



青島港國際股份有限公司

QINGDAO PORT INTERNATIONAL CO., LTD.

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

Stock Code : 06198. HK

601298. SH

# 2018 Sustainability Report



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# ABOUT THE REPORT

## 01 Report Introduction

This report is the third Sustainability Report issued by Qingdao Port International Co., Ltd. ("the Company" or "We"), which mainly outlines the concepts, practices and performance of sustainable development of the Company in environment, society and governance.

## 02 Reporting Period

From 1 January to 31 December 2018, certain statements and information have exceeded the above period.

## 03 Reporting Coverage

This report covers the Company, its branches, subsidiaries, and certain joint ventures and associates.

## 04 Publication Cycle

This report is published annually.

## 05 Data Source

The data disclosed in this report comes from internal statistics of the Company or manual sorting. Unless otherwise stated, the amount of currency involved in this report is denominated in Renminbi ("RMB").

## 06 Reference Standard

This report refers to *the Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange, the Guidelines for Environmental, Social and Governance Report* on the Stock Exchange of Hong Kong Limited (the "SEHK") and the core program of the *Sustainability Report Preparation Guide 4.0* (the "G4.0") of the Global Reporting Initiative, which are based on the industry background, highlighting the characteristics of the enterprise.

## 07 Access to the Report

This report is available in electronic form and you can download this report at the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the website of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) or the website of the Company ([www.qingdao-port.com](http://www.qingdao-port.com)).

## 08 Related Instructions

Unless otherwise stated, the words and terms in this report are the same as those defined in the Annual Report of the Company on A and H shares.

The interpretation right of this report is owned by the general office of board of directors of the Company.





## CHAIRMAN'S STATEMENT

In 2018, aiming at the goal of building a world-class ocean port, the Company focused on improvement in quality, increase in efficiency, innovation and development, continued to deepen the reform of port service on supply side, speeded up the switch of driving forces, and strove to build a strong logistics port, a strong economic port, a strong international port, a strong scientific and technological port, and a strong ecological port. All the members of the Company worked hard together and progressed to achieve a sustained and steady development.

The Company continued to maintain steady growth in business performance. In face of the complicated and changing domestic and international economic situation in the past year, we continued to work hard to maintain increment and improve efficiency. Adhering to the orientation of economic performance, we had made great efforts in developing our modern logistics system, and steadily implemented the three strategies of finance, internationalization, and internet. Leveraging on our core business of terminal and stevedoring, we opened up new space for development and established the diversified development pattern step by step. With efficient operation and excellent service, the Company brought returns to Shareholders and created value for the society. The net profit attributable to shareholders of the Company for the year 2018 amounted to RMB3.593 billion, representing a year-on-year increase of 18.1%.

We adhered to compliance management and governance by law. We regarded standard governance and good faith management as the cornerstone of building a world-class ocean port. Under the advocacy and supervision of the Board of Directors and the Supervisory Committee, the Company continued to develop a compliance culture and strengthened legal awareness and compliance awareness of management and staff through training, publicity, assessment, accountability, etc., and continuously improved

the Company's internal management and compliance operations. The Company abided by business ethics and was committed to compliance development in many areas such as trade compliance, anti-commercial bribery, and business secret protection. We actively participated in external communication and interaction, strengthened communication and connection with investors, customers, suppliers and other stakeholders, enhanced mutual understanding and trust, and won the respect and recognition of more and more stakeholders.

We adhered to the priority of ecology and green development. The Company adhered to the development concept of "Lucid Waters and Lush Mountains are Invaluable Assets", realized structural adjustment and kinetic energy transformation in the improvement of ecological environment, and deeply implemented the four major projects including energy replacement, technological innovation, equipment updates and process optimization. The Company continued to increase resources investment for environment protection, built wind-proof and dust-controlling walls, increased dedusting equipment for roads and stacking yards, reduced dust pollution, expanded green vegetation planting area, and beautified the port area environment. The Company strengthened energy management, optimized energy structure, promoted the application of energy-saving and environmentally friendly equipment, raised awareness of resource conservation of all employees, and built resource-saving ports.

We adhered to the people-oriented principle and fulfilled employees. The Company regarded staff as the Company's most valuable assets, attached great importance to employees' life safety and occupational health. With the safety philosophy of "integration of human and safety", we made great efforts in ensuring production safety and providing employees with a safe

working environment. The Company has carried out multi-level learning and training, scientifically formulated employee career planning, broke the “ceiling” of career development, stimulated the vitality of human resources, and enabled employees to find growth channels for realizing self-worth. We protected employees' rights, cared for employees' lives, provided various benefits such as health check-up, lunch for staff on duty, birthday cakes, and holiday goods, and organized various forms of sports leisure, cultural and recreational activities to enrich employees' amateur cultural life.

We actively devoted ourselves to social welfare and made contribution to the community. We believe that the enterprise is a member of social citizens, and that serving the society and stimulating regional development is an obligation that a company should fulfil. We made persistent efforts in sharing corporate development achievements with the society, and implemented targeted poverty alleviation. By donating to improve fundamental education facilities for poor areas, attracting the employment of surplus rural labor forces and other ways, we promoted regional economic development, supported community building, and promoted social progress. We vigorously advocated and encouraged volunteering organizations and individuals of the Company to participate in social activities, offer love, transmit positive energy, and promote the harmonious development of enterprises and society.

2019 is a key year to accelerate the construction of a world-class ocean port of the Company. The Company

will follow the established strategic deployment, further emancipate the mind, take innovation as the driving force, carry forward the spirits of craftsmanship, innovation, and hard work, accelerate the supply-side reform in respect of port services, vigorously promote the switch from old to new kinetic energy, increase the speed and volume of business scale, and improve the quality and efficiency of operational performance in order to promote the Company to achieve a comprehensive development with faster speed, better efficiency and higher quality.

Qingdao Port has a long history and cultural heritage. She is not only a port enterprise and maritime shipping hub, but also a city card and civilized landmark that carried great expectations of a wide range of stakeholders, including the nation, society and employees. We will continue to communicate closely with stakeholders, unswervingly fulfil our corporate economic responsibility, environmental responsibility and social responsibility, adhere to the coordinated development of enterprises, environment and society, strengthen the assumption of social responsibility, and accelerate the construction of intelligent port, green port and humanistic port. We will work together in an open and frank manner to meet the challenges of environmental and social issues and achieve the coordinated and harmonious development of the Company with the environment and society.

**JIAO Guangjun**

*Vice Chairman*

*May 2019*



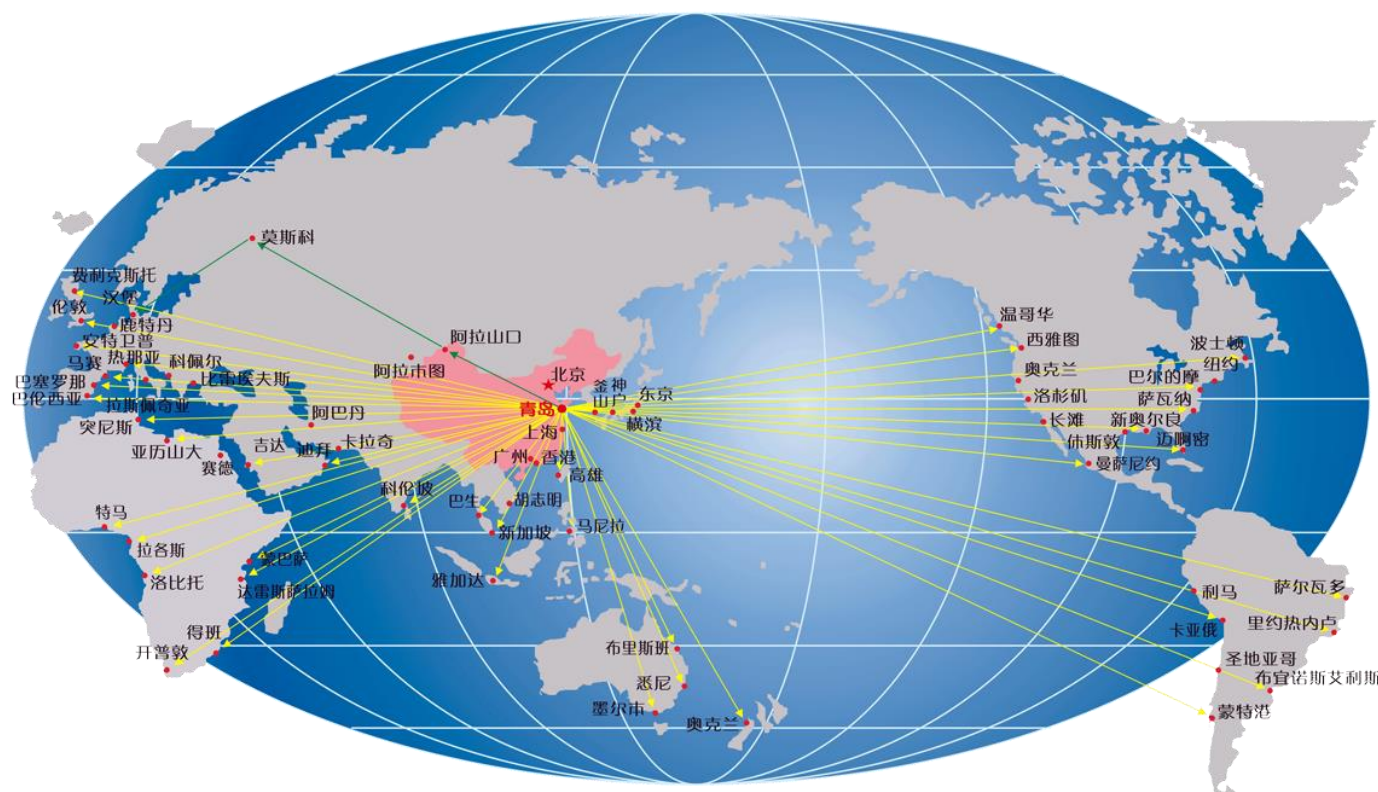


## (I) Company profile

The Port of Qingdao commenced operations in 1892. Located between the Bohai Rim port region and the Yangtze River Delta port region in the PRC and occupying a central position among ports in Northeast Asia, it is an important hub of international trade in the West Pacific and one of the world's largest comprehensive ports.

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

the main board of the Shanghai Stock Exchange on 21 January 2019. The Company is a primary operator of the Port of Qingdao and operates four port areas in Qingdao, including Qianwan Port Area, Huangdao Oil Port Area, Dongjiakou Port Area and Dagang Port Area. It is mainly engaged in the provision of stevedoring of various cargoes such as containers, metal ore, coal, crude oil and the ancillary services, logistics and port value-added services, port ancillary services and financial services.





As of 31 December 2018, the Group operated 84 berths at the Port of Qingdao, which included 54 berths dedicated to handling a single type of cargo and 30 general berths capable of handling metal ore, coal and other general cargo. Leveraging natural deep-water advantage and industry-leading facilities and equipment, the Group can accommodate the

world's largest container vessels, iron ore vessels and oil tankers. The Group took full advantages of its port resources, reasonably planned its investment portfolio, and established a diversified enterprise group covering terminal, logistics and financial businesses.

## Performance in 2018



**RMB3.593 billion**  
Net profit attributable to  
shareholders of the Company



**84 berths**  
Number of operating  
berths



**RMB11.741 billion**  
Revenue



**8,611 employees**  
Total number (including  
major subsidiaries and joint  
ventures)



**HKD31.814 billion**  
Market capitalization



**486 million tons**  
Annual cargo throughput

Statistics stated above are as of 31 December 2018



## (II) Concept for sustainable development

### 1. The Company's value concept

#### Corporate Mission

Serving motherland with excellence  
Giving back to community  
Fulfilling employees

#### Corporate Vision

Building a world-class ocean port

#### Corporate Spirit

Each generation should make  
their respective achievements,  
contributions and sacrifices

#### Corporate Brand

Sincerely receive customers from  
all over the world  
Actively promote efficiency

#### Corporate Strategies

Strategies of finance,  
internationalization and Internet

#### Management Concept

Determine goals and get positioned  
Direct ourselves to targets  
Set goals and quantity  
Set deadline for achieving goals  
Hit records and assign responsibilities

#### Operation Concept

Achieve a healthy and sustainable development with  
economic profit as the center

#### Safety Concept

Integration of human and safety

#### Service Concept

100% satisfaction among 100% of our clients

#### Innovation Concept

Fully innovate, establish businesses across  
the Port and encourage all employees  
to explore potential clients

#### Team Concept

One heart and one mind  
Handle the work independently

#### People-Oriented Concept

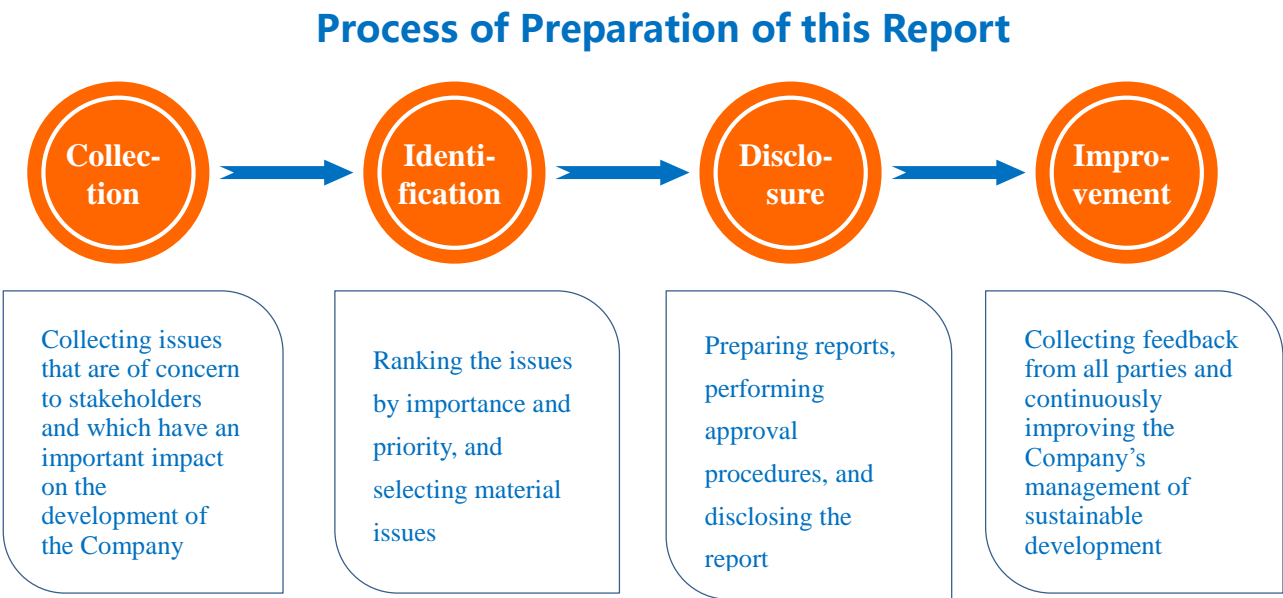
When there is a will to learn, there is an opportunity  
When there is a will to play, there is a platform  
When there is a will to win, there is a bright future

2. Management in respect of sustainable development

The Company’s philosophy of sustainable development lies in working with various stakeholders to achieve stable and sustainable development of the Company under the premise of protecting the ecological environment and fulfilling our social responsibilities. Our philosophy of sustainable development is in line with the Company’s culture and values. From the mission of “serving motherland with excellence, giving back to community, fulfilling employees” to the business philosophy of “achieve a healthy and sustainable development with economic profit as the center”, all of such propositions reflect the unremitting pursuit of the Company in promoting the coordinated development of economy, environment and the society.

The board of directors of the Company makes decisions on and manages the sustainable development of the Company. The management and various functional departments are responsible for the specific implementation of all aspects of the sustainable development of the Company, such as security, production, external cooperation, employees, environment and society. The general office of the board of directors is responsible for integrating the Group’s environmental, social, and governance initiatives and preparing this report for disclosure. We have put in place a linkage mechanism between headquarter of the Company and each of its branches, subsidiaries and joint ventures to fully coordinate the sustainable development of all units. The Company has established a sustainable development management framework, and has gradually established an indicator system in line with the characteristics of the industry and unique features of the Company under the guidance of existing international and domestic indicators and management systems.

In order to improve the pertinence and responsiveness of this report, we have learned about stakeholder’s expectations and expectations through exchange visits, questionnaire surveys, and benchmarking with the industry, and continued to arrange stakeholders to systematically participate in the preparation of the report.





### (III) Communication with stakeholders

The Company's stakeholders are all individuals, groups, or organizations that affect the Company's operations or are affected by the Company's operations. Our stakeholders include the government and regulators, shareholders/investors, clients, employees, suppliers, communities, port industry, the public, etc. We regard stakeholder management as an important part of sustainable development and actively seek the trust and support of stakeholders.

The Company attaches importance to the contact and communication with stakeholders and actively builds the relationship of mutual respect and win-win cooperation. We listen to the voices coming from the society without delay, respond to social concerns and pass our corporate concept through website of the Company, official Microblog, official WeChat account, president's email and customer service hotline.

In order to further unblock the employees and the public information channels, the Company launched the "Sound Voice Hotline Service Platform". Stakeholders such as the employees and the public can directly report questions and make comments and suggestions to the Company through the online service platform. Relevant departments of the Company will handle and response to such issues in a timely manner.

