秦皇岛港股份有限公司
QINHUANGDAO PORT CO.,LTD.*

(a joint stock limited liability company incorporated in the People's Republic of China)

Stock code: 3369

*For identification purposes only

ANNUAL REPORT 2013

CONTENTS

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"AGM" or "Annual General Meeting"	the annual general meeting or any adjourned meetings of the Company to be held at 9:00 am on Friday, 6 June 2014 at Holiday Inn, 25 Donggang Road, Haigang District, Qinhuangdao, Hebei Province, PRC
"Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"berth"	area for mooring of vessels on the shoreline. A berth means one designated place for a vessel to moor
"Board of Directors" or "Board"	the board of directors of the Company
"bulk cargo"	loose commodity cargo that is transported in volume or size
"CAGR"	compound annual growth rate
"Cangzhou Bohai"	Cangzhou Bohai Port Co., Ltd.* (滄州渤海港務有限公司), a company incorporated in the PRC with limited liability on 31 October 2007, with 95.93% of its equity interest held by the Company
"Cangzhou Mineral"	Cangzhou Huanghuagang Mineral Port Co., Ltd.* (滄州黃驊港礦石港務有限公司), a company incorporated in the PRC with limited liability on 10 April 2012, with 97.27% of its equity interest held by our Company as at the date of this annual report
"Caofeidian Coal"	Tangshan Caofeidian Coal Port Co., Ltd.* (唐山曹妃甸煤炭港務有限公司), a company incorporated in the PRC with limited liability on 29 October 2009, with 51% of its equity interest held by our Company
"Caofeidian Port"	Caofeidian Port Zone in Tangshan Port, Tangshan City, Hebei Province
"Caofeidian Shiye"	Tangshan Caofeidian Shiye Port Co., Ltd.* (唐山曹妃甸實業港務有限公司), a company incorporated in the PRC with limited liability on 4 September 2002, with 35% of its equity interest held by our Company
"Company"	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 31 March 2008
"Company Law"	Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on 27 October 2005 and effective on 1 January 2006, as amended, supplemented and otherwise modified from time to time
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of our Company
"Domestic Share(s)"	ordinary share(s) of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"dry bulk"	solid commodity cargo comprised of major dry bulk (coal, metal ore and grain) and other dry bulk commodities such as sugar, cement and fertilizer

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"GDP"	gross domestic product
"Global Offering"	the issuance of H Shares of our Company by way of Hong Kong public offering and international offering in 2013
"Group", "the Group", "us" or "we"	the Company and its subsidiaries (unless the context otherwise requires)
"harbor"	a port of haven where ships may anchor
"Hebei SASAC"	State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province (河北省人民政府國有資產監督管理委員會)
"HK$" or "Hong Kong dollar"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HPG" or "Controlling Shareholder"	Hebei Port Group Co., Ltd. (河北港口集團有限公司), previously named Qinhuangdao Port Group Co., Ltd. (秦皇島港務集團有限公司), holds 61.72% of our equity interest
"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and listed and to deal in, on the Stock Exchange
"Huanghua Port"	Huanghua Port in Cangzhou City, Hebei Province
"Independent Third Party(ies)"	third parties independent of the Company and its connected persons and are not connected person of the Company
"Listing"	Listing of our H Shares on the Stock Exchange
"Listing Date"	12 December 2013
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NBSC"	the National Bureau of Statistics of China (中國國家統計局)
"Nomination Committee"	the nomination committee of the Board
"Non-competition Agreement and Undertaking"	the non-competition agreement dated 25 December 2008, entered into between the Controlling Shareholder and our Company, which was re-entered on 12 September 2010 between the Controlling Shareholder, and our Company, and was further amended on 11 July 2013, and the non-competition undertakings issued by HPG on 25 September 2010

