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

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

**(Stock Code: 06198)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

**FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2018:

- Revenue of the Company was RMB11,741 million, representing an increase of 15.7% as compared to the same period in the prior year; revenue of business segments derived from external customers, including interest income of Qingdao Finance, was RMB12,143 million, representing an increase of 15.1% as compared to the same period in the prior year;
- Net profit attributable to shareholders of the Company was RMB3,593 million, representing an increase of 18.1% as compared to the same period in the prior year; and
- Earnings per share of the Company was RMB0.60.

The Board is pleased to announce the consolidated annual results of the Company and its subsidiaries for the year ended 31 December 2018. Such annual results have been reviewed by the audit committee of the Board.

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)

| ASSETS | Note | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Cash at bank and on hand | | 8,077,972,498 | 11,705,176,363 | 8,100,294,431 |
| Financial asset held for trading | | 875,000,000 | — | — |
| Notes receivable and accounts receivable | 4 | 2,804,130,403 | 2,465,175,867 | 1,973,030,863 |
| Advances to suppliers | | 81,694,054 | 79,591,581 | 59,043,938 |
| Other receivables | | 1,782,762,150 | 1,064,094,089 | 988,940,673 |
| Inventories | | 174,723,066 | 525,393,278 | 482,195,054 |
| Contract assets | | 280,972,522 | — | — |
| Current portion of non-current assets | | 385,744,736 | 330,646,872 | 313,729,688 |
| Other current assets | | 3,903,247,154 | 1,036,159,101 | 1,197,414,942 |
| **Total current assets** | | 18,366,246,583 | 17,206,237,151 | 13,114,649,589 |
| **Non-current assets** | | | | |
| Available-for-sale financial assets | | — | 183,565,665 | 92,207,877 |
| Long term receivables | | 1,606,080,481 | 4,395,674,475 | 3,484,533,992 |
| Long-term equity investments | | 8,825,256,813 | 8,538,241,729 | 5,139,039,800 |
| Other non-current financial assets | | 268,580,567 | — | — |
| Investment properties | | 188,836,576 | 193,296,445 | 117,843,468 |
| Fixed assets | | 14,040,859,577 | 13,034,655,703 | 11,684,982,980 |
| Construction in progress | | 2,097,812,840 | 2,163,986,568 | 2,338,968,773 |
| Intangible assets | | 2,069,854,074 | 922,024,156 | 931,416,765 |
| Goodwill | | 25,373,323 | 20,686,493 | 18,836,008 |
| Long-term prepaid expenses | | 26,894,955 | 24,247,437 | 14,874,061 |
| Deferred tax assets | | 908,858,376 | 896,767,023 | 872,096,260 |
| Other non-current assets | | 341,128,768 | 474,269,567 | 473,124,633 |
| **Total non-current assets** | | 30,399,536,350 | 30,847,415,261 | 25,167,924,617 |
| **TOTAL ASSETS** | | 48,765,782,933 | 48,053,652,412 | 38,282,574,206 |

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

(All amounts in RMB Yuan unless otherwise stated)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Note | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Short-term borrowings | | 166,712,204 | 56,685,445 | 262,947,290 |
| Notes payable and accounts payable | 5 | 2,538,632,195 | 2,399,789,522 | 1,943,456,195 |
| Advances from customers | | 209,454,071 | 338,116,515 | 334,125,905 |
| Contract liabilities | | 134,964,090 | — | — |
| Employee benefits payable | | 251,347,940 | 224,390,581 | 227,056,983 |
| Taxes payable | | 209,314,607 | 206,127,308 | 153,220,569 |
| Other payables | | 5,954,949,541 | 9,877,014,466 | 9,994,985,202 |
| Current portion of non-current liabilities | 6 | 3,595,928,706 | 38,185,563 | 24,137,717 |
| **Total current liabilities** | | 13,061,303,354 | 13,140,309,400 | 12,939,929,861 |
| **Non-current liabilities** | | | | |
| Long-term borrowings | | 160,792,988 | 188,172,988 | 137,390,687 |
| Bonds payable | 6 | - | 3,500,000,000 | 3,500,000,000 |
| Long-term payables | | 530,779,311 | 581,670,617 | 58,101,909 |
| Provisions | | 5,718,045 | 2,024,113 | 2,283,097 |
| Deferred income | | 205,830,431 | 139,299,471 | 145,259,921 |
| Long-term employee benefits payable | | 2,497,630,000 | 2,357,290,000 | 2,731,450,000 |
| Other non-current liabilities | | 2,884,204,561 | 3,082,229,433 | 3,285,600,108 |
| **Total non-current liabilities** | | 6,284,955,336 | 9,850,686,622 | 9,860,085,722 |
| **Total liabilities** | | 19,346,258,690 | 22,990,996,022 | 22,800,015,583 |
| **Shareholders' equity** | | | | |
| Share capital | | 6,036,724,000 | 6,036,724,000 | 4,778,204,000 |
| Capital surplus | | 10,777,968,793 | 10,770,800,519 | 5,321,635,366 |
| Other comprehensive income | | 133,694,188 | 283,865,500 | (63,024,800) |
| Specific reserve | | 3,399,949 | 11,946,732 | 2,991,631 |
| Surplus reserve | | 986,974,314 | 673,990,310 | 429,859,457 |
| General risk reserve | | 298,283,806 | 226,359,871 | 134,121,910 |
| Undistributed profits | | 8,742,614,209 | 5,550,975,839 | 3,631,936,223 |
| **Total equity attributable to shareholders of the Company** | | 26,979,659,259 | 23,554,662,771 | 14,235,723,787 |
| **Minority interests** | | 2,439,864,984 | 1,507,993,619 | 1,246,834,836 |
| **Total Shareholders' equity** | | 29,419,524,243 | 25,062,656,390 | 15,482,558,623 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 48,765,782,933 | 48,053,652,412 | 38,282,574,206 |

**CONSOLIDATED INCOME STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2018**
(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | 2018 | 2017 |
|---|---|---|---|
| **1. Revenue** | 8、13 | 11,741,480,164 | 10,146,225,042 |
| Less: Cost of sales | 8、13 | (8,115,501,991) | (6,816,103,303) |
| Taxes and surcharges | 9 | (117,696,655) | (106,069,942) |
| Selling and distribution expenses | | (21,041,094) | (16,114,135) |
| General and administrative expenses | | (481,562,940) | (486,386,052) |
| Research and development expenses | | (39,728,196) | (19,704,505) |
| Financial expenses | | 179,832,185 | 59,833,393 |
| Including: Interest expenses | | 203,665,028 | 216,482,217 |
| Interest income | | 423,674,785 | 420,097,607 |
| Asset impairment losses | | — | (139,282,045) |
| Credit impairment losses | | 43,063,759 | — |
| Add: Other income | | 34,166,601 | 48,074,607 |
| Investment income | | 1,455,440,858 | 1,260,686,952 |
| Including: Investment income from associates and joint ventures | | 1,287,921,477 | 1,116,550,382 |
| Gains on changes in fair value | | 5,014,902 | — |
| Gains on disposal of assets | 10 | 40,545,867 | 29,758,720 |
| **2. Operating profit** | | 4,724,013,460 | 3,960,918,732 |
| Add: Non-operating income | | 43,074,891 | 31,188,570 |
| Less: Non-operating expenses | | (10,597,986) | (1,317,482) |
| **3. Total profit** | | 4,756,490,365 | 3,990,789,820 |
| Less: Income tax expenses | 11 | (912,964,017) | (750,427,234) |
| **4. Net profit** | | 3,843,526,348 | 3,240,362,586 |
| Classified by continuity of operations | | | |
| Net profit from continuing operations | | 3,843,526,348 | 3,240,362,586 |
| Net profit from discontinued operations | | — | — |
| Classified by ownership of the equity | | | |
| Minority interests | | 250,040,717 | 197,403,143 |
| Attributable to shareholders of the Company | | 3,593,485,631 | 3,042,959,443 |

**CONSOLIDATED INCOME STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2018**
(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | 2018 | 2017 |
|---|---|---|---|
| **5. Other comprehensive income, net of tax** | | (145,620,731) | 347,410,000 |
| Attributable to shareholders of the Company, net of tax | | | |
| Other comprehensive income items which will not be subsequently reclassified to profit or loss | | | |
| Changes in remeasurement of defined benefit plan obligations | | (162,847,800) | 346,890,300 |
| Other comprehensive income items which will be subsequently reclassified to profit or loss | | | |
| Changes in fair value of other debt investments | | 12,676,488 | — |
| Attributable to minority shareholders, net of tax | | 4,550,581 | 519,700 |
| **6. Total comprehensive income** | | 3,697,905,617 | 3,587,772,586 |
| Attributable to shareholders of the Company | | 3,443,314,319 | 3,389,849,743 |
| Attributable to minority interests | | 254,591,298 | 197,922,843 |
| **7. Earnings per share** | 12 | | |
| Basic earnings per share | | 0.60 | 0.55 |
| Diluted earnings per share | | 0.60 | 0.55 |

**Notes**

## 1 General Information

Qingdao Port International Co., Ltd. (the "**Company**") is a stock limited company incorporated in Qingdao City of Shandong Province of the People's Republic of China (the "**PRC**") on 15 November 2013 (the "**Company's Date of Incorporation**") by Qingdao Port (Group) Co., Ltd. ("**Qingdao Port Group**") as the leading promoter together with 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., with its registered address at No. 12 Jingba Road, Huangdao District, Qingdao, PRC.

The H share of the Company was listed on the Main Board of the Hong Kong Stock Exchange on 6 June 2014.

The completion of the placing of 243,000,000 new H shares of the Company (the "**Placing**") took place on 18 May 2017 at the placing price of HK$4.32 per H Share (equivalent to approximately RMB3.81). The number of total issued shares of the Company increased to 5,021,204,000 Shares as a result of the issue of the Placing Shares.

The Company made private placement 1,015,520,000 Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. ("**Shanghai China Shipping Terminal**") on 22 May 2017; the subscription price per share was RMB5.71 and the total subscription amount was RMB5,798,619,200. After the completion of the private placement of Domestic Shares, the number of total issued shares of the Company increased to 6,036,724,000 shares.

As at 31 December 2018, the total share capital of the Company is 6,036,724,000 shares with par value at RMB1.00, including 4,937,699,000 domestic shares and 1,099,025,000 H shares, accounting for 81.8% and 18.2% respectively of the total share capital. Qingdao Port Group holds 58.48% shares of the Company.

The scope of business of the Company and its subsidiaries (collectively the "**Group**") includes port and port-related services such as stevedoring, stacking, storage and cargo transportation of containers, metal ores, coal, crude oil, grains, break bulk cargo, financing service business, and port supporting business like port machinery manufacture, building and construction, tugboat and barging, and ocean shipping tallying.

## 2 Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as the "**Accounting Standards for Business Enterprises**"); and are also prepared in accordance with the Public Information Disclosure and Compilation Rules for Public Offering of Securities No. 15 - General Provisions for Financial Reporting issued by China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis. Unless specified, the amount shall be in RMB yuan.

The New Hong Kong Companies Ordinance took effect since 3 March 2014 and certain disclosures in the financial statements have been adjusted in accordance with requirements therein.

### (1) *Preparation basis of consolidated financial statements*

Prior to the establishment of the Company, Qingdao Port Group was reorganized under the plan approved by Qingdao State-owned Assets Supervision & Administration Commission and transferred certain business into the Company; therefore, the matter was deemed as business combination involving enterprises under common control. Pursuant to the Accounting Standards for Business Enterprises, at preparation of the consolidated financial statements of the Group, the assets and liabilities contributed by Qingdao Port Group at the Company's Date of Incorporation remain presented at their original carrying amounts rather than at the appraisal values approved by the competent state-owned assets management authorities in the reorganization. The difference between the appraisal values and the carrying amounts is charged against the shareholders' equity in the consolidated financial statements.