#### Stakeholder Directory



#### Channels for communication

- Disclosure of information on the website of the Company
- Information release through the Company's official Microblog and WeChat account
- President's mail, Sound Voice Hotline Service Platform
- Performance presentation, roadshows and investor receptions
- Submit various reports to competent authorities
- Customer service hotline
- Volunteer service
- Visits and communication between enterprises
- Participation in industry association activities

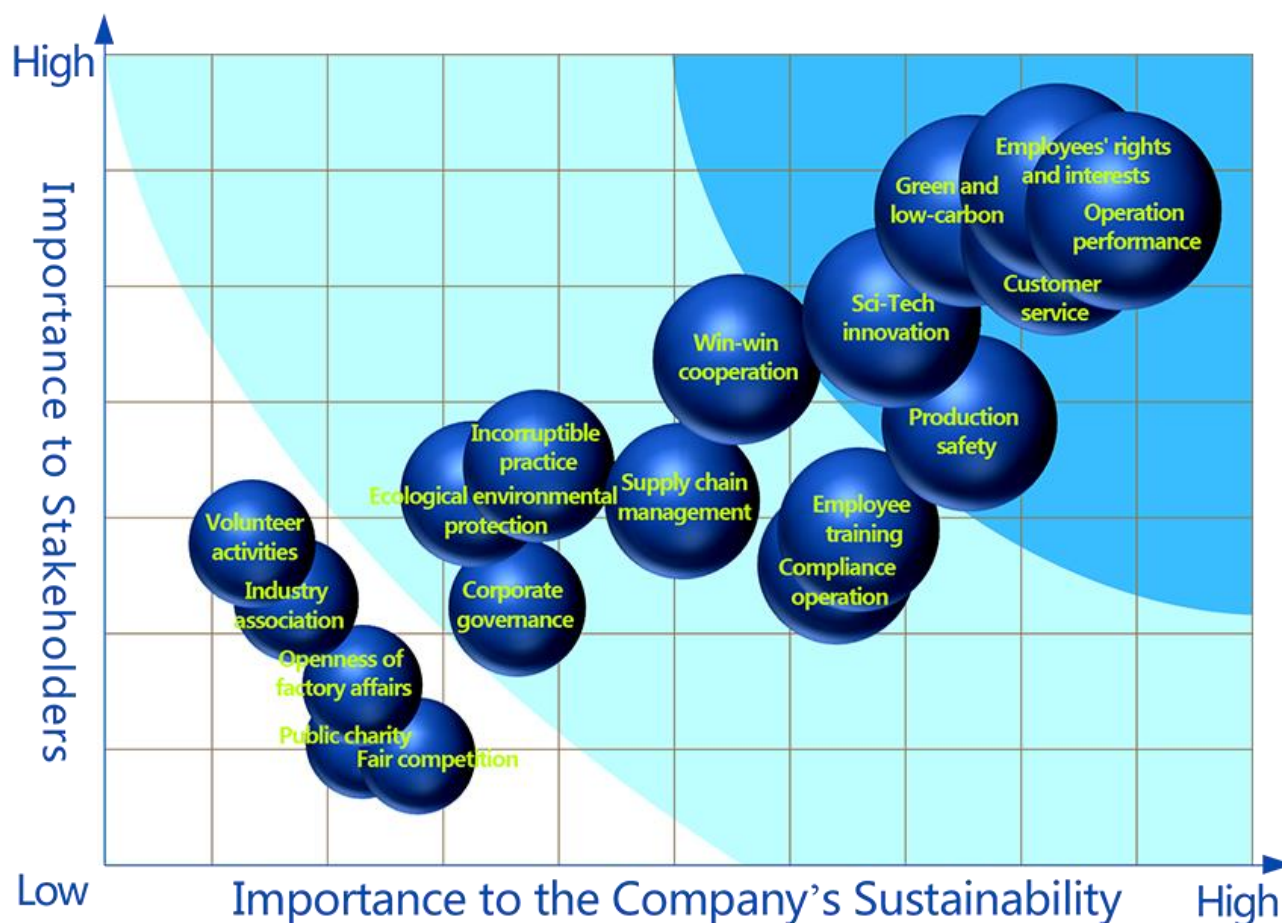
During the cooperation and communication with stakeholders, we had established a long-term mechanism for coordination and communication in respect of common concerns. In addition to the communication during the preparation of this report, extensive communication between the Company and its stakeholders was also carried out in the Company's day-to-day management and decision-making for operations.

Communication between the Company and stakeholders mainly includes the following:

Stake-holders	Concerns	Communication mechanism	Performance of communication
The government and regulators	Execution and implementation of the laws, regulations and policies Give momentum to regional economic development Corporate governance and compliance operation	Issuance of laws, regulations and policies Daily communication and report Meetings and special researches	Comply with the laws, regulations and <i>the Listing Rules</i> Operate in accordance with the laws and in good faith and accept to be supervised and administered Creating jobs; paying taxes, etc.
Shareholders /investors	The safety, preservation and appreciation of assets Protect shareholder interests Earnings and returns Information disclosure in a timely and accurate manner	Information disclosure including regular reports Shareholders' meetings Investor conferences Results presentation, roadshows, etc.	Carry out standard corporate governance to guarantee asset safety Intensify risk management and internal control Timely and accurate information disclosure Good development prospects and profitability
Customers	High-quality products and effective services Legal rights and interest of clients Be treated in a just and fair manner Complaints to be dealt with without delay	Customer service hotline Website, Official Microblog, WeChat, etc. President's mailbox	Continue to improve service quality Safeguard the legal rights of clients Ensure just and fair treatment Handle client complaints without delay
Employees	Legal rights and interests of employees Remuneration incentive and welfare Sound working environment Opportunities for training and development	Employee Representative Conference Website, Microblog, WeChat, etc. Incentive mechanism for employee evaluation Regular trainings President's mailbox	Protect employees' legal rights and interests Stick to the openness of factory affairs and democratic management Create a safe and harmonious working environment Offer good training opportunities Provide a solid platform for development
Suppliers	Honesty and credibility Payment in time Transparency in information Equal opportunities	Sunlight procurement website Bidding activities President's mailbox	Honest, credible, justify and clean Mutual beneficial and win-win cooperation Open and transparent, fair competition and equal opportunities Adhere to contracts and act faithfully
Communities	Community development Community charity	Community activities Mass media Website, Microblog, WeChat, etc.	Maintain a close relationship with the communities Support community development Organize activities for community charity
Port industry	Industry development Win-win cooperation Fair competition	Participation in industry associations Learn from and exchange with other companies Synergy and contact mechanism	Strengthen exchanges and achieve win-win cooperation Respect business ethics and compete fairly Push forward with the development and progress of the industry together
The public	Performance of social responsibilities Resources conservation Ecological protection	Website, Microblog, WeChat, etc. Press media President's mailbox	Provide high-quality products and services Support activities for social welfare Preserve resources and protect the ecological environment

We collected and organized issues on sustainable development in environmental, social, and governance areas, analyzed and compared the importance of different issues to stakeholders and the Company's sustainable development, and identified six high substantial subjects, seven medium substantial subjects and five low substantial subjects. Key issues under research in this report are determined accordingly.

High substantial subjects	Medium substantial subjects	Low substantial subjects
<ul style="list-style-type: none"> <li>① Operation performance</li> <li>② Employees' rights and interests</li> <li>③ Green and low-carbon</li> <li>④ Customer service</li> <li>⑤ Sci-tech innovation</li> <li>⑥ Production Safety</li> </ul>	<ul style="list-style-type: none"> <li>⑦ Win-win cooperation</li> <li>⑧ Employee training</li> <li>⑨ Compliance operation</li> <li>⑩ Supply chain management</li> <li>⑪ Incorruptible practice</li> <li>⑫ Ecological environmental protection</li> <li>⑬ Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>⑭ Volunteer activities</li> <li>⑮ Fair competition</li> <li>⑯ Industry association</li> <li>⑰ Openness of factory affairs</li> <li>⑱ Public charity</li> </ul>





## (IV) Focus on 2018

### January



From 2 to 4 January, at the beginning of the New Year, the leaders of the Company led the team to carry out the visit to dry bulk cargo market, and frankly communicated with the customers to consolidate and develop the cooperative relationship.



On 31 January, the Group held the 2018 Financial Work Conference to comprehensively summarize the development of the financial sector in 2017 and deploy the financial work for 2018.

### February



On 7 February, the Company implemented the initiative to bring benefits to the employees and organized the “New Year Collections Market” for the Lunar New Year, which provided convenience for on-duty employees to purchase goods for the festival.



On 13 February, a group of people led by Song Yuanfang, the director and the party secretary of the Standing Committee of the Qingdao Municipal People's Congress, came to visit the frontline staff that stayed working at their positions during the Spring Festival.



On 24 February, the Company held a signing ceremony with COSCO SHIPPING Ports Limited to jointly establish Ocean Bridge International Ports Management Co., Ltd.

## March



On 6 March, the Group officially established sister-port relations with Spain's Cartagena Port.



On 8 March, the International Women's Day, the Company organized the "I Come from the Spring", an activity for employees to showcase their talents. During the event, a large number of female employees gathered to celebrate the festival.



On 15 March, Qingdao Shihua Crude Oil Terminal Co., Ltd. was granted the authorization as one of the first batch of crude oil futures designated delivery warehouses by Shanghai International Energy Trading Center.

## April



On 27 April, at the Commendation Meeting of Labour Models and Advanced Workers in Shandong Province, Guo Xihui, an employee of Qingdao Port International Logistics Co., Ltd., was awarded the honorary title of "Model Worker of Shandong Province".

## May



On 2 May, the Company's young employees actively participated in volunteer blood donation activities. On that day, 71 employees donated 24,300 ml of blood.





On 9 May, in order to carry forward the “model worker spirit, labor spirit, craftsman spirit”, the Company held the “Workers' Paean” team song and host contest.



In June, the Company launched a safety production month with the theme of “Life First, Safe Development”.



On 30 June, the twelfth meeting of the first session of the employee representative meeting of the Company was successfully

## June



On 8 June, the second phase project of Qingdao Port fully automated container terminal was officially launched.

## July



On 28 July, the Dongjiakou Port - Weifang - Central and Northern Shandong oil pipeline construction project (phase II) was put into pilot operation.



## August



On 6 August, the Company's management and administrative personnel at all levels went to the subordinate units to carry out a one-week labor research named "practice during the three periods of the hot season".



On 31 August, the Company held an innovative service mobilization meeting to comprehensively launch the special action of "improve service through reform and innovation".

## September



On 8 September, the signing ceremony for the general contracting project of the Qingdao Port fully automated terminal phase II project handling system was held in Shanghai.



On 19 September, the Company opened its technic & security competition of 2018. The annual technic competition has become an important platform for the Company to train harbor artisans in the new era.

## October



On 27 October, the Company held an art performance to commemorate the 40th anniversary of reform and opening up.

## November



On 1 November, the Company's leaders visited Vale with the Qingdao delegation, and the Company signed a cooperation framework agreement with Vale.



On 11 November, "Qingdao Port•2018 Qingdao Maritime International Marathon" commenced at the Jiaozhou Bay Bridge in Qingdao.



From 30 November to 1 December, the Company held a 2019 work conference, summed up the work in 2018, researched and deployed the work in 2019.

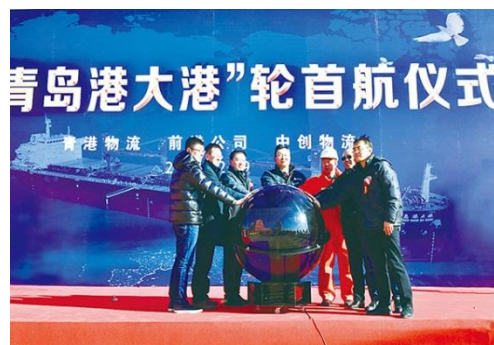
## December



On 18 December, Mr. XU Zhenchao, a great representative of the spirit of craftsmanship, honored as the golden worker, was awarded the "Reform Pioneer" for the 40th Anniversary of State Reform and Opening-up Event as the outstanding representative of "craftsmanship spirit".



On 24 December, the Group held a port open day activity. Nearly 100 citizens and several medias of Qingdao came to visit the port.



On 29 December, the Company's first self-operated bulk cargo ship "M.V. Qingdao Port Dagang" was put into operation.

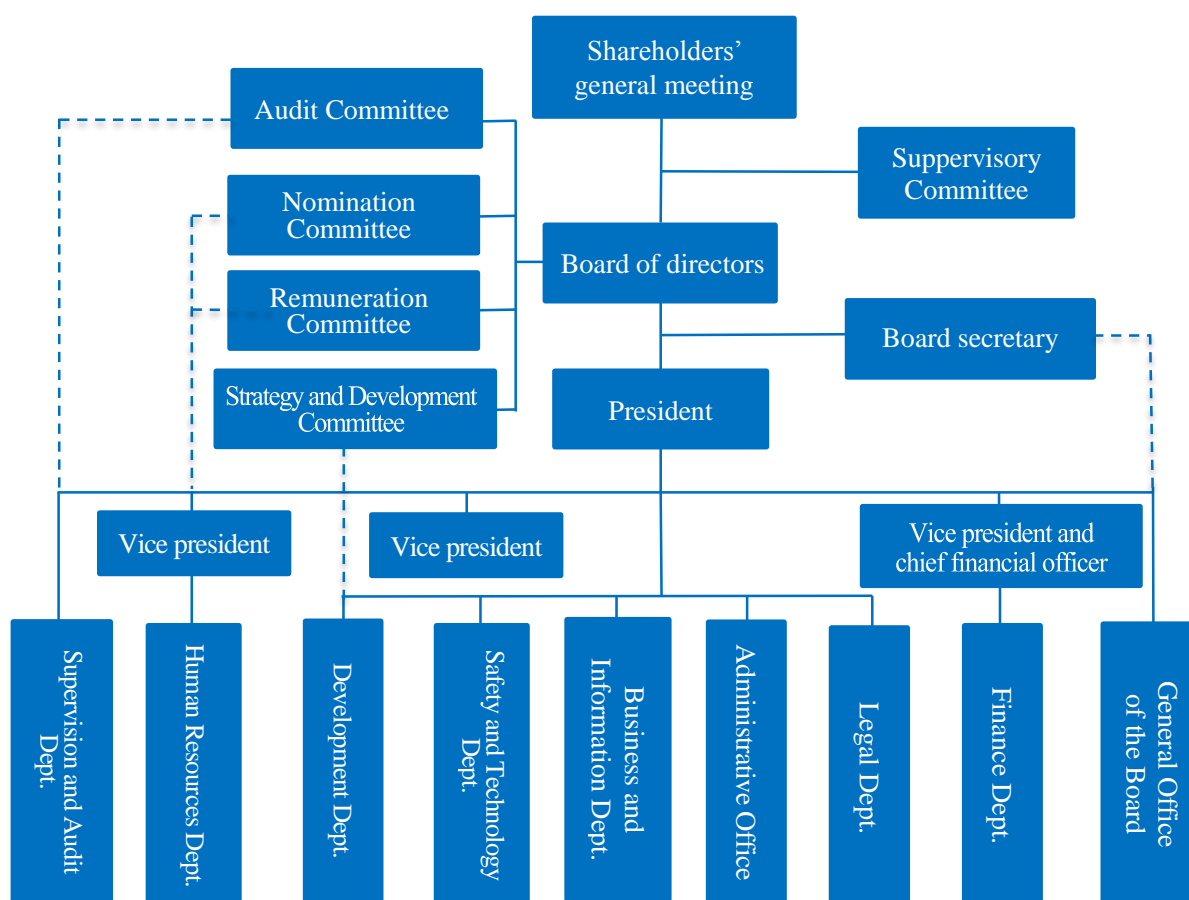
# REGULATED GOVERNANCE

The Company adheres to corporate governance and operation in accordance with laws and regulations, strictly complies by *Company Law of the People's Republic of China, Securities Law of the People's Republic of China and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other rules*, conducts regulated operation and improves its governance level.



## (I) Governance structure

We firmly believe that a favorable governance structure is the strong guarantee for sustainable development of the Company. The Company has established a governance structure with “three boards and one senior management” including shareholders’ general meeting, board of directors, board of supervisors and senior management. The general meeting, board of directors, supervisory committee and senior management undertake their separate responsibilities independently and concertedly to perform fully duties.



Governance structure of the Company ( as of 2018-12-31 )



On 31 December 2018, the Company had a total of 6,036,724,000 issued shares with nominal value of RMB 1.00 each. The structure of the share capital is as follows:

Class of shares	Number of shares (share)	Proportion in the shares issued (%)
Domestic Shares	4,937,699,000	81.79%
H-Shares	1,099,025,000	18.21%
Total	6,036,724,000	100.00%

## 1. Shareholders' general meeting

The Company convenes and holds shareholders' general meetings in strict compliance with laws, administrative regulations, *Articles of Association of Qingdao Port International Co., Ltd.*, and *Rules of Procedures for General Meeting Rules of Qingdao Port International Co., Ltd.* The shareholders' general meetings undertakes its duties and rights in accordance with the laws, including to determine the Company's business policy and investment plan, to elect non-employee representative Directors and Supervisors and to approve the profit distribution plan.



In 2018, we convened two shareholders' general meetings (including one annual general meeting and one extraordinary general meeting), reviewed and approved 25 resolutions, including proposals regarding amendments to the *Articles of Association*, the initial public offering and listing of the A Shares, work report of the board of directors, work report of supervisory committee connected transactions, etc.

Shareholders attend the shareholders' general meeting enjoying the right to speak, inquire and vote, etc. We guarantee that all shareholders, including minority and medium shareholders, will exercise their rights equally and effectively.

## 2. Board of directors and specialized committees

As of the date of release of the report, the board of directors currently comprised eight directors, including two executive directors, three non-executive directors (including one employee representative director) and three independent non-executive directors. The appointment of Directors and the number and composition of the board of the directors are in compliance with the regulations of laws, regulations and the *Articles of Association*. The board of directors have four specialized committees, including Strategy and Development Committee, Audit Committee, Remuneration Committee and Nomination Committee. Those specialized committees have already formulated rules for procedures with clear rights and responsibilities for independent and effective operation.



Specialized Committees Directors	Strategy and Development Committee	Audit Committee	Remuneration Committee	Nomination Committee
Executive directors				
Mr. ZHANG Jiangnan	Member	/	/	/
Ms. JIANG Chunfeng	Member	/	/	/
Non-executive directors				
Mr. JIAO Guangjun	Member	/	Member	Member
Mr. ZHANG Wei	Member	/	/	/
Mr. CHU Xiaozhong	Member	Member	/	/
Independent non-executive directors				
Mr. WANG Yaping	Member	/	Chairman	Chairman
Mr. CHAU Kwok Keung	/	Chairman	/	//
Mr. YANG Qiulin	/	Member	Member	Member

Note: The above table only lists the members of the board of directors and each of the special committees as of the date of release of the report. Please refer to the annual report of the Company for details of the changes during the reporting period.

All directors of the Company attend the meetings of board of directors with careful and responsible attitude, and perform their responsibility honestly and diligently. With their abundant professional knowledge, work experience and good professional ethics, the directors of the Company have devoted a lot of time and energy to the determination of the Company's business development strategy, the appointment of senior managers, and the formulation of profit distribution plans.

In 2018, the Company held five on-site meetings of board of directors, reviewed and approved the annual report and interim report, working report of board of directors and report of the president and other resolutions.



On 6 June 2018, the Company organized directors, supervisors, senior management and some administrative staff members of the Company to receive training on the listing and regulation rules by the Company's domestic and overseas legal advisors.

The Company currently has three independent directors who major in finance, accounting and legal fields and with relatively high policy interpretation and professional abilities. Not only they put forward professional suggestions and help for the consideration and decision-making of the board of directors, but also they play supervision roles in regulating the operation of the board of directors. The independent directors are appointed and performed their work in accordance with *Working System for Independent*

*Directors of Qingdao Port International Co., Ltd.* They attend the shareholders' general meeting, the meeting of board of directors and special committees according to laws and voiced their objective and justified independent opinions.