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"PRC" or "China"	the People's Republic of China which, for the purpose of this annual report, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 29 November 2013 in connection with the Global Offering
"Qinhuangdao Port"	Qinhuangdao Port in Qinhuangdao City, Hebei Province
"Qinhuangdao Seaborne Coal Trading Market"	the seaborne coal trading market operated by Qinhuangdao Seaborne Coal Trading Market Co., Ltd.
"QPG"	Qinhuangdao Port Group Co., Ltd. (秦皇島港務集團有限公司) which name was changed to Hebei Port Group Co., Ltd. (河北港口集團有限公司) on July 6, 2009
"Relevant Period"	the period from the Listing Date to 31 December 2013
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance
"Share(s)"	share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, including Domestic Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company established pursuant to the Company Law
"terminal"	a major construction of a harbor which is designated for mooring vessels, loading and unloading cargoes and boarding travellers
"TEU" or "container"	a box made of aluminum, steel or fiberglass and used to transport by ship, rail or barge. The standardized dimension (i.e one TEU) is 20 feet in length, eight feet six inches in height and eight feet in width
"the Previous Year", "the Last Year" or "2012"	the year ended 31 December 2012
"the Year", "Reporting Period" or "2013"	the year ended 31 December 2013
"throughput"	a measure of the volume of cargo handled by a port. Where cargoes are trans-shipped, each unloading and loading process is measured separately as part of throughput
"Wind Information"	Wind Information Co., Ltd (上海萬得資訊技術股份有限公司)

* *For identification purpose only*

CORPORATE INFORMATION

CORPORATE INFORMATION

OFFICIAL NAME OF THE COMPANY

秦皇島港股份有限公司

ENGLISH NAME OF THE COMPANY

QINHUANGDAO PORT CO., LTD.*

LEGAL REPRESENTATIVE

Mr. XING Luzhen (邢錄珍)

BOARD OF DIRECTORS

(1) Executive Directors
Mr. XING Luzhen (邢錄珍)
Mr. HE Shanqi (何善琦)
Mr. WANG Lubiao (王錄彪)
Mr. MA Xiping (馬喜平)

(2) Non-executive Directors
Mr. ZHAO Ke (趙克)
Mr. ZHENG Yunming (鄭雲明)
Mr. DUAN Gaosheng (段高升)

(3) Independent Non-executive Directors
Mr. HONG Shanxiang (洪善祥)
Mr. SHI Rongyao (師榮耀)
Ms. YU Shulian (佘恕蓮)
Mr. LI Man Choi (李文才)

BOARD COMMITTEES

(1) Audit Committee
Ms. YU Shulian (佘恕蓮) *(Chairman)*
Mr. DUAN Gaosheng (段高升)
Mr. LI Man Choi (李文才)

(2) Remuneration Committee
Mr. SHI Rongyao (師榮耀) *(Chairman)*
Ms. YU Shulian (佘恕蓮)
Mr. HE Shanqi (何善琦)

(3) Nomination Committee
Mr. HONG Shanxiang (洪善祥) *(Chairman)*
Ms. YU Shulian (佘恕蓮)
Mr. ZHENG Yunming (鄭雲明)

(4) Strategy Committee
Mr. XING Luzhen (邢錄珍) *(Chairman)*
Mr. HE Shanqi (何善琦)
Mr. HONG Shanxiang (洪善祥)
Mr. DUAN Gaosheng (段高升)
Mr. SHI Rongyao (師榮耀)

SUPERVISORY COMMITTEE

(1) Supervisors
Mr. GE Ying (葛瑛)
Mr. CHEN Shaojun (陳少軍)
Mr. NING Zhongyou (寧中友)

(2) Employee Representative Supervisors
Mr. CAO Dong (曹棟)
Mr. YANG Jun (楊軍)

JOINT COMPANY SECRETARIES

Mr. ZHANG Nan (張楠)
Ms. Kwong Yin Ping, Yvonne (鄺燕萍)

AUTHORIZED REPRESENTATIVES

Mr. MA Xiping (馬喜平)
Ms. Kwong Yin Ping, Yvonne (鄺燕萍)

COMPLIANCE ADVISOR

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower, Citibank Plaza
3 Garden Road
Central, Hong Kong

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CORPORATE INFORMATION

AUDITORS

(1) International Auditors
Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

(2) Domestic Auditors
Ernst & Young Hua Ming LLP
Unit D, 10/F
International Financial Tower
No. 15 and 17 Renmin Road
Zhongshan District, Dalian
Liaoning Province, the PRC

LEGAL ADVISORS AS TO HONG KONG LAW

Li & Partners
22/F, World-Wide House
19 Des Voeux Road Central
Central, Hong Kong