On the other hand, certain subsidiaries of the Company appraised their assets and liabilities in the process of transformation from state-owned enterprises into limited liability companies. In the light of Interpretation No. 1 to the Accounting Standards for Business Enterprises, the assets and liabilities of such reorganized companies shall, on the incorporation dates, be consolidated into the consolidated financial statements of the Group based on the appraisal values approved by the competent state-owned assets management authorities.

### (2) *Preparation basis of the Company's financial statements*

At preparation of the Company's financial statement, the assets and liabilities of Qingdao Port Group that were contributed into the Company are recognized based on the appraisal values approved by the competent state-owned assets management authorities, stated on the Company's financial statements.

## 3 Significant changes in accounting policies

### *(a) Format of financial statements*

In 2018, the Ministry of Finance released the *Circular of the Ministry of Finance on Revising and Issuing the Formats of Corporate Financial Statements for 2018* (Cai Kuai [2018] No. 15) and its interpretation. The financial statements for year ended 31 December 2018 are prepared in accordance with the above circular, the comparatives are restated accordingly.

The impacts to the financial statements are as follows:

| The nature and the reasons of the changes in accounting policies | The line items affected | The amounts affected 31 December 2017 | The amounts affected 1 January 2017 |
|---|---|---|---|
| The Group recorded 'notes receivable' and 'accounts receivable' in 'notes receivable and accounts receivable'. | Accounts receivable | (1,873,364,887) | (1,307,610,944) |
| | Notes receivable | (591,810,980) | (665,419,919) |
| | Notes receivable and accounts receivable | 2,465,175,867 | 1,973,030,863 |
| The Group recorded 'interest receivable', 'dividends receivable' and 'other receivables' in 'other receivables'. | Interest receivable | (34,368,536) | (27,600,404) |
| | Dividends receivable | - | (100,000,000) |
| | Other receivables | 34,368,536 | 127,600,404 |
| The Group recorded 'construction in progress' and 'construction materials' in 'construction in progress'. | Construction materials | - | (166,211,455) |
| | Construction in progress | - | 166,211,455 |
| The Group recorded 'notes payable' and 'accounts payable' in 'notes payable and accounts payable'. | Accounts payable | (1,517,605,961) | (1,125,837,022) |
| | Notes payable | (882,183,561) | (817,619,173) |
| | Notes payable and accounts payable | 2,399,789,522 | 1,943,456,195 |
| The Group recorded 'interest payable', 'dividends payable' and 'other payables' in 'other payables'. | Interest payable | (99,576,003) | (99,129,006) |
| | Other payables | 99,576,003 | 99,129,006 |

The impacts to the consolidated income statement are as follows:

| The nature and the reasons of the changes in accounting policies | The line items affected | The amounts affected 2017 |
|---|---|---|
| The Group recorded R&D expenses, which were recorded in general and administrative expenses, as a separate line item. | Research and development expenses | 19,704,505 |
| | General and administrative expenses | (19,704,505) |
| The Group recorded interest income from entrusted loans, which was recorded in financial expenses into investment income. | Financial expenses | 89,197,505 |
| | Investment income | (89,197,505) |

### *(b) Financial instruments*

The Ministry of Finance released the revised CAS 22 - Recognition and Measurement of Financial Instruments, CAS 23 - Transfer of Financial Assets and CAS 37 - Presentation of Financial Instruments (hereinafter referred to as the "**new accounting standards for financial instruments**") in 2017. The financial statements for the year ended 31 December 2018 are prepared in accordance with the above standards. According to the new financial instruments standard, there is no need to adjust the financial information for the comparison period. The Group recognized the cumulative effect of initial adoption of the standard as adjustment to the opening balance of retained earnings of 2018 and other related items in the financial statements. The changes of new accounting standards for financial instruments are as follows:

(i) Based on the "business model" and "contractual cash flow characteristics" of the financial assets held, the Group classified the financial assets measured as "financial assets measured at amortized cost", "financial assets measured at fair value through other comprehensive income" and "financial assets measured at fair value through current profit or loss".

(ii) The provision for impairment loss of financial assets has changed from "incurred credit loss method" to "expected credit loss method".

Implementation of new accounting standards for financial instruments have no significant impact on the Company's retained earnings and other comprehensive income of the opening balance of 2018, and the financial statements for the year ended 31 December 2018 are prepared in accordance with the above standards.

*(b) Financial instruments (Cont'd)*

As at 1 January 2018, the Group's financial assets classified and measured using the original and the new accounting standards for financial instruments are compared as below:

| The original financial instruments accounting standard | | | The new financial instruments accounting standard | | |
|---|---|---|---|---|---|
| Items | Measurement category | Carrying amount | Items | Measurement category | Carrying amount |
| Cash at bank and on hand | Amortized cost | 11,705,176,363 | Cash at bank and on hand | Amortized cost | 11,705,176,363 |
| Other current assets | Measured at fair value through other comprehensive income (debt instruments) | 639,000,000 | Financial assets held for trading | Measured at fair value through profit or loss in the current period | 639,000,000 |
| Notes receivable and accounts receivable | Amortized cost | 2,465,175,867 | Notes receivable and accounts receivable | Amortized cost | 1,964,754,453 |
| | | | | Measured at fair value through other comprehensive income | 500,421,414 |
| Other receivables | Amortized cost | 1,064,094,089 | Other receivables | Amortized cost | 1,064,094,089 |
| Available-for-sale financial assets | Measured at fair value through other comprehensive income (debt instruments) | 111,357,788 | Other non-current financial assets | Measured at fair value through profit or loss in the current period | 183,565,665 |
| | Measured at cost (equity instruments) | 72,207,877 | | | |
| Long-term receivables | Amortized cost | 4,395,674,475 | Long-term receivables | Amortized cost | 4,395,674,475 |

As at 31 December 2017 and 1 January 2018, there are no financial assets designated as measured at fair value through profit or loss in the Group.

### *(c) Revenue*

The Ministry of Finance released CAS 14 – Revenue (revised in 2017) (hereinafter referred to as the "**new revenue standard**") in 2017. The Group has prepared the financial statements for the year ended 31 December 2018 according to above standard. According to the relevant regulation of the new revenue standard, the Group recognized the cumulative effect of initial adoption of the standard as adjustment to the opening balance of retained earnings of 2018 and other related items in the financial statements, and there is no need to restate the comparative financial statements of 2017.

The impact of the new revenue standard on the Group's consolidated financial statements as at 1 January 2018 are mainly as follows:

| The nature and the reasons of the changes in accounting policies | The line items affected | The amounts affected |
|---|---|---|
| | | 1 January 2018 |
| Due to the adoption of the new revenue standard, the Group reclassified advances from customers related to rendering of services to contract liabilities, reclassified "amounts due from customers construction contract" included in inventory to contract assets, and related provisions for impairment loss were provided using the "expected credit loss method" under the new accounting standards for financial instruments. | Contract liabilities | 129,135,173 |
| | Advances from customers | (129,135,173) |
| | Inventories | (451,715,249) |
| | Contract assets | 429,129,486 |
| | Deferred tax assets | 5,646,441 |
| | Undistributed profits at the beginning of the year | 16,939,322 |

## 4 Notes receivable and accounts receivable

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Notes receivable | 735,595,077 | 591,810,980 |
| Accounts receivable (i) | 2,068,535,326 | 1,873,364,887 |
| | 2,804,130,403 | 2,465,175,867 |

(i) Accounts receivable

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Accounts receivable | 2,197,641,028 | 1,992,932,936 |
| Less: Provision for bad debts | (129,105,702) | (119,568,049) |
| | 2,068,535,326 | 1,873,364,887 |

The Group's income from rendering of service and sales are partially in form of cash, advances from customers, bank acceptance notes and trade acceptance notes. The sales income are settled primarily with credit terms of 90 days.

The ageing of accounts receivable based on their recording dates is analysed as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Within 1 year | 2,054,374,493 | 1,867,543,937 |
| 1 to 2 years | 123,010,857 | 100,093,827 |
| 2 to 3 years | 7,147,776 | 9,318,960 |
| 3 to 4 years | 3,099,707 | 7,030,000 |
| 4 to 5 years | 1,384,483 | - |
| Over 5 years | 8,623,712 | 8,946,212 |
| | 2,197,641,028 | 1,992,932,936 |

Accounts receivable are mainly recorded based on the date of transaction. The ageing of accounts receivable represented on their recording dates is basically the same as the ageing represented based on the dates of invoice.

## 5 Notes payable and accounts payable

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Notes payable | 957,024,876 | 882,183,561 |
| Accounts payable (i) | 1,581,607,319 | 1,517,605,961 |
| | 2,538,632,195 | 2,399,789,522 |

(i) The ageing of accounts payable based on their recording dates is analyzed as follows:

| | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Within 1 year | 1,418,046,166 | 1,303,132,084 |
| Over 1 year | 163,561,153 | 214,473,877 |
| | 1,581,607,319 | 1,517,605,961 |

Accounts payable are mainly recorded based on the date of transaction. The ageing of accounts payable represented on their recording dates is basically the same as the ageing represented based on the dates of invoice.

## 6 Bonds payable

| | 31 December 2017 | Issued in the current period | 31 December 2018 |
|---|---|---|---|
| Corporate bonds payable | 3,500,000,000 | - | 3,500,000,000 |
| Less: Current portion of bonds payable | - | - | (3,500,000,000) |
| Total | 3,500,000,000 | - | - |

Approved by China Securities Regulatory Commission, China Securities Regulatory Commission [2016] No. 153, the company issued the first phase of corporate bonds of RMB1.5 billion and the second phase of Corporate bonds of RMB2 billion on 18 March 2016 and 8 June 2016, respectively. The above-mentioned bond has a maturity period of 5 years with the option of raising the coupon rate and the investor's option to sell back at the end of the third year. If the investor does not register for resale within the resale registration period, the bond holding period is 5 years. The interest rate is calculated on a yearly basis, with a fixed annual interest rate of 2.90% and 3.09%, respectively.

As at 31 December 2018, the ending balance of bonds payable was RMB3,500,000,000 (31 December 2017: RMB3,500,000,000), of which the amount of non-current liabilities reclassified to one year was RMB3,500,000,000 (31 December 2017: nil).

## 7 Dividends

Pursuant to the resolution at the board meeting dated on 28 March 2019, the Board proposed a aggregated dividend for the years 2017 and 2018 of RMB RMB2,464.6707 million (tax inclusive) to the shareholders of the Company, representing RMB379.70 per thousand shares (tax inclusive), based on the current total issued share capital of the Company. The proposal above is subject to the approval by the shareholders at the Company’s annual general meeting. The financial statements do not reflect this dividends payable.

## 8 Revenue and cost of sales

| | 2018 | 2017 |
|---|---|---|
| Revenue from main operations | 10,541,003,867 | 9,131,214,240 |
| Revenue from other operations | 1,200,476,297 | 1,015,010,802 |
| | 11,741,480,164 | 10,146,225,042 |

| | 2018 | 2017 |
|---|---|---|
| Cost of sales from main operations | (7,427,909,125) | (6,208,034,253) |
| Cost of sales from other operations | (687,592,866) | (608,069,050) |
| | (8,115,501,991) | (6,816,103,303) |

## 9 Taxes and surcharges

| | 2018 | 2017 |
|---|---|---|
| Land use tax | 55,633,000 | 45,698,524 |
| City maintenance and construction tax | 19,099,414 | 18,392,673 |
| Educational surcharge | 13,627,865 | 13,191,383 |
| Business tax (i) | 10,218,534 | 10,360,427 |
| Stamp duty | 6,120,896 | 9,717,880 |
| Property tax | 6,593,252 | 5,825,671 |
| Others | 6,403,694 | 2,883,384 |
| | 117,696,655 | 106,069,942 |

(i) The Group leases port facilities to related parties, such as QQCT, for a period of 30 years. By the end of 2010, the rentals are collected in full amount. The Group recognized business tax and related taxes at the time of receipt of the port facilities lease payment, business tax prepaid are recorded into other non-current assets, and amortized to taxes and surcharges based on leasing income recognized in every period.