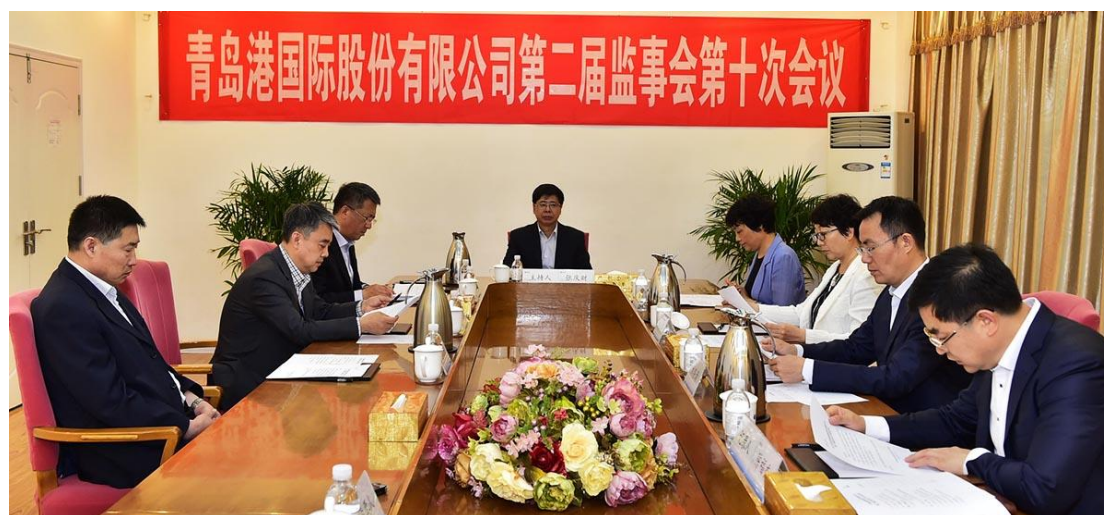
### 3. Supervisory Committee

The Supervisory Committee is comprised of six supervisors, including two supervisors representing shareholders, two supervisors representing employees and two independent supervisors. The appointment of supervisors, number and composition of the board of the supervisors comply with the regulations of laws, regulations and *the Articles of Association*.

Members of board of supervisors	Title
Mr. ZHANG Qingcai	Chairman of board of supervisors, shareholder representative supervisor
Mr. LI Wucheng	Shareholder representative supervisor
Mr. LI Xuxiu	Independent supervisor
Mr. LIU Dengqing	Independent supervisor
Mr. LIU ShuiGuo	Employee representative supervisor
Ms. WANG Xiaoyan	Employee representative supervisor

Note: The above table only lists the members of the board of supervisors as of the date of publication of the report. Please refer to the annual report of the Company for details of the changes during the reporting period.

In accordance with laws and regulations and *Rules of Procedures for Board of Supervisors Rules of Qingdao Port International Co., Ltd.*, the board of supervisors faithfully performs its duties in the spirit of being responsible to shareholders, supervises the operation of the Company according to law, related transactions and major investment projects, and safeguards the interests of the Company and shareholders. In 2018, the Company convened five on-site meetings of board of supervisors, reviewed and approved the annual report, interim report and working report of the board of supervisors, etc.



### 4. Senior management

The selection and appointment of senior management strictly comply with the Articles of Association. The management is responsible to the board of directors, carries out its work in accordance with the responsibilities and powers stipulated in the Articles of Association, implements the resolutions of the shareholders' general meeting and the board of directors, implements the Company's development strategy, implements effective control over the Company's production and operation, and continuously improves the Company's operating performance and management level.

## (II) Internal control management

The Company makes great efforts in realizing and perfecting the construction of modern enterprise system, actively promotes the governance of enterprises according to the law, identified and prevented internal and external risks in a systematic manner, improves the internal control system and establishes a complete set of systematic corporate management systems.

1. We strengthen the construction and evaluation of internal control systems. We attach great importance to risk management and internal control, take serious measures to implement the system and decisions, and promote the implementation of the strategic decisions of shareholders' general meeting and the board of directors. We adhere to the coordinate advancement in construction and evaluation of internal control systems, to promote the construction by evaluation and integrate construction and evaluation, to identify potential risks, improve control measures, revise the internal control manual, and continuously improve the level of internal control management. In 2018, the Company maintained effective internal controls on all major matters.

2. We increase meticulous management level. We implement complete budget management system, perfect fine-grained management and control index and assessment standard, carry out reward and punishment system as per budget index every month, thereby enhancing aggressiveness and work vitality of the management and the employees. We continuously strengthen the management and control of operation process, summarize and analyze the business performance so as to find the problem and disadvantages, optimize the cost factors and continuously improved the management efficiency.

3. We enhance internal audit. We revise the *Internal Auditing System* to further expand the scope of internal audit duties, effectively play the role of supervisory service functions. We implement audits on the projects with full coverage in the entire process, strengthen audit analysis and audit quality control, and effectively control the construction investment. We conduct economic responsibility audits, budget implementation audits and special audits to strengthen audit rectification and effectively enhance internal control and risk prevention capabilities.

## (III) Information disclosure and investor relations

The Company earnestly fulfills its obligation of information disclosure, adheres to disclosing information in an authentic, accurate, complete, timely and fair manner to ensure that the information disclosed is free from false records, misleading statements or major omissions, and continuously improves the quality of information disclosure. In 2018, the Company disclosed 75 periodic reports, temporary reports or various announcements, covering all significant events which were cared by the shareholders and investors.

The Company attaches importance to the investor relations, develops *Investor Relations Management System* and regards the investor relation as an important part of management and governance of a good enterprise. Secretary of the board of directors is generally responsible for overall coordinating and arranging investor relations, and is committed to building a bridge between investor information. The office of board of directors is responsible for the implementation of the specific work and wholeheartedly provides thoughtful and meticulous services to investors.

The Company regards the investor relations as a long-term systematic work. In accordance with the *Listing Rules of the Shanghai Stock Exchange and SEHK*, trends of capital market and expectations of investors, we keep close touch with domestic and foreign investors, improve the work on investor relations continuously and maintain the reputation of the Company in capital market.



## Investor relations in 2018

- We convened **two** investor conferences and communicated with more than **100** institutional investors;
- We participated in **one** investor conference and forums, communicated with investors through meeting;
- We carried out **three** on-site visits in port terminals; and
- We received over **100** investors and analysts through teleconference and on-site meeting.



In 2018, the Company held two results announcement in Hong Kong and conducted on-site exchanges on issues of concern to investors.



# SCIENTIFIC DEVELOPMENT

In 2018, responding to the changes of international and domestic micro-economic, the Company positively promoted the upgrading and transformation, vigorously developed whole process logistics, and further implemented the three strategies covering “finance, globalization and Internet”. The Company created good returns for shareholders with continuously solid growth of business performance.

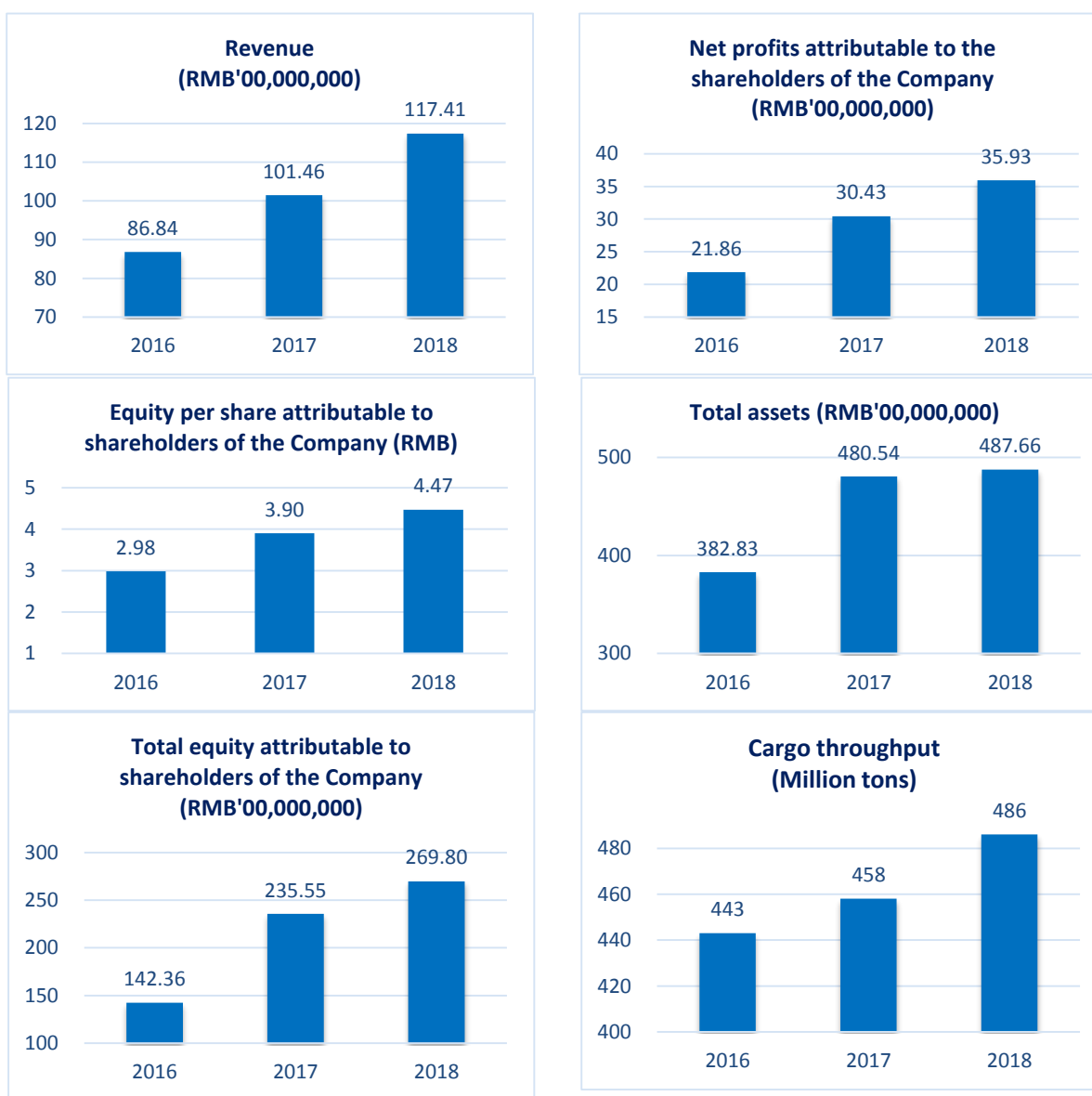


## (I) Operational performance

In 2018, the Group's revenue was RMB 11.741 billion, representing an increase of 15.7% as compared to the same period in the prior year; net profit attributable to shareholders of the Company was RMB 3.593 billion, representing an increase of 18.1% as compared to the same period in the prior year.

Indexes	Unit	2016	2017	2018
Total assets	RMB'000	38,282,574	48,053,652	48,765,783
Total liabilities	RMB'000	22,800,015	22,990,996	19,346,259
Total shareholders' equity	RMB'000	15,482,559	25,062,656	29,419,524
Total equity attributable to shareholders of the Company	RMB'000	14,235,724	23,554,663	26,979,659
Revenue	RMB'000	8,684,190	10,146,225	11,741,480
Gross profit	RMB'000	2,631,426	3,330,122	3,625,978
Net profit attributable to shareholders of the Company	RMB'000	2,186,154	3,042,959	3,593,486
Equity per share attributable to the shareholders of the Company	RMB	2.98	3.90	4.47
Earnings Per Share (EPS)	RMB	0.46	0.55	0.60
Rate earned on total assets	%	6.57%	7.51%	7.94%
Weighted average return on net assets	%	16.25%	15.54%	14.23%
Cargo throughput	Million tons	443	458	486

## Comparison of main operational performance in recent three years



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.



## (II) Development strategies

While strengthening and developing the main business of port terminal loading and unloading, the Company positively expands new businesses by innovating and developing modern logistics, implementing “finance, globalization and Internet” strategies, transforming old and new momentum, improving port functions, enlarging business size, and expanding value-added services, so as to strengthen the diversified development industrial systems.

1. Financial strategy. The Company makes use of the port’s role as logistics, fund flow and information flow center, and deeply develops the combination of industry and finance to improve the financial service and profitability ability of the Company. On the basis of stable control on risks, we innovate business models, explore high quality projects and maintain the leading position of port financial companies to promote the scale efficiency of the financial sector to a new level.

2. Internationalization strategy. The Company grasps the strategic opportunity of the development of the “Belt and Road”, cooperates with domestic and foreign large shipping companies, international terminal operators and other strategic partners to achieve complementary advantages, and expands overseas development space. The Company steadily promotes management and capital output, carries out investment and operation management of port terminal project in overseas and accelerated to become an international terminal operator. At present, the Company's overseas projects under operation and management include the crude oil terminal cooperative project in Myanmar Mude Island and the Vado Ligure Port joint venture project in Italy. The Company and COSCO Shipping Port Co., Ltd. jointly set up a port operation and management company and actively promote the implementation of overseas projects such as the container terminal of Port Khalifa in Abu Dhabi. The Company actively carries out cooperation with international ports, and expanded the Company's overseas reputation.

3. Internet strategy. The Company promotes the intelligent terminal operations, e-commerce logistics services, and synergistic office management and control, and accelerates the transformation and upgrading of traditional business models, service models and management models. The Company deepens the deep integration of Internet technology, terminal loading and unloading operations, port logistics, etc., and promotes industrial intelligence and intelligent industrialization to create an industry-leading intelligent port. We speed up the construction of logistics e-commerce network service system and promoted the integration of logistic, business flow, information flow and capital flow, to perfect the logistics e-commerce ecosystem. We accelerate the construction of collaborative office and internal control management system, carry out basic big data application and improve the office efficiency and intelligent management level.

## (III) Scientific and technological innovation

The Company devotes to the scientific and technological innovation and carries out a variety of theme activities such as port automation and intelligent new technology topics to promote new technologies and new achievements. In 2018, the Group has completed 477 important innovation research projects in total, applied for 15 municipal levels or above scientific progress prizes and 114 national patents.

Indicators	2016	2017	2018
The Company’s important innovation research projects (item)	378	448	477
Municipal level and above scientific progress prizes (item)	12	13	15
Patents applied (item)	67	90	114
Including: Invention patents (item)	6	15	33
New technology patents (item)	61	74	81
International patents(item)	-	1	1

The Company adheres to being innovation-oriented, and the whole staff's participation in innovation and effectiveness has achieved remarkable results. By strengthening the support for innovation of the grassroots and employees in various units in 2018, the Company selected a total of 66 port innovation achievements

and 68 post innovation achievements, and commended and rewarded the innovation units and personnel. The overall level of the Group's project named "Research and Application of Intelligent Scheduling Algorithm for Port Container Concentration and Evacuation Transportation" has reached the international leading level in the standardization evaluation of scientific and technological achievements of Qingdao City. QQCTN won the Qingdao City Workers Technology Innovation Competition Demonstration Enterprise award and QQCTU Fixed Machinery Team of Engineering Technology Department won the Qingdao Innovation Team award.

### The Company won the special award of the Science and Technology Progress Award



In 2018, the Company won the first special award of the Science and Technology Progress Award granted by China Ports and Harbor Association, which is the first prize in the history of this award. The Qingdao Port Automated Terminal Innovation Team won the "Innovation Team Award".



### Qingdao Port's fully automated terminal technology has achieved fruitful results

On 13 March, at the Global Automated Terminal Summit hold in London, the Qingdao Port's automated terminal won the "Optimized Efficiency Award for Automated Terminals" and received wide attention and high appreciation from the global peers.



On 20 June, at the World Transportation Conference hold at the Beijing National Convention Center, three achievements of Qingdao Port's automated terminal, namely "High-speed ARMG Precision Positioning System Research and Application", "Automatic Guided Vehicle (AGV) Distributed Shallow Charge and Discharge Cyclic Charging Technology and System", "Research and Development and Application of Production Business Management System for



Automated Container Terminals”, won the first prize of 2017 Science and Technology of China Institute of Navigation.



On 8 to 9 November, at the National Equipment Management Advanced Commendation Conference hold in Beijing, Qingdao New Qianwan Container Terminal Co., Ltd. (QQCTN) won the honorary titles of National Equipment Technology Innovation Demonstration Unit and National Equipment Management Excellent Unit.





# COMPLIANCE OPERATION

The Company adheres to operating in accordance with the law, adhering to the principles of equality, mutual benefit, honesty and credit, and abiding by social morality, business ethics and laws and regulations. Through multiple ways such as incorruptible employment management, internal control, internal audit and democratic supervision, the Company continues to enhance the level of legal operation.



## (I) Incorruptible employment

The Company attaches great importance to the incorruptible employment of the management at all levels which has been included in *Document of Operation Management Objective Responsibility* and leadership assessment system and was arranged, implemented, inspected and assessed at the same time with the Company's central task. The Company formulates and implements management methods including *Measures for Implementing "Three Majors and One Greatness" Decision-making System*, *Regulations on Incorruptible Employment of Leadership* and *"Twenty Bans" of Incorruptible Employment* to enhance the supervision of power operation process.

The Company has actively carried out party style and clean government education. In 2018, 59 batches of 1,095 management and key post personnel have successively visited the "Qingdao Anti-corruption Education Base" and received warning education on anti-corruption. The Company organized a total of 650 management and discipline inspection staff to watch television programs such as *"Iron shoulder acting as casting loyalty (鐵肩擔當鑄忠誠)"*, *"Pioneer standing at the head of the tide (弄潮兒向潮頭立)"*, *"heavy fist anti-corruption escort (重拳反腐 保駕護航)"* and so on, and developed a team of loyal, clean and responsible management team.



the anti-corruption education for the  
management



Special subject educational films for  
employees

Through a variety of channels including the President's mailbox, mailbox of discipline inspection commission, phones calls and petition reception, the Company widely accepts the reporting and supervision from society and the masses. The discipline inspection department of the Company, around the implementation of the principles of "Eight Regulations" of the central government, focuses on the supervision and inspection of project construction, bid inviting and purchasing, fund management and market development, conscientiously fulfills its supervision duty, effectively prevents and controls the risks of violating the regulations and disciplines on incorruptible employment. In 2018, the Group had no case in which the directors, supervisors and senior management personnel were punished and prosecuted due to corruption and bribery.

In 2018, in order to further strengthen the honest and self-discipline of the management and staff and build ideological and moral standards of combating corruption, the grassroots units of the Company organized the management and personnel in key positions to carry out warning education activities in Qingdao Anti-corruption Education Base. Everyone expressed to recognize the serious consequences of corruption always tighten the string of honesty and self-discipline, build ideological and moral standards of combating corruption, conscientiously to be an upright person, and do practical things to make contributions to the development of the Company through practical actions.



The Company organized literary and artistic works reflecting integrity culture to participate in the exhibition activities organized by the Qingdao discipline Inspection Commission.

The Company conducts case study of party discipline regulations and warning education with a variety of carriers on a regular basis and promotes the culture of integrity to enter the team, the office, the project and the post to create a good atmosphere of integrity culture. The employees' integrity culture work of the Company won the second prize under public service advertising category of “Qingdao City 2018 Integrity Culture Work Collection Campaign”, and the Company was rated as an excellent organizational unit.