REGISTERED ADDRESS

35 Haibin Road
Qinhuangdao
Hebei Province, the PRC

HEADQUARTERS

35 Haibin Road
Qinhuangdao
Hebei Province, the PRC

PRINCIPAL PLACE OF BUSINESS

35 Haibin Road
Qinhuangdao
Hebei Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited (Qinhuangdao Haibin Road Branch)
Bank of Communications Co., Limited (Cangzhou Branch)
China Minsheng Banking Corp., Limited (Cangzhou Branch)
Bank of China Limited (Tangshan Branch)

H SHARE REGISTRAR IN HONG KONG

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

COMPANY WEBSITE

www.portqhd.com

STOCK CODE

3369

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of the Company for the year ended 31 December 2013.

ANALYSIS OF THE MACROECONOMIC CONDITION

In 2013, despite the steady but slow recovery progress under the impacts of various policies, the overall economic growth of the world remained weak with a growth rate of merely 2.9%, which was the lowest level since the international financial crisis in 2008. In China, the economy was undergoing structural adjustment, transformation and upgrade. The annual GDP was 7.7%, which was basically the same as the level in 2012. Although the overall domestic economy maintained steady growth, there was still room for improvement to achieve a turnaround.

PERFORMANCE OF MAJOR BUSINESS AND DIVIDENDS

In 2013, the operation of the Company faced tremendous pressure and challenges. The macro-economy remained depressed and the domestic market demand for coal was weak. Competition from imported coal was intensified and capacity of nearby ports continued to expand. In view of the overcapacity in the steel industry, government of Hebei province launched a series of measures to reduce the steel capacity, which had impacts on the import of metal ores. The upgrading of dumpers for Phase Four coal project of Qinhuangdao Port, renovation of aging terminals and the shutdown of three companies also affected our ability to expand the port throughput.

Under the severe market situation and in view of the demand for the upgrade and reconstruction of domestic ports, the Company was devoted to overcome the challenges through various effective measures aiming at grasping market opportunities while strengthening internal management. On one hand, we strengthened the efforts on market expansion, further enhanced the service quality and diversified the source of cargos. On the other hand, we implemented refined system management, enhanced the organization of production and improved efficiency. With all these efforts, we were able to fulfill all missions and performance goals for the Year.

In 2013, the throughput of the Company hit the record high, with a total throughput for all types of cargos reaching 365 million tonnes, representing an increase of 8.60% as compared with the same period of last year. Throughput of coals, metal ores, oil and liquefied chemicals, containers and general cargo amounted to 244 million tonnes, 98 million tonnes, 8.30 million tonnes, 7.98 million tonnes and 7.35 million tonnes, respectively. Revenue of the Company for 2013 amounted to RMB7,027.92 million, representing an increase of 12.44% as compared to the same period of last year. Net profit attributable to shareholders of parent company amounted to RMB1,777.61 million, representing an increase of 26.43% as compared with the same period of last year. The Board proposed to distribute a final dividend of RMB0.32 per Share (tax inclusive) for 2013.

BUSINESS REVIEW

As the largest independent port operator for major dry bulk cargo in the world in terms of throughput in 2012, a pivotal port-of-call for China's domestic coal trade and one of the most important ore port operators in the Bohai Rim, the Company provides coal and relevant logistics services, metal ores and relevant logistics services, oil/liquefied chemicals and relevant logistics services, general bulk and relevant logistics services, containers and relevant logistics services and value-added port services.

Confronted with the complex overseas and domestic economic environments and fierce port competition, the Company strived to cater for the market demand by improving the efficiency and providing excellent services. We further enhanced the efficiency and expanded the port logistics business through reforms, innovation and refined management. With all these efforts, we achieved all production goals.