## 10 Gains on disposal of assets

| | 2018 | 2017 |
|---|---|---|
| Gains on disposal of other non-current assets(i) | 35,068,278 | - |
| Gains on disposal of fixed assets | 3,105,007 | 32,919,663 |
| Gains/(Losses) on disposal of intangible assets | 2,372,582 | (3,160,943) |
| | 40,545,867 | 29,758,720 |

(i) The Company's subsidiary, Weifang Port Lianhua Storage Co., Ltd., Qingdao Haiye Mercuria Storage Co., Ltd. ("**Mercuria Storage**") and Dongying Port Lianhua Storage Co., Ltd. purchased crude oil for the purpose of production and filled in the crude oil pipeline and tanks, so as to ensure the precision of oil product metering and increase the tank pressure for production safety. In 2018, Mercuria Storage managed to operate and store enough crude oil to guarantee safe production, therefore, disposed part of the oil and obtained gains of RMB35,068,278 from disposal of assets.

## 11 Income tax expenses

| | 2018 | 2017 |
|---|---|---|
| Current income tax calculated based on tax law and related regulations | 925,055,370 | 775,097,997 |
| Deferred income tax | (12,091,353) | (24,670,763) |
| | 912,964,017 | 750,427,234 |

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

| | 2018 | 2017 |
|---|---|---|
| Total profit | 4,756,490,365 | 3,990,789,820 |
| Income tax expenses calculated at applicable tax rates | 1,189,122,591 | 997,697,455 |
| The effect of preferential tax rates | (6,612,517) | (1,797,762) |
| Investment income not subject to tax | (321,980,369) | (279,137,596) |
| Additional deduction of employee benefits of the disabled | (1,578,830) | (1,732,136) |
| Costs, expenses and losses not deductible for tax purposes | 38,229,939 | 25,411,235 |
| Deductible losses not recognized as deferred tax assets in the current period | 15,783,203 | 9,986,038 |
| Income tax expenses | 912,964,017 | 750,427,234 |

## 12 Earnings per share

### (a) ***Basic earnings per share***

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

| | **2018** | **2017** |
|---|---|---|
| Consolidated net profit attributable to ordinary shareholders of the Company | 3,593,485,631 | 3,042,959,443 |
| Weighted average number of ordinary shares outstanding | 6,036,724,000 | 5,539,616,800 |
| Basic earnings per share | 0.60 | 0.55 |
| Including: | | |
| - Basic earnings per share from continuing operations | 0.60 | 0.55 |
| - Basic earnings per share from discontinued operations | N/A | N/A |

### (b) ***Diluted earnings per share***

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the year ended 31 December 2018 (for the year ended 31 December 2017: nil), diluted earnings per share equal to basic earnings per share.

## 13 Segment information

The Group's management assesses the Group's performance and determines reportable segments by service category. Different service categories require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions on resources allocation to these segments and to assess their performance.

The Group identified 6 reportable segments as follows:

-Container handling and ancillary services: loading and discharging of containers, storage and port management;

-Metal ores, coal and other cargo handling and ancillary services: loading and discharging of metal ore, coal, grains, break bulk cargo and other cargo, storage and port management;

-Liquid bulk handling and ancillary services: loading and discharging of crude oil and other liquid bulk, storage, transport and port management;

-Logistics and port value-added services: CFS, provision of cargo logistics, agency, towing, tallying and other services;

-Port ancillary services: provision of manufacturing of port related equipment, facilities construction services, supplying electricity power, fuel and others; and

-Financial services: provision of deposit taking activities, corporate loans, guarantee, agency insurance and others.

The Group's major operational activities are carried out in Mainland China. The Group's Management does not separately manage the production and operation by region. Therefore, segment performance is not separately presented by region.

Inter-segment transfer prices are mutually agreed with reference to the market price. The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment.

## 13 Segment information (Cont'd)

(a) Segment information for the year ended 31 December 2018 and as at 31 December 2018 is listed as follows:

| | Container handling and ancillary services | Metal ores, coal and other cargo handling and ancillary services | Liquid bulk handling and ancillary port services | Logistics and port value-added services | Port ancillary services | Financial services | Unallocated | Elimination among segments | Total |
|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 240,606,073 | 2,988,976,155 | 852,239,978 | 5,305,379,478 | 2,346,417,423 | 409,034,323 | - | - | 12,142,653,430 |
| Inter-segment revenue | - | 89,084,347 | - | 166,489,529 | 772,940,681 | 83,504,413 | - | (1,112,018,970) | - |
| Cost of sales | (103,061,876) | (2,364,101,409) | (273,620,327) | (3,668,214,675) | (1,705,631,702) | (73,181,973) | - | - | (8,187,811,962) |
| Interest income | - | 3,653,409 | 2,941,932 | 14,346,909 | 2,617,035 | 298,134 | 67,442,583 | (68,798,483) | 22,501,519 |
| Interest expenses | - | (59,813,675) | (116,918,378) | (21,942,002) | (11,378,764) | - | (107,411,158) | 186,108,920 | (131,355,057) |
| Share of profit of associates and joint ventures | 842,048,111 | 52,242,312 | 351,860,961 | 77,212,859 | - | 3,705,800 | - | (39,148,566) | 1,287,921,477 |
| Provision for credit impairment losses | - | 790,477 | 271,480 | (15,820,686) | 11,246,157 | 4,892,436 | 41,683,895 | - | 43,063,759 |
| Depreciation and amortisation | (20,909,092) | (267,273,449) | (164,904,462) | (107,477,173) | (184,818,804) | (2,145,159) | (5,368,416) | - | (752,896,555) |
| Total Profit | 962,050,994 | 437,458,998 | 818,497,912 | 1,545,377,853 | 498,431,404 | 440,286,219 | 284,967,305 | (230,580,320) | 4,756,490,365 |
| Income tax expenses | - | (1,425,984) | (70,178,543) | (325,171,988) | (38,822,545) | (102,361,538) | (375,003,419) | - | (912,964,017) |
| Net Profit | 962,050,994 | 436,033,014 | 748,319,369 | 1,220,205,865 | 459,608,859 | 337,924,681 | (90,036,114) | (230,580,320) | 3,843,526,348 |
| Total assets | 7,053,037,039 | 8,596,304,638 | 8,936,327,628 | 5,216,833,796 | 6,224,396,015 | 12,958,643,260 | 12,419,747,945 | (12,639,507,388) | 48,765,782,933 |
| Total liabilities | 316,226,259 | 3,478,048,747 | 4,475,041,592 | 2,428,967,396 | 6,116,376,740 | 12,955,739,796 | 4,005,586,604 | (14,429,728,444) | 19,346,258,690 |
| Non-cash expenses other than depreciation and amortisation | - | 43,900,000 | 2,170,000 | 7,430,000 | 36,510,000 | 30,000 | - | - | 90,040,000 |
| Long-term equity investments in associates and joint ventures | 5,561,186,904 | 1,223,754,466 | 1,600,027,901 | 345,535,785 | 429,749 | 94,322,008 | - | - | 8,825,256,813 |
| Additions of non-current assets (i) | 32,313,723 | 528,383,664 | 1,600,376,249 | 355,847,829 | 284,723,515 | 2,182,531 | 8,061,889 | (29,564,264) | 2,782,325,136 |

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

## 13 Segment information (Cont'd)

(b) Segment information for the year ended 31 December 2017 and as at 31 December 2017 is listed as follows:

| ` | Container handling and ancillary services | Metal ores, coal and other cargo handling and ancillary services | Liquid bulk handling and ancillary port services | Logistics and port value-added services | Port ancillary services | Financial services | Unallocated | Elimination among segments | Total |
|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 234,824,683 | 3,045,091,693 | 551,692,265 | 4,155,865,756 | 2,138,274,636 | 421,285,476 | - | - | 10,547,034,509 |
| Inter-segment revenue | - | 118,358,641 | - | 217,715,422 | 686,709,385 | 58,913,415 | - | (1,081,696,863) | - |
| Cost of sales | (69,523,369) | (2,380,031,445) | (152,527,397) | (2,627,558,791) | (1,584,744,544) | (84,784,949) | - | - | (6,899,170,495) |
| Interest income | - | 3,174,544 | 1,922,547 | 12,858,275 | 3,004,756 | 189,740 | 107,711,770 | (109,573,492) | 19,288,140 |
| Interest expenses | - | (40,980,544) | (63,891,068) | (5,660,253) | (13,824,168) | - | (113,553,283) | 104,494,291 | (133,415,025) |
| Share of profit of associates and joint ventures | 728,343,956 | 24,106,964 | 266,948,781 | 96,534,473 | - | 616,208 | - | - | 1,116,550,382 |
| Provision for asset impairment losses | (233,080) | 13,608,654 | (1,826,879) | (5,502,321) | (61,365,524) | (34,087,895) | (49,875,000) | - | (139,282,045) |
| Depreciation and amortisation | (8,546,934) | (269,337,842) | (93,350,902) | (99,817,256) | (166,686,348) | (2,102,525) | (11,996,892) | - | (651,838,699) |
| Total Profit | 892,037,379 | 442,807,253 | 596,567,189 | 1,513,356,405 | 384,033,134 | 366,053,862 | (158,568,107) | (45,497,295) | 3,990,789,820 |
| Income tax expenses | - | (3,594,130) | (41,010,350) | (291,349,710) | (34,151,289) | (90,226,822) | (290,859,791) | 764,858 | (750,427,234) |
| Net Profit | 892,037,379 | 439,213,123 | 555,556,839 | 1,222,006,695 | 349,881,845 | 275,827,040 | (449,427,898) | (44,732,437) | 3,240,362,586 |
| Total assets | 5,916,835,538 | 9,084,807,012 | 7,108,467,912 | 3,947,755,989 | 5,839,274,450 | 15,802,179,096 | 10,363,378,202 | (10,009,045,787) | 48,053,652,412 |
| Total liabilities | 57,410,000 | 3,415,927,723 | 3,689,138,679 | 1,319,071,962 | 6,654,199,423 | 14,244,348,801 | 3,842,764,708 | (10,231,865,274) | 22,990,996,022 |
| Non-cash expenses other than depreciation and amortisation | - | 41,030,000 | 2,040,000 | 5,770,000 | 29,830,000 | - | - | - | 78,670,000 |
| Long-term equity investments in associates and joint ventures | 5,466,698,805 | 1,177,306,963 | 1,481,248,210 | 322,371,543 | - | 90,616,208 | - | - | 8,538,241,729 |
| Additions of non-current assets (i) | 24,007,320 | 337,308,380 | 1,593,803,327 | 226,636,470 | 45,111,250 | (39,440,000) | 40,359,958 | (18,163,598) | 2,209,623,107 |

(i) Non-current assets do not include financial assets, long-term equity investments and deferred tax assets.

**13 Segment information (Cont'd)**

(c) Reconciliation between reportable segment revenue from external customers, reportable segment interest income, reportable segment cost of sales and reportable segment interest expenses and amounts in consolidated income statements is listed as follows:

| | **2018** | **2017** |
|---|---|---|
| Revenue－ | | |
| Reportable segment revenue from external customers | 12,142,653,430 | 10,547,034,509 |
| Reclassification of interest income, from external customers of Qingdao Finance (i) | (401,173,266) | (400,809,467) |
| Consolidated revenue（Note 8） | 11,741,480,164 | 10,146,225,042 |
| Interest income－ | | |
| Reportable segment interest income | 22,501,519 | 19,288,140 |
| Reclassification of interest income, from external customers of Qingdao Finance (i) | 401,173,266 | 400,809,467 |
| Consolidated interest income | 423,674,785 | 420,097,607 |
| Cost of sales－ | | |
| Reportable segment cost of sales | 8,187,811,962 | 6,899,170,495 |
| Reclassification of interest expenses, from external customers of Qingdao Finance (ii) | (72,309,971) | (83,067,192) |
| Consolidated cost of sales（Note 8） | 8,115,501,991 | 6,816,103,303 |
| Interest expenses－ | | |
| Reportable segment interest expenses | 131,355,057 | 133,415,025 |
| Reclassification of interest expenses, from external customers of Qingdao Finance (ii) | 72,309,971 | 83,067,192 |
| Consolidated interest expenses | 203,665,028 | 216,482,217 |

(i) Reportable segment revenue from external customers includes interest income from external customers of Qingdao Finance, which is presented as financial expenses – interest income in the consolidated financial statements.

