and 37)	**3,887,911**	—	**—**	—
Other payables and accruals				
– third parties	**330,616**	132,434	**206,948**	94,402
– related parties (Note 37)	**892,154**	1,608,021	**1,206,584**	1,646,625
	1,222,770	1,740,455	**1,413,532**	1,741,027
Trade and other payables	**8,729,678**	3,915,541	**4,369,834**	4,023,314
Less: non-current portion	**(55,618)**	(54)	**(55,618)**	(54)
Current portion	**8,674,060**	3,915,487	**4,314,216**	4,023,260

(a) Ageing analysis of the trade payables as at 31 December 2014 and 2013 is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Less than 1 year	**821,679**	712,268	**683,803**	718,139
1 to 2 years	**51,877**	5,384	**46,803**	5,384
2 to 3 years	**2**	976	**2**	976
Over 3 years	**—**	671	**—**	671
	873,558	719,299	**730,608**	725,170

(b) The amounts represent the surplus cash of the Group's joint ventures, associates, QDP and its subsidiaries being deposited with Qingdao Finance (Note 10).

(c) Pursuant to an agreement as entered into between the Company and QDP, QDP has arranged the Company to settle the early retirement and supplemental benefit payments to the existing employees of Qingdao Shihua and Qingdao Fuwai Hospital of Cardiovascular Disease Co., Ltd. (a subsidiary of QDP) on their behalf with effect from the date of the agreement. In return, QDP has to settle an amount of RMB55,840,000 (determined by reference to an actuarial valuation report issued by Towers Watson, Beijing) to the Company in advance as the consideration for the Company to take up the payment obligations. As of 31 December 2014, QDP has settled the the aforesaid consideration by offestting same amount against its receivable from the Group and the carrying amount of the Group's payment obligations being taken up of approximately RMB52,980,000 has been classified as non-current other payables to third parties.

33. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income liabilities and when the deferred income tax related to the same tax authority.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deferred tax assets				
– to be recovered within 12 months	**61,654**	7,813	**5,907**	6,696
– to be recovered after more than 12 months	**846,474**	929,056	**52,377**	46,733
	908,128	936,869	**58,284**	53,429
Deferred tax liabilities				
– to be settled within 12 months	—	(175)	—	—
– to be settled after more than 12 months	**(19,861)**	—	—	—
	(19,861)	(175)	—	—
Deferred income tax assets (net)	**888,267**	936,694	**58,284**	53,429

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

Group

	2014	2013
	RMB'000	RMB'000
At 1 January	**936,694**	101,938
Income statement (charge)/credit (Note 12(a))	**(50,902)**	4,038
Tax charge relating to components of other comprehensive income	—	(686)
Distribution to QDP (Note)	—	(44,591)
Credited directly to equity	**22,336**	875,995
Acquisition of subsidiaries	**(19,861)**	—
At 31 December	**888,267**	936,694

Note:

The distribution during the year ended 31 December 2013 represented the deferred income tax assets in connection with the Other Retained Operations as distributed to QDP at the effective date of the Reorganisation (i.e. the date of incorporation of the Company on 15 November 2013) (Note 2.1).

33. DEFERRED INCOME TAX (Continued)

Company

	Year ended 31 December 2014 RMB'000	Period from 15 November 2013 (date of the incorporation) to 31 December 2013 RMB'000
At beginning of year/period	**53,429**	53,547
Income statement charge	**(5,656)**	(118)
Credited directly to equity resulting from the business combination under common control	**10,511**	—
At end of year/period	**58,284**	53,429

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group

	Unrealised profit from inter-company sales RMB'000	Impairment losses and others RMB'000	Early retirement benefits RMB'000	Accrued expenses RMB'000	Assets revaluation surplus RMB'000	Total RMB'000
Deferred income tax assets						
As at 1 January 2013	31,641	19,700	56,736	1,355	—	109,432
Credited/(charged) to the income statement	14,427	(1,559)	(2,540)	1,951	(5,925)	6,354
Distribution to QDP (Note)	(36,149)	(15,471)	—	(3,292)	—	(54,912)
Credited directly to equity	—	—	—	—	875,995	875,995
As at 31 December 2013	**9,919**	**2,670**	**54,196**	**14**	**870,070**	**936,869**