CHAIRMAN'S STATEMENT

In respect of coal, port operation efficiency was significantly improved attributable to the shortened operation hours for ancillary services and seamless connection with all port departments as a result of the launch of anchorage area, trial voyage in foggy weather and the cooperation between rail, maritime and pilotage departments. In respect of dry bulk cargo, the Company visited the owners of cargo in the hinterland to promote its advantages in the number and size of berths and berthing speed and efficiency, and our market share was further increased. With the adoption of direct delivery to frontier vehicles or ships, the operation process was streamlined and the production efficiency for general bulk cargo continued to improve. In respect of oil, Berth 107 passed the completion inspection, Berths 101 and 102 were put into trial operation after upgrade and remolding and the major maintenance of tanks No. 6 and No. 7 was completed, laying a solid foundation for the development of the Group. In respect of containers, by capitalizing on the opportunities arising from the development of shipping routes in Hebei Province and the policy of transformation from dry bulk terminal and general cargo terminal to container terminal, we resumed the COSCO direct routes and opened a branch route of "Qingdao-Huanghua-Qinhuangdao-Qingdao" for domestic trade and "Qinhuangdao-Dalian-Shanghai" route. In respect of value-added services, we continued to offer featured services, such as coal blending and quotation for freight rates of seaborne coal, based on various customer demands in order to support the rapid development of our main port businesses.

SUCCESSFUL LISTING ON THE INTERNATIONAL CAPITAL MARKET

On 12 December 2013, the Company's H Shares were successfully listed and commenced trading on the Main Board of the Stock Exchange, raising a net proceed of approximately HK$3,820 million. The successful Listing of H Shares has further strengthened the Company's capital base and enhanced the reputation and brand influence of the Company in the international market, marking a new milestone for our rapid growth and providing strong support for us to improve corporate governance, reduce financing costs, broaden financing channels and push forward the transformation and upgrade of port services.

OUTLOOK AND PROSPECTS

In 2014, the world economy will be full of opportunities and challenges. Growth rates of developed economies will continue to be lower than expected, and growth of certain emerging economies will slow down with increasing financial risks. The world economic situation will remain complicated. Domestically, the macroeconomic growth is undergoing transformation and structural adjustment. Together with the impacts of the stimulative policies, the rapid economic growth of China is still subject to uncertainty. Despite the difficulties, we also face significant development opportunities and hope. Although the world economy is still experiencing significant adjustments after the financial crisis, the global economy has showed a sign of slow recovery driven by the various policies launched by governments. In China, the 18th Third Plenary Session has stated the directions of the national political and economic structural reforms, including the streamlining of government administration and decentralization of powers, removal of market barriers and acceleration of urbanization, which will become a major driver for the market development of resources such as coals and ores. Driven by the new major strategic goal of boosting synergetic development of Beijing, Tianjin and Hebei to build a new capital economic zone and the policy to develop Qinhuangdao, Tangshan and Cangzhou as the new economic growth momentum by integrating the coastline resources of Hebei Province to facilitate synergetic development of coastal ports, the Company will experience significant development opportunities for future growth.

In 2014, in response to the adjustments of national policy and synergetic development of coastal ports in Hebei Province, the Company will accelerate the construction of Caofeidian Port in Tangshan and Huanghua Port in Cangzhou and promote the rapid development of our port operations, in order to maximize the returns for Shareholders.

Finally, on behalf of the Board, I would like to express my gratitude to Shareholders and business partners of the Company for their continuous support to the Company. I would also like to express my sincere thanks to all employees of the Group for their hard work.