(ii) Reportable segment cost of sales includes interest expense of Qingdao Finance, which is presented as financial expenses - interest expense in the consolidated financial statements.

The Group's main revenue from external customers and additions to non-current assets other than financial assets and deferred tax assets are mainly gained or located in China.

## AUDITOR'S WORKS ON THE PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the relevant notes thereto for the year ended 31 December 2018 as set out in the preliminary annual results announcement have been reviewed and agreed by the Company's auditor, PricewaterhouseCoopers Zhong Tian LLP, which is consistent with the figures set out in the audited consolidated financial statements of the Group for the year ended 31 December 2018 as approved by the Board on 28 March 2019. The work performed by PricewaterhouseCoopers Zhong Tian LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Zhong Tian LLP on the preliminary results announcement.

PricewaterhouseCoopers Zhong Tian LLP was appointed as the Company's auditor at the annual general meeting of the Company held on 6 June 2018 to audit the financial statements of the Company for the year ended 31 December 2018.

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, world economy grew mildly, the growth speed of global trade slowed down, and the contribution made by trade growth to the global economy has recorded weakened. China's economy shifted from the stage of high-speed growth to high-quality development and, overall, achieved a stable performance while at the same time securing progress. Annual gross domestic product (GDP) presented an increase of 6.6% as compared to the same period in the prior year and continued to keep in a reasonable range. Foreign trade import and export achieved fast growth and the total import and export trade value of cargo throughout 2018 exceeded RMB30 trillion, representing an increase of 9.7% as compared to the same period in the prior year (Sources: National Bureau of Statistics).

In 2018, the port industry in China continued to maintain steady and sound growth. From January to November 2018, the amount of cargo throughput of the above-scale coastal ports increased by 4.3% as compared to the same period in the prior year, and among which, the throughput of containers rose by 5.3% as compared to the same period in the prior year (Sources: Ministry of Transport of the PRC). However, as certain key industries continued to address overcapacity, new terminals in coastal ocean ports were constantly put into operation, and the industry competition became increasingly fierce, the port industry improved function chains, extended service chains and expanded value chains, in order to strengthen integrated service ability, and actively accelerate the shift from a traditional stevedoring and destination port to a logistics, trade and integrated hub port, obtaining greater development space.

In 2018, the Group took the acceleration of the construction of a world-class ocean port as its goal and positively coped with the changes of the external macro economy. By seizing the opportunities in promoting the replacing of old growth drivers with new ones and accelerating industrial upgrading in Shandong Province and Qingdao City, the Group deepened supply-side structural reform in port services, improved quality and efficiency as well as developed with innovation, proactively made progress in stevedoring business, vigorously developed modern logistics, and implemented of "Three Strategies" of finance, internationalization and internet in-depth. The Group continued to improve its comprehensive competitive strength, and industrial influence strengthened with a steady growth of operation results, which created satisfactory returns for its shareholders.

With respect to the terminal business, the Group seized the opportunities brought by the shifting of China's economy from high-speed growth to high-quality development, grasped the developmental rules of port economy in new economic environment, and aimed at the demands of customers and markets to focus on core businesses, address area of weakness in development and strengthen weak items. The Group took solid steps in pushing ahead the supply-side structural reform in port services in a down-to-earth manner, provide customized integrated "door-to-door" logistics services, enhanced its integrated competitive advantages in terminals, logistics, finance and etc., and increased its efforts to develop new markets and new cargo resources to improve the quality of its integrated logistics services, and accelerate the construction of its storage and pipeline distribution capabilities for oil products and other key segments, relive a continuous and stable growth of its stevedoring business.

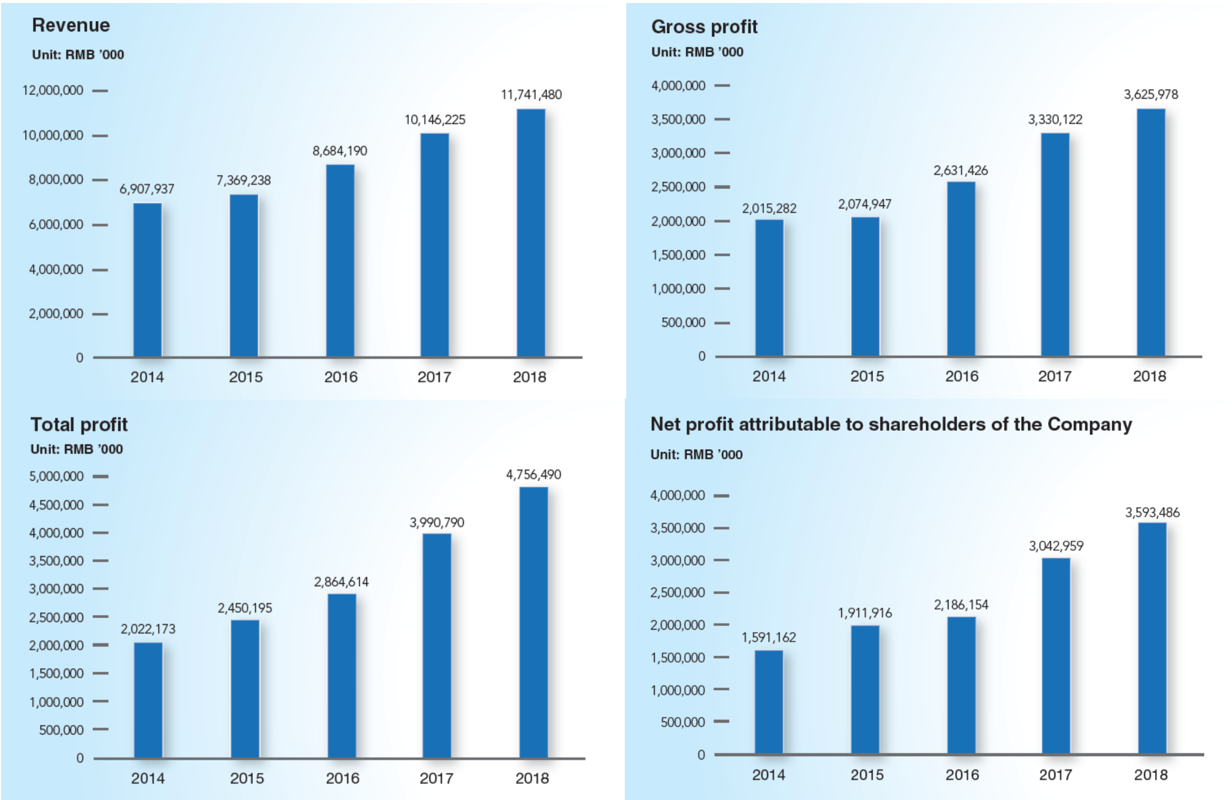
With respect to the emerging businesses, the Group took full play of the advantages as an integrated hub in logistics chain, commodity flow, capital flow, information flow and others, to coordinate ports and other social resources, to optimize the layout of "inland port" network marketing, improve resource efficiency through the construction of intelligent ports, and perfect the functions of port services, so as to constantly extend its new businesses in sea-rail intermodal transport, CFS, shipping agency, freight forwarding, bonded storage, futures settlement, cross-border e-commerce, automobile supply chain, industrial chain finance and etc., improve diversified profitability, and expand the new models and new spaces, for the maintenance of a sustainable development for the ports operation performance.

## 1 Review of Overall Business and Results

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

For the year ended 31 December 2018, the cargo throughput of the Group together with its joint ventures and associates (without taking into account the respective shareholding percentage the Company has in those joint ventures and associates) amounted to 486 million tons in total, representing an increase of 6.0% as compared to the same period in the prior year, and the container throughput amounted to 19.32 million TEUs, representing an increase of 5.5% as compared to the same period in the prior year.

**Comparison of Major Operating Indicators**




The total revenue of the Group amounted to RMB11,741 million for the year ended 31 December 2018, representing an increase of RMB1,595 million or 15.7% as compared to the same period in the prior year. Such increase was mainly due to the increases in revenue from segments of liquid bulk handling and ancillary services, logistics and port value-added services, and port ancillary services.

The gross profit of the Group was RMB3,626 million for the year ended 31 December 2018, representing an increase of RMB296 million or 8.9% as compared to the same period in the prior year. Such increase was mainly due to the increases in gross profit from segments of liquid bulk handling and ancillary services, logistics and port value-added services and port ancillary services.

The selling and administration expenses of the Group were RMB503 million for the year ended 31 December 2018, remaining stable as compared to the same period in the prior year.

The investment income of the Group from joint ventures and associates amounted to RMB1,288 million for the year ended 31 December 2018, representing an increase of RMB171 million or 15.3% as compared to the same period in the prior year. Such increase was mainly due to the increases in investment income from container handling and ancillary services segment and liquid bulk handling and ancillary services segment.

The total profit of the Group amounted to RMB4,756 million for the year ended 31 December 2018, representing an increase of RMB766 million or 19.2% as compared to the same period in the prior year. Such increase was mainly due to the increases in profit from segments of liquid bulk handling and ancillary services and port ancillary services.

The net profit attributable to shareholders of the Company achieved RMB3,593 million for the year ended 31 December 2018, representing an increase of RMB551 million or 18.1% as compared to the same period in the prior year.

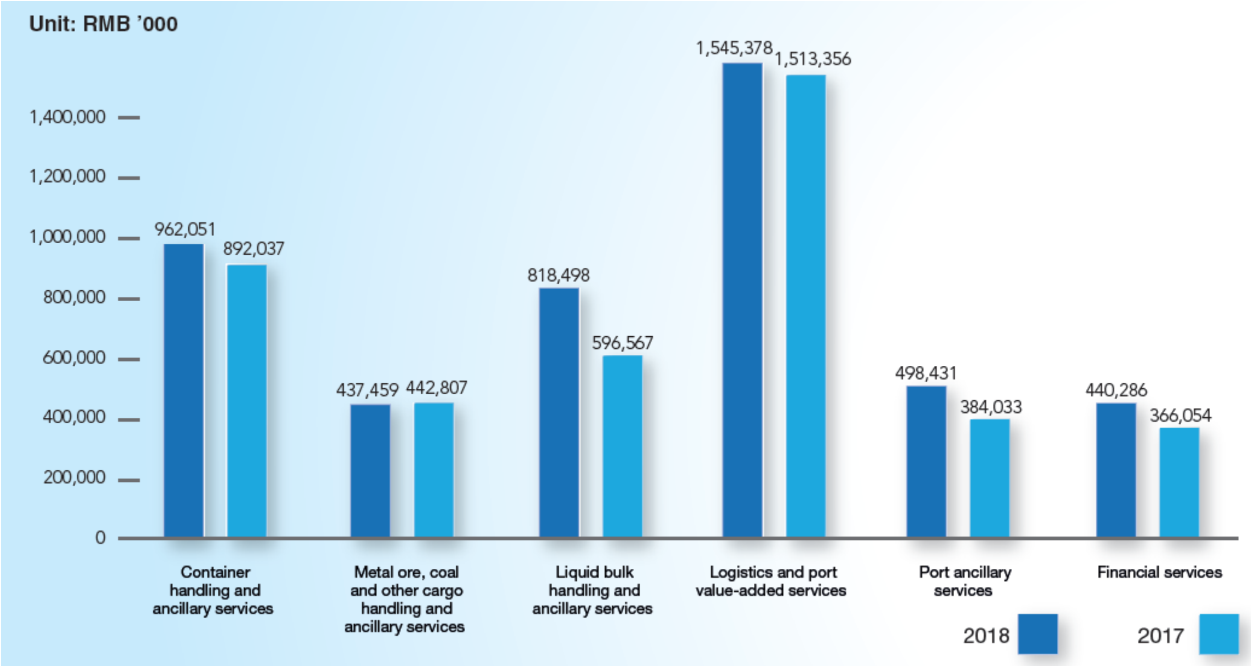
## 2. Segment Review and Business Review

