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

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

(Stock Code: 06198)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019:

- Revenue of the Group was RMB12,164 million, representing an increase of 3.6% as compared to the same period in the prior year; revenue of business segments derived from external customers, including interest income of Qingdao Finance, was RMB12,409 million, representing an increase of 2.2% as compared to the same period in the prior year;
- Net profit attributable to shareholders of the Company was RMB3,790 million, representing an increase of 5.5% as compared to the same period in the prior year; and
- Earnings per share of the Company was RMB0.59.

The Board is pleased to announce the consolidated annual results of the Company and its subsidiaries for the year ended 31 December 2019. Such annual results have been reviewed by the audit committee of the Board.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	31 December 2019	31 December 2018
Current assets			
Cash at bank and on hand		6,846,399,847	8,077,972,498
Financial asset held for trading		952,673,153	875,000,000
Notes receivable		89,208,129	65,198,592
Accounts receivable	4	2,337,733,076	2,068,535,326
Financing receivables		705,149,454	670,396,485
Advances to suppliers		65,477,940	81,694,054
Other receivables		1,825,685,161	1,782,762,150
Inventories		208,760,886	174,723,066
Contract assets		194,622,693	280,972,522
Current portion of non-current assets		445,754,126	385,744,736
Other current assets		6,214,206,368	3,903,247,154
Total current assets		19,885,670,833	18,366,246,583
Non-current assets			
Long-term receivables		1,528,631,526	1,606,080,481
Long-term equity investments		9,139,130,196	8,825,256,813
Other non-current financial assets		538,096,854	268,580,567
Investment properties		177,094,885	188,836,576
Fixed assets		14,341,335,334	14,040,859,577
Construction in progress		2,510,614,143	2,097,812,840
Right-of-use assets		541,354,681	—
Intangible assets		2,568,407,616	2,069,854,074
Goodwill		20,686,493	25,373,323
Long-term prepaid expenses		28,601,553	26,894,955
Deferred tax assets		906,362,986	908,858,376
Other non-current assets		599,314,295	341,128,768
Total non-current assets		32,899,630,562	30,399,536,350
TOTAL ASSETS		52,785,301,395	48,765,782,933

CONSOLIDATED BALANCE SHEET (CONT'D)
AS AT 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings		128,596,572	166,712,204
Notes payable		1,164,769,783	957,024,876
Accounts payable	5	1,411,666,083	1,581,607,319
Advances from customers		22,251,659	209,454,071
Contract liabilities		245,532,722	134,964,090
Employee benefits payable		308,496,016	251,347,940
Taxes payable		248,863,830	209,314,607
Other payables		7,200,531,814	5,954,949,541
Current portion of non-current liabilities		235,633,528	3,595,928,706
Total current liabilities		10,966,342,007	13,061,303,354
Non-current liabilities			
Long-term borrowings		132,882,988	160,792,988
Bonds payable	6	2,116,900,000	-
Lease liabilities		378,301,316	—
Long-term payables		43,095,019	530,779,311
Provisions		7,053,463	5,718,045
Deferred income		213,850,289	205,830,431
Long-term employee benefits payable		2,419,020,000	2,497,630,000
Deferred tax liabilities		22,295,437	-
Other non-current liabilities		2,888,198,834	2,884,204,561
Total non-current liabilities		8,221,597,346	6,284,955,336
Total liabilities		19,187,939,353	19,346,258,690
Shareholders' equity			
Share capital		6,491,100,000	6,036,724,000
Capital surplus		12,326,352,961	10,777,968,793
Other comprehensive income		182,668,672	133,694,188
Specific reserve		3,914,265	3,399,949
Surplus reserve		1,278,378,901	986,974,314
General reserve		380,586,794	298,283,806
Undistributed profits		9,694,379,282	8,742,614,209
Total equity attributable to shareholders of the Company		30,357,380,875	26,979,659,259
Minority interests		3,239,981,167	2,439,864,984
Total Shareholders' equity		33,597,362,042	29,419,524,243
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		52,785,301,395	48,765,782,933

Note: In this annual results announcement, "-" represents zero, and "—" represents N/A.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2019	2018
1. Revenue	8	12,164,080,973	11,741,480,164
Less: Cost of sales	8	(8,178,690,909)	(8,115,501,991)
Taxes and surcharges	9	(108,501,298)	(117,696,655)
Selling and distribution expenses		(36,990,125)	(21,041,094)
General and administrative expenses		(503,215,842)	(481,562,940)
Research and development expenses		(33,764,127)	(39,728,196)
Financial expenses - net		207,915,807	179,832,185
Including: Interest expenses		222,507,080	203,665,028
Interest income		502,162,922	423,674,785
Add: Other income		122,080,426	34,166,601
Investment income		1,492,273,337	1,455,440,858
Including: Investment income from associates and joint ventures		1,381,207,816	1,287,921,477
Gains on changes in fair value		8,996,486	5,014,902
Credit impairment losses		(19,714,764)	43,063,759
Asset impairment losses		(4,686,830)	-
Gains on disposal of assets		3,453,170	40,545,867
2. Operating profit		5,113,236,304	4,724,013,460
Add: Non-operating income		31,883,637	43,074,891
Less: Non-operating expenses		(18,314,524)	(10,597,986)
3. Total profit		5,126,805,417	4,756,490,365
Less: Income tax expenses	10	(994,203,437)	(912,964,017)
4. Net profit		4,132,601,980	3,843,526,348
Classified by continuity of operations			
Net profit from continuing operations		4,132,601,980	3,843,526,348
Net profit from discontinued operations		-	-
Classified by ownership of the equity			
Minority interests		342,458,662	250,040,717
Attributable to shareholders of the Company		3,790,143,318	3,593,485,631

CONSOLIDATED INCOME STATEMENT (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2019	2018
5. Other comprehensive income, net of tax		47,373,831	(145,620,731)
Attributable to shareholders of the Company, net of tax			
Other comprehensive income items which will not be subsequently reclassified to profit or loss			
Changes in remeasurement of defined benefit plan obligations		51,274,802	(162,847,800)
Other comprehensive income items which will be subsequently reclassified to profit or loss			
Changes in fair value of other debt investments		(2,300,318)	12,676,488
Attributable to minority shareholders, net of tax		(1,600,653)	4,550,581
6. Total comprehensive income		4,179,975,811	3,697,905,617
Attributable to shareholders of the Company		3,839,117,802	3,443,314,319
Attributable to minority interests		340,858,009	254,591,298
7. Earnings per share	11		
Basic earnings per share		0.59	0.60
Diluted earnings per share		0.59	0.60

Notes

1 General Information

Qingdao Port International Co., Ltd. (the "**Company**") is a joint stock limited company incorporated in Qingdao City of Shandong Province of the People's Republic of China (the "**PRC**") on 15 November 2013 (the "**Company's Date of Incorporation**") by Qingdao Port (Group) Co., Ltd. ("**Qingdao Port Group**"), as the leading promoter, together with Shenzhen Malai Storage Co., Ltd., Qingdao Ocean Shipping Co., Ltd. (now renamed as COSCO Shipping (Qingdao) Co., Ltd.), China Shipping Terminal Development Co., Ltd., Everbright (Qingdao) Financial Leasing Co., Ltd. and Qingdao International Investment Co., Ltd., with its current registered address at No. 12 Jingba Road, Huangdao District, Qingdao, PRC.

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

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

The Company made private placement of 1,015,520,000 Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. on 22 May 2017 at a subscription price of RMB5.71 per share. After the completion of the private placement of the domestic shares, the number of total share capital of the Company increased to 6,036,724,000 shares.

On 21 January 2019, the Company completed the initial public offering of 454,376,000 ordinary shares (A shares) and was listed on the main board of Shanghai Stock Exchange with a par value of RMB1.00 per share at the issuing price of RMB4.61 per share. After the completion of the issuance of A shares, the number of total share capital of the Company increased to 6,491,100,000 shares.

As at 31 December 2019, the total share capital of the Company is 6,491,100,000 shares with par value of RMB1.00, including 5,392,075,000 A shares and 1,099,025,000 H shares, accounting for 83.07% and 16.93%, respectively of the total share capital of the Company. Qingdao Port Group holds 54.47% shares of the Company in total.

1 General Information (Cont'd)

Pursuant to the *Gratuitous Transfer Agreement of the Equity Interests in Qingdao Port Group. Among Shandong Port Group Co., Ltd., the State-owned Assets Supervision and Administration Commission of Qingdao Municipal People's Government* ("**Qingdao SASAC**") *and the State-Owned Assets Supervision and Administration Commission of Weihai Municipal People's Government* (the "**Gratuitous Transfer Agreement**") signed on 22 August 2019, Qingdao SASAC shall gratuitously transfer 100% equity interests in Qingdao Port Group to Shandong Port Group Co., Ltd. Upon completion of the gratuitous transfer, Qingdao Port Group will become a wholly-owned subsidiary of Shandong Port Group Co., Ltd.. The closing of the gratuitous transfer is subject to the taking effect of the Gratuitous Transfer Agreement, A shares of the Company having being listed for one year, the approval from the State Administration for Market Regulation on the declaration of concentration of business undertakings involved in the gratuitous transfer, and the exemption from the China Securities Regulatory Commission and the waiver from Hong Kong Securities and Futures Commission on the obligation of making a general offer regarding the shares of the Company by Shandong Port Group Co., Ltd. triggered by the gratuitous transfer. As at 31 December 2019, the closing of the gratuitous transfer has not been completed and Qingdao Port Group remained as the Company's ultimate parent company. Please refer to the announcements of the Company dated 22 August 2019, 23 August 2019 and 28 August 2019 for detailed information.

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

2 Basis of preparation of financial statements

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

The financial statements are prepared on a going concern basis.