Qinhuangdao Port Co., Ltd.*
Xing Luzhen
Chairman

28 March 2014

* *For identification purposes only*

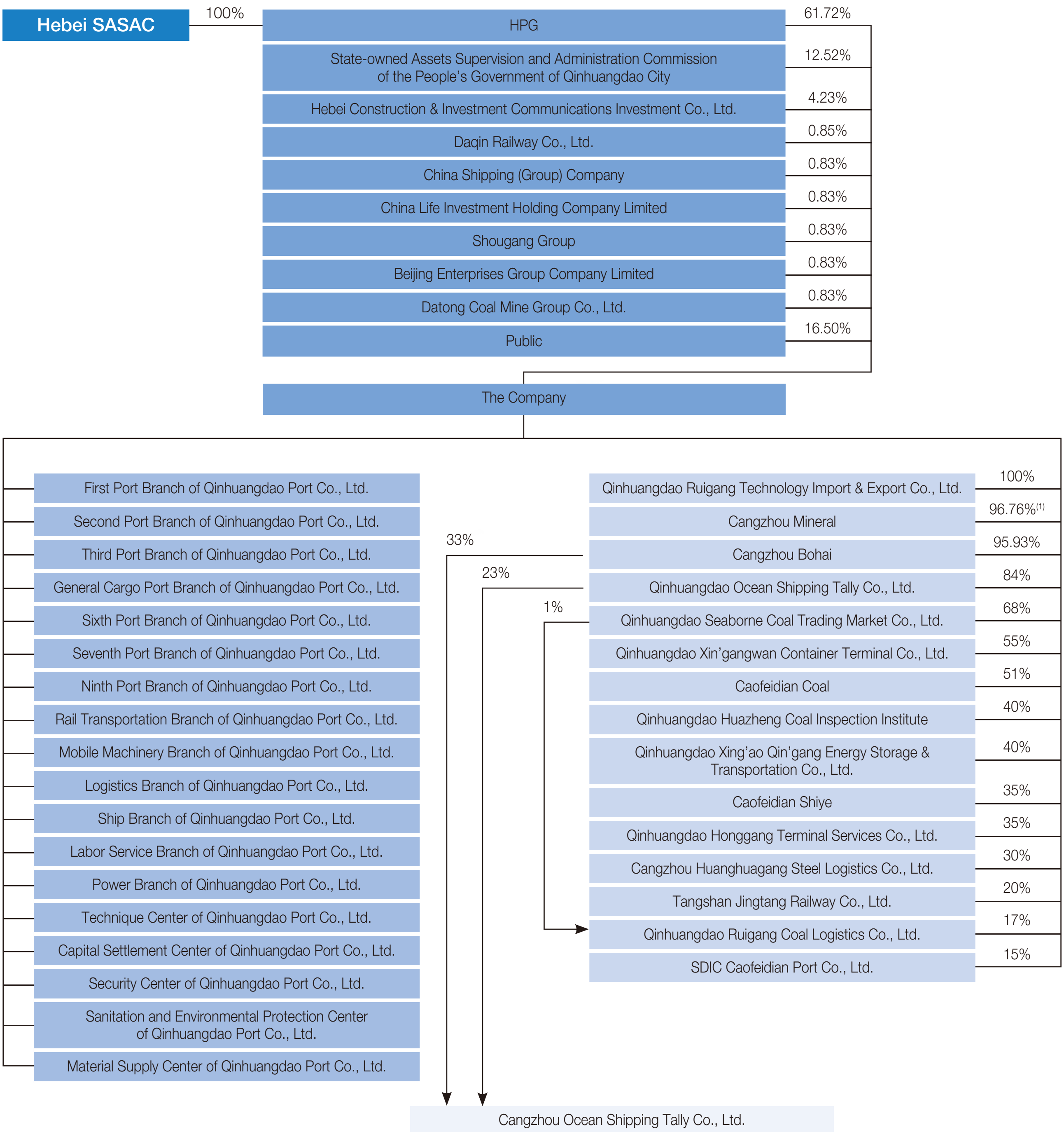
FINANCIAL HIGHLIGHTS

	2013 RMB'000	2012 RMB'000	Changes RMB'000
Summary of statement of profit or loss			
Revenue	**7,027,920**	6,250,162	777,758
Gross profit	**2,990,648**	2,714,081	276,567
Profit before tax	**2,209,573**	1,825,365	384,208
Net profit attributable to shareholders of the parent company	**1,777,613**	1,405,958	371,655
Basic and diluted (RMB cents)	**41.18**	32.89	8.29
Summary of balance sheet			
Cash and cash equivalents	**5,945,267**	3,492,887	2,452,380
Net current liabilities	**–2,008,442**	–989,261	–1,019,181
Total assets	**29,241,744**	23,204,068	6,037,676
Interest-bearing bank borrowings	**10,763,459**	9,919,610	843,849
Gearing ratio (%)	**55.38**	55.05	0.33
Net assets per Share (RMB)	**2.36**	2.17	0.19
Return on equity (%)	**15.25**	14.09	1.16
Summary of cash flow statement			
Net cash flows from operating activities	**2,852,252**	2,171,665	680,587
Net cash flows from investing activities	**–2,138,830**	–2,470,774	331,944
Net cash flows from financing activities	**1,487,048**	–1,870,275	3,357,323
Net increase in cash and cash equivalents	**2,200,470**	–2,169,384	4,369,854

All financial data were presented according to the International Accounting Standards.