### Segment Results

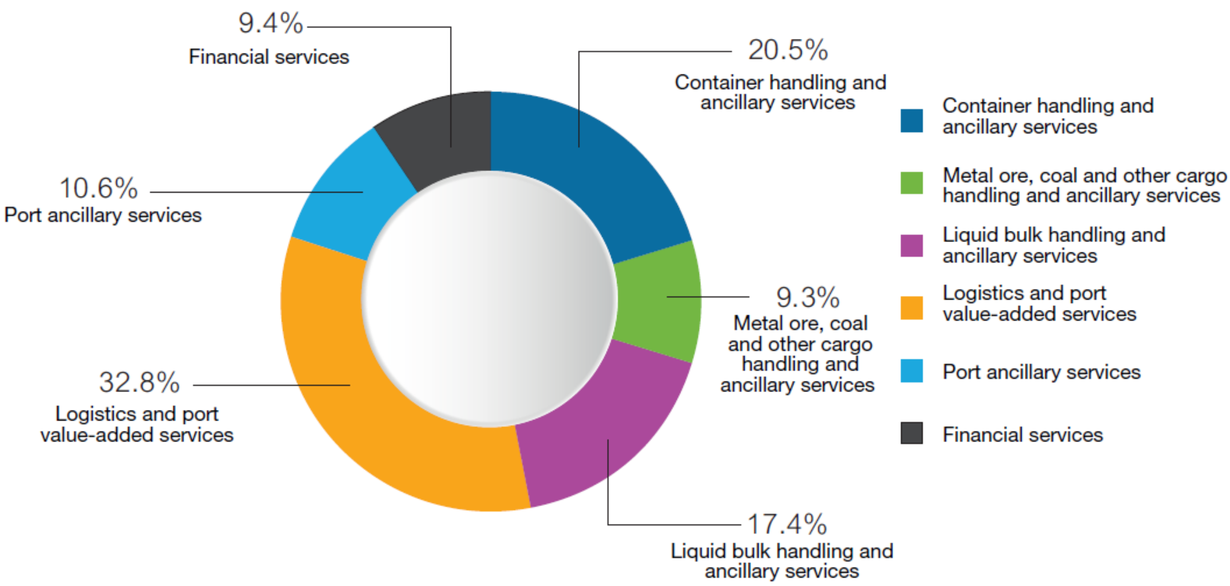
*Unit: RMB'000*

| | 2018 | | 2017 | | |
|---|---|---|---|---|---|
| **Business Segments** | **Results** | **Percentage of the total** | **Results** | **Percentage of the total** | **Change** |
| Container handling and ancillary services | 962,051 | 20.5% | 892,037 | 21.3% | 7.8% |
| Metal ore, coal and other cargo handling and ancillary services | 437,459 | 9.3% | 442,807 | 10.5% | -1.2% |
| Liquid bulk handling and ancillary services | 818,498 | 17.4% | 596,567 | 14.2% | 37.2% |
| Logistics and port value-added services | 1,545,378 | 32.8% | 1,513,356 | 36.1% | 2.1% |
| Port ancillary services | 498,431 | 10.6% | 384,033 | 9.2% | 29.8% |
| Financial services | 440,286 | 9.4% | 366,054 | 8.7% | 20.3% |
| Total results before inter-segment elimination | 4,702,103 | 100.0% | 4,194,854 | 100.0% | 12.1% |

**Comparison of Segment Results**




**Breakdown of each segment result for the year ended 31 December 2018**




On the basis of further expanding and improving its principal basic port business of stevedoring by consolidating advantages, the Group maintained a sustainable and healthy growth of its operation performance by taking full advantages of its port resources capacity and efficiency, further implementing the construction of "The Three Strategies", and continuing to expand the diversified comprehensive port ecosystem.

The details are set out as below:

## (1) Container handling and ancillary services

*Unit: RMB'000*

| Item | 2018 | 2017 | Changed amount | Changed percentage |
|---|---|---|---|---|
| **Consolidated Group Companies** | | | | |
| Revenue | 240,606 | 234,825 | 5,781 | 2.5% |
| Cost of sales | 103,062 | 69,523 | 33,539 | 48.2% |
| Gross profit | 137,544 | 165,302 | -27,758 | -16.8% |
| **Profit of Consolidated Group Companies** | 120,003 | 163,693 | -43,690 | -26.7% |
| **Joint ventures** | | | | |
| Revenue | 3,788,337 | 3,555,468 | 232,869 | 6.5% |
| Cost of sales | 1,489,171 | 1,230,204 | 258,967 | 21.1% |
| **Share of post-tax profit of joint ventures** | 842,048 | 728,344 | 113,704 | 15.6% |
| **Segment results** | 962,051 | 892,037 | 70,014 | 7.8% |

*Note:* Amounts of revenue and cost of sales of joint ventures represent the total amount of revenue and cost of sales in the financial information of joint ventures of the Company such as QQCT and Qingwei Container, without taking into account of the respective shareholding percentages held by the Company in those joint ventures. See "Summarized Financial Information of Joint Ventures" for more details of QQCT's financial information.

In 2018, the Group implemented the headquarter strategy for shipping companies in an in-depth manner, continued to work on the construction of the "International Hub Port in Northeastern Asia", increased the frequency of senior management interaction with shipping companies, innovated marketing model, increased shipping lines and enlarged transit network to maintain its development advantages. The new developments achieved were mainly as follows:

(1) The Group pressed ahead with deepening the implementation of the headquarter strategy for shipping companies, and continued to optimize the business environment in ports attracting shipping companies to open 13 additional shipping lines for foreign trade containers.

(2) The Group opened transshipment channels in ports of northern China for shipping companies such as COSCO SHIPPING Group, with an increase of 16.6% in transshipment container volume as compared to the same period in the prior year. The Group started the shipping line of foreign trade container in Dongjiakou Port Area, optimized port functions, expanded new hinterland markets, and achieved growth in the operating volume of containers.

(3) The Group released the ability of the fully automatic container terminal, with the completed container throughput exceeding 1.2 million TEUs throughout the year 2018, and created a world record of a single-machine average operating rate of 43.23 units/hour.

For the year ended 31 December 2018, with respect to the container handling and ancillary services, the revenue amounted to RMB241 million, representing an increase of RMB6 million or 2.5% as compared to the same period in the prior year, which was mainly due to the additional revenue arising from the commencement of container operation in Dongjiakou Port Area, which offset the decrease in revenue caused by the layout adjustment of container business in Dagang Port Area; the cost of sales amounted to RMB103 million, representing an increase of RMB34 million or 48.2% as compared to the same period in the prior year, which was mainly due to the additional depreciation and labor cost arising from the commencement of container operation in Dongjiakou Port Area; the segment results were RMB962 million, representing an increase of RMB70 million or 7.8% as compared to the same period in the prior year, which was mainly due to the increase of investment income from the increase of the Company's shareholding in QQCT from 31% to 51% in May 2017.

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

*Unit: RMB'000*

| Item | 2018 | 2017 | Changed amount | Changed percentage |
|---|---|---|---|---|
| **Consolidated Group Companies** | | | | |
| Revenue | 2,988,976 | 3,045,092 | -56,116 | -1.8% |
| Cost of sales | 2,364,101 | 2,380,031 | -15,930 | -0.7% |
| Gross profit | 624,875 | 665,061 | -40,186 | -6.0% |
| **Profit of Consolidated Group Companies** | 385,217 | 418,700 | -33,483 | -8.0% |
| **Joint ventures** | | | | |
| Revenue | 1,530,292 | 1,449,998 | 80,294 | 5.5% |
| Cost of sales | 1,096,510 | 1,042,343 | 54,167 | 5.2% |
| **Share of post-tax profit of joint ventures** | 52,242 | 24,107 | 28,135 | 116.7% |
| **Segment results** | 437,459 | 442,807 | -5,348 | -1.2% |

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

In 2018, the Group took full advantage of its large-sized terminals and large-sized stockyards, innovated the markets interaction among ports, steel mills and trading company, strengthened the integrated service of collecting, dispatching and marketing to promote the concentration of cargo sources. The new developments achieved were mainly as follows:

(1) The Group carried out in-depth cooperation with large mining companies to enlarge its mixing and matching ore business, with its mixing ore business amount throughout the year 2018 exceeding 20 million tons, representing an increase of 62% as compared to the same period in the prior year.

(2) The Group coordinated the production resources in Qianwan Port Area and Dongjiakou Port Area, promoted the interaction of coke, coal and ore, expanded the logistics chains of "loaded entry and loaded departure", and optimized integrated logistics services to enhance its market competitive advantages, consolidated customer basis in Shandong and expanded new markets and customers in new inland areas such as Shanxi, Shaanxi, Henan.

For the year ended 31 December 2018, with respect to the metal ore, coal and other cargo handling and ancillary services, the revenue amounted to RMB2,989 million, representing a decrease of RMB56 million or 1.8% as compared to the same period in the prior year, which was mainly due to the decrease in revenue in iron ore whole-process stevedoring and handling business; the profit of Consolidated Group Companies amounted to RMB385 million, representing a decrease of RMB33 million or 8.0% as compared to the same period in the prior year, which was mainly due to the increase in material and maintenance costs resulting from centralized maintenance of machinery and equipment.

## (3) Liquid bulk handling and ancillary services

*Unit: RMB'000*

| Item | 2018 | 2017 | Changed amount | Changed percentage |
|---|---|---|---|---|
| **Consolidated Group Companies** | | | | |
| Revenue | 852,240 | 551,692 | 300,548 | 54.5% |
| Cost of sales | 273,620 | 152,527 | 121,093 | 79.4% |
| Gross profit | 578,620 | 399,165 | 179,455 | 45.0% |
| **Profit of Consolidated Group Companies** | 466,637 | 329,618 | 137,019 | 41.6% |
| **Joint ventures** | | | | |
| Revenue | 1,861,556 | 1,560,382 | 301,174 | 19.3% |
| Cost of sales | 890,490 | 792,960 | 97,530 | 12.3% |
| **Share of post-tax profit of joint ventures** | 351,861 | 266,949 | 84,912 | 31.8% |
| **Segment results** | 818,498 | 596,567 | 221,931 | 37.2% |

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

In 2018, the Group seized opportunities to advance the integration of production and organization, utilized the resource efficiency of terminals and tank areas in the "two ports and four places", i.e. Huangdao Port Area, Dongjiakou Port Area, Weifang tank area and Guangrao tank area, made full use of the capability of the Phase I and II of Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline to grasp the initiative in leading development. The new developments achieved in 2018 were mainly as follows:

(1) Oriented by customer demand, the Group coordinated resources such as terminals, storage tanks, and oil pipelines, and customized integrated logistics service plans reaching 11 new strategic cooperative customers. The Group became one of the first designated settlement bases of crude oil futures approved by the Shanghai International Energy Exchange (上海能源交易中心).

(2) The Group took advantage of the comprehensive capability of terminals, strengthened cooperation with trading companies and accelerated the construction of the international distribution center for crude oil trading.

(3) The Group took full use of the capability of the Phase I of Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline, and commenced the operation of the Phase II of such oil pipeline, building up a safer, more economical, more eco-friendly and more efficient logistics channel for refineries to grasp the market initiative. The Group's market share in the local refinery market of Shandong reached a new higher level and its import amount of crude oil maintained fast growth.