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

2 Basis of preparation of financial statements (Cont'd)

(1) Preparation basis of consolidated financial statements

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

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

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

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

3 Significant changes in accounting policies

The Ministry of Finance released the revised CAS 21 - Lease (hereinafter the "***New Lease Standard***") in 2018. In 2019, the Ministry of Finance released the Circular of the Ministry of Finance on Revising and Issuing the Formats of Corporate Financial Statements for 2019 (Cai Kuai [2019] No. 6), the revised CAS 7 - Non-Monetary Assets Exchange (hereinafter the "***Non-Monetary Assets Exchange Standard***") and CAS 12 - Debt restructuring (hereinafter the "***Debt Restructuring Standard***"). The financial statements for the year ended 31 December 2019 are prepared in accordance with the above circular. The revised Non-Monetary Assets Exchange Standard and Debt Restructuring Standard have no significant impact on the Group. The impacts of other amendments to the statements of the Group are as follows:

(a) Format of financial statements

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		31 December 2018	1 January 2018
The Group reclassifies 'notes receivable at fair value through other comprehensive income' from 'notes receivable and accounts receivable' to 'financing receivables'.	Financing receivables	670,396,485	500,421,414
	Notes receivable and accounts receivable	(670,396,485)	(500,421,414)
The Group split 'notes receivable and accounts receivable' into two separate accounts, 'accounts receivable' and 'notes receivable'.	Accounts receivable	2,068,535,326	1,873,364,887
	Notes receivable	65,198,592	91,389,566
	Notes receivable and accounts receivable	(2,133,733,918)	(1,964,754,453)
The Group split 'notes payable and accounts payable' into two separate accounts, 'accounts payable' and 'notes payable'.	Accounts payable	1,581,607,319	1,517,605,961
	Notes payable	957,024,876	882,183,561
	Notes payable and accounts payable	(2,538,632,195)	(2,399,789,522)

3 Significant changes in accounting policies (Cont'd)

(b) Lease

According to the New Lease Standard, the Group recognized the cumulative effect of initial adoption of the standard as adjustment to the related items in the financial statements as at 1 January 2019. According to relevant standard, the Group will not re-evaluate the contracts that existed before the first execution date. The comparatives for 2018 were not restated.

The nature and the reasons of the changes in accounting policies

For the operating lease contracts that have already existed prior to the initial implementation of the New Lease Standard, the Group distinguishes different transitional methods based on the remaining lease term:

	The line items affected	1 January 2019
If the remaining lease term is more than 1 year, the Group recognizes lease liabilities based on the remaining lease payments and the incremental borrowing rate as at 1 January 2019, and determines the carrying amount of the right-of-use assets based on the lease liabilities.	Right-of-use assets	111,072,577
	Lease liabilities	81,092,129
	The current portion of long-term liabilities	29,980,448

If the remaining lease term is less than 1 year, the Group adopts a simplified method and does not recognize right-of-use assets and lease liabilities, which has no significant impact on the financial statements.

For the operating lease contracts for low value assets that have already existed prior to the initial implementation of the New Lease Standard, the Group adopts a simplified method and does not recognize right-of-use assets and lease liabilities, which has no significant impact on the financial statements.

	The line items affected	1 January 2019
Due to the implementation of the New Lease Standard, the Group reclassifies fixed assets and construction in progress held under finance leases originally recognized in fixed assets to right-of-use assets, and reclassifies payables for finance lease originally recognized in long-term payables to lease liabilities.	Right-of-use assets	548,731,094
	Fixed assets	(492,137,464)
	Construction in progress	(56,593,630)
	Long-term payables	(488,716,378)
	Lease liabilities	488,716,378
	Non-current liabilities due within one year - long-term payables	(68,548,706)
	Non-current liabilities due within one year - lease liabilities	68,548,706

As at 1 January 2019, when measuring lease liabilities, the Group adopted the same discount rate for lease contracts with similar characteristics, and the weighted average of incremental borrowing rates adopted was 4.75%.

4 Accounts receivable

	31 December 2019	31 December 2018
Accounts receivable	2,504,148,910	2,197,641,028
Less: Bad debt provision	(166,415,834)	(129,105,702)
	2,337,733,076	2,068,535,326

The Group's income from rendering of service and sales is partially in form of cash, advances from customers, bank acceptance notes or trade acceptance notes. Remaining sales income is settled primarily with credit terms between 30 and 90 days.

The aging of accounts receivables based on their recording dates is analysed as follows:

	31 December 2019	31 December 2018
Within 1 year	2,302,958,916	2,054,374,493
1 to 2 years	173,084,593	123,010,857
2 to 3 years	16,776,392	7,147,776
3 to 4 years	-	3,099,707
4 to 5 years	1,320,814	1,384,483
More than 5 years	10,008,195	8,623,712
	2,504,148,910	2,197,641,028

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

5 Accounts payable

	31 December 2019	31 December 2018
Material expenses payable	759,261,798	560,072,181
Subcontract costs payable	239,180,821	235,583,010
Transportation expenses payable	198,572,153	376,983,361
Agent fee payable	80,494,250	121,644,081
Repair expenses payable	38,125,242	33,305,281
Subcontract handling expenses payable	31,620,722	170,869,837
Rental expenses payable	19,896,497	18,801,715
Other	44,514,600	64,347,853
	1,411,666,083	1,581,607,319

The aging of accounts payable based on their recording dates is analysed as follows:

	31 December 2019	31 December 2018
Within 1 year	1,298,696,285	1,418,046,166
Over 1 year	112,969,798	163,561,153
	1,411,666,083	1,581,607,319

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

6 Bonds payable

	31 December 2018	Current payment	Interest accrued by par value	Current portion of payable	31 December 2019
Corporate bonds payable	3,500,000,000	(1,383,100,000)	56,122,334	(56,122,334)	2,116,900,000

Under Zheng Jian Xu Ke [2016] No. 153 approved by China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds of RMB1.5 billion and the second tranche of corporate bonds of RMB2 billion on 18 March 2016 and 8 June 2016, respectively, with the term of five years. The Company has an option of raising the coupon rate and the investors have an option to sell back the bonds at the end of the third year. If the investors do not register for resale within the resale registration period, the term of bond is 5 years. Interest of the bonds is paid annually and calculated by the simple interest method.

As at 31 December 2018, bonds payable of RMB3.5 billion are presented as current portion of non-current liabilities. The Company published announcements on 18 February 2019 and 10 May 2019, respectively, pursuant to which, from 18 March 2019 and 8 June 2019, the coupon rates of the first and second tranches of corporate bonds of the Company were both raised from 2.90% and 3.09% to 3.68%. The bonds that investors sold back amounted to RMB90,900,000 and RMB1,292,200,000, respectively. As at 31 December 2019, the total principal balance of the bonds payable at the end of the year was RMB2,116,900,000, with maturity dates of 18 March 2021 and 8 June 2021, respectively. As at 31 December 2019, the bond interest payable by the Group within one year was RMB56,122,334, which is listed as current portion of non-current liabilities.

7 Dividends

According to the resolutions of the Board of Directors on 28 March 2019 and the annual general meeting on 17 May 2019, the Company proposed to distribute cash dividends of 2017 and 2018 to all shareholders at RMB379.70 per thousand shares (including tax). Based on the 6,491,100,000 shares issued, the proposed dividends are RMB2,464,670,670.

According to the resolution of the Board of Directors on 26 March 2020, the Board of Directors proposed that the Company pay a cash dividend of 2019 to all shareholders at RMB200.30 (including tax) per thousand shares. Based on the 6,491,100,000 shares issued, the proposed cash dividend are RMB1,300,167,330. The above proposal is yet to be approved by the general meeting of shareholders and has not been recognized as a liability in these financial statements.

8 Revenue and cost of sales

	2019	2018
Revenue from main operations	10,995,655,703	10,541,003,867
Revenue from other operations	1,168,425,270	1,200,476,297
	12,164,080,973	11,741,480,164

	2019	2018
Cost of sales from main operations	(7,529,557,901)	(7,427,909,125)
Cost of sales from other operations	(649,133,008)	(687,592,866)
	(8,178,690,909)	(8,115,501,991)

9 Taxes and surcharges

	2019	2018
Land use tax	52,191,603	55,633,000
City maintenance and construction tax	15,726,639	19,099,414
Educational surcharge	11,169,025	13,627,865
Stamp duty	8,320,192	6,120,896
Property tax	6,467,922	6,593,252
Others	14,625,917	16,622,228
	108,501,298	117,696,655

10 Income tax expenses

	2019	2018
Current income tax calculated based on tax law and related regulations	969,412,610	925,055,370
Deferred income tax	24,790,827	(12,091,353)
	994,203,437	912,964,017

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

	2019	2018
Total profit	5,126,805,417	4,756,490,365
Income tax expenses calculated at applicable tax rates	1,281,701,354	1,189,122,591
The effect of preferential tax rates	(10,458,515)	(6,612,517)
Investment income not subject to tax	(345,301,954)	(321,980,369)
Additional deduction of employee benefits of the disabled	(1,345,137)	(1,578,830)
Costs, expenses and losses not deductible for tax purposes	51,499,054	38,229,939
Deductible temporary differences not recognized as deferred tax assets in the current period	4,749,140	-
Deductible tax losses not recognized as deferred tax assets in the current period	13,359,495	15,783,203
Income tax expenses	994,203,437	912,964,017

11 Earnings per share

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

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

	2019	**2018**
Consolidated net profit attributable to ordinary shareholders of the Company	3,790,143,318	3,593,485,631
Weighted average number of ordinary shares outstanding	6,453,235,333	6,036,724,000
Basic earnings per share	0.59	0.60
Including:		
- Basic earnings per share from continuing operations	0.59	0.60
- Basic earnings per share from discontinued operations	N/A	N/A

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

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the year ended 31 December 2019 (31 December 2018: nil), diluted earnings per share equal to basic earnings per share.

12 Segment information

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

The Group identified six reportable segments as follows:

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

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

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

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

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

- Financial services: provision of financial products and services including provision of deposit taking activities, corporate loans, guarantee, agency insurance investment and financial management and others.