	Unrealised profit from inter-company sales RMB'000	Impairment losses and others RMB'000	Early retirement benefits RMB'000	Accrued expenses RMB'000	Assets revaluation surplus RMB'000	Others RMB'000	Total RMB'000
As at 31 December 2013	9,919	2,670	54,196	14	870,070	—	936,869
(Charged)/credited to the income statement	11,421	372	(8,522)	645	(54,775)	(218)	(51,077)
Credited directly to equity	—	—	—	—	11,825	10,511	22,336
As at 31 December 2014	**21,340**	**3,042**	**45,674**	**659**	**827,120**	**10,293**	**908,128**

33. DEFERRED INCOME TAX (Continued)

Note:

As required by the relevant PRC rules and regulations with respect to the Reorganisation and the establishment of the Company, all the Company's assets and liabilities were revalued by independent valuers registered in the PRC. As a result of this revaluation, the Company has an asset revaluation surplus of approximately RMB4,830 million. Such asset revaluation surplus is not recognised in the Group's consolidated financial statements prepared in accordance with IFRS because the assets and liabilities are recorded at predecessor cost. As the Group did not recognise the aforesaid asset revaluation surplus in the consolidated financial statements, a deferred income tax asset of approximately RMB875,995,000 relating to the revaluation surplus, is resulted and credited to capital reserve in 2013. With the expected disposal of the joint venture as described in Note 26, the Group has recognised deferred income tax assets of approximately RMB11,825,000 during the year ended 31 December 2014 in respect of the revaluation surplus as recognised by the Group on the joint ventures to be disposed. In the opinion of the Directors, the deferred income tax asset relating to the revaluation surplus of the remaining investments in joint ventures and associates will not reverse in the foreseeable future and the relevant deferred income tax asset of RMB319,691,000 has not been recognised. Recognised deferred income tax asset is charged to taxation during each year based on the depreciation and amortisation charges on the asset revaluation surplus.

Group

	Available-for-sale financial assets revaluation RMB'000	Interest receivables RMB'000	Business combinations RMB'000	Total RMB'000
Deferred income tax liabilities				
As at 1 January 2013	(5,927)	(1,567)	—	(7,494)
Charged to the income statement	—	(2,316)	—	(2,316)
Charged to other comprehensive income	(686)	—	—	(686)
Distribution to QDP	6,613	3,708	—	10,321
As at 31 December 2013	—	(175)	—	(175)
Credited to the income statement	—	175	—	175
Acquisition of a subsidiary (Note 36(b))	—	—	(19,861)	(19,861)
As at 31 December 2014	—	—	**(19,861)**	**(19,861)**

33. DEFERRED INCOME TAX (Continued)

Company

	Impairment losses and others RMB'000	Early retirement benefits RMB'000	Accrued expenses RMB'000	Unrealised profit from inter-company sales RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets						
As at 15 November 2013 (date of the incorporation)	—	53,015	532	—	—	53,547
(Charged)/credited to the income statement	117	283	(518)	—	—	(118)
As at 31 December 2013	117	53,298	14	—	—	53,429
Credited directly to equity	—	—	—	—	10,511	10,511
(Charged)/credited to the income statement	257	(8,344)	645	2,494	(708)	(5,656)
As at 31 December 2014	**374**	**44,954**	**659**	**2,494**	**9,803**	**58,284**

34. CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	2014 RMB'000	2013 RMB'000
Profit before income tax for the year	**2,017,382**	1,939,962
Adjustments for:		
– Depreciation of property, plants and equipment (Note 17)	**417,013**	563,331
– Depreciation of investment properties (Note 18)	**9,131**	11,139
– Amortisation of land use rights (Note 16)	**12,233**	12,856
– Amortisation of intangible assets (Note 19)	**7,084**	5,889
– Amortisation of other non-current assets	**13,123**	18,126
– Recognition of deferred income	**(219,662)**	(200,108)
– Gains on disposals of property, plant and equipment, land use rights and intangible assets (Note 7)	**(32,128)**	(112,343)
– Share of profit from joint ventures (Note 11(a))	**(611,033)**	(511,459)
– Share of profit from associates (Note 11(b))	**(895)**	(1,799)
– Income from available-for-sale financial assets (Note 6)	**(6,639)**	(1,084)
– Provisions for/(reversal of) impairment of trade and other receivables - net	**3,047**	(1,021)
– Finance costs	**11,823**	10,070
– Interest income from amounts due from related parties (Note 6)	**(1,279)**	(96,458)
– Interest cost of retirement benefits (Note 31)	**123,000**	130,690
– Current service cost of retirement benefit (Note 31)	**86,320**	30,190
– Immediate recognition of gains of early retirement benefit obligations (Note 31)	**(25,660)**	(5,920)
– Benefits paid (Note 31)	**(132,768)**	(151,262)
– Interest income on term deposits with initial term of over three months	**(83,225)**	—
– Foreign exchange losses - net	**5,132**	24
Changes in working capital :		
– Inventories	**45,568**	(80,222)
– Amounts due from customers for contract work	**124,948**	(128,211)
– Trade and other receivables	**(1,010,723)**	(1,126,727)
– Trade and other payables	**406,685**	(187,802)
Cash generated from operations	**1,158,477**	117,861

34. CASH GENERATED FROM OPERATIONS (Continued)

(b) In the consolidated statements of cash flows, proceeds from sales of property, plant and equipment, land use right and intangible assets comprise:

	2014	2013
	RMB'000	RMB'000
Net book amount (Notes 16, 17 and 19)	**456,440**	998,097
Capital contribution to Qingdao Shihua (Note 17(f))	—	(400,000)
Capital contribution to Qianwan West United	**(24,976)**	—
Gains on disposals of property, plant and equipment, land use rights and intangible assets	**32,128**	112,343
(Realisation)/elimination of unrealised profit on disposals of property, plant and equipment, land use rights and intangible assets (Note 17(f))	**(13,281)**	110,183
Transfer to Qingdao Haiye Mercuria Logistics Co., Ltd. ("Mercuria Logistics") (Note 36(b))	**(412,281)**	—
Advances received (Note)	—	400,000
Advances used	—	(200,000)
Cash received for prior year disposal transactions	**23,900**	28,528
Proceeds from sale of property, plant and equipment, land use rights and intangible assets	**61,930**	1,049,151

Note:

In 2013, the Group planned to transfer certain property, plant and equipment (included in Other Retained Operations as described in Note 1) to Qingdao Port Investment and Construction (Group) Co., Ltd. and received RMB400 million as advances. The related assets and liabilities are distributed to QDP upon the completion of the Reorganisation.

(c) Major non-cash transactions:

(i) During the year ended 31 December 2014, bills receivables as collected from the Group's customers or related companies of approximately RMB2,005,798,000(2013: RMB 1,711,237,000) have been transferred to certain of the Group's contractors, suppliers or service providers as the Group's settlements for the property, plant and equipment, materials or services as constructed or supplied by these counter-parties.

(ii) As of 31 December 2014, the bills receivables as collected from the Group's customers or related companies as their settlements of the amounts due to the Group amounted to approximately RMB722,929,000 (2013: RMB387,230,000).

(iii) As of 31 December 2014, the bills payable as issued by the Group for the settlements of its constructions/purchases of property, plant and equipment or purchases of materials for contract or maintenance works amounted to approximately RMB1,241,052,000 (2013: Nil).

35. COMMITMENTS

(a) Capital commitments

The Group's and the Company's capital expenditure authorised but not contracted for at the end of the year is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Property, plant and equipment	**6,778,202**	2,585,715	**4,149,451**	2,585,715

The Group's and the Company's capital expenditure contracted for but not yet incurred at the end of the year is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Property, plant and equipment	**378,197**	331,726	**213,808**	331,726

(b) Capital commitments - joint ventures and associates

The Group's and the Company's share of the capital expenditure as contracted for but not yet incurred by joint ventures and associates at the end of the year is as follows:

	2014	2013
	RMB'000	RMB'000
Property, plant and equipment	**46,773**	31,887

(c) Investment commitments

According to the relevant agreements, the Group and the Company have the following investment commitments contracted for but not incurred at the end of the year:

	2014	2013
	RMB'000	RMB'000
Joint ventures and associates	**180,100**	540,000

According to the relevant agreements, the Group and the Company have the following investment commitments authorised but not contracted for at the end of year:

	2014	2013
	RMB'000	RMB'000
Joint ventures and associates	**924,100**	268,304

35. COMMITMENTS (Continued)

(e) Operating Lease Commitments - the Group as lessee

The Group leases various offices, yard and machineries under non-cancellable operating lease agreements. The lease terms are within one year, and the whole of lease agreements are renewable at the end of lease period at market rate.