For the year ended 31 December 2018, with respect to the liquid bulk handling and ancillary services, the revenue amounted to RMB852 million, representing an increase of RMB301 million or 54.5% as compared to the same period in the prior year, which was mainly due to increase in revenue of transportation and storage generated from the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline and the ancillary tanks; the segment results amounted to RMB818 million, representing an increase of RMB222 million or 37.2% as compared to the same period in the prior year, which was mainly due to the increase in the results of pipeline transport and storage business and the investment profit of Qingdao Shihua arising from the growth in its business volume.

### (4) Logistics and port value-added services

*Unit: RMB'000*

| Item | 2018 | 2017 | Changed amount | Changed percentage |
|---|---|---|---|---|
| **Consolidated Group Companies** | | | | |
| Revenue | 5,305,379 | 4,155,866 | 1,149,513 | 27.7% |
| Cost of sales | 3,668,215 | 2,627,559 | 1,040,656 | 39.6% |
| Gross profit | 1,637,164 | 1,528,307 | 108,857 | 7.1% |
| **Profit of Consolidated Group Companies** | 1,468,165 | 1,416,822 | 51,343 | 3.6% |
| **Joint ventures and an associate** | | | | |
| Revenue | 805,186 | 1,490,594 | -685,408 | -46.0% |
| Cost of sales | 565,483 | 1,158,067 | -592,584 | -51.2% |
| **Share of post-tax profit of joint ventures and an associate** | 77,213 | 96,534 | -19,321 | -20.0% |
| **Segment results** | 1,545,378 | 1,513,356 | 32,022 | 2.1% |

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

Focusing on customer demand, the Group continued to deepen the supply-side structural reform of its services, improved port functions, expanded logistics chains and developed value-added services. The Group constantly extended its logistics industry system, enlarged business scale, and accelerated to become an integrated logistics service provider. The new developments achieved were mainly as follows:

(1) With respect to the CFS business, the Group promoted the sharing of resources with key shipping companies to build a development model with lowest business cost and highest operating efficiency. The total operating volume of containers increased by 25% as compared to the same period in the prior year.

(2) With respect to the agency business, the Group commenced new types of shipping agency business and freight forwarding business such as coke and cement, opened 6 new shipping lines in shipping agency business, and achieved new development in dry bulk cargo shipping agency business, container shipping agency business and freight forwarding business.

(3) With respect to the towing and tallying business, while stabilizing its original business volume, the Group actively explored new businesses, such as lifting, tugging, inspection and testing.

For the year ended 31 December 2018, with respect to the logistics and port value-added services, the revenue amounted to RMB5,305 million, representing an increase of RMB1,150 million or 27.7% as compared to the same period in the prior year, which was mainly due to a sustainable growth in integrated business volume such as transportation and agency; the share of post-tax profit of joint ventures and an associate of the segment amounted to RMB77 million, representing a decrease of RMB19 million or 20.0% as compared to the same period in the prior year, which was mainly due to an one-off disposal gain resulting from the investment properties of a joint venture in the prior year.

### (5) Port ancillary services

*Unit: RMB'000*

| Item | 2018 | 2017 | Changed amount | Changed percentage |
|---|---|---|---|---|
| **Consolidated Group Companies** | | | | |
| Revenue | 2,346,417 | 2,138,275 | 208,142 | 9.7% |
| Cost of sales | 1,705,632 | 1,584,745 | 120,887 | 7.6% |
| Gross profit | 640,785 | 553,530 | 87,255 | 15.8% |
| **Profit of Consolidated Group Companies** | 498,431 | 384,033 | 114,398 | 29.8% |
| Segment results | 498,431 | 384,033 | 114,398 | 29.8% |

For the year ended 31 December 2018, with respect to the port ancillary services, the revenue amounted to RMB2,346 million, representing an increase of RMB208 million or 9.7% as compared to the same period in the prior year, which was mainly due to an increase in the revenue of oil and power supply, etc.; the segment results amounted to RMB498 million, representing an increase of RMB114 million or 29.8% as compared to the same period in the prior year, which were mainly due to an increase in the profit of power supply, information technology service and port management services, etc.

### (6) Financial services

*Unit: RMB'000*

| Item | 2018 | 2017 | Changed amount | Changed percentage |
|---|---|---|---|---|
| **Consolidated Group Companies** | | | | |
| Revenue | 409,034 | 421,285 | -12,251 | -2.9% |
| Cost of sales | 73,182 | 84,785 | -11,603 | -13.7% |
| Gross profit | 335,852 | 336,500 | -648 | -0.2% |
| **Profit of Consolidated Group Companies** | 436,580 | 365,438 | 71,142 | 19.5% |
| **An associate** | | | | |
| Revenue | 453,063 | 224,963 | 228,100 | 101.4% |
| Cost of sales | 266,921 | 89,354 | 177,567 | 198.7% |
| **Share of post-tax profit of an associate** | 3,706 | 616 | 3,090 | 501.6% |
| **Segment results** | 440,286 | 366,054 | 74,232 | 20.3% |

*Note:* Amounts of revenue and cost of sales of an associate represent the amount of those in the financial information of Qingdao Qingyin Financial Leasing Co. Ltd., without taking into account of the shareholding percentage held by the Company in the associate.

The Group deepened its financial strategy, took the integrative development model of "Industry Plus Finance" as its major task and vigorously innovated its business model. The business categories were increased constantly, and the service to new customers was expanded.

Qingdao Finance not only met the financing demand of its members but also realized superior earnings from its managed funds, sped up the settlement and sale of foreign exchange business promotion and obtained the qualifications to get access to interbank lending market and bond market, which further expanded its business scope.

For the year ended 31 December 2018, the segment results of financial services amounted to RMB440 million, representing an increase of RMB74 million or 20.3% as compared to the same period in the prior year, which was mainly due to the expansion of loan business and investment business such as interbank wealth management.

### 3. Financial Position Analysis

*Unit: RMB'000*

| Item | As at 31 December 2018 | As at 31 December 2017 | Changed Amount | Changed Percentage |
|---|---|---|---|---|
| **Cash at bank and on hand (Including term deposits with initial term of over 3 months and other restricted cash balance)** | 8,077,972 | 11,705,176 | -3,627,204 | -31.0% |
| **Other receivables** | 1,782,762 | 1,064,094 | 718,668 | 67.5% |
| **Other current assets** | 3,903,247 | 1,036,159 | 2,867,088 | 276.7% |
| **Long-term receivables** | 1,606,080 | 4,395,674 | -2,789,594 | -63.5% |
| **Intangible assets** | 2,069,854 | 922,024 | 1,147,830 | 124.5% |
| **Other payables** | 5,954,950 | 9,877,014 | -3,922,064 | -39.7% |

As at 31 December 2018, the Group's cash at bank and on hand decreased by RMB3,627 million or 31.0% as compared to the beginning of the year, mainly due to the payment of cash to purchase wealth management products, the decrease in customers deposits absorbed and the recovery of loans from members and fixed term deposits of Qingdao Finance.

As at 31 December 2018, the Group's other receivables increased by RMB719 million or 67.5% as compared to the beginning of the year, which was mainly due to the increase of RMB714 million in accounts receivable and collected on behalf in relation to the agent procurement, shipping agency and other businesses.

As at 31 December 2018, the Group's other current assets increased by RMB2,867 million or 276.7% as compared to the beginning of the year, which was mainly due to the increase of Qingdao Finance's trading of interbank negotiable certificate of deposit and financial assets held under resale agreement.

As at 31 December 2018, the Group's long-term receivables decreased by RMB2,790 million or 63.5% as compared to the beginning of the year, which was mainly due to the decrease in the Group's loan supply to related parties including joint ventures.

As at 31 December 2018, the Group's intangible assets increased by RMB1,148 million or 124.5% as compared to the beginning of the year, which was mainly due to purchasing of land use rights of oil tanks and stacking yards by the Group to promote the development of Dongjiakou Port Area.

As at 31 December 2018, the Group's other payables decreased by RMB3,922 million or 39.7% as compared to the beginning of the year, which was mainly due to the decrease of RMB4,302 million in customers deposits absorbed by Qingdao Finance and the increase of RMB445 million in amounts paid on behalf in relation to the agent procurement, shipping agency and other businesses.

## 4 Cash Flow Analysis

For the year ended 31 December 2018, the Group's net cash outflow amounted to RMB2,349 million, among which:

(1) net cash inflow from operating activities amounted to RMB2,291 million, which was mainly derived from the operating profit of the Consolidated Group Companies;

(2) net cash outflow from investing activities amounted to RMB940 million, mainly comprising of cash inflow of RMB2,501 million arising from net recovery of loans due from members, cash inflow of RMB1,083 million arising from recovering fixed term deposit with an initial term over three months, cash inflow of RMB1,113 million arising from the receipt of dividends from joint ventures, cash inflow of RMB563 million arising from the receipt of interest from loans, wealth management products and fixed term deposit with an initial term over three months, net cash outflow of RMB3,801 million for the investment in wealth management products, and cash outflow of RMB2,952 million for purchasing and construction of fixed assets and intangible assets.

(3) net cash outflow from financing activities amounted to RMB3,754 million, mainly comprising of cash inflow of RMB765 million from equity investment by the minority shareholders of the Consolidated Group Companies, net cash outflow of RMB4,284 million from deposits-absorbing business of Qingdao Finance, and cash outflow of RMB296 million for the dividend distribution and the payment of the debt interests.

In order to facilitate the understanding of shareholders and investors, after eliminating the impact of Qingdao Finance and the Group's purchasing of the wealth management products and the recovery of fixed term deposits over three months which became due on the cash flow, the net cash inflow of the Group amounted to RMB2,995 million.

### 5. Liquidity and Financial Resources

As at 31 December 2018, the Group's cash at bank and on hand amounted to RMB8,078 million and wealth management products amounted to RMB4,575 million with the main currency of RMB. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and wealth management products of the Group amounted to RMB10,743 million, among which, cash at bank and on hand amounted to RMB9,808 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing bank borrowings amounted to RMB3,855 million, among which, borrowings at fixed interest rates amounted to RMB3,644 million and borrowings at floating interest rates amounted to RMB211 million.

As at 31 December 2018, the gearing ratio of the Group was 11%. After eliminating the impact of Qingdao Finance, the amount of the Group's cash exceeded its interest-bearing debt.

### 6. Capital Structure

As at 31 December 2018, the total equity of the Group amounted to RMB29,420 million, representing an increase of RMB4,357 million as compared to the beginning of this year, among which, the increase of equity interest attributable to the shareholders of the Company was mainly due to the increase of RMB3,593 million from the operating profit, and the decrease of RMB163 million from supplemental retirement benefits actuarial losses. The equity interest of minority shareholders increased by RMB932 million, mainly due to the increase in investments by minority shareholders of RMB765 million, the increase in operating profits and comprehensive incomes of RMB255 million, and the decrease in dividend distribution to minority shareholders of RMB87 million.

As at 31 December 2018, the Company had 6,036,724,000 shares in issue, including 1,099,025,000 H shares. The total market capitalization and H share market capitalization of the Company was approximately HK$31,814 million and HK$5,792 million, respectively (calculated based on the closing price of HK$5.27 of the Company on the Hong Kong Stock Exchange on 31 December 2018).

### 7. Interest Rate and Exchange Rate Risks

As at 31 December 2018, cash at bank and on hand, receivables, payables and external bank borrowings at floating rates of the Group amounted to RMB4,008 million, RMB2,131 million, RMB3,792 million and RMB211 million, respectively. The Group assessed the interest rate risk and anticipated that changes in interest rate would have no material impact on the Group.

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

The Group will continue to closely monitor risks in interest and exchange rate. The Group did not enter into any hedging arrangements with respect to interest rate and exchange rate risks in 2018.