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

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

12 Segment information (Cont'd)

(a) Segment information for the year ended 31 December 2019 and as at 31 December 2019 is listed as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary port services	Logistics value-added services	Port ancillary services	Financial services	Unallocated	Elimination	Total
Revenue from external customers	217,999,652	2,711,414,131	1,427,221,862	4,916,328,209	2,883,027,292	252,873,105	-	-	12,408,864,251
Inter-segment revenue	-	36,353,202	19,553	237,419,295	720,251,409	107,269,947	-	(1,101,313,406)	-
Cost of sales	(68,571,775)	(2,105,441,050)	(386,720,190)	(3,437,511,733)	(2,179,433,830)	(58,217,150)	-	-	(8,235,895,728)
Interest income	25,920	2,739,167	13,264,723	13,571,982	3,022,878	172,969,537	93,004,585	(41,219,148)	257,379,644
Interest expenses	(23,214,292)	(48,668,213)	(154,174,789)	(36,917,469)	(17,548,846)	-	(92,571,352)	207,792,700	(165,302,261)
Share of profit of associates and joint ventures	882,739,397	45,859,536	398,950,666	78,305,018	905,283	9,262,412	-	(34,814,496)	1,381,207,816
Asset impairment losses	-	-	-	(4,686,830)	-	-	-	-	(4,686,830)
Credit impairment losses	-	2,837,660	(1,399,446)	(10,787,000)	(17,431,168)	7,065,190	-	-	(19,714,764)
Depreciation and amortisation	(24,552,709)	(227,741,637)	(226,363,853)	(186,093,359)	(178,169,874)	(2,025,020)	(140,662)	-	(845,087,114)
Total Profit	974,801,617	438,830,454	1,259,316,376	1,423,051,322	548,101,364	554,255,704	12,747,720	(84,299,140)	5,126,805,417
Income tax expenses	4,332,011	1,487,893	(174,496,726)	(271,773,932)	(77,512,605)	(126,363,427)	(349,876,651)	-	(994,203,437)
Net Profit	979,133,628	440,318,347	1,084,819,650	1,151,277,390	470,588,759	427,892,277	(337,128,931)	(84,299,140)	4,132,601,980
Total assets	7,675,680,776	7,983,603,348	11,190,509,875	5,759,065,024	7,321,283,025	16,581,150,955	11,580,779,714	(15,306,771,322)	52,785,301,395
Total liabilities	736,250,165	3,014,071,785	4,877,275,871	2,644,519,238	6,532,706,819	14,181,448,718	2,672,784,825	(15,471,118,068)	19,187,939,353
Non-cash expenses other than depreciation and amortisation	2,120,000	39,670,000	1,880,000	12,230,000	26,900,000	30,000	-	-	82,830,000
Long-term equity investments in associates and joint ventures	5,632,510,358	1,242,853,883	1,652,685,876	506,160,627	1,335,032	103,584,420	-	-	9,139,130,196
Additions of non-current assets(i)	5,217,907	443,647,223	1,773,962,293	251,872,966	307,468,821	1,661,220	16,769,923	(11,723,998)	2,788,876,355

12 Segment information (Cont'd)

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

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

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

12 Segment information (Cont'd)

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

	2019	2018
Revenue－		
Reportable segment revenue from external customers	12,408,864,251	12,142,653,430
Reclassification of interest income, from external customers of Qingdao Finance (i)	(244,783,278)	(401,173,266)
Consolidated revenue	12,164,080,973	11,741,480,164
Interest income－		
Reportable segment interest income	257,379,644	22,501,519
Reclassification of interest income, from external customers of Qingdao Finance (i)	244,783,278	401,173,266
Consolidated interest income	502,162,922	423,674,785
Cost of sales－		
Reportable segment cost of sales	8,235,895,728	8,187,811,962
Reclassification of interest expenses, from external customers of Qingdao Finance (ii)	(57,204,819)	(72,309,971)
Consolidated cost of sales	8,178,690,909	8,115,501,991
Interest expenses－		
Reportable segment interest expenses	165,302,261	131,355,057
Reclassification of interest expenses, from external customers of Qingdao Finance (ii)	57,204,819	72,309,971
Consolidated interest expenses	222,507,080	203,665,028

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

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

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

AUDITOR'S WORKS ON THE PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the relevant notes thereto for the year ended 31 December 2019 as set out in the preliminary annual results announcement have been reviewed and agreed by the Company's auditor, PricewaterhouseCoopers Zhong Tian LLP, which is consistent with the figures set out in the audited consolidated financial statements of the Group for the year ended 31 December 2019 as approved by the Board on 26 March 2020. The work performed by PricewaterhouseCoopers Zhong Tian LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers Zhong Tian LLP on the preliminary results announcement.

PricewaterhouseCoopers Zhong Tian LLP was appointed as the Company's auditor at the annual general meeting of the Company held on 17 May 2019 to audit the financial statements of the Company for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the Sino-U.S. trade frictions brought many uncertainties to the development of the world economy, and global trade grew mildly. China actively responded to the changes from the external environment and implemented the "Six-Stability" policy, i.e. job stability, financial stability, foreign trade stability, foreign investment stability, domestic investment stability and expectation stability. The economic development of China was generally stable and progressed steadily. The annual gross domestic product (GDP) increased by 6.1% compared to the same period in the prior year. Foreign trade grew despite adversity. The total import and export trade value of cargo increased by 3.4% compared to the same period in the prior year (Sources: National Bureau of Statistics).

In 2019, the port industry in China maintained steady and sound growth. The cargo throughput of the coastal ports in China increased by 4.3% compared to the same period in the prior year, and among which, the throughput of containers increased by 3.9% compared to the same period in the prior year (Sources: Ministry of Transport of the PRC). As certain key industries continued to address overcapacity, new terminals in coastal ports were put into operation, and the industry competition became increasingly fierce, the port industry strengthened integrated service ability, and actively accelerated the transformation and upgrading from a traditional stevedoring and destination port to a logistic, trade and integrated hub port, gaining greater development space by optimizing function chains, extending service chains and expanding value chains .

In 2019, the Group aimed to accelerate redefining itself into a world-class ocean port and proactively coped with the changes from external factors of macro economy. By seizing the opportunities to promote the replacement of old growth drivers with new ones and accelerate industrial upgrading in the Shandong Province and Qingdao City, the Group deepened supply-side structural reform in port services, improved quality and efficiency, innovated the development model, positively developed the core business of stevedoring, vigorously developed modern logistics, continued to improve its comprehensive strength and increase its influence in the industry, maintained steady growth in operating performance, and created good returns for shareholders.

With respect to the terminal business, the Group targeted to the demands of customers and markets to cope with core businesses, and weakness in development. The Group took solid steps to push ahead with the supply-side structural reform of port services, provide customized integrated end-to-end logistic services, enhance its integrated competitiveness in terminals, logistics and finance and other sectors, increase its efforts to develop new markets and new cargo sources to improve the quality of its whole process logistic services, accelerate the construction of its storage and pipeline distribution capabilities for liquid bulk and other key segments, and expand the new growth pole of profits from the core business of stevedoring.

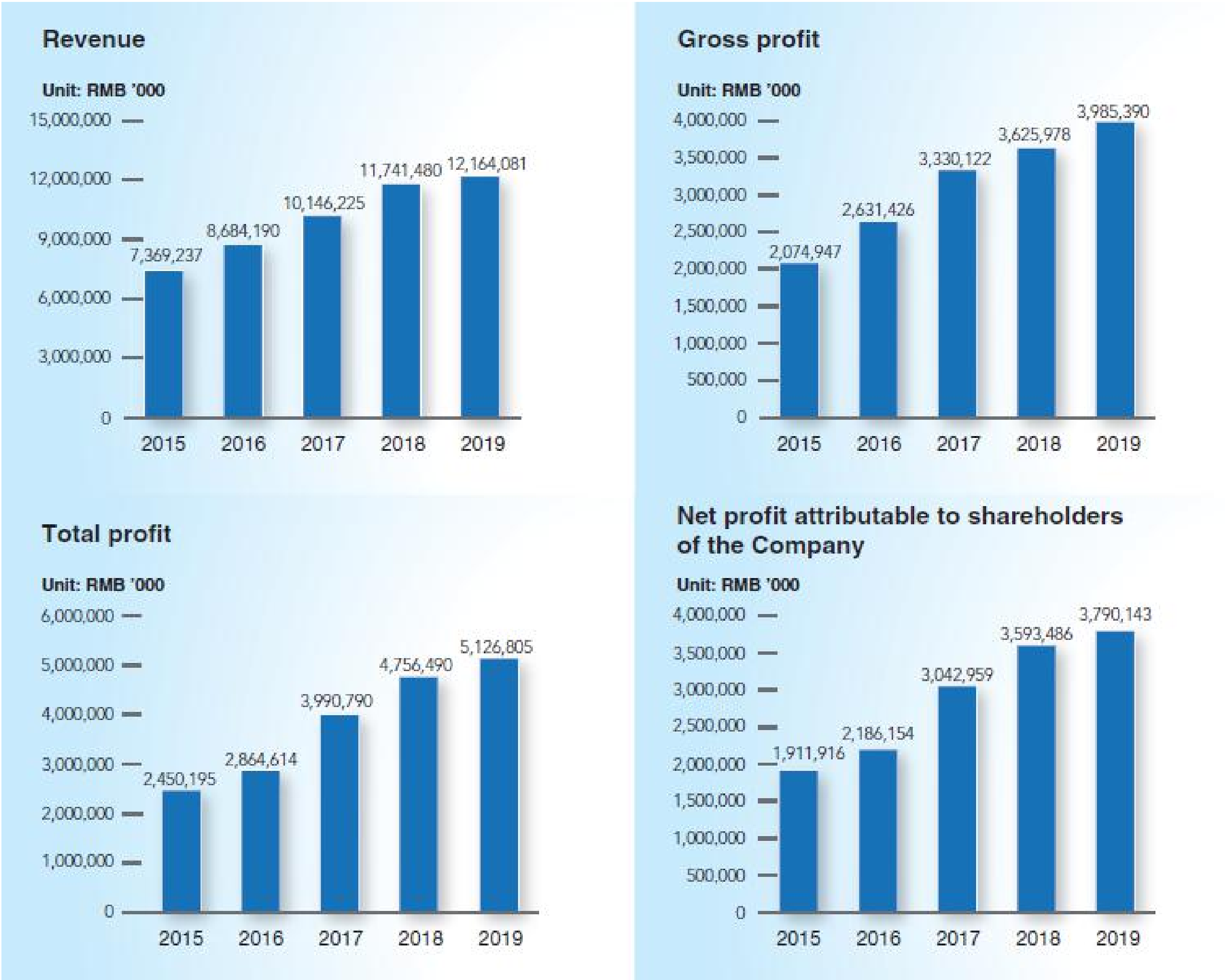
With respect to the emerging businesses, the Group took advantage of port as an integrated hub in the logistics chain, commodity flow, capital flow and information flow amongst others, coordinated ports and other social resources, optimized the layout of inland port network marketing, improved resource efficiency through intelligent port construction, constantly expanded 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 amongst others, improved diversified profitability, and expanded the new models and new space for the sustainable development for the operational performance of the port.

1 Review of Overall Business and Results

The Group is the primary operator of the Port of Qingdao, one of the world's largest comprehensive ports, and is mainly engaged in 6 segments, including container handling and ancillary services, metal ore, coal and other cargo handling and ancillary services, liquid bulk handling and ancillary services, logistics and port value-added services, port ancillary services and financial services.