Award-winning work in Integrity Culture Works Collection Campaign - public service advertising “Integrity”

## (II) Fair competition and honest operation

The Company adheres to participating in market competition with the method of fairness, justice, equality and mutual benefit, and complies with laws and regulations of the PRC on anti-bribery, extortion, fraud and money laundering. In commercial relationships, we complies with business ethics, social morals and public order and good morals, opposes all forms of bribery, extortion and fraud, and actively prevents and eliminates participation in transactions related to money laundering.

The Company establishes a perfect financial operation and supervision mechanism, strictly complies with the fiscal and financial laws and regulations of the PRC, and prevents all kinds of financial risks. In 2018, the Company's financial condition was steady, with the asset-liability ratio kept at a reasonable level, and there were no false financial accounts. The Company's assets and the shareholders' equity were effectively protected. We consciously paid taxes in accordance with the law, and the tax amount ranks ahead of the companies in Qingdao City.

The Company attaches great importance to the credit construction, obeys credit business rules, pays attention to the legitimate rights and interests of creditors, and don't have financial irregularities or breaches of contract. In 2018, Dagong Global Credit Rating Co., Ltd., evaluated the Company's main credit rating and bond credit rating as "AAA".

### Compliance operation principle and practice

We adhere to the operation principle of **"taking economic benefits as the center and achieving healthy and sustainable development"**. Through the efficient operation, the Company tries to create high-value fortunes for the shareholders, builds a happy homeland for the employees, dedicates love to the community and creates a good cultural and ecological environment for the society.

We **concern on and maintain the reasonable demands of Stakeholders**, adhere to the social and environmental bottom line and maintain the Company's social ecology. We do not pursue short-term profits unilaterally, positively undertake social responsibilities and follow the sustainable development road.

We adhere to important principles of **"honest operation and sincere treatment"** for social interaction, obey the public order and good morals, respect the property and intellectual property right of related enterprises, organizations and individuals and other legitimate rights and interests, and safeguard social and economic order.

We strictly abide by Contract Law of People's Republic of China, **abide by contract commitments and perform contracts**. In the process of contract signing, implementation and management, the Company, through equal consultation, communication and coordination, guarantee the interests of itself and its customers or suppliers and try our best to achieve win-win cooperation.



## (III) Publicity of factory affairs and democratic management

The Company adheres to the principle of wholeheartedly relying on employee for enterprise operation, carries out factory affair opening and democratic decision-making, and protects the legitimate rights and interests of employees to establish a harmonious labor relation.

1. We deeply implement the working mechanism of publicity of factory affairs and democratic management. The Company has established a democratic management system including worker representative congresses and democratic appraisal of leading cadres. The Company, regarding the worker representative congresses as the



basic carrier for factory affair opening and democratic management, reports important issues of port reform and development annually, decision-making matters of “Three Majors and One Greatness” and the performance of collective contracts.



**The Company held the thirteenth meeting of the first session of worker representative congresses**

2. We continue to expand the focus area of factory affair opening and democratic management. The Company's leaders report their work on the annual worker representative congress, accept the democratic appraisal and regularly report their major events. Each grassroots unit of the Company has a democratic public bar to implement the disclosure requirements of the factory affairs, regularly publicizing the objectives and tasks, income distribution, production safety, personnel management, policies and systems, welfare and treatments, labor protection, and rewards and punishment for attendance, and accepting democratic supervision.



**Worker representative congresses at all levels**



**Employees browsing public information**



**Soliciting staff comments and suggestions**



**Interpreting policies of the Company to employees**



3. We continuously expand the coverage of factory affair opening and democratic management. In the aspect of implementing democratic political rights and labor rights and interests, we treat employees of the Company and staff dispatched by shareholders of joint ventures equally to ensure the democratic right of all personnel. The Company has established a Party organization, a labor union organization, worker representative congresses and a factory affair opening and democratic management system in case of setting up joint ventures. Before convening the employee representative meeting, the Company invites the retired employees to attend the meeting and fully respects their opinions and interests.



# GREEN DEVELOPMENT

The Company puts environmental protection and resource conservation as an important part of development strategy, implements the project of “blue sky, green land and clear water”, builds a “resource-conserving and environment-friendly” green and low-carbon port and promotes the harmonious development of economic growth and ecological environment.



## (I) Environmental protection

### 1. Increasing investment in environmental protection

The Company strictly abides by *Environmental Protection Law of the People's Republic of China*, *Marine Environmental Protection Law of the People's Republic of China* and other laws and regulations on environmental protection. The Company has successively formulated *Environmental Protection Management Regulations* and other management measures, *Contingency Plan for Emergency Environmental Accidents*, to lower waste gas and greenhouse gas emissions, reduce the generations of hazardous and non-hazardous waste, protect our natural environment and maintain ecological balance.

#### Clean and beautiful port area environment



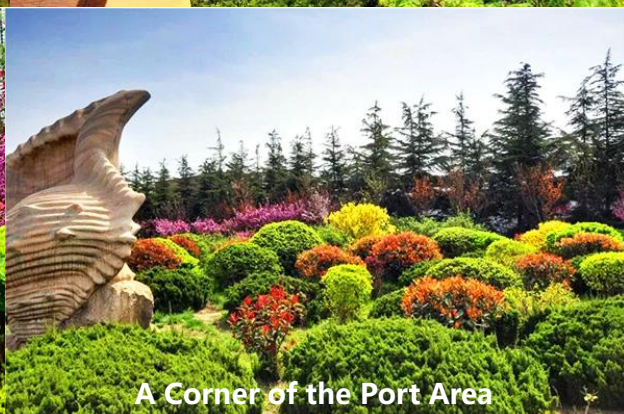
Dagang Port Area



Qianwan Port area



Dongjiakou Port Area



A Corner of the Port Area



The Company attaches great importance to the construction of environmental protection facilities. With investments in environmental protection and improvement increasing year by year, the Company has completed an advanced domestic sewage treatment plant, dust proof facilities of coal and ore system, oil and gas recovery facilities, and emergency facilities for oil spillage, environmental monitoring equipment and a series of environmental protection facilities. The Company adheres to the development concept of “Lucid Waters and Lush Mountains are Invaluable Assets” and makes efforts in building a green ecological environment.



During the Tree Planting Day in March 2018, some units of the Company organized tree planting activities.

In 2018, there were 1,960 arbors, 155,000 shrubs, and more than 60,000 seasonal flowers new planted in the four port areas of the Company.

## 2. Strengthening environmental monitoring and pollution Prevention.

The Company formulates and implements the “*Comprehensive Treatment Plan for the Port Environmental Protection*” to make an overall plan and comprehensively address the environmental problems. The Company carries out environmental impact assessment on new projects and optimizes planning and designs to minimize the impact on the ecological environment and natural resources. In the process of projects construction, the Company adheres to the simultaneous design, construction and production and use of pollution prevention facilities with the principal construction.

The Company sets up management and assessment standards for the discharge of dust, sulfur oxides, nitrogen oxides and waste water, strengthens the port environment monitoring and implements the responsibility system for pollution prevention objective. By adopting advanced technology, environmental protection equipment, new energy and other means, the Company implements clean production to reduce the generation of pollutants. The Company takes effective measures to ensure the dust, exhaust gas and noise released during the production process which are harmful to the environment meet the standards.



## The Company's main types of emissions and emission reduction measures

### ◆ Exhaust gas

- ◇ Source: exhaust gas emissions from motor vehicles and handling machinery
- ◇ Treatment measures: conversion from oil to electricity for handling machinery, liquefied natural gas (LNG) vehicle applications, installation of fuel-saving devices for motor vehicles, promotion of fuel-saving operation methods, etc., striving to reduce fuel consumption and exhaust gas emissions.

### ◆ Waste water

- ◇ Source: domestic waste water and dust-containing waste water
- ◇ Treatment measures: after the domestic waste water is collected, it will enter the municipal sewage pipe network or be disposed of in the port area's domestic sewage treatment system and then used for sprinkling in the port area. Dust-containing waste water shall be used for spraying the bulk cargo stacking yard after being disposed of by the bulk cargo waste water treatment station in accordance with the environmental assessment requirements of the bulk cargo terminal.

### ◆ Solid waste

#### ◆ General solid waste

- ◇ Source: general solid waste such as scrap steel, used steel wire ropes and vehicle waste tires
- ◇ Treatment measures: the Company actively researches the recycling and cyclic utilization of waste, reducing resource consumption and waste emissions. The Company organizes the recycling and reuse of non-hazardous waste that can be reused by the Company. Non-hazardous waste that cannot be reused by the Company but still has economic value is auctioned to other companies and individuals, which can promote the social reuse of resources.

#### ◆ Hazardous waste

- ◇ Source: waste oil from mechanical equipment, waste batteries and oil-containing waste water from cleaning tanks, etc.
- ◇ Treatment measures: all are handled by professional companies with hazardous waste disposal qualifications.

#### ◆ Domestic garbage

- ◇ Source: domestic garbage in the workplace
- ◇ Treatment measures: all the domestic garbage generated in the workplace is disposed of by a special garbage removal company.



## Company's pollution prevention effects

(1) Transformation of sewage treatment equipment. A vehicle cleaning area in Qianwan Port Area produces approximately 3 tons of oil-containing waste water per day. In May 2018, the Company reformed the sewage treatment equipment and installed oil-water separation equipment. The treated water's quality meets the national environmental protection requirements and can directly enter the domestic sewage pipe network.



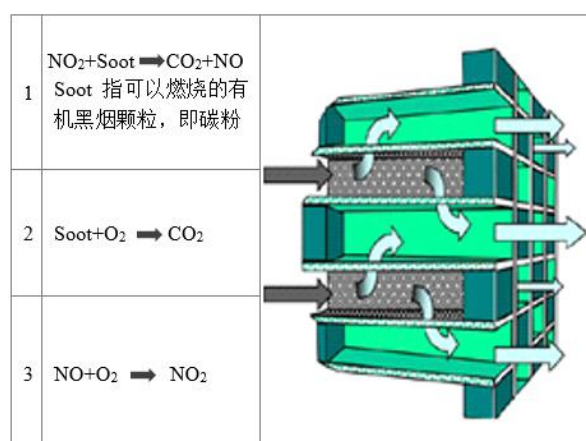
Vehicle cleaning area

Oil water separation equipment

(2) Transformation of the exhaust gas discharge device of handling machinery. QQCT removes particulate matter (PM), carbon monoxide (CO) and hydrocarbons (HC) emitted from diesel engines by installing a catalytic trap type exhaust gas purifier, and has a certain muffling function to effectively solve the exhaust emissions and noise issues of diesel engines.



Retrofitted vehicle



Schematic of purifier



## Statistics of various emissions in 2018

S/N	Type	Name	Unit	Quantity of emission	Total Quantity of emission
1	Exhaust gas emission	Nitrogen oxide	Ton	74.4	79.0
2		Sulfur oxide	Ton	4.6	
3	Greenhouse gas	Carbon dioxide	Ton	151,851.5	151,878.5
4		Methane	Ton	18.9	
5		Nitrous oxide	Ton	8.1	
6	Hazardous waste	Waste battery	Ton	26.3	989.5
7		Waste lubricating oil (grease)	Ton	315.2	
8		Waste lubricating oil drum	Ton	5.3	
9		Waste paint bucket, paint slag	Ton	79.9	
10		Oil-containing waste water	Ton	469.4	
11		waste oil filter, printer drum, fluorescent lamp tube, etc.	Ton	93.4	
12	Non-hazardous waste	Iron and steel scrap	Ton	3,321.2	6,452.1
13		Waste wire rope	Ton	2,462.5	
14		Waste tire	Ton	538.5	
15		Waste copper cable	Ton	79.1	
16		Waste household appliance, etc.	Ton	50.8	

Note: the emission density was not applicable to the Company



### Gangji Branch's environmental information

Gangji Branch was listed as the key pollutant discharge unit of Qingdao City in 2018 and is also the only subsidiary of the Company that was listed as a key pollutant discharge unit. The main business of Gangji Branch includes the manufacture, installation, renovation and maintenance of the port's Machinery equipment.

#### (1) Pollution discharge information

Chemical oxygen demand, ammonia nitrogen, volatile organic compounds and xylene emissions of main pollutants of Gangji Branch are 2.55 tons, 0.17 tons, 0.17 tons (material balance algorithm), 0.041 tons (material balance algorithm). Waste water pollutants are discharged in accordance with *Urban Sewer Water Quality Standards* (GB/T31962-2015). Waste gas pollutants are discharged in accordance with *Volatile Organic Compounds Discharge Standards Part 5: Surface painting industry (DB37/2801.5-2018) Tables 1 and 3 of the relevant standard requirements*. Waste water and waste gas pollutants all meet the discharge standards. The main pollutants generated by Gangji Branch are waste gas, which are volatile organic compounds and xylene. The annual emissions in 2018 were 0.258 tons and 0.066 tons respectively. Exhaust gas emissions are subject to related standards and requirements in the *Volatile Organic Compounds Emission Standard Part 5: Surface Coating Industry* (DB37/2801.5-2018). All the discharge of exhaust gas pollutants from Gangji Branch is up to the standard. Gangji Branch does not produce industrial waste water, and the domestic sewage is discharged into the municipal sewage pipe network for uniform discharge.



## **(2) Construction and operation of pollution prevention facilities**

In 2018, on the basis of the original environmental protection equipment and facilities, Gangji Branch vigorously promoted the construction of pollution prevention equipment and facilities, completed environmental protection expansion projects in accordance with national environmental protection standards, installed environmental purification equipment, and hired third parties to detect exhaust emissions after completion. The relevant data was all in line with environmental requirements. At present, all pollution prevention equipment and facilities are operating well.

## **(3) Environmental impact assessment of construction projects and other administrative licenses for environmental protection**

Gangji Branch strictly carried out environmental management of construction projects, and had an expansion project in 2018, which had been approved by the Environmental Protection Bureau of Northern District of Qingdao City.

## **(4) Emergency plan for sudden environmental incidents**

Gangji Branch has made an emergency plan for sudden environmental incidents and reported it to Environmental Protection Bureau of Shibei District, Qingdao City for filing. In February, May and August of 2018, emergency drills for sudden environmental incidents were organized and the emergency response and disposal capabilities for sudden environmental incidents were improved through such drills.

## **(5) Environmental self-monitoring program**

Gangji Branch commissioned a third-party company, ICAS Monitoring Technology Services Co., Ltd. (英格爾監測技術服務有限公司) to conduct exhaust gas detection, and all relevant test data met the standards. It commissioned third-party companies Qingdao Haios Environmental Protection Technology Co., Ltd. (青島海奧斯環保科技有限公司), Qingdao Haiwan New Materials Technology Co., Ltd. (青島海灣新材料科技有限公司) and other compliance enterprises to dispose of hazardous waste, and reached the standard as verified by Environmental Protection Bureau of Shibei District, Qingdao City.

## **(6) Other environmental information that should be disclosed**

Nil.

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## **3. Comprehensively building an international health port.**

The Company actively creates an international health port in accordance with the requirements of *the International Health Regulations*. We enhance the environmental control on production and operation process, spray water for large bulk cargoes such as ore and coal during the operation process to remove dust; build a wind-proof and dust-controlling wall at the stock yard and store the goods with coverage to minimize the impact of production operation on the environment.

The Company continues to enhance health and epidemic prevention management, engages a professional company for vector biological control, and regularly organizes people to exterminate pest and virus vectors throughout all port areas. In 2018, in response to Qingdao's call to build a national health city, the Company carried out in-depth "environmental investigation, health promotion" special action. In the action, the Company has checked and corrected 477 environmental problems and got a remarkable result in cleaning and renovation of the roads in the port area. The Company has vigorously carried out a cumulative application of 29.7 million square meters of vector biological elimination in the port area. The extermination of pest and virus vectors in the port area was fully affirmed by the government authorities.



### Carrying out extermination of pest and virus vectors



### Various measures taken by the Company to prevent and control air pollution

The Company has thoroughly studied the sources of air pollutants in the port area, and clarified the key points of remediation, such as dust from bulk cargo operations, dust from construction, exhaust from operating machinery, and exhaust from logistics vehicles, and took several measures simultaneously to jointly prevent and control and comprehensively promote air pollution comprehensive management actions.

#### (1) Strengthening the remediation of dust from operations

The Company carried out all-round dust remediation in the operation area. The Company took measures such as isolating the stacking yards by dust-controlling walls, hardening the grounds of stacking yards, enclosing the operation process, covering the goods stack at stacking yards, etc., in combination with technical renovation of dust-controlling hoppers to suppress or reduce dust. The Company strengthened daily inspections of environmental protection facilities to ensure the normal operation of environmental protection equipment such as dust collectors and nozzles. The Company strengthened the dust management of transportation vehicles in and out of the port area. It checked if the transportation vehicles had a fence and if the wheels were flushed. It trained the truck drivers on operation, and required drivers to drive and operate slowly in strict accordance with the operating procedures to reduce dust.



**Fog guns, sprinklers and sweeping vehicles cooperating with each other are used to form a three-dimensional environmental dust-controlling system in Dongjiakou Port Area.**



## (2) Enhancing the management of dust from construction

The construction site fence was set up in strict accordance with the construction standards, and all buildings under construction were enclosed and fenced using closely-knitted safety net according to the standard. Vehicle cleaning devices are installed at the entrance and exit of the construction site, and the on-site bulk materials and muck are sealed. In the construction site, road surface and other areas that are prone to dust, watering for dust-controlling was arranged in a timely manner.

### Qiangang Branch has achieved remarkable results in dust control

Qiangang Branch attached great importance to dust control, and installed professional instruments and cameras at the production site for dynamic environmental monitoring and real-time monitoring. In 2018, the company commissioned a professional environmental monitoring agency four times to monitor the daily average values of total suspended particulate matter (TSP) and respirable particulate matter (PM10) in the atmospheric environment of the factory. The monitoring results were in line with the concentration limit requirements under secondary standard of the *Ambient Air Quality Standard* (GB3095- 2012).



Ship unloader automatic dust-controlling system



High standard coverage of goods stack

## (3) Strengthening the prevention and control of vehicle exhaust gas pollution

The Company carried out special rectification of exhaust gas, comprehensively checked fuel machinery vehicles, and stopped vehicles with poor condition and smoky vehicles (including rented vehicles) immediately for rectification and used such vehicles after they reached the standard, in order to put an end to the operation of smoky vehicles.



Exhaust gas check



On-site inspection of air quality, noise, etc.

## (II) Resource conservation

The Company adheres to the concept of “green, energy saving and environmental protection”, strengthens the resources management and optimizes the energy utilization. In recent years, the Company accelerated the transformation and upgrading of port development, made efforts to build a green cycle low-carbon development mode on the basis of high efficiency, low energy consumption, low pollution and low carbon emission in accordance with the *13th Five-Year Plan for Green Port Construction of Qingdao Port*.