SHAREHOLDING STRUCTURE OF THE GROUP

As at 31 December 2013, the shareholding structure of the Group was as follows:



Note 1: The interests of the Company in Cangzhou Mineral increased to 97.27% by 14 January 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

(I) INDUSTRY OVERVIEW[1]

(1) Overview of Port Industry in China

The economy of China has maintained its rapid growth in the past two decades and the GDP in 2013 reached RMB56,884.8 billion, representing an increase of 7.7% as compared with 2012. Benefitting from the rapid economic growth in China, the port throughput recorded a significant increase. According to the statistical data, the total throughput of coastal ports in China grew from 1.7 billion tonnes in 2002 to 6.7 billion tonnes in 2012, representing a CAGR of 14.9%. In 2013, the total throughput of coastal ports in China further increased to approximately 7.3 billion tonnes, representing an increase of 9.3% as compared with 2012.

In 2013, in terms of throughput by cargo type, throughput of coal and its products, metal ore and its products, oil and natural gas and their products, and container for coastal ports reached approximately 2.16 billion tonnes, 1.7 billion tonnes, 0.76 billion tonnes and 0.189 billion TEUs, respectively, representing a year-on-year increase of approximately 8%, 13%, 3% and 7% respectively.

(Source: Wind Information, NBSC and China Port（中國港口）magazine)

(2) Overview of Coal Port Industry in China

In 2013, port throughput of coal and its products in China amounted to approximately 2.16 billion tonnes, representing an increase of approximately 8% as compared with 2012.

In terms of throughput in 2013, Qinhuangdao Port, Tangshan Port (including Caofeidian Port and Jingtang Port) and Huanghua Port were the three largest coal ports in China with coal throughput of 0.24 billion tonnes, 0.18 billion tonnes and 0.13 billion tonnes respectively, representing an increase of 0.15%, 22.1% and 22.8% as compared with 2012, respectively. The increase in coal throughput of Tangshan Port (including Caofeidian Port and Jingtang Port) and Huanghua Port was mainly attributable to the enhancement of throughput capacity of ports.

(Source: Wind Information, The National Transport Statistics Compilation（全國交通運輸統計資料彙編）and China Port（中國港口）magazine)

(3) Overview of Metal Ore Port Industry in China

During the Year, as the international market price of ore continued to decrease, domestic steel plants and traders increased their import volume of iron ore, resulting in rapid increase in loading volume of ore in ports. In 2013, the port throughput of metal ore and its products was approximately 1.7 billion tonnes, representing an increase of approximately 13% as compared with 2012.

(Source: China Port（中國港口）magazine)

(4) Overview of Oil and Liquefied Chemicals, Containers and Other Cargo Port Industries in China

In recent years, China oil and natural gas and their products, and containers port industries have been growing rapidly.

For oil and liquefied chemicals business, in spite of the slow growth of the consumption of crude oil in the domestic market, the throughput of oil and natural gas and their products in China in 2013 reached approximately 0.76 billion tonnes, representing an increase of approximately 3% as compared with 2012.

For container business, affected by the macro economic conditions and foreign trade, container business of ports in China was lackluster and showed a slow growth. The throughput of containers in ports above designated size in China reached approximately 0.189 billion TEUs, representing an increase of approximately 7% as compared with 2012.

1 Data of port business set out in the Industry Overview refers to statistics data of coastal ports above the designated scale (with annual throughput of no less than 10 million tonnes).

The table below sets forth the throughput and annual growth rate by coastal cargo types in ports above designated size in China in 2013:

Cargo type	Throughput in 2013	Increase from 2012
Oil and natural gas and their products (billion tonnes)	approximately 0.76	approximately 3%
Container (million TEU)	approximately 189	approximately 7%

(Source: China Port（中國港口）magazine)

(5) Impact of Development Trend of Port Industry in China on the Business Operation of the Group

Attributable to the growth of port industry in China, in particular, the port industry in Bohai Rim (where the Group based), the revenue and profit for the Year recorded a significant increase.