For the year ended 31 December 2019, the accumulated cargo throughput of the Group together with its joint ventures and associates (without taking into account the respective shareholding percentage the Company held in those joint ventures and associates) amounted to 515 million tons in total, representing an increase of 6.1% compared to the same period in the prior year, and the container throughput amounted to 21.01 million TEUs, representing an increase of 8.8% compared to the same period in the prior year.

Comparison of Major Operating Indicators



The total revenue of the Group amounted to RMB12,164 million for the year ended 31 December 2019, representing an increase of RMB423 million or 3.6% compared to the same period in the prior year. This was mainly due to the increase in revenue from segments of liquid bulk handling and ancillary services, and port ancillary services.

The gross profit of the Group was RMB3,985 million for the year ended 31 December 2019, representing an increase of RMB359 million or 9.9% compared to the same period in the prior year. This was mainly due to the increase in gross profit from segments of liquid bulk handling and ancillary services, and port ancillary services.

The selling and administration expenses of the Group were RMB540 million for the year ended 31 December 2019, representing an increase of RMB38 million or 7.5% compared to the same period in the prior year. This was mainly due to the increase in business referral costs and employee benefits.

The investment income of the Group from joint ventures and associates amounted to RMB1,381 million for the year ended 31 December 2019, representing an increase of RMB93 million or 7.2% compared to the same period in the prior year. This was mainly due to the increase in investment income from segments of container handling and ancillary services, liquid bulk handling and ancillary services.

The total profit of the Group amounted to RMB5,127 million for the year ended 31 December 2019, representing an increase of RMB370 million or 7.8% compared to the same period in the prior year. Such increase was mainly due to the increase in profit from segments of liquid bulk handling and ancillary services, financial services and port ancillary services.

The net profit attributable to shareholders of the Company amounted to RMB3,790 million for the year ended 31 December 2019, representing an increase of RMB197 million or 5.5% compared to the same period in the prior year.

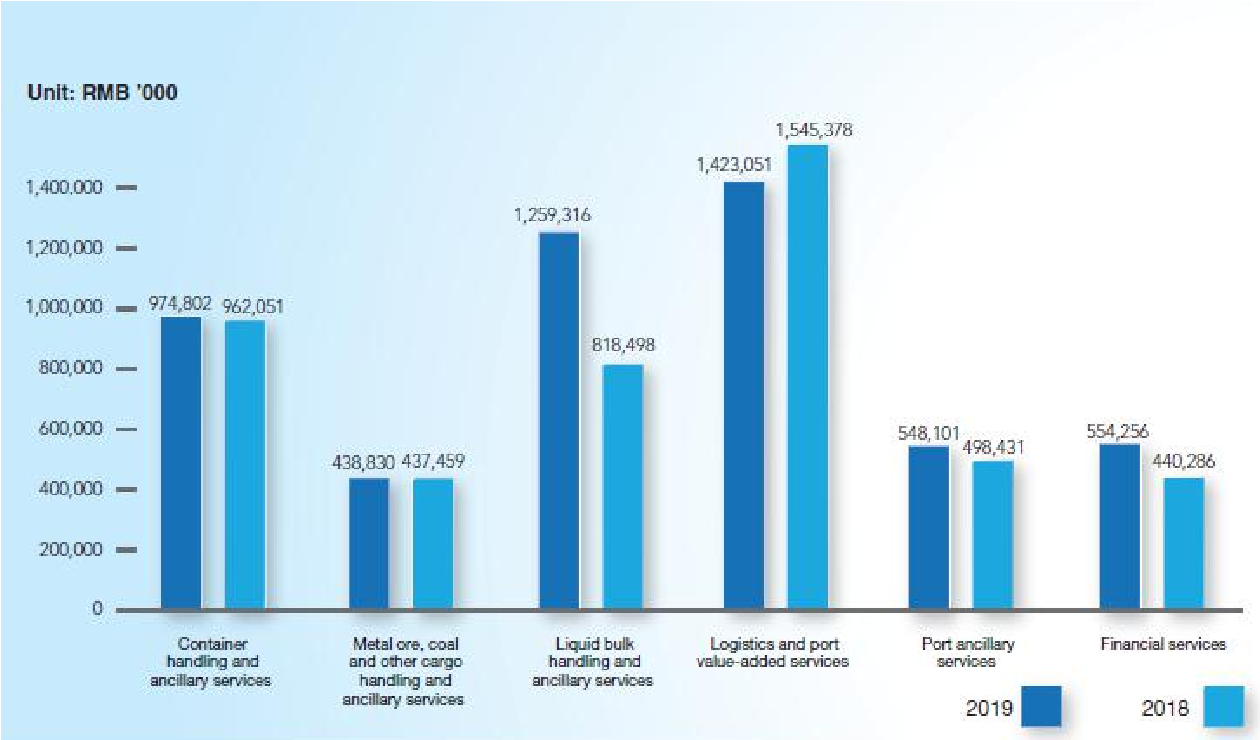
2 Segment Business and Results Review

Segment Results

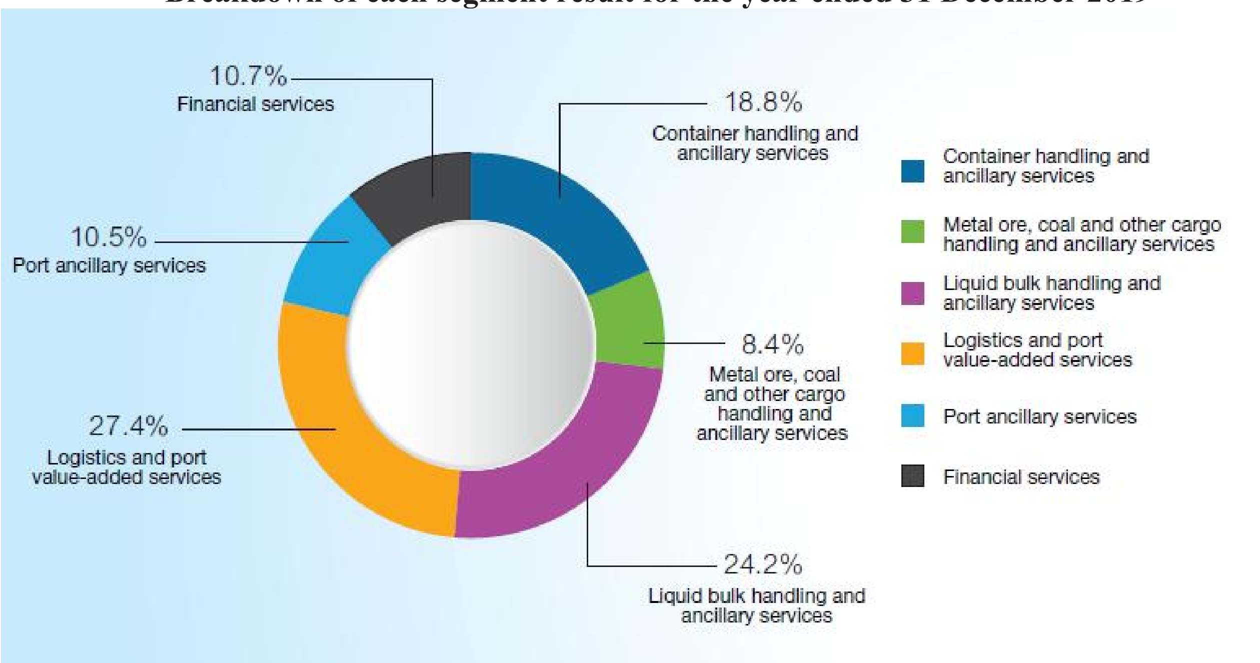
Unit: RMB'000

	2019		2018		
Business Segments	**Results**	**Percentage of the total**	**Results**	**Percentage of the total**	**Change Percentage**
Container handling and ancillary services	974,802	18.8%	962,051	20.5%	1.3%
Metal ore, coal and other cargo handling and ancillary services	438,830	8.4%	437,459	9.3%	0.3%
Liquid bulk handling and ancillary services	1,259,316	24.2%	818,498	17.4%	53.9%
Logistics and port value-added services	1,423,051	27.4%	1,545,378	32.8%	-7.9%
Port ancillary services	548,101	10.5%	498,431	10.6%	10.0%
Financial services	554,256	10.7%	440,286	9.4%	25.9%
Total results before inter-segment elimination	5,198,356	100.0%	4,702,103	100.0%	10.6%

Comparison of Segment Results



Breakdown of each segment result for the year ended 31 December 2019



The details of segment results are set out as below:

(1) Container handling and ancillary services

Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	218,000	240,606	-22,606	-9.4%
Cost of sales	68,572	103,062	-34,490	-33.5%
Gross profit	149,428	137,544	11,884	8.6%
Profit of Consolidated Group Companies	92,063	120,003	-27,940	-23.3%
Joint ventures				
Revenue	3,958,014	3,788,337	169,677	4.5%
Cost of sales	1,559,449	1,489,171	70,278	4.7%
Investment income from joint ventures	882,739	842,048	40,691	4.8%
Segment results	974,802	962,051	12,751	1.3%

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

In 2019, the Group innovated marketing strategy, opened inland railway routes, built inland ports towards the land, promoted shipping companies to add shipping lines and expanded shipping container capacity towards the ocean, continued to deepen the headquarters strategy for shipping companies, attracted shipping companies to add international shipping lines and increase transshipment network density, promoted the continuous growth of international transshipment business volume and accelerated the construction of the international hub port in Northeast Asia. The main new developments were as follows:

(1) The Group added 10 foreign trade shipping lines, including 6 lines connected to the OBOR area such as Southeast Asia and the Middle East, and further expanded the Company's market layout along the OBOR area;

(2) The Group continued to promote the construction of inland ports and improve their functions and held 15 promotion conferences in Shandong, Henan, Shaanxi, Xinjiang and other places. The Group set up a sea-rail transportation network to radiate the whole country, with the Port of Qingdao as the axis. More than 30 cities were connected with sea-rail intermodal train services and our sea-rail intermodal container volume maintained first place among all the coastal ports in China; and

For the year ended 31 December 2019, with respect to the container handling and ancillary services, the revenue amounted to RMB218 million, representing a decrease of RMB23 million or 9.4% compared to the same period in the prior year, which was mainly due to the adjustment of the container business layout in the Dagang Port Area, and the volume of domestic trade container business in the Dagang Port Area was decreased; the cost of sales amounted to RMB69 million, representing a decrease of RMB34 million or 33.5% compared to the same period in the prior year, which was mainly due to the Group's optimization of operation procedures and reduction of costs such as relocation costs; the segment results amounted to RMB975 million, representing an increase of RMB13 million or 1.3% over the same period in the prior year, in which, the profit of Consolidated Group Companies amounted to RMB92 million, representing a decrease of RMB28 million or 23.3% compared to the same period in the prior year, which was mainly due to the insufficient gross profit from the container business that cannot cover expenses such as financial costs because the container business in the Dongjiakou Port Area remains in the incubation period; the investment income from joint ventures amounted to RMB883 million, representing an increase of RMB41 million or 4.8% compared to the same period in the prior year, which was mainly due to the joint ventures adding new foreign trade shipping lines and achieving incremental volume and profit.