### Statistics on the consumption of natural resources (including energy) of the Group

S/N	Resource type	Unit	2016	2017	2018
1	Water	Kilo m <sup>3</sup>	3,130	3,590	3,862
2	Including circulating water	Kilo m <sup>3</sup>	750	920	1,172
3	Gasoline and diesel oil	Kiloton	52.58	48.70	45.8
4	Electricity	Million kwh	385.72	425.66	461.9
5	Direct energy consumption	Kiloton standard coal	85	77	70.8
6	Indirect energy consumption	Kiloton standard coal	169	179	194
7	Comprehensive energy consumption	Kiloton standard coal	254	256	265
8	Cost of comprehensive energy consumption	RMB million	654	660	728
9	Comprehensive energy consumption for production of ten thousand tons of throughput	Ton standard coal	3.90	3.90	4.05

Note: The direct energy consumption refers to the consumption of fossil fuels, including coal, gasoline and diesel, and natural gas and the indirect energy consumption refers to the consumption of procured electricity, steam, and other energies. Water consumption density and packaging materials used in finished products were no applicable to the Company. The year-on-year increase in cost of comprehensive energy consumption in 2018 was due to the increase in production energy consumption of automated terminals.

#### 1. Intensively taking advantage of port resources

The Company applies the green concept throughout the port production and construction process. The Company attaches importance to the protection of the local sea, land and other ecological environment, and does the best to minimize the impact on the local environment and ecosystem system. We scientifically plan and intensively utilize the port coastline, land, water area and other resources to improve the utilization efficiency of resources. By leveraging on the advantages of terminals, venues, equipment and information resources, the Company promotes the mutual cooperation between upstream and downstream industries and develops circular economy to promote the coordinated development of the port and the community.

#### 2. Saving water resource

The Company has not had a significant impact on the environment and the outside world in accessing to and utilizing water sources. We continue to enhance the water use efficiency, develop various water saving measures and strengthen the efficient utilization of water resources used for terminal dust removal, equipment cleaning, living and office and other main water consumption fields of the Company. We collect and recycle rainwater by building pools for terminal dust removal and cleaning water and reduce water consumption. The Company increases the employees' water saving awareness by strengthening the internal propaganda, designs and transforms domestic water facilities to further save drinking water resources.

The Company has further promoted water management in the port area. In 2018, we improved the water unit measurement, replaced with smart water meters for some units, checked the tap water pipe network, repaired 46 water leakage points and reduced water consumption. The reclaimed water

utilization project for Dongjiakou Port Area was completed and the bulk cargo operations in Qianwan Port Area and Dongjiakou Port Area achieved spray with reclaimed water. In 2018, the Company fell 6.35% from the same period last year and saved water costs more than RMB5.8 million.



### 3. Efficient using of energy resource

The Company actively promotes the application of LNG clean energy. In 2018, the Company implemented an incentive policy and actively guided the external transport fleet to adopt clean energy. A total of 288 LNG vehicles replaced conventional fuel vehicles for container handling operations in the port area.

The Company promotes the application of energy-saving technologies. In 2018, the Group successively completed 44 key construction projects for the construction of the green and low-carbon port including the coastal power supply facilities, large port machine potential energy feedback, hybrid power technology renovation and LED green lighting renovation, and the application ratio of LED green lighting technology, hybrid power technology and potential energy recovery technology has increased significantly.



# SAFETY IN PRODUCTION

The Company adheres to the safety philosophy of “integration of human and safety”, vigorously improves the safety production organization and safety management system, cultivates intrinsically safety employees, creates intrinsically safety environment and promotes intrinsically safety management to build up a safety defense and construct a safety port.



## (I) Production safety performance

During the production management, the Company strictly abides by the *Production Safety Law of the People's Republic of China*, *Regulations on Production Safety in Shandong Province*, *Special Equipment Safety Law*, *Regulations on Safety Management of Port Dangerous Goods* and other laws and regulations, comprehensively implements the responsibilities of enterprise safety production entity, deepens the inspection and regulation of safety hidden dangers and carries out the construction for safety production standardization construction to improve the intrinsic safety management level.

### Production safety performance in 2018

- There were no material safety production liability accident and occupational disease case occurred in the Company for the whole year.
- The Company conducted multi-level and multi-form safety training such as annual safety training for all staff, key positions professional training, leading cadre monthly study and industry expert seminars, with 100% of all staff participated in post safety training, 100% of new staff conducted pre-work safety training, and 100% of special equipment operators participated in qualification training organized by the quality supervision department. The Company has established a safety training file covering all employees.
- The Company carried out activities such as “safety production month” and “quality month”, produced 45 safety microfilms, 218 safety comics and 125 safety micro-class to enrich the education carrier and create a safe cultural atmosphere.
- The Company compiled 60 professional safety training materials for each position, conducted case education quarterly and implemented safety rotation training for key positions. With the introduction of incentive policies, employees' enthusiasm for learning technology, learning business, practicing skills, and ensuring safety was unprecedented.
- The Company organized 211 safety inspections, rectified 9,126 safety hazards, exposed 48 safety hazards and conducted 115 examinations of responsible units and competent departments.
- The Company introduced the Guidelines for the Construction of Intrinsically Safe Teams (Trial) to build a team with “five strong” (strong awareness, strong responsibility, strong discipline, strong collaboration, strong skills), “three creations” (innovation, creation of effectiveness and brand creation) and strengthen the sense of safety responsibility.

In 2018, the Group completed 152 key safety science and technology projects, organized 16 safety production on-site promotion meetings, summed up and promoted the safety management experience of Western United, QQCT and other companies.



### Holding on-site safety production promotion meetings

In 2018 the Group held more than 200 fire emergency drills. Through on-site simulations of fire evacuation and first aid, initial fire suppression and other drilling scenes, we further improved employees' fire protection awareness and enhanced self-protection capacities and emergency management ability for emergency fire.



### Holding fire drills

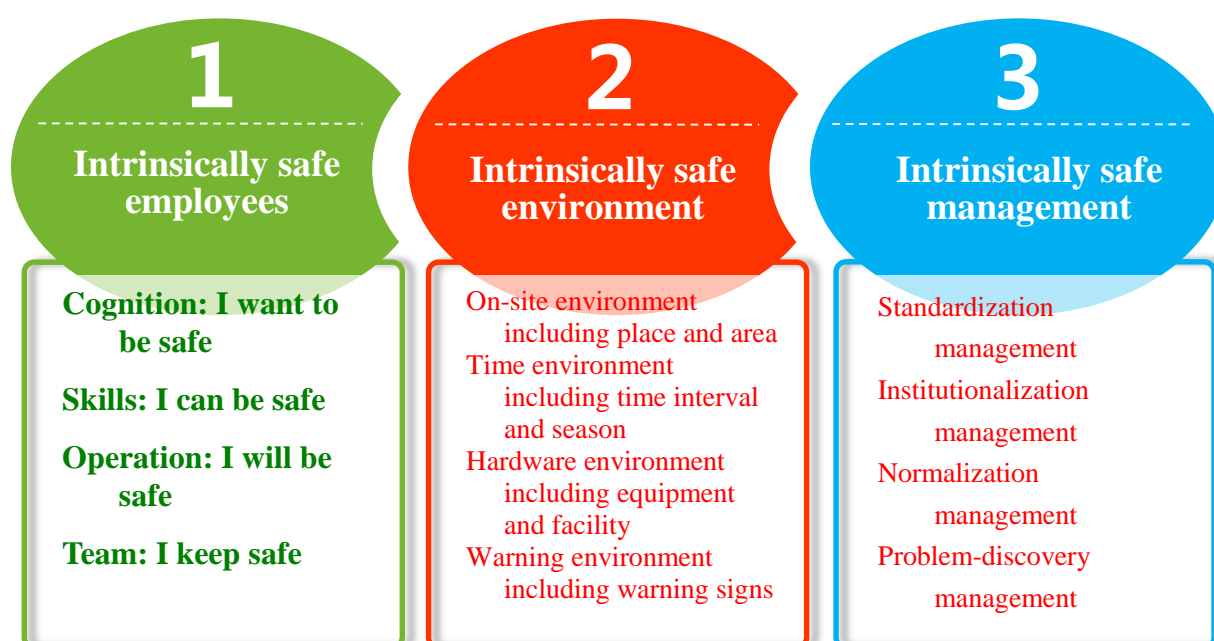
The Company strengthens the work safety training to improve employees' safety skills. We hold staff safety training through safety-themed training, online training, pre-position test, accident case warning education, etc. The training hours for general management and operation personnel are not less than 12 hours, and the management and operation personnel of the unit where the key safety parts are located were not less than 20 hours.



**Holding safety trainings**

## **(II) Production safety measures**

The Company promotes intrinsically safe construction and develops intrinsically safe employees, intrinsically safe environments and intrinsically safe management. Relying on positions up to the standard, the Company improves the employees' safety awareness and safety skills in order to turn discipline of employees by others into self-discipline, and get into a habit of "zero violations". Relying on scientific and technological security, the Company optimizes the resources allocation, guarantees the safe hardware investment, and improves the level of civil air defense, physical defense, and technical protection in safe production to create a safe production hardware facility of "zero defect". Relying on the standardization of safety management, we develop safety production standard positions, standard operation procedures and establishment of enterprise with qualified standardization, promote institutionalization, standardization, and normalization of safety inspections, and strive to achieve "zero accident" in port security development.





The Company fully carries out the establishment of qualified safety production standardization. All subsidiaries of the Company engage in stevedoring business obtained safety production standardization qualifications of relevant industry, and the safety standardization management level continues to increase. The Company formulate management systems such as the *Hazardous Cargo Container Safety Management Regulations*, which is stricter than the industry management standards, to strengthen the risk management and control of hazardous chemicals operations. We strengthen the implementation of safety management responsibilities, sign responsibility statement of safety target at each level to increase monthly safety performance assessment. We strengthen inspection and correction on the employees' violations, strictly investigate the responsibility for safety accidents to ensure the implementation of safety system.



## Production safety measure case of the Group



In 2018, Qingdao Shihua completed the revision of 25 on-site emergency response plans for pipeline leakage, ship fires, etc. and organized 76 employees to participate in ship-shore joint inspection training and evaluation. The Company conducted special research and development of prevention measures for terminals and reservoir areas to deal with severe weather, detailed the implementation of anti-typhoon emergency work measures, and carried out the actual combat exercise of on-site disposal 161 times, which further improved employees' emergency response and initial accident response capabilities.



In 2018, Qiangang Branch deepened the construction of intrinsically safe team, continuously consolidated the foundation of safety management, and rationalized 90 rules and regulations and 113 operational procedures. The Company continuously strengthened the intrinsically safe environment and implemented video security monitoring. It conducted 24-hour security inspection through video monitoring, and has checked and corrected 1,462 hidden dangers. The Company held on-site promotion meetings of "integration of human and safety" every month to promote the further improvement of the Company's safety control management level.

The Company enhances the safety information management. The Company has developed and implemented *the Measures for Safety Production Information Management*, and the grassroots units reported the safety production information on a daily basis. The Company carefully investigates and handles all safety accidents including minor injury and draws inferences about other cases from one instance to develop and implement safety precautions. To enhance safety emergency management, the Company develops a tertiary safety production emergency system for comprehensive, special and on-site treatment. The Company promotes the management of safety innovation, studies the weak links restricting safety production, tackles key safety projects, carries out monthly exchanges of scientific and technological innovation, and promotes the application of new technologies and achievements.

The Company optimizes resource allocation and ensures safety hardware investment. We innovate the stevedoring process and separated person and machine as well as person and goods to reduce the operation risk and labor intensity. The Company utilizes information technology and Internet technology, adopts substitution of manpower with mechanization and personnel reduction through automation, and promotes the construction of projects like intelligent storage unmanned gate to reduce staff input and hidden danger in site safety.

### (III) Employee occupational health

The Company strictly follows *the Law of the People's Republic of China on Prevention and Control of Occupational Diseases*, and formulates *the Occupational Health Management Standard, Management Standard of Physical Examination for Staff Health* and other management standards. The Company also adheres to the occupational disease prevention and control guideline of “prevention first and integration of prevention and control”, strengthens the prevention and control of occupational disease hazards, provides physical examination for staff annually to ensure health, established staff occupational health archives to safeguard the rights and interests of staff's occupational health, and continuously improved the level of occupational safety and health management.



**Employees learn about the prevention of occupational diseases**

The Company has passed the occupational health and safety management system certification of international safety and health management system verification standard (OHSAS18000). All subsidiaries of the Company involving in occupational disease hazards, have entrusted third-party testing organizations to regularly conduct occupational hazards testing, issuing a “*Workplace Occupational Hazards Test Report*” to ensure that the operating environment meets the requirements.

The Company focuses on the occupational disease prevention and control work. We have organized related key units to carry out online declaration of occupational hazard factors, completed the annual test and daily monitoring for occupational hazard factors and provided all the employees with notices, trainings and health physical examinations on the safety of occupational hazard factors to strengthen the management of occupational health foundation.

The Company has formulated the corresponding outfit standard for labor protection equipment according to the environmental characteristics of production positions. We regularly provide staff with labor protection equipment such as helmets, dust protecting masks, various work clothes, and gloves. In addition, we strengthen the supervision over the quality of labor protection equipment to ensure proper wearing and use, and create a safe and healthy production and work environment for the staff.

# CUSTOMER SERVICES

The Company regards the service quality as the lifeline for enterprise's survival, adheres to the customer-first principle, focuses on the service concept of "realizing 100% satisfaction among 100% of our clients", and improves service quality and service level continuously.



## (I) Service assurance

### 1. Improving and optimizing customers service system

The Company has formulated a number of management measures such as *the Freight Quality and Service Quality Management Measures* and standardized service standards to ensure the service quality to customers. We provide 24-hour consultation service for customers. We carry out special activities such as "quality month" with various activity themes for every year. All staff participate the activities to improve service quality and enhance the service standards.

### Standardized customer service process



✧ All external service window calls and complaint calls are open. The customer service hotline is accessible in 24 hour so that we can provide consultation service to our customers at any time.



✧ We assign high-quality highly competent personnel with excellent professional skills to offer professional services to customers.



✧ We implement "first inquiry responsibility" system for customer service to solve customer needs and improve service efficiency.



✧ We establish customer service key performance indicators system (KPI). We implement quantitative management, comprehensively evaluate customer service work performance and improve customer service work quality.



The Company is committed to providing customers with safe and reliable products and services, without making false propaganda and advertising. In 2018, the Company did not suffer administrative penalties for false advertising and consumer fraud. The Company abides by the *Anti-monopoly Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*, and actively safeguards the market environment of fair competition. The Company abides by a series of laws and regulations for the protection of intellectual property rights and respects and safeguards the inviolability of other people's patents, commodities and copyrights. The Company attaches importance to customer privacy protection, implements a strict confidentiality policy on customer information and privacy, signs confidentiality agreements with managers, business personnel and other important positions, and actively prevents the risk of leakage of customer letters, contracts and other important information.



## 2. Enhancing the comprehensive strength of hardware and software

The Company actively responds to the trend of large-sized ships and joint operation in shipping market, promotes the construction of terminal, transportation of oil pipeline and other infrastructures, and improves hard power in infrastructures. The Company has built the world's most advanced automated container terminal, 400,000 ton-class ore terminal, 300,000 ton-class crude oil terminal, 200,000 ton-class bulk cargo terminal and storage tanks, yards, warehouses and other ancillary facilities, achieving the goal that “no matter how big ship is there in the world, there is big enough terminal for that ship in Qingdao Port”.

For the terminal efficiency issues that the customers concern, the Company scientifically arranges production plans, carefully deploys production organizations, optimizes business processes, improves operation efficiency, reduces time of ship berthed in port, decreases logistics costs, and provides considerate services to customers. Stevedoring efficiency of the Company has been leading in the industry for many years, and the container stevedoring efficiency and the iron ore unloading efficiency maintain the leading position in the world. High-efficiency in stevedoring and guaranteed services were highly recognized by customers.

By means of standardized operation training and skill training, the Company continuously improves the technical skills and practical ability of operating personnel. The Company organizes safety technology competition every year to improve the staff's work proficiency and skill levels. The Company continuously improves employees' business skill and builds a team of high-quality industrial workers, which establishes the foundation for the Company to maintain industry-leading production efficiency.

### Technic & security competition 2018 of the Company

On 19 September 2018, the Company successfully held the 2018 technic & security competition. After a series of selections, 1,138 players participated in the final stage of the competition. After fierce competition, 41 “competition champions” and 6 team champions were finally determined. In this competition, more than 20 media reporters from the central provinces and cities came to interview and report, and Xinhua News Agency, Shandong TV Station, Public Network, Qingdao Financial Daily, Qingdao News Network and other media adopted live broadcast, which triggered the refreshing effect on the Internet and received a lot of positive comments. In particular, the Xinhua News Agency client live broadcast *Thousand People from Qingdao Port Compete: Can Drive the Forklift to “Thread the Needle”*?, which attracted more than 1.3 million people to watch. The harbor staff showed the world the new achievement and new style of harbor “artisans” in the new era.



The opening ceremony of technic & security competition

### 3. Taking numerous initiatives to improve service level

Orienting to customers' needs, the Company implements headquarters marketing to provide customers with a comprehensive "door-to-door" logistics services. The leaders of the Company visit the customers every year, hold various customer seminars, widely solicit opinions and suggestions from customers, respond to customer concerns, further satisfy the customer personalized demands to enhance friendship and strengthen cooperation.

From August to December 2018, in order to deepen the supply-side reform of the port services and create new advantages in development of the port, the Company carried out the special action of "improve service through reform and innovation". Through optimizing the process, reducing links, standardizing fees, improving services, establishing mechanisms, the Company created new advantages of innovative development, sustainable development and leading development, and enhanced the comprehensive service capacity of the port.



#### Special Action of "improve service through reform and innovation"

##### ◆ Optimize service processes

- ◇ Accelerate the paperless speed of paper documents, and gradually realize the paperless container terminal clearance during the year.
- ◇ Accelerate the lift-off speed of importing containers and strive to achieve zero waiting for container pick-up.
- ◇ Accelerate the speed of container inspection, strengthen interaction with customs information systems, and shorten inspection time.
- ◇ Self-examine against business content in depth and continuous optimize service processes.

##### ◆ Optimize the charging link

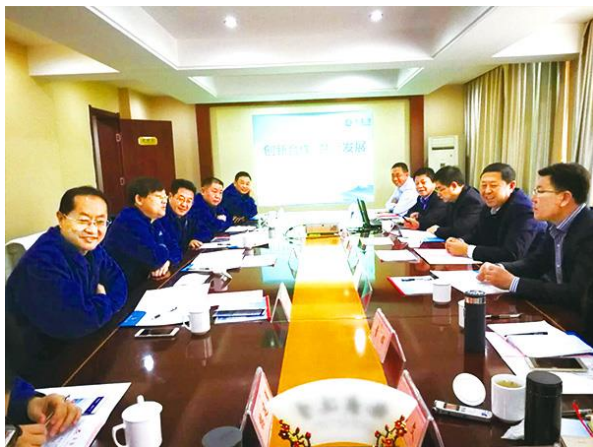
- ◇ Implement a list of sunshine prices to achieve full coverage of public notice on charges and clear prices.
- ◇ Standardize the behavior of independent charging, and ensure that all fees and charges meet the requirements of the national laws and administrative department's rules and regulations.