	2014	2013
	RMB'000	RMB'000
No later than 1 year	**81,353**	81,353

36. BUSINESS COMBINATIONS

(a) The Company has injected cash of RMB179,110,000 to Datang Qingdao Port Co., Ltd. ("Datang Qingdao Port") to acquire 51% equity interest in Datang Qingdao Port. The acquisition was completed on 31 May 2014, the date on which the Company has obtained the 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	**57,405**
Property, plant and equipment	**311,223**
Intangible assets	**36,688**
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 for the acquisition, net	
– cash consideration	**(179,110)**
– cash and banks in the subsidiary acquired	**179,110**
Cash outflow for the acquisition	—

The assets of Datang Qingdao Port mainly comprise construction-in-progress. Datang Qingdao Port has not commenced its operations before 31 December 2014 and has not yet incurred any significant income or expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. BUSINESS COMBINATIONS (Continued)

(b) The Company has transferred property, plant and equipment with carrying amount of approximately RMB412,281,000 to Mercuria Logistics pursuant to an entrusted construction agreement as entered into between the Company and Mercuria Logistics ("Transfer"). On 23 May 2014, the Company has subscribed the additional capital as issued by Mercuria Logistics of RMB273,278,000 through the waiver of the same amount against the consideration receivable from Mercuria Logistics in respect of the Transfer and obtained the control over Mercuria Logistics. Since then, Mercuria Logistics has become a subsidiary of the Company in which the Company has 51% equity interest therein. This has been accounted for as an acquisition of a subsidiary by way non-cash consideration.

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	**273,278**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**4,080**
Property, plant and equipment	**896,802**
Other receivables	**20**
Other payables	**(430,820)**
Deferred income tax liabilities	**(19,861)**
Total identifiable net assets	**450,221**
Non-controlling interest	**(187,072)**
Goodwill	**10,129**
Purchase consideration	**273,278**
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2014)	**250**
Inflow of cash from the acquisition, net	
– cash consideration	—
– cash and banks in the subsidiary acquired	**4,080**
Cash inflow from the acquisition	**4,080**

Mercuria Logistics commenced its operation on 1 July 2014. The revenue of RMB17,463,000 and net loss of RMB365,000 were contributed by Mercuria Logistics for the period from acquisition date to 31 December 2014.

36. BUSINESS COMBINATIONS (Continued)

(c) The Company has injected cash of RMB118,691,000 to Qingdao Haiye Mercuria Oil Terminal Co., Ltd. ("Mercuria Terminal") to acquire 65% equity interest in Mercuria Terminal. The acquisition was completed on 30 October 2014, the date on which the Company has obtained the control over Mercuria Terminal. Since then, Mercuria Terminal 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 30 October 2014 RMB'000
Purchase consideration	
– cash consideration	**118,691**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**101,879**
Land use rights	**108,322**
Property, plant and equipment	**86,433**
Other receivables	**63,030**
Other payables	**(177,063)**
Total identifiable net assets	**182,601**
Non-controlling interest	**(63,910)**
Purchase consideration	**118,691**
Inflow of cash from the acquisition, net	
– cash paid	**(101,000)**
– cash and banks in the subsidiary acquired	**101,879**
Cash inflow from the acquisition	**879**

The assets of Mercuria Terminal mainly comprise construction-in-progress. Mercuria Terminal has not commenced its operations before 31 December 2014 and has not yet incurred any significant income or expenses.

36. BUSINESS COMBINATIONS (Continued)

(d) Pursuant to the Reorganisation and as mentioned in Note 1, Dongjiakou Operation II was included in the consolidated financial statements before the Reorganisation, and was accounted for as a distribution to QDP at the effective date of the Reorganisation on 15 November 2013. The Company adopts merger accounting for common control combination in respect of the acquisition of Dongjiakou Operation II as mentioned in Note 1. The consolidated balance sheet as at 31 December 2013 has been restated and to include the property, plant and equipment and trade and other receivable associated with the Dongjiakou Operation II of RMB536,112,000 and RMB903,000 respectively, with a corresponding credit to the capital reserve of RMB537,015,000.