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

Unit: RMB'000

Item	**2019**	**2018**	**Changed amount**	**Changed percentage**
Consolidated Group Companies				
Revenue	2,711,414	2,988,976	-277,562	-9.3%
Cost of sales	2,105,441	2,364,101	-258,660	-10.9%
Gross profit	605,973	624,875	-18,902	-3.0%
Profit of Consolidated Group Companies	392,970	385,217	7,753	2.0%
Joint ventures				
Revenue	1,736,740	1,530,292	206,448	13.5%
Cost of sales	1,337,831	1,096,510	241,321	22.0%
Investment income from joint ventures	45,860	52,242	-6,382	-12.2%
Segment results	438,830	437,459	1,371	0.3%

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

In 2019, the Group proactively coped with the influence of decreased shipment of major foreign mines and the continued overcapacity reduction of the steel industry in China, drove innovation in the market, expanded its ore mixing and international transshipment businesses, deepened strategic cooperation with key customers, extended its whole-process logistic value-added services, and proactively expanded the new hinterland market. The main breakthroughs achieved were as follows:

(1) Australian FMG Group and Rio Tinto Group launched iron ore spot trading business at the Port of Qingdao, further deepening the cooperation between the Group and the mines；

(2) The Company signed the strategic cooperation agreement with Itochu Corporation in Japan to coordinate and optimize the international bulk commodities supply chain logistic system, building up the international ore transshipment network in Northeast Asia； and

(3) The railway connected to the Dongjiakou Port Area was officially put into operation, which helped further improve the transportation system in the Dongjiakou Port Area, providing strong support for fully releasing the port capacity and expanding new markets.

For the year ended 31 December 2019, the revenue of metal ore, coal and other cargo handling and ancillary services was RMB2,711 million, representing a decrease of RMB278 million or 9.3% compared to the same period in the prior year, which was mainly due to the decrease in revenue caused by the settlement method of dry bulk cargo handling business which changed from the Company's subcontracting settlement to the joint venture's own settlement. The segment results amounted to RMB439 million, almost unchanged compared to the same period of last year, among which, the profit of Consolidated Group Companies amounted to RMB393 million, representing an increase of 2.0% compared to the same period in the prior year; the investment income from joint ventures amounted to RMB46 million, representing a decrease of 12.2% compared to the same period in the prior year, which was mainly due to the decrease in profits caused by the joint venture's train loading line put into operation in order to cope with the change of transshipment mode “from highway to railway”, so as that the incremental revenue did not make up for incremental costs, including depreciation, in the short term.

(3) Liquid bulk handling and ancillary services

Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	1,427,222	852,240	574,982	67.5%
Cost of sales	386,720	273,620	113,100	41.3%
Gross profit	1,040,502	578,620	461,882	79.8%
Profit of Consolidated Group Companies	860,365	466,637	393,728	84.4%
Joint ventures				
Revenue	1,810,216	1,861,556	-51,340	-2.8%
Cost of sales	722,659	890,490	-167,831	-18.8%
Investment income from joint ventures	398,951	351,861	47,090	13.4%
Segment results	1,259,316	818,498	440,818	53.9%

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

In 2019, the Group captured strategic opportunities from the rapid increase in imported crude oil, released the capacities of resources including terminals, tank areas and oil pipelines, and developed the integrated services of the whole-process logistics. The main breakthroughs achieved were as follows:

(1) The Group leveraged the advantages of grand terminals and grand tank areas in the Dongjiakou Port Area, promoted the linkage between the Huangdao Oil Port Area and the Dongjiakou Port Area, and released the capacity of Phase I and II of the Dongjiakou Port - Weifang - Central and Northern Shandong Oil Pipelines. The volume of imported crude oil in the Dongjiakou Port Area increased by 35.9% compared to the same period in the prior year.

(2) The Group opened the "direct selling" model in bonded crude oil spot trade for international crude oil producers to attract more material flow, business flow, capital flow and information flow gathering in the Port of Qingdao, and to speed up the construction of global collection and distribution center for crude oil trade.

For the year ended 31 December 2019, the revenue of liquid bulk handling and ancillary services was RMB1,427 million, representing an increase of RMB575 million or 67.5% compared to the same period in the prior year; the profit of Consolidated Group Companies was RMB860 million, representing an increase of RMB394 million or 84.4% compared to the same period in the prior year, which was mainly due to increased revenue of pipeline transportation and storage driven by the successive operation of Dongjiakou Port – Weifang - Central and Northern Shandong oil pipeline (Phase II) , the branch pipelines and the ancillary tanks. The investment income from joint ventures amounted to RMB399 million, representing an increase of RMB47 million or 13.4% compared to the same period in the prior year. The revenue and cost of sales of joint ventures decreased by 2.8% and 18.8%, respectively, compared to the same period in the prior year, mainly due to the increase in the operation volume of liquid bulk of joint ventures, while the storage revenue and storage cost decreased as a result of the adjustment in the operation model of oil storage business. The segment result amounted to RMB1,259 million, representing an increase of RMB441 million or 53.9% compared to the same period in the prior year, which mainly benefited from the increase in volume of the pipeline transportation and storage of ancillary tanks of the liquid bulk.

(4) Logistics and port value-added services

Unit: RMB'000

Item	**2019**	**2018**	**Changed amount**	**Changed percentage**
Consolidated Group Companies				
Revenue	4,916,328	5,305,379	-389,051	-7.3%
Cost of sales	3,437,512	3,668,215	-230,703	-6.3%
Gross profit	1,478,816	1,637,164	-158,348	-9.7%
Profit of Consolidated Group Companies	1,344,746	1,468,165	-123,419	-8.4%
Joint ventures and associates				
Revenue	1,059,981	805,186	254,795	31.6%
Cost of sales	844,056	565,483	278,573	49.3%
Investment income from joint ventures and associates	78,305	77,213	1,092	1.4%
Segment results	1,423,051	1,545,378	-122,327	-7.9%

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

In 2019, the Group vigorously developed the modern logistic business, deepened the supply-side structural reform of its port services, optimized the port functions, improved the end-to-end whole-process logistics service system, achieved the deep integration of terminal businesses and logistics businesses, and expanded new development space. The main breakthroughs achieved were as follows:

(1) The Group continued to optimize the port business environment, strengthened the whole-process marketing and branding operation, and continuously improved service quality and operational efficiency; and

(2) The Group achieved the qualification for designated delivery warehouse of 9 cargo types such as natural rubber and pulp and ranked the first place among the pulp futures industry in terms of the two indicators in China, namely the warehouse entry volume and the delivery volume of pulp futures.

For the year ended 31 December 2019, the revenue from logistics and port value-added services business amounted to RMB4,916 million, representing a decrease of RMB389 million or 7.3% compared to the same period in the prior year and the segment results amounted to RMB1,423 million, representing a decrease of RMB122 million or 7.9% compared to the same period in the prior year, which were mainly due to the continuous improvement in the business environment, price reduction and profit concession and decrease in revenues and profits from CFS, agency and other business segments.

(5) Port ancillary services

Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	2,883,027	2,346,417	536,610	22.9%
Cost of sales	2,179,434	1,705,632	473,802	27.8%
Gross profit	703,593	640,785	62,808	9.8%
Profit of Consolidated **Group Companies**	547,196	498,431	48,765	9.8%
Joint venture				
Revenue	9,636	-	9,636	N/A
Cost of sales	632	-	632	N/A
Investment income from joint venture	905	-	905	N/A
Segment results	548,101	498,431	49,670	10.0%

Note: Amounts of revenue and cost of sales of a joint venture represent the amount of those in the financial information of Ocean Bridge International Ports Management Co., Ltd. (海路國際港口運營管理有限公司), without taking into account the shareholding percentage held by the Company in the joint venture.

For the year ended 31 December 2019, the revenue from port ancillary services amounted to RMB2,883 million, representing an increase of RMB537 million or 22.9% compared to the same period in the prior year, mainly attributable to the increase in project construction services revenue and port machinery and equipment manufacturing revenue. The segment results amounted to RMB548 million, representing an increase of RMB50 million or 10.0% compared to the same period in the prior year, mainly due to an increase in the profit of project construction, port machinery manufacturing, and other businesses.

(6) Financial services

Unit: RMB'000

Item	2019	2018	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	252,873	409,034	-156,161	-38.2%
Cost of sales	58,217	73,182	-14,965	-20.4%
Gross profit	194,656	335,852	-141,196	-42.0%
Profit of Consolidated Group Companies	544,994	436,580	108,414	24.8%
An associate				
Revenue	619,009	453,063	165,946	36.6%
Cost of sales	306,155	266,921	39,234	14.7%
Investment income from an associate	9,262	3,706	5,556	149.9%
Segment results	554,256	440,286	113,970	25.9%

Note: Amounts of revenue and cost of sales of an associate represent the amount of those in the financial information of Qingdao Qingyin Financial Leasing Co. Ltd. (青島青銀金融租賃有限公司), without taking into account the shareholding percentage held by the Company in the associate.

The Group innovated in finance and capital service functions and developed new types of businesses, including extended loans to meet the diversified financing needs of its member units. The Group optimized its business structure, deepened the integration of industry and finance to provide upstream customers with financing services so as to increase customer stickiness and help develop the main businesses of terminals. The Group has achieved the transformation of its development model from scale orientation to high quality.