## 8. Financial indicators

| Financial indicators | 2018 | 2017 | Change |
|---|---|---|---|
| Return on total assets | 7.94% | 7.51% | Increased by 0.43 percentage point |
| Weighted average return on net assets | 14.23% | 15.54% | decreased by 1.31 percentage points |
| Interest coverage ratio | 23.76 | 19.30 | Increased by 4.46 times |
| Current ratio | 1.41 | 1.31 | Increased by 0.1 |
| Quick ratio | 1.37 | 1.27 | Increased by 0.1 |
| Turnover ratio of accounts receivable | 5.60 | 5.99 | Decreased by 0.39 time |
| Turnover days of accounts receivable | 65 days | 61 days | Increased by 4 days |

For the year ended 31 December 2018, the return on total assets of the Group was 7.94%, representing an increase of 0.43 percentage point over the same period in the prior year, and the weighted average return on net assets of the Group was 14.23%, representing a decrease of 1.31 percentage points as compared to the same period in the prior year, which was mainly due to non-distribution of the final dividend for 2017 and the production capacity of the investment projects of proceeds raised in 2017 not being fully utilized. The turnover ratio of accounts receivables of the Group was 5.60 times, representing a decrease of 0.39 time over the same period in the prior year, and the turnover days of accounts receivables of the Group was 65 days, representing an increase of 4 days over the same period in the prior year, which was mainly due to the increase in business volume of logistics and value-added service business and accounts receivables resulting from business combination involving enterprises not under common control.

**Summarized Financial Information of Joint Ventures**

Set out below are the summarized financial information of joint ventures which are accounted under equity method. In the view of the Directors, such financial information is material to the Group.

*Unit: RMB'000*

| | QQCT | | Qingdao Shihua | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Revenue | 3,624,891 | 3,396,345 | 1,815,247 | 1,543,369 |
| Cost of sales | (1,401,517) | (1,142,901) | (866,856) | (774,723) |
| Profit before income tax | 2,138,953 | 2,206,421 | 879,909 | 712,598 |
| Income tax expenses | (465,370) | (514,255) | (201,836) | (169,467) |
| Net profit for the year | 1,673,583 | 1,692,167 | 678,073 | 543,131 |
| Attributable to minority interests | 24,229 | 21,204 | — | — |
| Net profit attributable to the owners of joint ventures | 1,649,355 | 1,670,963 | 678,073 | 543,131 |
| Considering the impact of the fair value of identifiable assets and liabilities at acquisition: | | | | |
| Net profit for the year | 1,595,107 | 1,646,193 | — | — |
| Net profit attributable to the owners of joint ventures | 1,570,879 | 1,624,989 | — | — |
| Other distribution | (1,318) | (1,215) | — | — |
| Equity interest in joint ventures held by the Group *(Note 1)* | 51% | 51% | 50% | 50% |
| Share of profit of joint ventures by the Group before elimination *(Note 2)* | 825,476 | 717,373 | 339,056 | 271,565 |
| Unrealised profit | (38,687) | (10,426) | 4,889 | (2,117) |
| Share of post-tax profit of joint ventures by the Group accounted for using the equity method | 786,789 | 706,947 | 343,945 | 269,448 |

*Note 1: The Group's shareholding percentage in QQCT was 31% on or before 21 May 2017, and is 51% on or after 22 May 2017.*

*Note 2: The fair value of identifiable assets and liabilities of QQCT at the acquisition of QQCT 20% equity interests has been considered in Share of profit of joint ventures by the Group before elimination.*

**The Influence of Qingdao Finance to the Consolidated Financial Statements of the Group**

To facilitate the understanding of shareholders and investors, set out below is a summary of the influence on the consolidated balance sheet and consolidated income statement of the Group caused by absorbing deposit and granting loans business of Qingdao Finance.

*Unit: RMB'000*

| Balance sheet | 31 December 2018 | 31 December 2017 |
|---|---|---|
| Cash at bank and on hand | (2,664,530) | 5,626,204 |
| Financial asset held for trading | 875,000 | — |
| Other receivables | 718,655 | 463,398 |
| Other current assets | 3,503,353 | 339,000 |
| Current portion of non-current assets | 374,112 | 318,840 |
| Available-for-sale financial assets | — | 111,358 |
| Other non-current financial assets | 196,373 | — |
| Long-term receivables | 1,302,551 | 1,907,429 |
| Other payables | 3,934,829 | 8,255,408 |
| General reserve | 298,284 | 226,360 |

*Unit: RMB'000*

| Income statement | 2018 | 2017 |
|---|---|---|
| Finance expenses — interest income | 400,775 | 400,809 |
| Finance expenses — interest expenses | (72,310) | (83,067) |

## 9. Significant Capital Investment

For the year ended 31 December 2018, the Group had significant capital investment of RMB2,840 million, mainly consisting of the investments in the projects of the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline and ancillary tanks, and the bulk and general cargo berth and stacking yards in Dongjiakou Port Area and others, as well as the acquisition of land use rights in Dongjiakou Port Area.

## 10. Details of the Material Entrusted Wealth Management

As at 31 December 2018, details of the material entrusted wealth management of the Group are set out as below:

*Unit: RMB'000*

| Entrustee | Product type | Balance | Start date | Expiry date | Expected annualized return rate | Source of funding |
|---|---|---|---|---|---|---|
| Bank of Qingdao | Wealth management product | 250,000 | 11/14/2018 | 1/14/2019 | 4.10% | self-owned funds |
| Bank of Qingdao | Wealth management product | 200,000 | 11/30/2018 | 1/9/2019 | 4.10% | self-owned funds |

## 11. Significant Acquisition and Disposal of Subsidiaries, Joint Ventures and Associates

During the year ended 31 December 2018, the Group did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

## 12. Pledge of Assets

As at 31 December 2018, the Group had pledged on its other receivables of RMB23.78 million for a borrowing with carrying value of RMB23.78 million. Save as disclosed aforesaid, no other Group's assets were pledged.

## 13. Contingent Liabilities

As at 31 December 2018, there were not significant contingent liabilities in the Group.

## 14. Outlook for 2019

In 2019, in front of the complicated international situation, the new situation that China's economy is shifting from high-speed growth to high-quality development, and the new challenges brought by the continuous deepening of supply-side structural reform, the continuous optimization of business environment and the continuous improvement of safety and environmental protection standards, the Group will further liberate mind of thinking and insist on driving economy by innovation, accelerate the shift from a destination port to a trade and integrated hub port, and work hard to realize high-quality development to maintain its leading position in port industry.

First, the Group will innovate its safety management model to create a safe and green port. By adhering to problem orientation and through changing mind and innovating thoughts, the Group will deeply promote the safety concept of "integration of human and safety", consolidate safety foundation, highlight key prevention and control, strengthen safety by technology and management, push forward the construction of a safety and protection system in core parts so as to build an intrinsic safety environment. The Group will enhance ecological and environmental protection, establish an environmental quality testing system in port area, and strengthen pollution prevention and management. The Group will adjust transportation structure, advance the transit of road to railway, road to waterway, and road to pipeline, strengthen the governance of sources. The Group will optimize energy structure, promote the application of clean energy, continue to push the construction and application of shore power station, and build a safe, green port with low-carbon emission.

Second, the Group will innovate its way of the implementation of policies in an integrated way to promote the increase of speed and quantity in stevedoring business. Focusing on customer demand, the Group will innovate mind of thinking, development model, and market space. With respect to the container business, the Group will insist on developing integrative efforts of internal and external trade, open more shipping lines, expand transit channels and to improve the operating capability of Dongjiakou Port Area and build the Northeast Asian hub port. With respect to the liquid bulk business, the Group will take full use of resources of terminals, pipelines and tank areas, enlarge the distribution of waterways, and increase its market share in the local refinery market of Shandong Province to build a bonded distribution base of crude oil trade. With respect to the dry bulk cargo business, the Group will take full use of the capacity of the railway connected to Dongjiakou Port Area, expand its mixing core business, implement international transit, build a self-operated fleet, enlarge the scale of waterways, and promote the incremental projects such as fine ore matching, pellet processing, coal washing, and coal blending. With respect to the break bulk cargo business, the Group will improve comprehensive logistics, and build an unloading base for non-ferrous ores and pulp.

Third, the Group will innovate its diversified development model to push the increase of both quality and efficiency in emerging businesses. The Group will promote the coordinated development of stevedoring, logistics, finance, information and related industry to improve the diversified development of the port. With respect to the modern logistics, the Group will strengthen the interaction between terminals and logistics resources, optimize the layout of inland marketing network, expand the sea-rail intermodal transport business, push CFS resources sharing, develop comprehensive agency and featured logistics in dangerous chemical products, cold chain and etc. to increase its market share in integrated logistics. With respect to the financial products, the Group will deepen the combination of industry and finance, strengthen the research and development of financial products, expand the scale of supply chain finance, and promote the incremental development of stevedoring business and logistics business. Besides, the Group will launch new types of futures settlement business and expand the scale of futures settlement. With respect to the intelligent port, the Group will accelerate the construction of key projects such as the Phase II of automatic terminal, intelligent dry bulk cargo terminal and logistics e-commerce, and promote the application of automatic and intelligent technologies in various fields of the port as well as the industrial intelligence and intelligent industrialization to create new businesses and new models.

Fourth, the Group will innovate its way of improving abilities to expand sustainable development space. The Group will focus on the bottleneck of development abilities, enhance the capability of Dongjiakou Port Area, fully accelerate the construction of the Phase II of crude oil terminal, the Phase III of Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline, the LPG terminal and tank areas, speed up the construction of dry bulk terminals, and vigorously push the construction of dry bulk cargo stevedoring trains and the process of transit to waterways. The Group will exploit international development space, utilized the platform of Ocean Bridge International Port Operation and Management Co., Ltd. and excavate overseas quality projects. It will strengthen its operation management of the crude oil terminal in Myanmar Mude Island and the Vado Ligure Port in Italy. It will enhance its exchange and cooperation with foreign ports, and expand international development space. The Group will attract and cluster port-centered industry development, and appeal quality enterprises to invest and set up port-centered processing industry such as mixing ore, matching ore, timber, gain and their logistics transit base in Dongjiakou Port Area so as to stabilize resources for the port.

Fifth, the Group will innovate its corporate management model to improve management efficiency on an all-round basis. The Group will continue to enhance overall budget management, promote quota cost management and control, and fully carry out the activity of economizing expense and reducing expense to constantly improve operation performance. The Group will implement customer credit classification evaluation, strengthen the management of receivables in key business fields, strictly manage and control commercial policies in a concentrated way, and enhance the approval and management of charging to ensure the Group's operation compliance with laws and regulations.

Sixth, the Group will innovate its people-oriented management model to satisfy the development demand of the port. Focusing on staff, the Group will deepen staff training to improve their quality and ability, innovate incentive mechanism, and expand occupational development channels to provide strong human resources support for the innovation and development of the port.

## USE OF PROCEEDS

The net proceeds from the Global Offering were approximately RMB2,198 million. Considering the actual business development and operation of the Group, the Company has changed the investment projects which the remaining net proceeds were originally proposed to fund. Please refer to the announcement of the Company dated 28 December 2016 for detailed information. As at 31 December 2017, RMB48 million was carried over to this year, which is proposed to be used towards the construction of the oil tanks in the Dongjiakou Port Area. For the year ended 31 December 2018, the Company did not use the aforesaid remaining proceeds. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this announcement, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the New H Shares Placing of the Company in 2017 were approximately HK$1,035 million, equivalent to approximately RMB912 million, which will be used in the way as disclosed in the announcement of the Company dated 20 January 2017. As at 31 December 2017, HK$1,035 million was carried over to this year, which is proposed to be used as funds for the overseas terminal investment and the overseas acquisition of the Company and working capital for the management of overseas terminal projects by the terminal project management company(ies) jointly established with COSCO SHIPPING Ports. For the year ended 31 December 2018, HK$0.49 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used as working capital for the management of overseas terminal projects by the terminal project management company(ies) jointly established with COSCO SHIPPING Ports. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this announcement, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the Company's issuance of the Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. were approximately RMB2,600 million. As at 31 December 2017, RMB1,218 million was carried over to this year, which is proposed to be used towards the construction of the port facilities in Dongjiakou Port Area, the optimization of the modern logistics business structure of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant port assets in the Port of Qingdao, and the information facility construction of the Company in accordance with the ways as disclosed in the announcement of the Company dated 20 January 2017. For the year ended 31 December 2018, RMB906 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used for the construction of the port facilities in the Dongjiakou Port Area and the information facility construction of the Company. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this announcement, there is no detailed schedule for the utilization of the remaining proceeds.