The legal completion for the acquisition of the Dongjiakou Operation II was completed on 8 May 2014 (the "legal completion date") and the Company has settled the consideration for the acquisition of the Dongjiakou Operation II of RMB550,409,000 to QDP in full in December 2014. The consideration being settled by the Group of RMB550,409,000 and the difference of the net assets value of Dongjiakou Operation II of RMB17,546,000 during the period from 1 January 2014 to the legal completion date, with a total amount of RMB567,955,000 was deemed as a distribution to QDP during the year ended 31 December 2014.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The Group is controlled by QDP, the parent company and a state-owned enterprise established in the PRC. QDP is subject to the control of the PRC government.

In accordance with IAS 24 "Related party disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("other government-related parties"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transaction has been adequately disclosed.

In addition to those mentioned elsewhere in the consolidated financial statements, the following are the significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises:

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

		2014 RMB'000	2013 RMB'000
(1)	**With fellow subsidiaries**		
	Provision of construction and other services	**136,201**	49,676
	Purchases of goods or services	**46,060**	31,800
	Payment for operating rental	**19,505**	—
	Sales of goods	**3,552**	1,435
	Interest expenses	**1,431**	2,598
	Income for rental of property, plant and equipment	**126**	—
	Amounts paid on behalf of related parties for entrusted construction projects	—	240,322
	Amounts received from related parties for entrusted construction projects	**47,978**	176,645
	Amounts received from related parties	—	10,000
(2)	**With associates:**		
	Provision of construction and other services	**26,283**	792
	Interest expenses	**179**	—
	Sales of goods	**145**	2,565
	Income for rental of property, plant and equipment	—	2,520
	Purchase of goods or services	—	2,352
	Payment for operating rental	—	360
(3)	**With joint ventures:**		
	Purchases of goods or services	**529,619**	39,254
	Provision of construction and other services	**381,751**	59,008
	Sales of goods	**285,550**	180,773
	Income for rental of port facilities	**231,018**	218,291
	Amounts advanced to related parties	**66,100**	—
	Amounts paid on behalf of related parties for entrusted construction projects	**64,068**	57,542
	Amounts received from related parties for entrusted construction projects	**110,386**	103,010
	Interest expenses	**2,885**	—
	Interest income	**247**	5,202
	Payment for operating rental	—	3,811
	Sales of assets (Note 17(f))	—	883,131

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	2014 RMB'000	2013 RMB'000
(4) With other related parties:		
Purchases of goods or services	**324,190**	336,310
Provision of construction and other services	**224,009**	430,101
Amounts advanced to related parties	**88,980**	—
Amounts paid on behalf of related parties for entrusted construction projects	**53,442**	60,200
Amounts received from related parties for entrusted construction projects	**34,219**	36,365
Sales of goods	**12,546**	8,533
Income for rental of port facilities	**3,852**	4,215
Interest income	**1,032**	91,256
Interest expenses	**96**	—
(5) With QDP:		
Amounts received from related parties for entrusted construction projects	**966,618**	—
Acquisition of Dongjiakou Operation II (Note 36(d))	**550,409**	—
Amounts paid on behalf of related parties for entrusted construction projects	**617,446**	21,400
Purchases of assets	**188,308**	227,903
Purchases of goods or services	**238,136**	67,848
Provision of construction and other services	**187,563**	17,377
Payment for operating rental	**62,550**	5,207
Proceeds to be received for undertaking certain early retirement and supplemental benefit payment obligations on behalf of QDP	**55,840**	—
Sales of goods	**25,633**	13,023
Sales of assets	**13,139**	—
Interest expenses	**3,696**	—

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

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Balance with related parties