For the year ended 31 December 2019, the revenue from financial services amounted to RMB253 million, representing a decrease of RMB156 million or 38.2% compared to the same period in the prior year, mainly attributable to the decreased revenue and cost as a result of the reduced daily average inter-bank deposit scale and lowered interest rate compared to the same period in the prior year as the adjustment of capital operation strategy and the inter-bank deposit market remained depressed with the influence of the loose monetary policy. The segment result amounted to RMB554 million, representing an increase of RMB114 million or 25.9% compared to the same period in the prior year, which was mainly due to the profit growth driven by the improvement in fund utilization efficiency and the expansion of business scale in financial assets investment.

3 Financial Position Analysis

Unit: RMB'000

Item	As at 31 December 2019	As at 31 December 2018	Changed Amount	Changed Percentage
Other current assets	6,214,206	3,903,247	2,310,959	59.2%
Other non-current financial assets	538,097	268,581	269,516	100.3%
Other payables	7,200,532	5,954,950	1,245,582	20.9%
Current portion of non-current liabilities	235,634	3,595,929	-3,360,295	-93.4%
Bonds payable	2,116,900	-	2,116,900	N/A
Long-term payables	43,095	530,779	-487,684	-91.9%
Lease liabilities	378,301	—	378,301	N/A

As at 31 December 2019, the Group's other current assets increased by RMB2,311 million or 59.2% compared to the beginning of the year, mainly due to the increase of the purchase of interbank negotiable certificate of deposit and financial assets held under resale agreement conducted by Qingdao Finance.

As at 31 December 2019, the Group's other non-current financial assets increased by RMB270 million or 100.3% compared to the beginning of the year, mainly due to the increase of the purchase of financial bonds by Qingdao Finance.

As at 31 December 2019, other payables of the Group increased by RMB1,246 million or 20.9% compared to the beginning of the year, mainly due to the net increase in deposits absorbed by Qingdao Finance.

As at 31 December 2019, the Group's current portion of non-current liabilities decreased by RMB3,360 million compared to the beginning of the year, and the bonds payable increased by RMB2,117 million compared to the beginning of the year. The main reason was that investors did not exercise the sell-back option at the beginning of the year and the Company cannot discretionarily extend the repayment obligation, so the Company classified RMB3,500 million of bonds payable to current portion of non-current liabilities, while as at 31 December 2019, the outstanding bonds were re-classified from "current portion of non-current liabilities" to "bonds payable" as the sell-back option has been exercised, while certain investors have chosen to hold the bonds until 2021.

As at 31 December 2019, the Group's long-term payables decreased by RMB488 million or 91.9% compared to the beginning of the year, and lease liabilities increased by RMB378 million compared to the beginning of the year, mainly due to payables of leased assets in forms of financial leasing being re-classified from "long-term payables" to "lease liabilities", according to the new leasing standards.

4 Cash Flow Analysis

For the year ended 31 December 2019, the Group's net cash outflow amounted to RMB16 million, among which:

(1) The net cash inflow from operating activities was RMB2,966 million, which was mainly derived from the operating profit of the Consolidated Group Companies;

(2) The net cash outflow from investing activities was RMB1,976 million, which was mainly comprising of the net inflow of RMB137 million due to Qingdao Finance's net recovery of loans to its members, net inflow of RMB1,003 million due to recovering the fixed term deposits over three months when due, net inflow of RMB1,253 million due to receiving dividend from joint ventures, net inflow of RMB501 million due to receiving interest income in loans, wealth management products and term deposits with a fixed term of over three months, net cash inflow of RMB220 million due to recovering the statutory deposit reserves, net outflow of RMB2,820 million due to the purchase of wealth management products and net outflow of RMB2,324 million due to the net payment for the purchase of fixed assets and intangible assets, etc.; and

(3) The net cash outflow from financing activities was RMB1,022 million, which was mainly comprising of the net inflow of RMB1,979 million arising from the net proceeds of the initial public offering of A shares of the Company, net inflow of RMB527 million due to the receiving capital from minority shareholders, net inflow of RMB836 million due to the deposits-absorbing business of Qingdao Finance, net inflow of RMB1,503 million due to receiving cash from borrowings, net outflow of RMB2,732 million due to the distribution of dividends and the payment of debt interests, and net outflow of RMB2,955 million due to the repayment of borrowings.

In order to facilitate the understanding of shareholders of the Company and investors, after eliminating the impact of Qingdao Finance as well as the Group's purchase of wealth management products and the recovery of fixed term deposits with an initial term over three months on the cash flow, the net cash inflow of the Group amounted to RMB608 million.

5 Liquidity and Financial Resources

As at 31 December 2019, the Group's cash at bank and on hand amounted to RMB6,846 million and wealth management products amounted to RMB7,402 million with the main currency of RMB. After eliminating the impact of Qingdao Finance, the self-owned cash at bank and on hand and wealth management products of the Group amounted to RMB12,205 million. After eliminating the impact of Qingdao Finance, the Group's total interest-bearing borrowings amounted to RMB2,406 million, among which, borrowings at fixed interest rates amounted to RMB2,321 million and borrowings at floating interest rates amounted to RMB85 million.

As at 31 December 2019, the gearing ratio of the Group was 8.6%. After eliminating the impact of Qingdao Finance, the amount of the Group's cash exceeded its interest-bearing borrowings.

6 Capital Structure

As at 31 December 2019, the total equity of the Group amounted to RMB33,597 million, representing an increase of RMB4,178 million as compared to the beginning of the year, among which, the increase of equity interest attributable to the shareholders of the Company was mainly due to the increase of RMB3,790 million from the operating profit, the increase of RMB49 million was due to supplemental retirement benefits actuarial gains, the increase of RMB1,979 million was due to receiving proceeds from A-share initial public offering, and the decrease of RMB2,465 million was due to the distribution of dividends to shareholders of the Company; the equity interest of minority shareholders increased by RMB800 million was mainly because of the increase of RMB527 million due to the investments by minority shareholders, the increase of RMB341 million due to operating profits and comprehensive incomes, and the decrease of RMB68 million due to dividends distributed to minority shareholders.

As at 31 December 2019, the Company had 6,491,100,000 issued shares, comprising of 5,392,075,000 A shares and 1,099,025,000 H shares. The total market capitalization and H share market capitalization of the Company was approximately RMB42,488 million and HK$6,078 million, respectively, which are calculated based on the closing price of RMB6.87 per share on the Shanghai Stock Exchange and the closing price of HK$5.53 per share on the Hong Kong Stock Exchange as at 31 December 2019.

7 Interest Rate and Exchange Rate Risks

As at 31 December 2019, cash at bank and on hand, receivables, payables and external bank borrowings at floating rates of the Group amounted to RMB4,721 million, RMB802 million, RMB4,620 million and RMB85 million, respectively. The Group assessed the interest rate risk and anticipated that changes in interest rate would have no material impact on the Group.

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

The Group will continue to closely monitor risks in interest and exchange rate. The Group did not enter into any hedging arrangements with respect to interest rate and exchange rate risks in 2019.

8 Financial indicators

Indicators	2019	2018	Change
Return on total assets	8.1%	7.9%	Increased by 0.2 percentage point
Weighted average return on net assets	12.9%	14.2%	Decreased by 1.3 percentage points
Interest coverage ratio	23.94	23.76	Increased by 0.18 time
Current ratio	1.81	1.41	Increased by 0.40
Quick ratio	1.78	1.37	Increased by 0.41
Turnover ratio of accounts receivable	5.17	5.60	Decreased by 0.43
Turnover days of accounts receivable	71 days	65 days	Increased by 6 days

For the year ended 31 December 2019, the return on total assets was 8.1%, representing an increase of 0.2 percentage point compared to the same period in the prior year, which was mainly due to the increase in the ability to have returns as the assets such as Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline were put into operation; the weighted average return on net assets was 12.9%, representing a decrease of 1.3 percentage points compared to the same period in the prior year, mainly because some projects into which proceeds raised from the initial public offering of A shares were invested are still under construction and yield no returns during the current period. The accounts receivable turnover days of the Group were 71 days, representing an increase of 6 days compared to the same period in the prior year, which was mainly due to the increase in accounts receivable resulting from the longer collection period of large-scale port machinery manufacturing business this year.

Summarized Financial Information of Joint Ventures

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

Unit: RMB'000

	QQCT		Qingdao Shihua	
	2019	**2018**	**2019**	**2018**
Revenue	3,775,984	3,624,891	1,633,559	1,815,247
Cost of sales	(1,454,019)	(1,401,517)	(564,150)	(866,856)
Net profit	1,737,006	1,673,583	782,185	678,073
Net profit attributable to the owners of joint ventures	1,719,717	1,649,355	782,185	678,073

Considering the impact of the fair value of identifiable assets and liabilities at acquisition:

Net profit	1,660,257	1,595,107	—	—
Net profit attributable to the owners of joint ventures	1,642,969	1,570,879	—	—
Equity interest in joint ventures held by the Group	51%	51%	50%	50%
Investment income of joint ventures by the Group accounted for using the equity method *(Note)*	833,404	786,789	392,844	343,945

Note: The share of the net asset of the joint ventures was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the joint ventures in the consolidated financial statement of the joint ventures, adjusted accordingly to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date, unrealised profits arising from internal transactions and conformed to accounting policies of the Group.

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

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

Unit: RMB'000

Balance sheet	Nature	31 December 2019	31 December 2018
Other receivables	Granting short-term loans	571,738	718,655
Current portion of non-current assets	Current portion of long-term loans	227,597	374,112
Long-term receivables	Granting long-term loans	1,528,632	1,302,551
Other payables	Absorbing deposit	(4,764,271)	(3,934,829)

Unit: RMB'000

Income statement	Nature	2019	2018
Finance expenses — interest income	Interest income - granting loans	111,074	111,079
Finance expenses — interest expenses	Interest expense - absorbing deposit	(57,702)	(72,310)

9 Significant Capital Investment

For the year ended 31 December 2019, the Group had significant capital investment of RMB2,736 million, mainly consisting of the investments in the projects of the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline and ancillary tanks, Qingdao Port Investment multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area, and Dongjiakou Port Area Crude Oil Commercial Reserve Tanks and others, as well as the acquisition of land use rights in Dongjiakou Port Area.

10 Details of the Material Entrusted Wealth Management

For the year ended 31 December 2019, details of the material entrusted wealth management of the Group are set out as below:

Unit: RMB'000

Entrustee	Product type	Balance	Start date	Expiry date	Expected annualized return rate	Source of funding
China Everbright Bank	Wealth management product	200,000	9/12/2019	9/3/2020	3.85%	self-owned funds
Qingdao Rural Commercial Bank	Wealth management product	200,000	24/12/2019	24/3/2020	3.80%	self-owned funds
China Zheshang Bank	Wealth management product	200,000	11/9/2019	17/12/2019	4.10%	self-owned funds

Note: The above listed is the entrusted wealth management with a single investment amount of more than RMB200 million.