##### ◆ Optimize service capabilities

- ◇ Improve the quality of service personnel, and provide special education to customer service personnel on service standard, service discipline and service awareness.
- ◇ Improve service facilities and service environment, promote one-stop service, and let customers do it in one go.
- ◇ Upgrade and improve the logistics e-commerce service platform, build an online business hall, and create a "single service window" with online and offline integration.



The Company regards serving customers as a top priority, conducts multi-level customer visits and customer seminars every year, solicits customer opinions and suggestions, understands customer needs, and continuously improves service quality.



The Company's leaders led the team to visit customers every year



Dagang Branch held a seminar of imported fertilizer owners



Qiangang Branch held a seminar of ore traders

On 7 December, Qingdao Port International Crude Oil Trade Development Conference 2019 was held in Qingdao. More than 60 crude oil traders and refining and chemical companies from home and abroad gathered together to discuss the development of crude oil trade.





Dongjiakou Branch constantly upgraded its service level and demonstrated service details and established its service brand through “a smile, a greeting, and a patient answer”. When investigating customer service opinions, Dongjiakou Branch found that truck drivers drove to the terminal after a night of driving, and most of them had no time to eat breakfast. Dongjiakou Branch launched service that provided simple breakfast and hot water, which was widely praised by truck drivers.



Smile service and patient answer



A cup of hot water and a warm feeling

QQCTU adhered to the customer-centered service concept, established a comprehensive service capability improvement team, built an integrated management platform for external service, recorded all customer needs and customer service calls, arranged special personnel to track and implement customer problem solving, and continuously improved external service quality.

序号	编号	客户姓名	客户电话	客户单位	电话内容	服务人员	是否解决	需公司解决事项	接听时间
1	825	提箱司机	13866627883		1#门不起杆，拖车进不来。反映班长送电后正常	管香	是	无	2018-11-19 08:45:00
2	824	王师傅	13866794178	山东烟台	询问完船时间，海事处签证更换船员	杨阔	是	无	2018-11-19 07:40:00
3	823	王先生	13861763286		司机提箱有一个箱子没有打出位置，及时查询箱位，告知司机提箱。	田斌	是	无	2018-11-19 05:15:00
4	822	张先生	18653226137		D04机械未到位，联系机械过场作业	田斌	是	无	2018-11-18 23:15:00
5	821	鲁先生	13866425186		小票模糊，E02指令司机停在B02，联系司机跑错场位，电话跟踪到位后立即作业	李文浩	是	无	2018-11-19 05:15:00

QQCTU's management platform for external service



Qingdao Port Logistics vigorously developed the sea-rail intermodal transport business. On 13 September, the whole-course intermodal transport bill of lading project of Qingdao Port's inland port was officially launched, shortening customs clearance time, reducing logistics costs, providing greater convenience for the import and export of goods, and enabling extensive inland port customers to enjoy efficient, convenient and high-quality logistics services.

## (II) Complaint handling

The Company adheres to the customer-oriented concept, improves the customer service system, establishes the customer management measures and sets up a special agency to handle customer complaints, so as to properly handle the customer complaints and relevant disputes, continuously improve service quality and enhance customer satisfaction. In response to customers' advice, a service mechanism focusing on "first inquiry responsibility" system is established to timely understand customers' needs and difficulties, continuously improve service level, satisfy diverse needs of customers and safeguard the interests of customers.

The Company organizes customer satisfaction survey regularly to collect customers' opinions and suggestions. For the customer complaints received, customer service staff keep tracking the settlement of customer complaints to ensure 100% resolving rate. The table below shows the statistics of the received and solved customer complaints of the Company (excluding its subsidiaries, joint ventures and associates) via formal complaint channel in 2018:

S/N	Complaint type	Number of complaints
1	Number of customer complaints	68
2	Number of invalid complaints	0
3	Number of the handled complaints	68
4	Number of complaints to be handled	0

## WIN-WIN COOPERATION

The Company actively integrates into the development of the Belt and Road, grasps the strategic opportunities, accelerates the pace of internationalization, strengthens the cooperation with the world ports, upstream and downstream industries and suppliers, brings into play their respective advantages, forms whole joint forces and creates new competitiveness.



### (I) External cooperation and communication

We promote the international strategic layout in a steady pace. The Company builds the “Circle of Friends” along the line of the Belt and Road and increases the reputation and influence in the world. In 2018, we signed fifteen strategic cooperation framework agreements with domestic and overseas strategic partners, trained a batch of international talents, promoted the strategic cooperation with international ports and business partners and expanded space for development abroad.

#### Promoting the Construction of Sister-port

On 6 March, the Group established sister-port relations with Spain's Cartagena Port. So far, the number of sister-ports of the Group has reached 22. The two sides agreed to cooperate on port development and construction, operation and management, green and low carbon, employee training, operation process optimization and handling efficiency improvement.





The Company strengthens strategic cooperation with upstream and downstream industries. On 24 February, the Company held the signing ceremony of Ocean Bridge International Port Operation and Management Co., Ltd. with COSCO SHIPPING Ports. Through the establishment of Ocean Bridge International Port Operation and Management Co., Ltd. as a joint venture, the two parties will actively explore the innovation of port operation and management mode, further cooperate in overseas and domestic port operation and management output, complement each other's advantages, fully integrate project development with operation and management, and improve the level of operation and management of the terminal to achieve a win-win development and better integrate into the development of the Belt and Road.

The Company accelerates the layout and construction of inland ports. In recent years, the Company has implemented the development of the Belt and Road and built a safe, convenient and efficient logistics golden channel with the optimal allocation of sea-oriented and land-oriented two-way resources, comprehensively enhanced the competitive strength of Qingdao Port as the “sea gate” and “bridgehead” of the regions along the “Silk Road Economic Belt” and provided trade facilitation and efficient logistics support for countries and regions along the Belt and Road. In 2018, Qingdao Port's sea-rail intermodal transport achieved rapid growth again. The annual operating volume of the containers was 1.154 million TEUs, representing a year-on-year increase of 48.7%. It became the first port in the country's coastal ports to break through one million TEUs in operating volume of the containers using sea-rail intermodal transport.



On 28 April, Qingdao Port Lugang (Jiaozhou) International Logistics Co., Ltd. was unveiled and established.



## Learning and communication between the Group and external units

On 23 July, the leaders of the Company's visited the port office of Port of Piraeus in Greece with the Qingdao delegation. The mutual parties unanimously agreed to strengthen personnel exchange, business promotion, and application of new technologies by sharing the practical experience of port operation and management of both sides.





On 1 November, the leaders of the Company went to Rio de Janeiro, Brazil to visit the headquarters of Vale with the Qingdao delegation to further strengthen their strategic cooperation.

In September 2018, the management of Qingdao Shihua attended the 34th Asia-Pacific Oil Conference held in Singapore and gave a keynote speech at the conference to introduce the construction achievement, development plan and a new model of whole-process integrated logistics for service traders and refining and chemical enterprises in respect of Qingdao Port's oil sector to industry participants and news media.



## (II) Supplier relationships

The Company standardizes the bidding procurement management according to the national bidding laws and regulations, and guaranteed the legitimate rights and interests of the Company and its suppliers. We are committed to maintaining the market order, complying with the policies and commitments to suppliers, and advocate establishing a business environment with fair competition, equality and mutual benefit.

The Company adopts a centralized purchasing policy, vigorously carries out the “Sunshine Procurement” project. We set up a special department Materials and Equipment Bidding Purchase Center to carry out unified procurement of raw materials, equipment and business outsourcing by adhering to the principles of openness, fairness, justice and transparency. By implementing “Sunshine Procurement” project, we take the advantages of large-scale purchase and specialization of procurement, strengthen the risk control of procurement process, powerfully prevent violations such as commercial bribe, and effectively promote the saving of funds and cost control.

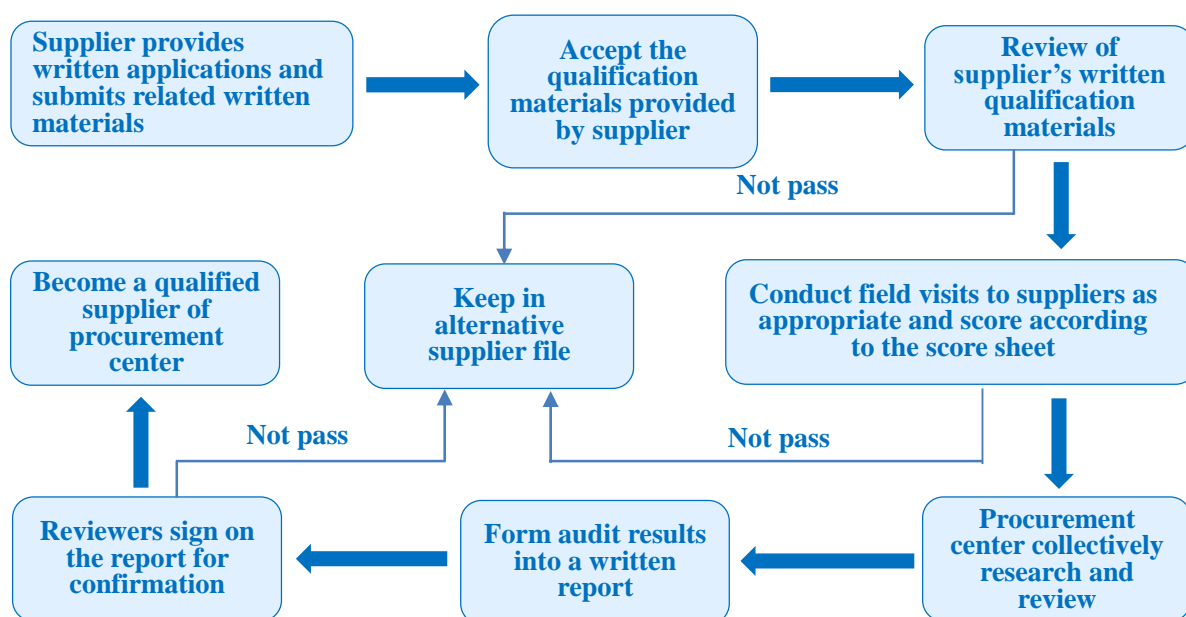
The Company is committed to maintaining a fair and open tendering system and take strict precautions against the risk of corruption and fraud in the supply chain. We encourage suppliers to conduct anonymous reports on suspicious corruption through hotlines and strictly crack down on illegal and irregular acts such as malpractices for selfish and black box operation in the procurement process, so as to protect the legitimate rights and interests of both parties.



## Sunshine Procurement

In 2018, 600 pieces of bidding information and 1,100 bidding and auction notices had been released by the Group through “Sunshine Procurement”. Besides, more than 50,000 daily inquiries had been received. “Sunshine Procurement” project played a positive role in promoting fairness, justice and transparency of procurement activities, improving procurement efficiency, reducing procurement cost and preventing procurement risks.

## Supplier Review Process



The Company regards suppliers as our commercial partners of great importance. The Company has formulated a clear *Supplier Management Measures* as a guide for evaluating and selecting qualified suppliers. We have formed a sound management mechanism for suppliers' daily management, periodic evaluation and annual audit. By bidding method and other means, we constantly introduce suppliers with advanced technology and efficient operation and optimize the supply chain to maintain the leading level of suppliers and competitiveness.



### Geographical distribution of major partner suppliers in recent 3 years

Distribution Area of Suppliers	Number of Suppliers in 2016	Number of Suppliers in 2017	Number of Suppliers in 2018
Qingdao City	614	575	499
Shandong Province (excluding Qingdao City)	127	124	119
Outside Shandong Province	350	315	255
Total	1,091	1,014	873

In the procurement process, we strive to build an environmentally friendly, efficient, and convenient supply chain ecosystem, focused on the priority selection of equipment and materials that are reliable, energy-efficient, and environmentally friendly, and prohibit the procurement of outmoded products obsoleted by official government order. We focused on whether suppliers have legal or moral risks in protecting the ecological environment, obeying labor standards, and protecting human rights, and used it as an important basis for evaluating suppliers. The Company delivered the concept of sustainable development and management requirements to its suppliers and motivated them to fulfill their social responsibilities consciously.

### (III) Industrial development promotion

The Company actively joins various industry associations and organizational activities, promotes industrial innovation and development and keeps a harmonious relationship with enterprises in the same industry. At present, the Group has joined dozens of industry associations and served as president, vice president, director, etc., and proactively participated in activities of industry associations. Some of the industry associations the Group has joined are shown below:

S/N	Association Name	S/N	Association Name
1	China Ports and Harbors Association (中國港口協會)	9	The Hong Kong Institute of Chartered Secretaries (香港特許秘書公會)
2	China Association of Port-of-Entry (中國口岸協會)	10	Shandong Province Port and Shipping Association (山東省港航協會)
3	Qingdao Chamber of Commerce of China Chamber of International Commerce (中國國際商會青島商會)	11	Shandong Institute of Internal Auditors (山東省內部審計師協會)
4	China Communications Accounting Commission (中國交通會計學會)	12	Qingdao Institute of Internal Audit (青島市內部審計師協會)
5	China Water Transportation Construction Association (中國水運建設行業協會)	13	Qingdao Logistics Association (青島市物流協會)
6	China Tally Association (中國理貨協會)	14	Qingdao Association of Enterprises (青島市企業聯合會)
7	China National Association of Finance Companies (中國財務公司協會)	15	Qingdao Association of Work Safety (青島市安全生產協會)
8	Cross-Straits Shipping Exchange Association (海峽兩岸航運交流協會)	16	Qingdao Banking Association (青島市銀行業協會)

# PEOPLE-ORIENTED

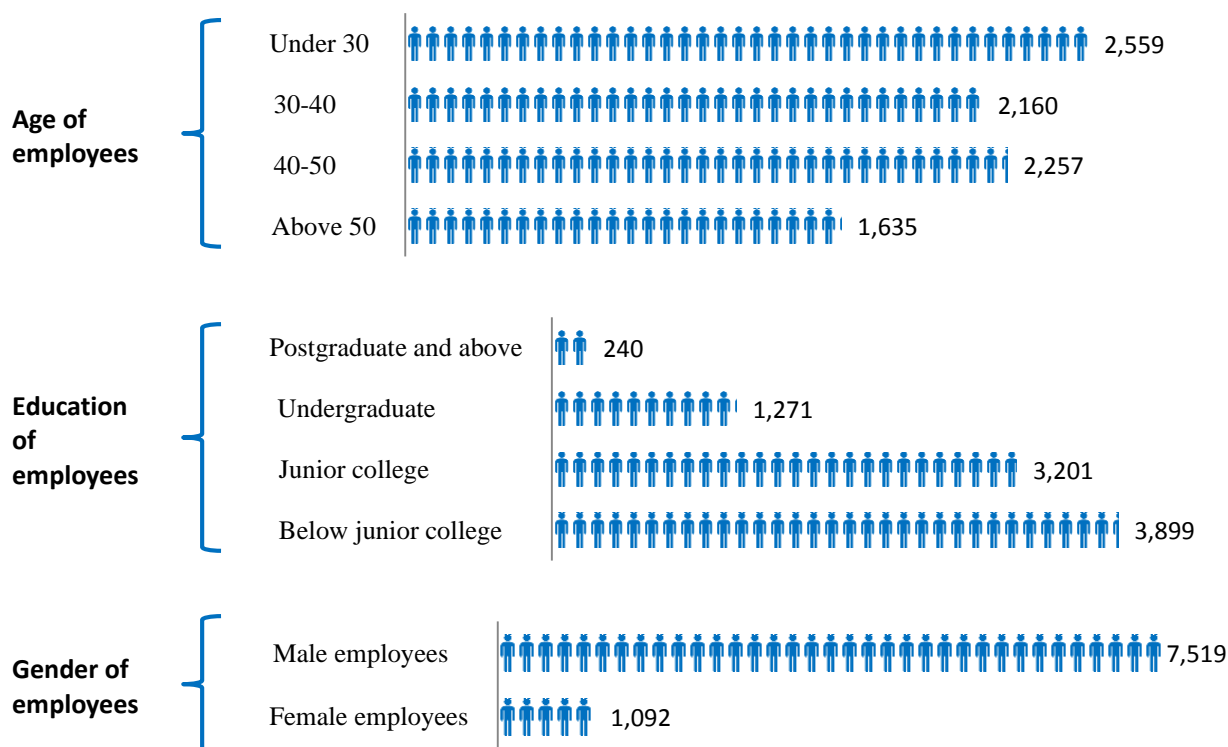
The Company regards employees as a valuable asset of an enterprise and adheres to the “people-oriented, boosting Qingdao Port through talents”. We concern about the development of employees, improve the personnel training mechanism, protect the rights and interests of employees, actively build harmonious labor relations and promote employees and enterprises to grow together.

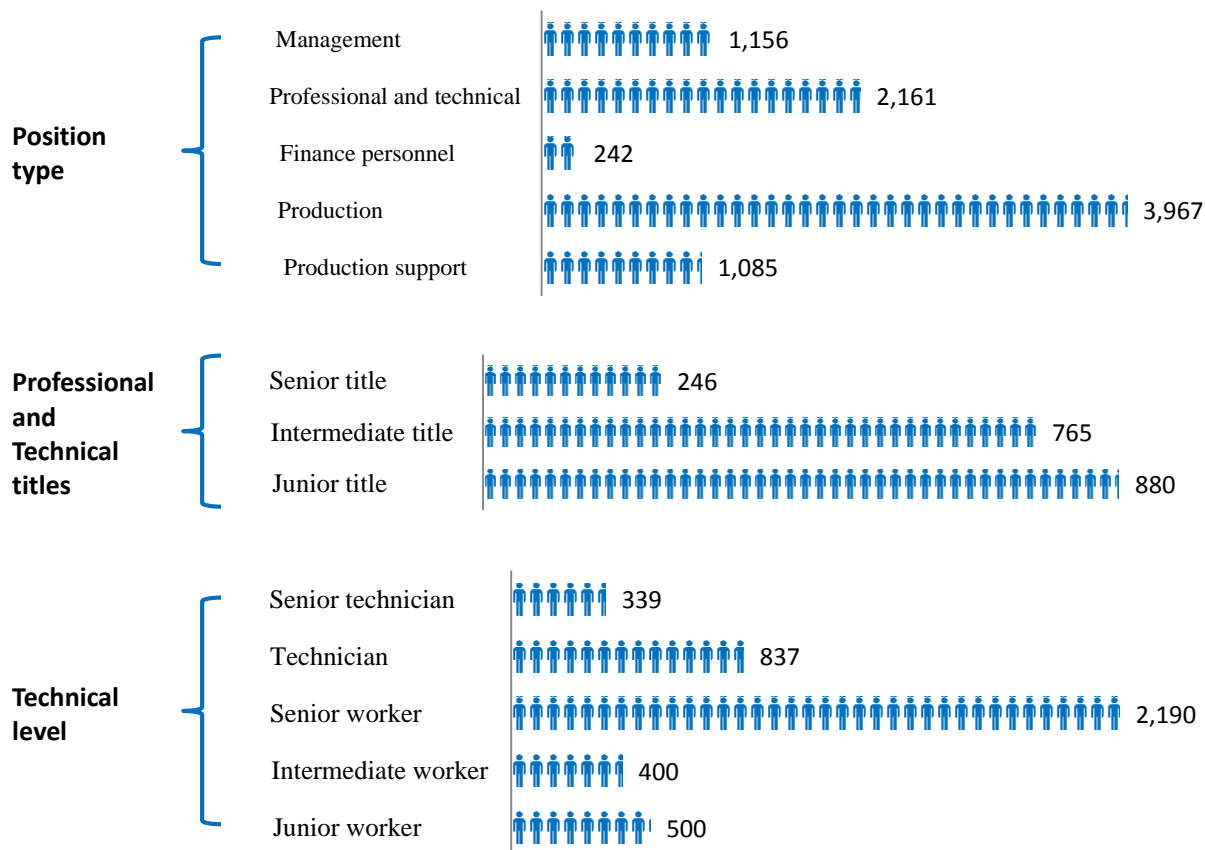


## (I) Employee profile

The Company strictly complies with the *Labor Law of the People's Republic of China*, standardizes the labor relations according to laws, and establishes a labor employment system based on contract system. As of 31 December 2018, the Company hired 4,950 employees, with its subsidiaries and major joint ventures employing 3,661 employees. All employees are full-time staff and the number of employees was relatively stable.