	2014 RMB'000	2013 RMB'000
Trade and other receivables		
Trade receivables due from		
– QDP	**46,843**	82,725
– Fellow subsidiaries	**44,780**	48,132
– Associates	—	12
– Joint ventures	**225,601**	42,658
– Others (i)	**49,687**	55,078
	366,911	228,605
Other receivables due from		
– Fellow subsidiaries	**626**	43,145
– Joint ventures	**99,818**	470,782
– Others (i)	**95,706**	73,422
	196,150	587,349
Amounts due from related parties (ii)		
– Joint ventures	**66,100**	—
– Others (i)	**88,980**	—
	155,080	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Balance with related parties (Continued)

	2014 RMB'000	2013 RMB'000
Trade and other payables		
Trade payables due to		
– QDP	—	34,266
– Fellow subsidiaries	**21,339**	2,011
– Joint ventures	**264,855**	2,617
– Others (i)	**33,391**	35,728
	319,585	74,622
Advances from customers		
– Joint ventures	**2,614**	—
– Associates	**2,422**	—
– Others (i)	**13**	—
	5,049	—
Amounts due to related parties (Note 32(b))		
– QDP	**2,635,811**	—
– Fellow subsidiaries	**354,990**	—
– Associates	**23,055**	—
– Joint ventures	**860,312**	—
– Others (i)	**13,743**	—
	3,887,911	—
Other payables due to		
– QDP (iii)	**876,376**	1,606,334
– Fellow subsidiaries (iii)	**376**	1,456
– Associates	**144**	40
– Joint ventures	**14,536**	191
– Others (i)	**722**	—
	892,154	1,608,021

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Balance with related parties (Continued)

(i) The Group's director, Cheng Xinnong, is also the director of 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) Amounts due from related parties represent the loans as advanced by Qingdao Finance to several of the Group's joint ventures and a related company.

(iii) Other payables as at 31 December 2014 due to QDP and fellow subsidiaries mainly represent the cash advance from QDP and a fellow subsidiary pursuant to the respective entrusted construction agreements.

37. 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.

	2014	2013
	RMB'000	RMB'000
Transactions with other government-related entities:		
– Interest from bank deposits	**11,106**	14,439
– Interest on bank borrowings	**11,588**	7,473

	2014	2013
	RMB'000	RMB'000
Balances with other government-related entities:		
– Restricted bank deposits	—	9
– Cash and cash equivalents	**59,054**	1,261,288
– Term deposits with initial term of over three months	**11,248**	—
	70,302	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:

	2014	2013
	RMB'000	RMB'000
Salary, housing allowances, other allowances and benefits-in-kind	**1,833**	2,283
Supplemental benefits	**195**	258
Discretionary bonuses	**724**	11,502
	2,752	14,043

38. SUBSIDIARIES

As at 31 December 2014, the Company has direct and indirect interests in the following subsidiaries, all of which are unlisted, and established and operating in the PRC:

Name	Place of incorporation	Type of legal entity	Registered and fully paid capital (in thousand)	Proportion of original shares held by the Company		Proportion of original shares held by non-controlling interests	Principal activities
				Directly held (%)	Indirectly held (%)		
Qingdao Yongli Insurance Agent Co., Ltd.	The PRC	Limited liability company	5,000	90	10	—	Insurance agency services
Qingdao Port International Cargo Logistics Co., Ltd. (formerly named as "Qingdao Gangxin International Logistics Co., Ltd.")	The PRC	Limited liability company	125,000	100	—	—	Logistics services
Qingdao Hongyu Cargo Agency Co., Ltd.	The PRC	Limited liability company	500	100	—	—	Cargo agency services
Qingdao Jieshun Customs Broker Co., Ltd.	The PRC	Limited liability company	1,500	100	—	—	Customs broker services
Qingdao Ocean Shipping Repair Co., Ltd. (i)	The PRC	Limited liability company	2,850	100	—	—	Shipping repair services
Qingdao Port Engineering (i)	The PRC	Limited liability company	60,000	100	—	—	Engineering and construction
Qingdao OST	The PRC	Limited liability company	1,990	84	—	16	Ocean shipping tally services
Qingdao Gangjia Logistics Co., Ltd.	The PRC	Limited liability company	5,000	51	—	49	Logistics services
Qingdao Bonded Port Area Gangrong Storage Center Co., Ltd.	The PRC	Limited liability company	3,000	100	—	—	Storage services
Qingdao Port International Travel Agency Co., Ltd	The PRC	Limited liability company	3,500	94.29	—	5.71	Travel agency