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

For the year ended 31 December 2019, Qingdao Port International Development (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company purchased 6,667 shares or 33.335% of the equity interests of COSCO Shipping Port (Abu Dhabi) Limited for the consideration of US$59,276,030 from COSCO Shipping Port Co., Ltd.. Through this transaction, Qingdao Port International Development (Hong Kong) Co., Ltd. indirectly held 30.0015% of the equity interests of CSP Abu Dhabi Terminal L.L.C through its shareholding in COSCO Shipping Port (Abu Dhabi) Limited. For details, please refer to announcement of the Company dated 26 November 2019. As at 31 December 2019, the Group has not yet made the payment of the consideration of acquisition.

Save as the disclosure above, during the year ended 31 December 2019, the Group did not have any significant acquisition and disposal of subsidiaries, joint ventures and associates.

12 Pledge of Assets

As at 31 December 2019, the Group had pledged on its other receivables of RMB8.75 million for a borrowing of RMB6.97 million. Save as disclosed aforesaid, no other Group's assets were pledged.

13 Contingent Liabilities

As at 31 December 2019, the Group has no significant contingent liabilities.

14 Employees

As at 31 December 2019, the Company engaged 4,866 employees, and the Company and its principal subsidiaries engaged 8,738 employees in total. The employees' remunerations of the Group include basic salaries and performance incentives. The growth of employees' remunerations are determined by their working performance, economic environment, and supply and demand conditions of human resource market, under the "two matches" principle to match the employees' income growth with the growth of the Company's results and the raise of production rate. Meanwhile, the Group's remuneration policy is reviewed on a regular basis as well. Adhering to its "people-focused" approach and safeguarding the legitimate rights and interests of employees, the Group contributes social insurances as required by the relevant regulations of the PRC and also sets up enterprise annuity to provide extra welfare scheme to its employees.

15 Description of Other Matters

As Dagang Port Area is planned to be transformed and upgraded into an international home port for cruise liners, the business of Dagang Port Area will be gradually relocated to Dongjiakou Port Area and Qianwan Port Area. As at 31 December 2019, the construction of international home port for cruise liners had no effect on the operation of Dagang Port Area.

The government of Qingdao Economic and Technological Development Zone may adopt a new urban planning scheme that may relocate the port operations in Huangdao Oil Port Area and operations of certain clients around Huangdao Oil Port Area to Dongjiakou Port Area. As at 31 December 2019, the Group did not receive any relocation plan or relevant notice, nor obtain any information in relation to such relocation of clients and businesses to Dongjiakou Port Area, hence the operation of Huangdao Oil Port Area was not affected.

16 Outlook for 2020

In 2020, the international situation is complicated and variable with an unchanged healthy and improved trend of domestic economy. The Group will aim at accelerating the construction of a world-class marine port, seizing the opportunities of policy overlay of the Shanghai cooperation organization local economic and trade cooperation demonstration zone and the Shandong Free Trade Zone, continuing to deepen the reformation, accelerating the process of transformation and upgrading, prioritizing performance, expanding the space of development, improving the management efficiency comprehensively, and creating greater value for shareholders and the society.

Firstly, the Group will continuously improve its operating performance. The Group will expand the business both on land and sea. For the sea direction, the Group will increase shipping lines, expand container shipping capacity, expand transit business, and strengthen the linkage among ports to jointly build a transit network radiating the Northeast Asian ports groups and create a domestic trade transit channel linking the north and south. For the land direction, the Group will open railway routes, establish inland ports, expand cargo sources, optimize the layout of inland ports, increase the number of sea-rail intermodal routes, and accelerate the transformation from a gateway port to a hub port. The Group will seize policy opportunities and integrate into the "end-to-end" global logistics supply chain, and expand the emerging businesses such as transit consolidation, bonded refueling, oil blending, cold chain logistics, cross-border e-commerce, and roll-on-roll-off business. The Group will promote new models such as the international transfer of ores and bonded spot crude oil storage, provide comprehensive services to customers, and accelerate the transformation from a logistics port to a trade port.

Secondly, the Company will continuously enhance development potential. The Group will accelerate the construction of intelligent ports, constantly improving the intelligent operation system of automated terminals. The Group will promote the construction of green ports, accelerate the automatization of terminal yards and build a clean and low-carbon energy system in the ports. The Group will strengthen the construction of key projects and make efforts to promote the construction of Phase II of the Dongjiakou crude oil terminal, the crude oil commercial reserve storage, the PetroChina crude oil storage, and Phase I of the sea-rail intermodal capacity expansion project in Qianwan Port Area. The Group will promote joint ventures and cooperation and attract high-quality enterprises to invest in the construction of ore mixing and blending, timber, grain and other port processing industries and logistics transit bases in the port area of Dongjiakou. The Group will actively expand international development space and promote and operate a smooth run of international projects such as the Vado Ligure terminals in Italy and the Phase II of Abu Dhabi Khalifa terminals in United Arab Emirates.

Thirdly, the Group will continuously promote management efficiency. The Group will focus on intrinsic safety, establish safety responsibility lists of all staff, and build a safe port. The Group will improve its modern governance system, strengthen the management of security affairs, and build a benchmark in the capital market. The Group will innovate people-oriented management, expand employees' career development channels, optimize the salary system, do practical work for employees’ benefits, and share the development results of the port with employees.

INITIAL PUBLIC OFFERING OF A SHARES

To further broaden the capital replenishment channels, and enhance the core competitiveness, the Company completed its initial public offering of RMB ordinary shares (A shares) in the Shanghai Stock Exchange on 21 January 2019 with the issue of 454,376,000 shares at a nominal value RMB1.00 per share, the stock code of which is 601298, and the original domestic shares of the Company were simultaneously converted into A shares. The offering price of A share was RMB4.61 per share, and the A shares offering was conducted by way of a general mandate granted to the Board by the shareholders of the Company at the 2017 annual general meeting held on 6 June 2018. The total amount of funds raised in this issuance of A share offering was approximately RMB2,094.67 million and the net proceed was approximately RMB1,978.93 million after deducting the offering expense of approximately RMB115.74 million. After the A shares offering, the total number of shares of the Company was 6,491,100,000 shares, among which A shares comprise 5,392,075,000 shares and H shares comprise 1,099,025,000 shares.

Details of the use of proceeds were as follows:

Unit: RMB0'000

Investment Projects of Proceeds	**Net Amount of Proceeds**
Dongjiakou Port Area Crude Oil Commercial Reserve Tanks Project	-
The Project of Qingdao Port Investment Multi-purpose Berths and North Jetty II Rear Ancillary Stacking Yards in Dongjiakou Port Area	100,000
Dongjiakou Integrated Logistics Stacking Yard Phase I Project	18,000
Intelligent Port Area Upgrading Project	20,000
Port Area Equipment Procurement Project	30,210
Supplementing working capital	29,683
Total	197,893

In order to improve the efficiency of using the proceeds raised from the A shares offering, on 29 January 2019, the Board resolved that the proceeds of RMB320.32 million raised from the A shares offering was used to replace the self-raised funds putting into investment projects of proceeds in advance; on 29 January 2019 and 26 December 2019, the Board resolved that among the proceeds raised from the A shares offering, an amount of idle funds of no more than RMB1.5 billion and RMB1.2 billion, respectively are to be used in cash management, purchasing wealth management products of high security, good liquidity with principal protected, and the term of such products shall not exceed 12 months. Please refer to the announcements of the Company dated 30 January 2019 and 27 December 2019 for details.

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

In order to increase the profit of the Company and promote the smooth implementation of the projects, on 26 March 2020, the Board resolved to change certain use of proceeds and terminate some investment projects, among which, the Company proposed to terminate Dongjiakou Integrated Logistics Stacking Yard Phase I Project and put the unused proceeds of RMB180 million into Port Area Equipment Procurement Project and the Company also proposed to terminate Dongjiakou Port Area Crude Oil Commercial Reserve Tanks Project as one of the investment projects of proceeds. Please refer to the announcement of the Company dated 26 March 2020 for details. After the aforesaid change and termination, details of the use of proceeds raised from the A shares offering of the Company were as follows:

Unit: RMB0'000

Investment Projects of Proceeds	Net Amount of Proceeds
The Project of Qingdao Port Investment Multi-purpose Berths and North Jetty II Rear Ancillary Stacking Yards in Dongjiakou Port Area	100,000
Intelligent Port Area Upgrading Project	20,000
Port Area Equipment Procurement Project	48,210
Supplementing working capital	29,683
Total	197,893

The aforesaid change and termination will be implemented subject to shareholders' approval at the 2019 AGM.

USE OF PROCEEDS

The net proceeds from the Global Offering were approximately RMB2,198 million. Considering the actual business development and operation of the Group, the Company has changed the investment projects which the remaining net proceeds were originally proposed to fund. Please refer to the announcement of the Company dated 28 December 2016 for detailed information. As at 31 December 2018, approximately RMB48 million was carried over to this year, which is proposed to be used towards the construction of the oil tanks in the Dongjiakou Port Area. For the year ended 31 December 2019, the Company has finished utilizing the remaining proceeds.

The net proceeds from the New H Shares Placing of the Company in 2017 were approximately HK$1,035 million, equivalent to approximately RMB912 million, which will be used in the way as disclosed in the announcement of the Company dated 20 January 2017. As at 31 December 2018, approximately HK$1,035 million was carried over to this year, which is proposed to be used as funds for the overseas terminal investment and acquisition of the Company and working capital for the management of overseas terminal projects by the terminal project management company(ies) jointly established with COSCO SHIPPING Ports. For the year ended 31 December 2019, approximately HK$0.60 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used as working capital for the management of overseas terminal projects management company jointly established with COSCO SHIPPING Ports and early work for preparation of oversea investments. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this announcement, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the Company's issuance of the Domestic Shares to Shanghai China Shipping Terminal Development Co., Ltd. were approximately RMB2,600 million. As at 31 December 2018, approximately RMB312 million was carried over to this year, which is proposed to be used towards the construction of the port facilities in Dongjiakou Port Area, the optimization of the modern logistics business structure of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant port assets in the

Port of Qingdao, and the information facility construction of the Company in accordance with the ways as disclosed in the announcement of the Company dated 20 January 2017. For the year ended 31 December 2019, approximately RMB141 million had been utilized towards the investment projects in the way as disclosed in the announcement of the Company dated 20 January 2017, which was mainly used for the construction of the port facilities in the Dongjiakou Port Area, the information facility construction of the Company, the domestic terminals investment and acquisition and the consolidation of the relevant port assets in the Port of Qingdao. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this announcement, there is no detailed schedule for the utilization of the remaining proceeds.