**PROPOSED DISTRIBUTION OF FINAL DIVIDEND, WITHHOLDING OF INCOME TAX AND CLOSURE OF REGISTER**

The Board has proposed the distribution of final dividend of RMB379.70 (tax inclusive) per thousand shares, totaling approximately RMB2,464.6707 million (tax inclusive) which represents the aggregate of the 50% of distributable profits attributable to shareholders of the Company for the year ended 31 December 2017 and the 40% of distributable profits attributable to shareholders of the Company for the year ended 31 December 2018. Such distribution plan will be implemented subject to approval at the 2018 AGM.

For non-resident enterprise shareholders holding H shares of the Company (i.e. shareholders holding H shares of the Company under the names other than individuals, including, but not limited to, shareholders of H shares registered in the name of HKSCC Nominees Limited, or other nominees, trustees, or other organizations or groups), the Company shall withhold the corporate income tax for the final dividend at the tax rate of 10% on their behalf in accordance with the Corporate Income Tax Law of the PRC and other relevant tax laws, regulations and tax treaties.

For individual shareholders holding H shares of the Company, the Company shall withhold and pay the individual income tax for the final dividends on their behalf in accordance with the Individual Income Tax Law of the PRC, the Notice of the State Administration of Taxation on the Collection and Administration of Individual Income Tax after the Abolition of Document No. 045 [1993] (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征管問題的通知》（國稅函[2011]348號）), the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81)(《財政部、國家稅務總局、證監會關于滬港股票市場交易互聯互通機制試點有關稅收政策的通知》（財稅[2014]81號）) and other relevant tax laws, regulations and tax treaties.

In order to determine the eligibility of being entitled to the proposed final dividend for H shares, the H share register of the Company will be closed from Friday, 24 May 2019 to Wednesday, 29 May 2019 (both days inclusive), during which no H share transfer will be registered. The H shareholders whose names appear on the register of members of the Company on Wednesday, 29 May 2019 are entitled to the proposed final dividend. Holders of the Company's H shares who wish to receive the proposed final dividend are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. Thursday, 23 May 2019 for registration.

**COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31 December 2018.

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

The Company has adopted the Model Code as its own code of conduct for securities transactions by directors and supervisors of the Company. Specific enquiries have been made to all the Directors and supervisors of the Company and each of the Directors and supervisors of the Company has confirmed that he/she has complied with the Model Code for the year ended 31 December 2018.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

No purchase, sale and redemption of any listed securities of the Company was made by the Company or any of its subsidiaries during the year ended 31 December 2018.

## AUDIT COMMITTEE

The audit committee of the Board has reviewed, with management of the Company, the accounting principles and policies adopted by the Group and the financial statements for the year ended 31 December 2018.

## AMENDMENTS TO CONSTITUTIONAL DOCUMENT

The amendments to the Articles of Association and the Articles of Association which will take effect upon the A shares offering of the Company were approved at the 2017 annual general meeting of the Company held on 6 June 2018 and the 2018 first extraordinary general meeting of the Company held on 26 September 2018, respectively. The amended Articles of Association has taken effect upon the approval at the aforementioned meetings, and the amended Articles of Association which should have taken effect upon the A shares offering of the Company has taken effect since 21 January 2019, i.e. the listing date of A shares of the Company. The current applicable Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

## CLOSURE OF REGISTER

In order to determine the eligibility of shareholders who are entitled to attend the 2018 AGM of the Company, the H share register of the Company will be closed from Wednesday, 17 April 2019 to Friday, 17 May 2019 (both days inclusive), during which no H share transfer will be registered. The shareholders whose names appear on the register of H share members of the Company on Wednesday, 17 April 2019 are entitled to attend and vote at the 2018 AGM. Holders of the Company's H shares who wish to attend the 2018 AGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 16 April 2019 for registration.

## MATERIAL LITIGATIONS

Save as the No. 794 case which the Company was involved in as disclosed in the announcement of the Company dated 15 November 2018, the Group was not involved in any material litigation or arbitration for the year ended 31 December 2018.

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

## SUBSEQUENT EVENTS

### 1 Initial Public Offering of A Shares

To further broaden the capital replenishment channels, and enhance the core competitiveness, the Company completed its initial public offering of RMB ordinary shares (A shares) in the Shanghai Stock Exchange on 21 January 2019 with the issue of 454,376,000 shares at a nominal value RMB1.00 per share, the stock code of which is 601298, and the original domestic shares of the Company were simultaneously converted into A shares. The offering price of A share was RMB4.61 per share, and the A share offering was conducted by way of a general mandate granted to the Board by the shareholders of the Company at the 2017 annual general meeting held on 6 June 2018. The total amount of funds raised in this issuance Share Offering was RMB2,094.6734 million and the net funds raised was RMB1,978.9298 million after deducting the offering expense of RMB115.7436 million. After the A Share offering, the total number of shares of the Company was 6,491,100,000 shares, among which A shares comprise 5,392,075,000 shares and H shares comprise 1,099,025,000 shares.

Details of the use of proceeds were as follows:

*Unit: RMB'000*

| Investment Projects of Proceeds | Net Amount of Proceeds |
|---|---|
| the Project of Qingdao Port Investment multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area | 1,000,000.00 |
| Dongjiakou Integrated Logistics Stacking Yard Phase I Project | 180,000.00 |
| Intelligent Port Area Upgrading Project | 200,000.00 |
| Port Area Equipment Procurement Project | 302,100.00 |
| Supplementing working capital | 296,829.80 |
| Total | 1,978,929.80 |

The Company will utilize the proceeds in accordance with the investment progress of the projects and the business development.

In order to improve the efficiency of using the proceeds raised from the A shares offering, the Board resolved on 29 January 2019 that (i) the proceeds of RMB320,323,641 raised from the A shares offering was used to replace the self-raised funds putting into capital raising projects in advance; (ii) among the proceeds raised from the A shares offering, an amount of idle funds of no more than RMB1,500,000,000 are to be used in cash management, purchasing wealth-management products of high security, good liquidity with principal protected appropriately, and the term of such products shall not exceed 12 months. Please refer to the announcement of the Company dated 30 January 2019 for details.

## 2 Upward Adjustment of Company Bond Coupon Rate and its Resale

The first issue of corporate bonds issued by the Company on 18 March 2016 ("16 Qinggang 01", bond code: 136298) was RMB1.5 billion. The bond maturity period was five years. At the end of the third year, the issuer has the right to adjust the coupon rate upward, and the investors have the right to sell back the bond. As of the date of this announcement, the Company has increased the coupon rate of "16 Qinggang 01" by 78 basis points, from 2.90% to 3.68%. The "16 Qingang 01" resale has been completed and the resale amount is RMB90,900,000 (excluding interest).

After the upward adjustment in the coupon rate and the completion of the resale, the remaining bond face value of "16 Qinggang 01" listed on the Shanghai Stock Exchange will be RMB1,409,100,000, with a coupon rate of 3.68% during its duration.

## PUBLICATION OF THE COMPANY'S 2018 ANNUAL RESULTS ANNOUNCEMENT AND THE 2018 ANNUAL REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.qingdao-port.com), respectively, and the 2018 annual report (containing all particulars as required by the Listing Rules) will be dispatched to the shareholders of the Company in due course and published on the websites of the Hong Kong Stock Exchange and the Company, respectively.

By Order of the Board
**Qingdao Port International Co., Ltd.**
**Jiao Guangjun**
*Vice Chairman*

Qingdao, the PRC, 28 March 2019

*As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Jiangnan and Ms. JIANG Chunfeng; the non-executive directors are Mr. JIAO Guangjun, Mr. ZHANG Wei and Mr. CHU Xiaozhong; and the independent non-executive directors are Mr. WANG Yaping, Mr. CHAU Kwok Keung and Mr. YANG Qiulin.*

# DEFINITIONS

| | |
|---|---|
| "2018 AGM" | the 2018 annual general meeting of the Company to be held on or around 17 May 2019 |
| "Articles of Association" | the articles of association of the Company, as amended from time to time |
| "Board" | the board of directors of Qingdao Port International Co., Ltd. (青島港國際股份有限公司) |
| "CFS" | container freight station, of which, container freight station at loading ports refers to the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier, while container freight station at discharge or destination ports refer to the location designated by carriers for de-vanning of containerized cargo |
| "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 the consolidated financial statements of the Company |
| "COSCO SHIPPING Group" | China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a company established in PRC with limited liability and the ultimate controlling shareholder of COSCO SHIPPING Ports and Shanghai China Shipping Terminal, holding approximately 18.60% equity interests in the Company |
| "COSCO SHIPPING Ports" | COSCO SHIPPING Ports Limited (中遠海運港口有限公司), a limited liability company established in Bermuda with its shares listed on the Main Board of the Stock Exchange (Stock Code: 1199), holding approximately 17.12% equity interests in the Company |
| "Director(s)" | the director(s) of the Company |

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|---|---|
| "Global Offering" | the offer for subscription of the Company's H shares in 2014 |
| "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 |
| "Haiwan Liquid Chemical" | Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (青島海灣液體化工港務有限公司), a joint venture in which the Company holds 50% equity interests and which is mainly engaged in the business of liquid bulk handling and ancillary services |
| "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 interests, which is mainly engaged in the business of dry bulk cargo and break bulk cargo handling and ancillary services |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "PRC" or "China" | the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan |
| "New H Shares Issue" | the issuance of the 243,000,000 new H shares of the Company by way of placing pursuant to the specific mandate granted by the shareholders on the 2017 first extraordinary general meeting, 2017 first domestic shareholders' class meeting and 2017 first H shareholders' class meeting of the Company held on 10 March 2017 |
| "Prospectus" | the listing document of the Company in relation to the global offering dated 26 May 2014 |
| "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 interests, which is mainly engaged in the business of ore, coal and other cargo handling and ancillary services |

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| "QDP" | Qingdao Port (Group) Co., Ltd. (青島港（集團）有限公司), the controlling shareholder of the Company, which holds approximately 54% equity interests in the Company as at the date of this announcement |
| "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 interests) and QDP (holding 30% equity interests), 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 member companies |
| "Qingdao Port Logistics" | Qingdao Port International Logistics Co., Ltd. (青島港國際物流有限公司), a wholly-owned subsidiary of the Company, which is mainly engaged in the business of logistics value-added services, such as transportation, agency and warehousing services |
| "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 interests, which is mainly engaged in the business of liquid bulk handling and ancillary services |
| "Qingwei Container" | Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of container handling and ancillary services |
| "QQCT" | Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), which is mainly engaged in the business of container handling and ancillary services |
| "Shanghai China Shipping Terminal" | Shanghai China Shipping Terminal Development Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of COSCO Shipping Port Co., Ltd. |

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|---|---|
| "TEU" | an abbreviation of Twenty-Foot Equivalent Unit, an international measuring unit with the standard a container with a length of 20 feet, a width of eight feet and a height of eight feet and six inches, also known as the international unit of standard container |
| "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 interests (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 dry bulk cargo and break bulk cargo handling and ancillary services |

* Certain amounts and percentage figures included in this announcement have been subject to rounding.

* The Chinese name(s) of the PRC entities have been translated into English in this annual result announcement 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.