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38. SUBSIDIARIES (Continued)

Name	Place of incorporation	Type of legal entity	Registered and fully paid capital (in thousand)	Proportion of original shares held by the Company: Directly held (%)	Proportion of original shares held by the Company: Indirectly held (%)	Proportion of original shares held by non-controlling interests	Principal activities
Qingdao Port Passenger Terminal Duty Free Merchandise Co., Ltd. (i)	The PRC	Limited liability company	522	100	—	—	Sales of duty free merchandise
Datang Qingdao Port Co., Ltd.	The PRC	Limited liability company	310,200	51	—	49	Logistics services
Qingdao Finance	The PRC	Limited liability company	1,000,000	70	—	30	Financial services
Qingdao Mercuria Oil Terminal Co., Ltd.	The PRC	Limited liability company	USD65,000	65	—	35	Storage services
Qingdao Mercuria Logistic Co., Ltd.	The PRC	Limited liability company	USD60,000	51	—	49	Storage services
Qingdao Port Engineering Design Institute Co., Ltd. (i)	The PRC	Limited liability company	1,000	100	—	—	Engineering design services
Qingdao Port Yitong International Logistics Co., Ltd.	The PRC	Limited liability company	10,000	—	65	35	Logistics services
Qingdao Port International Trade Logistics Co., Ltd.	The PRC	Limited liability company	100,000	—	60	40	Logistics services
Qingdao Port Eimskip Coldchain Logistics Co., Ltd.	The PRC	Limited liability company	20,000	70	—	30	Logistics services
Qingdao Port Dongjiakou Bulk Cargo Logistics Co., Ltd.	The PRC	Limited liability company	10,000	—	51	49	Logistics services
Qingdao Port Technology Co., Ltd. (ii)	The PRC	Limited liability company	20,000	100	—	—	Technology services
Qingdao Port Properties Co., Ltd. (ii)	The PRC	Limited liability company	3,000	100	—	—	Properties services

38. SUBSIDIARIES (Continued)

Name	Place of incorporation	Type of legal entity	Registered and fully paid capital (in thousand)	Proportion of original shares held by the Company: Directly held (%)	Proportion of original shares held by the Company: Indirectly held (%)	Proportion of original shares held by non-controlling interests	Principal activities
Qingdao Port Culture Media Co., Ltd. (ii)	The PRC	Limited liability company	3,000	100	—	—	Media services
Qingdao Port Investment and Development (HongKong) Co., Ltd. (ii)	Hong Kong	Limited liability company	HKD10,000	100	—	—	Investment services

(i) These companies were previously set up as state owned enterprises, and were transformed to limited liability companies in 2013.

(ii) These companies are registered in 2014 and as at 31 December 2014, the registered capital has not yet been paid.

39. ULTIMATE HOLDING COMPANY

The Directors regard Qingdao SASAC as the ultimate controlling party.

40. OTHER MATTERS

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 Document I"). Pursuant to the Litigation Document I, CITIC Australia Commodity Trading Pty Ltd. ("CITIC"), as plaintiff, claimed 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 to it (the "Legal Proceeding I"). Therefore, CITIC requested 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. The Court held the first hearing regarding the Legal Proceeding I on 24 September 2014, and held the subsequent hearings on 8 October 2014 and 21 November 2014 respectively. The Court required CITIC to submit the warehouse receipts to the relevant public security authority (the "Public Security Authority") for judicial identification. Given CITIC refused to provide the original warehouse receipt, the Court has not yet sentenced.

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. Pursuant to the Litigation Document II, Pacorini Metals (Shanghai) Logistics Co. Ltd. ("Pacorini Logistics"), as plaintiff, claimed 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. Therefore, Pacorini Logistics requested 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. The Court held the first hearing regarding the Legal Proceeding II on 25 February 2015. The case has been delayed due to absence of Qingdao Hongtu from the first court hearing.

40. OTHER MATTERS (Continued)

As far as the Company is aware, the Subject Cargo I and II involved in the Legal Proceedings I and 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 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 Directors consider that the Legal Proceedings are without merit and the Company will vigorously contest the allegations made under the respective 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 Directors consider that the Legal Proceedings and the related judgment and order would not impose any adverse impact on the business and operation of the Group.