### Statistics of employees of the Group by classification (unit: person)





## (II) Employee's legitimate rights and interests protection

1. Democratic rights. The Company establishes the democratic management system with the workers' congress as the basic form, deepens the innovation in openness and democratic management of the factory, and guarantees the employees' right to know, participate and supervise.

2. Remuneration policy. The Company mainly implements two salary systems including piece-rate and time-rate. We mainly implements the piece-rate system for the front-line operators and machinery drivers, and implements time-rate system for other on-the-job employees. The employee compensation includes basic salary and performance-based reward. The growth of salary is determined based on employee work performance, economic environment and supply and demand of human resources market in accordance with the principle of synchronizing with the growth performance of the Company and the improvement of labor productivity.

The Company pays pension, medical care, unemployment, work-related injuries, childbirth and other social insurances for the employees, and provides the employees with high temperature subsidies, heating subsidies and other welfare benefits. The Company has established an enterprise annuity plan for employees to protect their rights and long-term interests. We establish a supplementary medical insurance of medical aid for serious disease system to solve the practical difficulties of employees suffering serious disease.

### Employee rights protection performance indicators

Statistical classification	2016	2017	2018
Collective contract coverage (%)	100	100	100
Enterprise annuity coverage (%)	100	100	100



Statistical classification	2016	2017	2018
Notice of significant events (%)	100	100	100
Democratic supervision coverage (%)	100	100	100
Percentage of employees participating in labor union (%)	100	100	100
Percentage of minority employees (%)	0.43	0.53	0.47
Occupational training coverage (%)	100	100	100
Occupational health check rate (%)	100	100	100
Social insurance coverage (%)	100	100	100
Physical examination and health coverage (%)	100	100	100

3. Labor management. The Company abides by laws and regulations such as *the Labor Law*, *the Labor Contract Law* and *the Prohibition of Child Labor Regulations*, formulates and implements the “*Labor Rules and Regulations of Qingdao Port International Co., Ltd.*” to effectively protect the legitimate rights and interests of employees. We strengthen the supervision and inspection of compliance with labor standards on subsidiaries and joint ventures, urge the responsible departments to immediately rectify and eliminate the impacts according to the laws, regulations and the Company’s system when irregularities were found, and hold responsible departments accountable. There is no illegal behaviors such as employment of child labor, forced labor, labor discrimination, sex discrimination and occupational discrimination founded in the Company. The Company scientifically sets up the shift system according to the type of work. Employees' monthly working time meets the requirements of relevant labor laws and regulations. The Company will pay overtime pay or arrange for the transfer of rest to employees who work overtime beyond the legal working time. After the employees joining the Company, they sign written labor contracts with the Company; when employees leave the Company, the Company doesn't limit their choice of other new jobs with illegal reasons and means.

#### Statistics of employment and loss of employees in 2018 (Unit: person)

Statistical classification	Classification breakdown	Number of new appointment	Number of loss (including retired staff)
Employee age	Under 30	150	41
	30-50	10	47
	50 above	0	398
Employee education	Postgraduate and above	35	3
	Undergraduate	40	8
	Junior college	86	195
	Others	0	280
Employee gender	Male employees	130	441
	Female employees	31	45

4. Employee holidays. The Company safeguards the legitimate rights and interests of employees for taking normal leave and ensures that employees could enjoy public holidays and paid leave benefits according to law. After the employees return to work according to maternity leave/nursing leave regulations, the Company still retains positions for them.

Name of holidays	Number of vacation days
Legal holidays	New Year's Day, Spring Festival, Qingming Festival, Labor Day, Dragon Boat Festival, Mid-Autumn Festival, National Day, etc., implementing the national standards
Paid leave	According to the accumulated years of working, the employees could enjoy leave for 5 days, 10 days and 15 days

Name of holidays	Number of vacation days
Maternity leave	158 days
Care leave	7 days
Breastfeeding	For children are less than one year old, female employees have 1 hour leave per day
Marriage leave	3 days
Funeral leave	1-3 days
Home leave to visit spouse	30 days
Home leave to visit parents (unmarried)	20 days / year; 45 days / 2 years
Home leave to visit parents (married)	20 days / 4 years

5. Fair treatment. The Company prohibits any form of employment discrimination. Employees enjoy equal opportunities in recruitment, career development and so on, and aren't discriminated against due to gender, age, race, beliefs, and other illegal factors.

### (III) Construction of harmonious labor relation

#### 1. Doing practical affairs for the well-being of the majority of staff

The Company insists on paying attention to production and operation as well as staff life at the same time, continuously satisfies the wishes of the employees for a better life, and build a happy and harmonious port home. The Company cares about the life of the staff, conducts in-depth research every year to understand the staff needs, publishes the practical work arrangement for employees in the form of official documents, set out the work list announced to employees and accepts employees' supervision.

(1) We make every effort to ensure employees' work safety. While providing employees with sufficient labor protective supplies, the Company formulates protection measures against cold and heatstroke in the winter and summer each year to protect employees' labor safety in weather conditions such as strong winds, coldness and extreme heat. We care for employees' health, invested in health examination activities for employees every year according to scientific, comprehensive and optimized physical examination standards.



**Health check-ups for all employees**



**Health check-up car entered Dongjiakou Port Area**

During the extreme hot season of 2018, the Company extensively solicited opinions from employees and provided a heatstroke prevention first aid kit at the front-line of the work. We provided refreshing drinks such as mineral water, cold drinks, mung bean soup, plum juice and watermelon for employees who worked under high temperatures. We monitored the working environment temperature in real time, stopped working in time when the temperature warning line was exceeded, and strived to ensure that no employees suffered from heatstroke.



**Employees rested on a safe island**



**Heatstroke prevention medicine for employees**



**Deliver refreshing drinks to employees**



**Employees were cooling off the heat**

In the winter, the winds are strong and the weather is cold on the terminals. In order to protect the staff from frostbite, the Company prepared clothes that can keep warm and defend cold such as down coats and velvet pants for the employees before the cold wave comes.



**Handing the down coats over to the front-line unit**



**Distributing warm clothes**



(2) We continuously improve the working conditions of employees. The Company has invested in continuous improvement of the environment of on-site operations, office and accommodation in the port area, and strived to create a safe, healthy, well-equipped and humane working and living environment for employees. The Company actively improved the transportation network of the port area, coordinated social public resources to allow bus routes to enter the Huangdao, Dongjiakou port areas and the Langyatai community, to achieve effective collection between the bus, the subway and the port area, so that employees can travel more conveniently.



**The shuttle bus stopped at the Company's entrance**

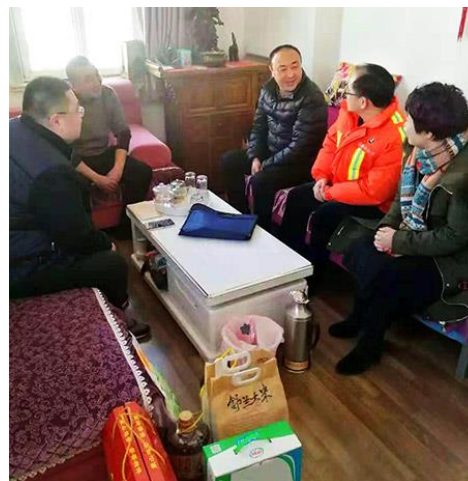


**Bus entered the port area**

(3) We actively carry out visits and condolences. In light of the actual situation, the Company visits the model workers, widows of model workers, the employees who suffered family difficulties due to special accidents and the old comrades. Especially in the Spring Festival, Labor Day, Mid-Autumn Festival and other festivals, leaders at all levels lead the team to carry out visits and condolences and deliver the Company's kindly care.



**Providing love donations to employees in distress**



**Consoling employees who suffered family difficulties**

**Note: In order to protect the personal privacy of employees, the photo of such employees have been blurred.**

(4) We pay attention to the work and life of newly recruited college students. For college students who have just stepped out of the campus and entered the workplace, not only the Company creates favorable learning conditions to promote their rapid adaption to their positions and growing into talents, but also pays attention to the needs of their lives and implements the transformation and upgrading project for college students' accommodation environment. We set up three talent apartments in Qingdao, Huangdao



and Dongjiakou respectively, and improve supporting facilities such as eating, living, traveling, purchasing and entertainment, which provide a cozy and comfortable living environment for college students.

In 2018, the labor union of the Company and its subsidiaries at all levels, in conjunction with local enterprises and institutions, held a number of fraternities to create opportunities for unmarried young employees to find spouses in their lives.



**The Company organized young employee networking events**

(5) We care for the lives of retired employees. Every year, the Company conducts health check-up activities for retired employees, distributes holiday items and birthday cakes for them, and organizes the activities of spring outings and returning to the port for visit according to the actual condition, to enrich the life of old comrades in their later years. In 2018, on the eve of the traditional Chinese festival, Chongyang Festival, the Company's grassroots units launched a campaign of caring for and respecting the elderly and gave the old employees the care and warmth of the big harbor family.



**Autumn outing activities for retired employees**



**Retired employees returned to the port for visit**



## 2. Strengthening humane care and improving the quality of life

The Company strengthens humanistic care for employees and pays attention to ensuring that employees enjoy legitimate and valid welfare treatment. The Company has consistently provided holiday condolences to employees on traditional festivals such as the Spring Festival and Mid-Autumn Festival, and sent out affectionate and warm holiday care for employees. The Company constantly innovates the types of festival condolences to meet the individual needs of employees.

The birthday cake is one of the benefits that the Company has been providing for employees consistently for many years. The Company introduces a local cake brand with good reputation and popularity through tendering. The quality of the birthday cake is safe and reliable and the varieties of the birthday cake are good plenty, which are loved by the majority of employees.

### Rich varieties of cakes



**Rose sweetheart**



**Live as long as the southern mountain**



**Classic chocolate**



**Mango Bella**

The Company formulates the *Canteen Management Standard* according to the *Food Safety Law of the PRC*, strictly implements food safety standards, scientifically formulates recipes, regularly collects opinions from employees, continuously improves the quality of meals and innovates the varieties of food. In 2018, after careful research, the Company further improved the subsidy standard for lunch on duty. The quality of lunch on duty continued to improve, allowing employees to eat more hygienic, more nutritious and healthier foods.



**Specialty food beef noodles received praise from employees**



**Free choice of variety dishes**



**Combination of meat and vegetable**



**Balanced nutrition**



In April 2018, Qingdao Port Logistics Network was officially launched online, further expanding the approaches to logistics service. Through the mobile APP, the staff canteen publishes the special foods in the “food online” and employees can order all kinds of customized foods, which are very popular among the employees. In the logistics network “online shopping mall” more than 500 kinds of high-quality and inexpensive goods are available for employees to choose, so that employees can enjoy more and more affordable services without going out.



Logistics network



Opening of online shopping mall



Goods in online shopping mall



Holding New Year collections market

### 3. Organizing various activities to enrich employees' life

The Company pays attention to employees' physical and mental development needs and carries out entertaining, small and diverse cultural activities themed on a subject based on the actual situation each month to enrich the leisure time of the staff. We guide employees to insist on their ideals and beliefs, strengthen the moral behavior pursuit of cause, improve moral accomplishment and cultural taste, enhance the cohesion and improve execution ability, and build a harmonious enterprise.



### Rich and colorful employees' extracurricular activities

In accordance with the principle of voluntary participation of employees, the grassroots units of the Company organized employees to carry out team outing activities in the suburbs of Qingdao during weekends to allow employees to relax after the busy work, while further enhancing mutual friendship



and fostering team spirit.



**Green outing activities of employees**

In 2018, the Group successively organized basketball games, brisk walking, mountaineering competitions, sports day with fun games, water gala, Chess and card game, and other diverse staff fitness activities.



**A variety of employees' fitness activities**



In recent years, all units in Dongjiakou Port Area have increased their investment in the construction of employee activity centers according to the location characteristics which is far away from urban area and there is a lack of leisure and entertainment venues in the surrounding areas, and provided relatively complete facilities for fitness, reading and entertainment. We also organized a variety of recreational activities to enrich the amateur cultural needs of employees. The annual cool evening party and food festival has become a cultural feast for Dongjiakou Port.



**Rich amateur cultural life in Dongjiakou Port Area**

On 28 December, the Company's labor union hosted the “Song of Reform and Opening Up”, an artistic performance for employees to welcome the New Year. The employees of the harbor celebrated the New Year with a variety of artistic performances written and directed by themselves, such as songs, dances, cross talks, sketches, and melodramas.







Employees' literary activities directed and acted by themselves

#### 4. Caring for female employees

The Company implements *the National Special Provisions on the Labor Protection for Female Workers* and other related requirements to protect the legitimate rights and interests of female employees during pregnancy, maternity and lactation, eliminates all forms of gender discrimination, and guarantees that female employees enjoy equal opportunities with male employees in employment, salary and treatment, career development, etc. In 2018, the Company's related subsidiaries purchased women's special diseases mutual assistance insurance for female employees according to the actual situation, providing them with a special protection and care.







On 8 March, the Company organized the style show activity named “I come from the spring” for female employees in Qingdao International Passenger Liner Home Port to celebrate the International Women’s Day. The female employees of the harbor have been always hardworking, but on their festivals, they were dressed in beautiful costumes, performed in the goddess mode, and played a “Harbor Goddess Show”, demonstrating their confidence, wisdom and beauty.

#### (IV) Construction of platform for growth and development

The Company attaches importance to personnel training and development, creates a fair and just talent competition mechanism, and vigorously promotes the personnel training program. In 2018, the number of various qualifications of junior, middle and senior professional titles newly acquired reached 300, and the number of qualifications of senior workers, technicians and senior technicians newly acquired reached 300. The age, education, knowledge, and ability structure of personnel in key positions such as management personnel and skilled workers were transformed into high-skilled and high-quality aspects, providing talent protection for the Company's development.

New improvements have been made in the construction of learning employees and learning organizations in the Company. The Company carries out training for all staff to ensure that employees of different types of jobs, levels, and genders have equal opportunities to participate in training. The coverage rate of employee training reaches 100%, and the average annual training time for employees is more than three days. On the basis of the reality, the units of the Company carry out various forms of task-oriented training, organize employees to participate in the national professional title examination and evaluation, and make great efforts to the skills training of technical workers and the training of high-skilled personnel.



In 2018, the Company implemented an education and training model that combined classroom education with online learning. Through the staff education and training center, we organized and carried out training with 30 specialized topics and 87 classes for managers at all levels, professional and technical backbones and the others, completed about 6,700 persons or times of concentrated training tasks. At the same time, the Company continued to enrich the content of Qingdao Port online school, which provided a guarantee for employees to self-learning.



**Group photo of the “long voyage” training course phase II in 2018**

The Company has deeply carried out all-staff technical training and skill competition activities, and built a big stage for employees to grow into talents and build a employees team of high-quality and high-skilled. In the favorable training mechanism and learning environment, many industrial and national models have emerged from the Group.



**XU Zhenchao**

The Standing Committee of the 11th and 12th National People's Congresses, the National Labor Model, the National Outstanding Communist Party Members, the "Reform Pioneer" for the 40th anniversary of reform and opening up



**PI Jinjun**

The Representative of the 18th and 19th National Congresses of the Communist Party of China, the National Labor Model, The National "May Day" Labor Medal Winner



**GUO Kai**

The National Outstanding Communist Party Member, the National Youth Position Expert



**WANG Jiaquan**

The National "May Day" Labor Medal winner, Champion of National Youth Skill Competition, the National Youth Position Expert



# SOCIAL WELFARE

The Company actively undertakes the social responsibility, fulfills the obligations of a corporate citizen, and extensively participates in social welfare undertakings, donates to education, helps the elderly and children, cares for vulnerable groups, repays to the community and promotes positive energy and social harmonious development.



## (I) Contributing to the development of a harmonious community

In the business activities, the Company regards repaying society as one of its corporate missions, and pays attention to safeguard the public interest. The Company continuously strengthens communication and contact with local communities, actively participates in community activities, promotes the construction of harmonious communities, and contributes to the development of the communities where it operates.

The Company strengthens the co-construction and sharing with local communities and promotes community building through various ways such as recruiting local personnel, participating and hosting sports events. On 11 November, “Qingdao Port • 2018 Qingdao Maritime International Marathon”, whose title sponsor was the Group, was successfully hold. The Group has been the title sponsor of this competition for two consecutive years.

This competition is a Class A1 competition jointly organized with Chinese Athletics Association, attracting 20,000 professional marathon runners and marathon enthusiasts from home and abroad to sign up. After fierce competition, Ruto Kipkoech and Flavious Teresa Kwamboka from Kenya won the men's and women's full marathon championships respectively.





The Company actively communicates with the local government and community residents, enhances understanding and trust, and strives to form a win-win situation of harmonious coexistence and common development. We actively pay attention to and participate in community construction. With the rapid development, the Company has driven the development of local logistics, warehousing, commerce, trade, manufacturing and finance and other industries, brought a large number of employment opportunities for the local region, increased the source of tax revenue, and promoted local economic prosperity and social stability. We continue to carry out community public welfare activities such as poverty alleviation, education donation, etc. We encourage employees to serve the community and contribute to the society.