The net proceeds from the initial public offering of A shares of the Company were approximately RMB1,979 million, which will be proposed to be used towards the construction of berths and stacking yards in the Dongjiakou Port Area, intelligent upgrade of port area, equipment procurement, and supplementing working capital in the way as disclosed in the prospectus for the initial public offering of A shares. For the year ended 31 December 2019, the proceeds of approximately RMB759 million (including approximately RMB320 million used to replace the self-raised funds putting into investment projects in advance) had been utilized towards the investment projects in the way as disclosed in the prospectus for the initial public offering of A shares of the Company and in the announcement of the Company dated 30 January 2019, which was mainly used for the project of Qingdao Port Investment multi-purpose berths and North Jetty II rear ancillary stacking yards in Dongjiakou Port Area, equipment procurement, intelligent port area upgrading project and supplementing working capital. The Company will utilize the remaining proceeds in accordance with the progress of the investment projects and the business development. As at the date of this announcement, there is no detailed schedule for the utilization of the remaining proceeds.

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

The Board has proposed the distribution of final dividend of RMB200.30 (tax inclusive) per thousand shares, totaling approximately RMB1,300,167.3 thousand (tax inclusive) which represents 40% of distributable profits attributable to shareholders of the Company for the year ended 31 December 2019. Such distribution plan will be implemented on 5 August 2020 subject to approval at the 2019 AGM.

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

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

In order to determine the eligibility of being entitled to the proposed final dividend for H shares, the H share register of the Company will be closed from Wednesday, 17 June 2020 to Monday, 22 June 2020 (both days inclusive), during which no H share transfer will be registered. The H shareholders whose names appear on the register of members of the Company on Monday, 22 June 2020 are entitled to the proposed final dividend. Holders of the Company's H shares who wish to receive the proposed final dividend are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. Tuesday, 16 June 2020 for registration.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules during the year ended 31 December 2019.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct for securities transactions by directors and supervisors of the Company. Specific enquiries have been made to all the Directors and supervisors of the Company and each of the Directors and supervisors of the Company has confirmed that he/she has complied with the Model Code for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2019, certain investors partially conducted the option to sell back the corporate bonds of "16 Qing Gang 01" and "16 Qing Gang 02", separately, under the terms of investors' option to sell back as stipulated in the "Prospectus of Qingdao Port International Co., Ltd. for the Public Issue of 2016 Corporate Bonds (Phase I) (《青島港國際股份有限公司公開發行2016年公司債券（第一期）募集說明書》)" and the "Prospectus of Qingdao Port International Co., Ltd. for the Public Issue of 2016 Corporate Bonds (Phase II) (《青島港國際股份有限公司公開發行2016年公司債券（第二期）募集說明書》)", and the Company repurchased such corporate bonds accordingly. Details are set out in the table below:

Unit: RMB'000

Abbreviation of bonds	Amount before investor's selling-back	Amount after investor's selling-back	Remaining balance of the bonds listed and traded on the Shanghai Stock Exchange
16 Qing Gang 01	1,500,000	90,900	1,409,100
16 Qing Gang 02	2,000,000	1,292,200	707,800

For further details, please refer to the overseas regulatory announcements of the Company published on 18 February 2019, 20 February 2019, 21 February 2019, 22 February 2019, 1 March 2019, 13 March 2019, 10 May 2019, 13 May 2019, 14 May 2019, 15 May 2019, 23 May 2019 and 5 June 2019.

Save as disclosed in this announcement, no purchase, sale and redemption of any listed securities of the Company was made by the Company or any of its subsidiaries for the year ended 31 December 2019.

AUDIT COMMITTEE

The audit committee of the Board has reviewed, with management of the Company, the accounting principles and policies adopted by the Group and the financial statements for the year ended 31 December 2019.

AMENDMENTS TO CONSTITUTIONAL DOCUMENT

The Articles of Association which has become effective upon the A shares offering of the Company has taken effect since 21 January 2019, i.e. the listing date of A shares of the Company. The current applicable Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

CLOSURE OF REGISTER

In order to determine the eligibility of shareholders who are entitled to attend the 2019 AGM, the H share register of the Company will be closed from Monday, 11 May 2020 to Wednesday, 10 June 2020 (both days inclusive), during which no H share transfer will be registered. The shareholders whose names appear on the register of H share members of the Company on Monday, 11 May 2020 are entitled to attend and vote at the 2019 AGM. Holders of the Company's H shares who wish to attend the 2019 AGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 8 May 2020 for registration.

MATERIAL LITIGATIONS

The progress of No. 794 case which the Company was involved in as disclosed in the announcement of the Company dated 15 November 2018 is as follows:

On 25 April 2019, the Company and the Dagang Branch of the Company received the (2019) Lu Minzhong No. 596 (魯民終596號) "Civil Ruling Letter" issued by the Higher People's Court of Shandong Province. As the appellant, Pacorini Metals (Shanghai) Logistics Co., Ltd. did not pay the appeal fee within the period stipulated by the court, the ruling was deemed to be the appealer's automatic withdrawal of the appeal, and the first instance judgment in this case became legally effective from the date the ruling was served and was final judgment.

The Company does not expect the aforesaid litigation and relevant judgments and orders to have material adverse impacts on the business and operations of the Group. For further details, please refer the announcement of the Company dated on 26 April 2019.

Save as disclosed in this announcement, for the year ended 31 December 2019, the Group was not involved in any material litigations.

SUBSEQUENT EVENTS

The new coronavirus pneumonia epidemic broke out across the country in early 2020, and related prevention and control work continued throughout the country. The Group has paid close attention to the development of the epidemic situation, taken various measures to prevent and control the epidemic situation and tried to minimize its impact on the Group's business. After the evaluation from the Group on the impact of the epidemic on the Group's financial position and operating results, as of the date of approval of the financial statements, no significant adverse effects have been found.

Save as disclosed in this announcement, after 31 December 2019, the Group did not have any material subsequent events.

PUBLICATION OF THE COMPANY'S 2019 ANNUAL RESULTS ANNOUNCEMENT AND THE 2019 ANNUAL REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.qingdao-port.com), respectively, and the 2019 annual report (containing all particulars as required by the Hong Kong Listing Rules) will be dispatched to the shareholders of the Company in due course and published on the websites of the Hong Kong Stock Exchange and the Company, respectively.

By Order of the Board
Qingdao Port International Co., Ltd.
LI Fengli
Chairman

Qingdao, the PRC, 26 March 2020

As at the date of this announcement, the non-executive directors are Mr. LI Fengli, Mr. ZHANG Wei and Mr. CHU Xiaozhong; and the independent non-executive directors are Ms. LI Yan, Mr. JIANG Min and Mr. LAI Kwok Ho.

DEFINITIONS

"2019 AGM"	the 2019 annual general meeting of the Company to be held on 10 June 2020
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Board"	the board of directors of Qingdao Port International Co., Ltd. (青島港國際股份有限公司)
"CFS"	container freight station, of which, container freight station at loading ports refers to the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier, while container freight station at discharge or destination ports refer to the location designated by carriers for de-vanning of containerized cargo
"Company"	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on 15 November 2013
"Consolidated Group Companies"	the Company (including its branches) and its subsidiaries which are consolidated into the consolidated financial statements of the Company
"COSCO SHIPPING Ports"	COSCO SHIPPING Ports Limited (中遠海運港口有限公司), a limited liability company established in Bermuda with its shares listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1199), holding approximately 18% equity interests in the Company as of 31 December 2019
"Director(s)"	the director(s) of the Company
"Distributable Profit"	calculated by net profit attributable to shareholders of the Company in the scope of the consolidated financial statements prepared in the PRC Accounting Standards for Business Enterprise, deducting recovery of accumulated losses, appropriation to statutory surplus reserve and other necessary reserve by the parent company and subsidiaries as well as the impact of the appraisal value-added amount of the asset invested in the Company by Qingdao Port (Group) Co., Ltd., the promoter at the establishment of the Company, on net profit for the year, etc.

"Global Offering"	the offer for subscription of the Company's H shares in 2014
"Group"	the Company and its branches and subsidiaries; when references are made to operational data such as throughput, including joint ventures and associates of the Company
"Haiwan Liquid Chemical"	Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (青島海灣液體化工港務有限公司), a joint venture in which the Company holds 50% equity interests and which is mainly engaged in the business of liquid bulk handling and ancillary services
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huaneng Qingdao"	Huaneng Qingdao Port Operation Co., Ltd. (華能青島港務有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of dry bulk cargo and break bulk cargo handling and ancillary services
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"OBOR"	the Silk Road Economic Belt and 21st Century Maritime Silk Road
"PRC" or "China"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
"QDOT"	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture in which the Company holds 30% equity interests, which is mainly engaged in the business of ore, coal and other cargo handling and ancillary services
"QDP"	Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), the controlling shareholder of the Company, which holds approximately 54% equity interests in the Company as at the date of this announcement

"Qingdao Finance"	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interests) and QDP (holding 30% equity interests), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its member companies
"Qingdao Shihua"	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interests, which is mainly engaged in the business of liquid bulk handling and ancillary services
"Qingwei Container"	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interests, which is mainly engaged in the business of container handling and ancillary services
"QQCT"	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), which is mainly engaged in the business of container handling and ancillary services
"Shandong Free Trade Zone"	China (Shandong) Pilot Free Trade Zone
"Shanghai China Shipping Terminal"	Shanghai China Shipping Terminal Development Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of COSCO Shipping Port Co., Ltd.
"TEU"	an abbreviation of Twenty-Foot Equivalent Unit, an international measuring unit with the standard a container with a length of 20 feet, a width of eight feet and a height of eight feet and six inches, also known as the international unit of standard container

"West United"	Qingdao Qianwan West Port United Terminal Co., Ltd. (青島前灣西港聯合碼頭有限責任公司), a joint venture in which the Company holds 51% equity interests (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of dry bulk cargo and break bulk cargo handling and ancillary services

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

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