

**QINGDAO PORT INTERNATIONAL COMPANY LTD:  
IT LOOKS TO BE A WINNER OVER THE YEARS TO COME**

**But For What Reason Did It Go Public ?**

It must be puzzling for many people to try to understand the reason that Qingdao Port International Company Ltd () (Code: 6198, Main Board, The Stock Exchange of Hongkong Ltd) determined to sell any of its shares on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) – or on any other equity market, for that matter.

The Company is, in fact, a PRC, State-owned port operator with nearly a virtual monopoly on its business due to its operations, located in the central position at The Port of Qingdao, and its massive size.

It had no appreciable debt, as at March 31, 2014, but it had obtained a credit facility in January this year from The Bank of Qingdao Company Ltd () of 4.70 billion renminbi (about \$HK5.91 billion) – which required '*no collateral or security*', according to Page 294 of the Global Offering Prospectus, dated May 26, 2014.

**The Initial Public Offering (IPO)**

Qingdao Port International is Offering 776.38 million, one renminbi '*H*' Shares at the Offer Price of \$HK3.76 Per Share.

Hongkong Investors are Offered 77,638,000 '*H*' Shares and International Investors are Offered 698,742,000 '*H*' Shares.

Management fully expects to net about \$HK2,493.20 million from the Global Offering and that not inconsiderable sum of money shall be utilised for just two purposes:

- About 90 percent of the Net Proceeds, that is about \$HK2,243.90 million, '*to fund the construction of port facilities at the Dongjiakou Port Area*'; and,
- About 10 percent of the Net Proceeds, that is about \$HK249.30 million, to be used as Working Capital.

**As at December 31, 2013, the Company had cash and cash equivalents of about 1,277,288,000 renminbi (about \$HK1.61 billion).**

Of the total number of shares on Offer, six Cornerstone Investors have agreed to invest, in aggregate, \$US167.70 million (about \$HK1.31 billion), representing about 44.54 percent of the Global Offering of '*H*' Shares.

The six Cornerstone Investors are named at Page 233 of the Global Offering Prospectus as follows:

*'Based on the Offer Price of HK\$3.76*

<i>Cornerstone Investor</i>	<i>Investment Amount</i>	<i>Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)</i>	<i>Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)</i>	<i>Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)</i>	<i>Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)</i>
<i>(US\$ in millions)</i>					
<i>Shanghai Zhenhua Port Machinery (Hong Kong) Company Limited .....</i>	<i>50.0</i>	<i>2.19%</i>	<i>2.14%</i>	<i>13.28%</i>	<i>11.55%</i>
<i>No.2 Engineering Company Ltd. of CCCC First Harbor Engineering Company Ltd.....</i>	<i>50.0</i>	<i>2.19%</i>	<i>2.14%</i>	<i>13.28%</i>	<i>11.55%</i>
<i>China International Marine Containers (Hong Kong) Ltd. ...</i>	<i>30.0</i>	<i>1.31%</i>	<i>1.29%</i>	<i>7.97%</i>	<i>6.93%</i>
<i>Sinotruk (Hong Kong) International Investment Ltd. ....</i>	<i>20.0</i>	<i>0.88%</i>	<i>0.86%</i>	<i>5.31%</i>	<i>4.62%</i>
<i>DP World Asia Holdings Limited.....</i>	<i>10.0</i>	<i>0.44%</i>	<i>0.43%</i>	<i>2.65%</i>	<i>2.31%</i>
<i>Ming Cheng Company Limited. ....</i>	<i>7.7</i>	<i>0.34%</i>	<i>0.33%</i>	<i>2.06%</i>	<i>1.79%</i>

Of the six Cornerstone Investors, three of them – Shanghai Zhenhua Port Machinery (Hongkong) Company Ltd ([ ]), No. 2 Engineering Company Ltd of CCCC First Harbor Engineering Company Ltd ( ) and Ming Cheng Company Ltd ( ) – are PRC, State-owned enterprises.

Two of the Cornerstone Investors are companies, listed on the Main Board of The Stock Exchange of Hongkong Ltd. They are China International Marine Containers (Hongkong) Ltd ([ ]) (Code: 2039) and Sinotruk (Hongkong) International Investment Ltd ([ ]) (Code: 3808).

The remaining Cornerstone Investor, DP World Asia Holdings Ltd ( ), is an investment holding company, ultimately owned by DP World Ltd, which is a publicly listed company in Dubai, United Arab Emirates, and London, England.

The aggregate amount of 'H' Shares in the Issued and Fully Paid-Up Share Capital of Qingdao Port International, following the successful Global Offering, shall be 16.50 percent.

## **The Business of Qingdao Port International**

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