## Actions to participate in community building



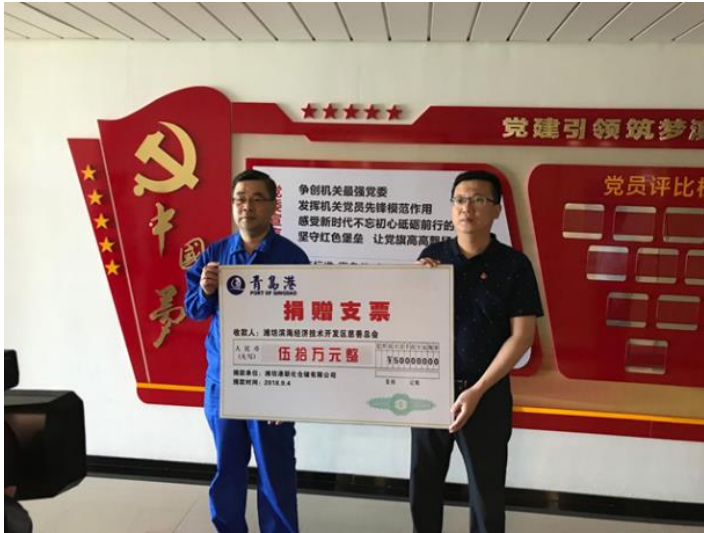
QDOT has established a co-construction relationship with Poli Central Secondary School and Poli Central Primary School. They insisted on donating teaching funds every year and actively supported local education. Over the years, they have been working with local schools to carry out the social practice activities of “Witnessing the development and construction of Dongjiakou Port”. During the Children's Day, they organized local students to visit the port area to learn about the world-class port in the hometown. In 2018, they jointly launched a series of activities such as the “Poetic flavour of Dongjiakou reminiscence in Qingming Festival” classic reading performance with five primary schools including Poli Primary School and Dongjiakou Primary School to promote traditional culture into the campus.



On the eve of the rainy season in 2018, Tongda Branch's young volunteers came to Laoshan Scenic Spot to clean up the falling rocks of the rivers in the scenic spot, which effectively ensured the smooth drainage of the rivers in the scenic spot.



On the eve of World Environment Day, 5 June 2018, young volunteers from Logistics Companies came to the Lianwan River area in Huangdao District to clean up the rubbish and floating debris along the river bank.



In August 2018, affected by Typhoon Winbia No. 18, Weifang City suffered severe typhoon floods. Shandong Port Lianhua Pipeline Co., Ltd., a subsidiary company of the Company, donated RMB 500,000 to devote love to the people in the disaster area and help the disaster area to tide over the difficulties.

QDOT and Kangxin Anyang Center in Huangdao District became a pair of partners for co-construction. In 2018, they organized volunteer activities to respect the elderly and help the disabled three times and organized the theme public welfare activities such as “Youth flying on the road of public welfare” in conjunction with the Poli Town Youth League Committee, the Third People’s Hospital of the West Coast New Area of Qingdao, and Chunyu Public Welfare four times, which was recognized by local charities. Kangxin Anyang Center specially sent the silk banner of “Model of the public welfare group” to QDOT.





## (II) Investing in the social welfare undertakings

The Company adheres to sharing the results of enterprise development with society, actively repaying the society and supporting social welfare and charity, while maintaining the sustainable and healthy development. The Company actively promotes the traditional virtues of helping those in distress and aiding those in peril and the dedication spirit of mutual assistance, and mobilizes the employees to participate in charitable public welfare undertakings. In 2018, the Company mobilized its employees to actively participate in the “One Day Charity Donation” charitable donation activity organized by Qingdao City, a total donation amount of RMB 390,000 from employees were donated to the Qingdao Charity Federation

The Group successively sets up more than 40 volunteer service teams to participate in community public services. In collaboration with Xindao Community of Huangdao District, Luoyang Road Community of Shibei District, Huangdao Experimental Primary School, Hualou Hope Primary School of Laoshan District and other communities and schools in Qingdao, we carry out pairing volunteer service activities to help the old, the disabled, the poor and the needy and advocate civilization, which established a good social image.

### Long-term perseverance — documentary of volunteer service activities

It has been more than 7 years since the Volunteer Civilization Supervision Service Activity was initiated by the Youth League Branch of Xilian Tally Center of Qingdao OST on 5 March 2012 and more than 200 volunteer service activities were conducted cumulatively. At first, there were only 10 to 20 volunteers. But now, nearly 100 people participated. No matter it was windy or rainy, cold or hot, the young volunteers arrived at the school gate every Monday morning to escort the primary school students to cross the road safely and never stopped.



5 March 2012



4 March 2013



8 April 2014



5 March 2015



27 June 2016



5 March 2017



29 October 2018

The Company actively advocates the "dedication, fraternity, mutual assistance, progress" volunteer spirit. The volunteer teams carry forward the spirit of Lei Feng to help others, spread civilization, dedicate love, and serve the community with practical action.

## A glimpse of volunteer activities in 2018



- ① On 5 March, the Company's volunteers came to Jinggangshan Road, West Coast New Area, and carried out the "youth volunteer action jointly building the Chinese Dream" love service activities together with more than 30 medical staff, and conducted free medical consultations for the masses and sanitation workers. The young League members were praised again and again by the masses of the society for their uplifting spirit, active and enthusiastic service attitude and care for all kinds of work. They used practical actions to be the communicators of social civilization and practiced corporate social responsibility.
- ② On 5 March, the Company's young volunteers and the traffic police department jointly went deep into the container freight station to carry out "civilized traffic, beginning with one step" –traffic safety publicity activities learning from Lei Feng. Volunteers issued promotional materials in relation to "no bad driving habits" to the drivers entering the station, selected key content to interpret for the drivers, and collected opinions and suggestions from the drivers for the container freight station services. The drivers praised the event and said that they must start from their own, drive civilly and eliminate bad driving habits.



- ③ On 4 May, the Company's young volunteers and Zhongshan Park Management Office jointly launched the volunteer service activities with the theme of “striving to be a civilized Qingdao person”, and advocated that the general public should start from the small things around them and strive to be civilized, courteous, hospitable, beautiful and harmonious Qingdao people to help non-local tourists to solve practical difficulties. The activities were actively participated by the general public and jointly contributed to the Beautiful Qingdao Action.
- ④ On 17 October, on the occasion of the traditional festival Chongyang Festival, the Company's young volunteers launched the “morning glow values evening sunny day” volunteer service. The young volunteers came to Fuai Senior Apartment in the New Area, which brought a variety of programs to the old people, and patiently accompanied the elderly to chat, talk, and relieve boredom, and spent a happy and warm Chongyang Festival with the old people.

In 2018, the Company organized employees to participate in voluntary blood donation public welfare activities many times. The majority of employees spontaneously participated in the voluntary blood donation activities with the “donate a bag of blood, save a life” mindset, and strived to be social civilization communicators with practical actions.



**On 8 March, the Company launched a voluntary blood donation public welfare activity named “donating blood as a civilized pioneer”.**



**In 2018, more than 300 employees of QQCTU donated more than 83,000 ml of blood cumulatively.**



**Employees in the new port area enthusiastically participated in the voluntary blood donation public welfare activity.**



**The voluntary blood donation car entered Dongjiakou Port Area.**



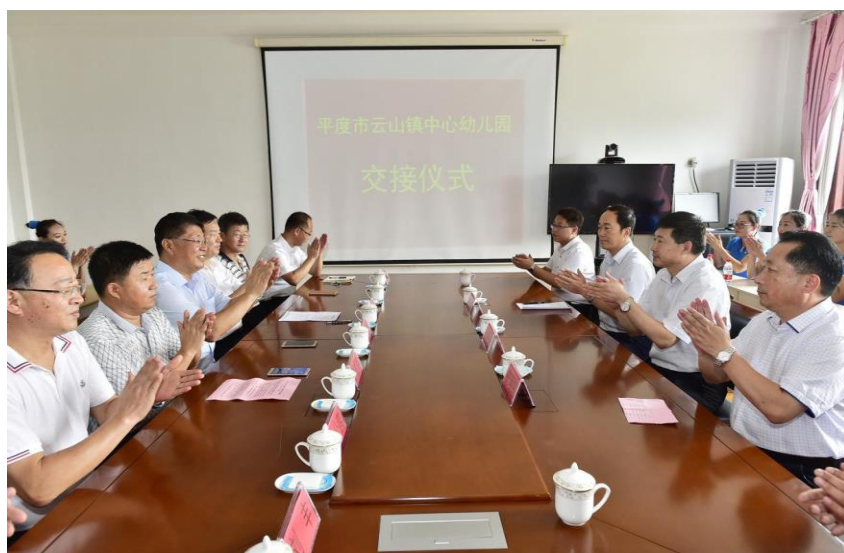
### (3) Carrying out precision poverty alleviation

The Company adheres to excellent service for the country and society, actively responds to the call of the nation for precise poverty alleviation, bravely assumes social responsibility, and carries out various solid and effective assistance work for poor areas.

In 2018, the Company invested RMB5 million to build Yunshan Town Kindergarten in Pingdu City Qingdao City, Shandong Province; invested RMB300,000 to improve the facilities of the Hope Primary School of Jianga Township, Zhenning Autonomous County, Anshun City, Guizhou Province; provided counterpart support to Dingjia Dazhuang, Dachang Town, West Coast of Qingdao City, Shandong Province; and sent specially-assigned person to participate in the Rural Revitalization Task Force of Yunshan Town, Pingdu City, Qingdao City, Shandong Province. The Company's assistance work has also received sincere gratitude and high praise from the assisted regions and units, and has also won wide recognition and praise from the society.

#### Precision Poverty Alleviation Initiative in 2018

Yunshan Town, Pingdu City, Qingdao City, is a provincial poverty town. In accordance with the spirit of conference on supporting economic weak towns by enterprises directly under the municipal government in Qingdao City, the Company actively carried out the work of counterpart assistance with Yunshan Town. The Company arranged personnel to conduct on-site investigation in Yunshan Town. According to the actual situation of the shortage of kindergarten buildings and poor rooms in the town and the lack of reform funds, the Company decided to invest RMB5 million to expand and renovate the kindergarten in Yunshan Town after consultation with the local government. In August 2018, the kindergarten expansion project in Yunshan Town of Pingdu City was completed and put into operation. The expanded kindergarten has three floors with an area of 2,571 square meters. It can provide a safe, comfortable and modern learning environment for more than 300 children. At the delivery ceremony, the leader of Pingdu Municipal Government said with deep feeling: "This assistance project makes us feel that Qingdao Port is not only a first-class international port, but also a socially responsible enterprise."



On 9 August, 2018, relevant leaders of Pingdu Municipal Government and the Company attended the delivery ceremony of the extension project of Yunshan Town, Pingdu City, and exchanged views on counterpart assistance work.



### Yunshan Town Kindergarten after extended in Pingdu City

The Company lists poverty alleviation as a key task in serving the society and contributes to the national poverty alleviation strategy. On March 2018, the Company sent staff to participate in investigation activity of public welfare program regarding to helping Anshun City, Anshun City, Guizhou Province organized by the Qingdao branch office. After exchange and consultation with the local government, the Company decided to donate RMB 300,000 to the Central School of Jian'ga Township, Anshun City, Guizhou Province for the construction of equipment and facilities of the school. In order to express their gratitude to Qingdao Port, the teachers, students and parents of the school decided to list Qingdao Port Hope Primary School in Jianga Township, Zhenning Autonomous County.



Qingdao Port Hope Primary School, Jianga Township, Zhenning Autonomous County





### The library built with the donation of the Company

On 15 January, Qiangang Branch called upon employees to participate in the activities of “Youth Poverty Alleviation, Warming Shandong”, which set off a wave of poverty alleviation and charity. The employees of the Company responded positively and generously, and raised RMB 47,500, which was all donated to poor areas to let poor children and left-behind children have a warm winter and enjoy a happy New Year.



In 2019, the Company will uphold the corporate mission of serving motherland with excellence and giving back to community. We will further implement the poverty alleviation work requirements of the state, provincial and municipal governments, connect poor areas for accurate poverty alleviation, widely participate in donations for education, care for vulnerable groups and other public welfare activities, and perform the social responsibility of listed companies. At the same time, the Company would require its subordinate units implement the spirit of precise poverty alleviation work and carry out various forms of assistance activities to contribute to poverty eradication.



## (I) Corporate information

- 1. CHINESE NAME OF THE COMPANY:** 青島港國際股份有限公司
- 2. ENGLISH NAME OF THE COMPANY:** Qingdao Port International Co., Ltd.
- 3. REGISTERED OFFICE:** No. 12 Jingba Road, Huangdao District, Qingdao, the PRC
- 4. LEGAL REPRESENTATIVE:** Mr. ZHENG Minghui (as of 2018-12-31)
- 5. REGISTERED CAPITAL:** RMB 6,036,724,000 (as of 2018-12-31)
- 6. PLACE AND DATE OF LISTING:**
  - (1) Main Board of the Stock Exchange of Hong Kong Limited, 2014-6-6
  - (2) Main Board of the Shanghai Stock Exchange, 2019-1-21
- 7. ABBREVIATED STOCK NAME:** Qingdao Port
- 8. STOCK CODE:** (1) H stock code 06198.HK (2) A stock code 601298.SH
- 9. BOARD SECRETARY:** Mr. CHEN Fuxiang
- 10. TELEPHONE:** 86-532-82982011
- 11. FACSIMILE:** 86-532-82822878
- 12. EMAIL:** qggj@qdport.com
- 13. WEBSITE:** <http://www.qingdao-port.com>
- 14. Scope of Business:** Readers can query through the National Enterprise Credit Information Publicity System in China. Query URL is <http://www.gsxt.gov.cn>

## (II) Environmental, Social and Governance Reporting Guide content index

Subject Areas	Contents and Indicators	Location in the report
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>	Information on : (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P32-39
	The types of emissions and respective emissions data.	P33-37
	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P36
	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P36
	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P36
	Description of measures to mitigate emissions and results achieved.	P33-39
	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P33-39
<b>Aspect A2: Use of Resources</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	P40-41
	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity. (e.g. per unit of production volume, per facility).	P40
	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P40
	Description of energy use efficiency initiatives and results achieved.	P40-41
	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P40-41
	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	N/A
<b>Aspect A3: The Environment and Natural Resources</b>	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P32-41
	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P32-41
<b>B. Social</b>		
<b>Aspect B1: Employment</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P58-61
	Total workforce by gender, employment type, age group and geographical region.	P58-59
	Employee turnover rate by gender, age group and geographical region.	P60
<b>Aspect B2: Health and Safety</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P42-46
	Number and rate of work-related fatalities.	N/A
	Lost days due to work injury.	N/A
	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P46

Subject Areas	Contents and Indicators	Location in the report
<b>Aspect B3: Development and Training</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P70-71
	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P70
	The average training hours completed per employee by gender and employee category.	P70
<b>Aspect B4: Labor Standards</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	P59-61
	Description of measures to review employment practices to avoid child and forced labor.	P60
	Description of steps taken to eliminate such practices when discovered.	P60
<b>Aspect B5: Supply Chain Management</b>	Policies on managing environmental and social risks of the supply chain.	P55-57
	Number of suppliers by geographical region.	P57
	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P55-57
<b>Aspect B6: Product Responsibility</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P47-52
	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
	Number of products and service related complaints received and how they are dealt with.	P52
	Description of practices relating to observing and protecting intellectual property rights.	P47
	Description of quality assurance process and recall procedures.	N/A
	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P47
<b>Aspect B7: Anticorruption</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P27-29
	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	N/A
	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P27
<b>Aspect B8: Community Investment</b>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P72-80
	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	P72-80
	Resources contributed (e.g. money or time) to the focus area.	P72-80

Explanation: Including the N/A marked in the emission indicators, such as the density of greenhouse gases produced, hazardous waste and non-hazardous wastes, the density of water consumption for resource usage indicators, and the total amount of packaging materials used in finished products have no practical significance for the Company due to the business content and characteristics of the Company.



### (III) Global Reporting Initiative (GRI) content index

G4 Indicator	Location in the report	G4 Indicator	Location in the report	G4 Indicator	Location in the report
<b>I. General Disclosures</b>		iv. Stakeholder Engagement		G4-EC8	P72-80
i. Strategy and Analysis		G4-24	P8-9	ix. Environment	
G4-1	P2-3	G4-25	P7-10	G4-EN3	P40-41
ii. Organizational Profile		G4-26	P7-10	G4-EN5	P40-41
G4-3	P81	G4-27	P8	G4-EN6	P40-41
G4-4	P4-5,81	v. Report Profile		G4-EN7	P40-41
G4-5	P81	G4-28	P1	G4-EN8	P40
G4-6	P4-5	G4-29	P1	G4-EN15	P36
G4-7	P81	G4-30	P1	G4-EN16	P36
G4-8	P4-5	G4-31	P86	G4-EN17	P36
G4-9	P81	G4-32	P1	G4-EN21	P36
G4-10	P58-60	G4-33	N/A	G4-EN23	P36
G4-11	P59-60	vi. Governance		G4-EN27	P36-39
G4-12	P55-57	G4-34	P16-19	x. Society	
G4-13	P55-57	G4-35	P17-19	G4-LA1	P60
G4-14	P42-46	G4-36	P20	G4-LA3	P60
G4-15	N/A	G4-37	P8-9	G4-LA7	P46
G4-16	P57	G4-38	P16-19	G4-LA9	P70
iii. Identified Material Aspects and Boundaries		vii. Ethics & Integrity		G4-LA10	P70
G4-17	P1	G4-56	P6	G4-LA11	P70
G4-18	P7-10	G4-57	P27-31	G4-LA15	P51
G4-19	P7-10	G4-58	P8-9	G4-HR2	P70
G4-20	P7-10	<b>II. Material Aspects</b>		G4-HR3	P70
G4-21	P7-10	viii. Economic		G4-HR5	P57
G4-22	None	G4-EC1	P22-23	G4-SO4	P27-28
G4-23	None	G4-EC3	P59-60		

## (IV) Readers' Feedback

Dear readers:

Thank you very much for reading Sustainability Report of 2018 of Qingdao Port International Co., Ltd. We sincerely invite you to put forward suggestions for the report, so as to help us continuously improve the quality of the report. Please fill in the following feedback form and send it to us by mail, fax or email. Thank you for your valuable advice.

**1. Please score from 1 to 5 (1 being the lowest and 5 being the highest) for the following questions:**

Contents	Scores
1. Your overall opinion on this sustainability report	
2. Your opinion on whether this report reflects significant economic, social and environmental impacts of the Company	
3. Your overall opinion on our communication with stakeholders	
4. Your overall opinion on information disclosure in this report	
5. Your overall opinion on the format and design of this report	

**2. Your comments and suggestions on this report and the report for the next year (attached pages allowed) :**

You can contact us in the following ways :  
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Email: zbb@qdport.com



You can scan the two-dimensional code to follow our website.  
We will sincerely considerate your comments and suggestion and properly protect your personal information.

### Your contact detail:

Name :		Profession :	
Phone Number :		Email :	
Address :			



Serving Motherland with Excellence  
Giving Back to Community  
Fulfilling Employees

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