(II) RESULTS OF OPERATION AND FINANCIAL PERFORMANCE

(1) Operating Income

We provide integrated port services including stevedoring, stacking, warehousing, transportation and logistics services. We handle various types of cargo mainly including coal, metal ores, oil and liquefied chemicals, containers and general cargo. We also provide value-added services such as coal blending and providing a coal trading service platform.

In the Year, the operating income of the Group amounted to RMB7,027.92 million, representing an increase of RMB777.76 million or 12.44% as compared to operating income of RMB6,250.16 million in 2012. The increase was mainly attributable to: (1) the increase of lump sum fee for coal trade of Qinhaungdao Port by the Company since 1 June 2013 and the impact of the change from business tax to VAT tax since 1 August 2013; and (2) significant increase of income from metal ore of Cangzhou Bohai as it had whole year operation in 2013 while in 2012, it only operated for less than 3 months since its operation commenced in October 2012.

The following table sets forth the operating income generated from each type of cargo we serviced:

	As of 31 December 2013		As of 31 December 2012			
	Operating income (RMB'000)	Percentage of total operation income	Operating income (RMB'000)	Percentage of total operating income	Changes (RMB'000)	Changes
Dry bulk[1]	6,296,578	89.59%	5,580,911	89.29%	715,667	12.82%
Coal	5,514,759	78.47%	5,310,414	84.96%	204,345	3.85%
Metal ore	781,819	11.12%	270,497	4.33%	511,322	189.03%
Oil and liquefied chemicals	124,479	1.77%	142,822	2.29%	–18,343	–12.84%
Container	93,556	1.33%	77,429	1.24%	16,127	20.83%
General and other cargoes[2]	178,381	2.54%	183,079	2.93%	–4,698	–2.57%
Others	334,926	4.77%	265,921	4.25%	69,005	25.95%
Total	7,027,920	100.00%	6,250,162	100.00%	777,758	12.44%

For the year ended 31 December 2013, the total throughput[3] of the Group amounted to 364.98 million tonnes, representing an increase of 8.6% as compared to 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the throughput generated from each type of cargo we serviced:

	As of 31 December 2013		As of 31 December 2012			
	Throughput (million tonnes)	Percentage of total throughput	Throughput (million tonnes)	Percentage of total throughput	Changes (million tonnes)	Changes
Dry bulk[1]	341.35	93.53%	314.84	93.69%	26.51	8.42%
Coal	243.82	66.81%	239.40	71.24%	4.42	1.85%
Metal ore	97.53	26.72%	75.44	22.45%	22.09	29.28%
Oil and liquefied chemicals	8.30	2.27%	9.07	2.70%	–0.77	–8.49%
Container	7.98	2.19%	5.56	1.65%	2.42	43.53%
General and other cargoes[2]	7.35	2.01%	6.60	1.96%	0.75	11.36%
Total[3]	364.98	100.00%	336.07	100.00%	28.91	8.60%

Notes: 1. The dry bulk cargoes we handle mainly consist of coal and metal ores.
2. General and other cargoes include grain, fertilizer and other general cargoes.
3. Throughput includes that of Caofeidian Shiye which is a non-consolidated associate company of, and 35% owned by, our Company. Our Company is the largest shareholder of Caofeidian Shiye as at the date of this annual report.

(2) Costs of Sales

Our cost of sales primarily includes employee benefits, depreciation and amortization, power and fuel costs, repair and maintenance expenses, environmental protection and sewage charges and leasing expenses.

Our costs of sales for the Year amounted to RMB4,037.27 million, representing an increase of RMB501.19 million or 14.17% as compared to RMB3,536.08 billion in 2012. The increase was mainly due to (1) increase in labor costs due to inflation and the competition in technician recruitment of the port industry; and (2) the whole year operation of Cangzhou Bohai (as Cangzhou Bohai only commenced its operation in October 2012 and had operated for only three months in 2012).

(3) Gross Profit Margin

The gross profit of the Group increased by RMB276.57 million to RMB2,990.65 million in 2013, representing an increase of 10.19% as compared with RMB2,714.08 million in 2012. The gross profit margin of the Group was 42.55% in 2013, representing a decrease of approximately 0.87% as compared with 43.42% in 2012. The decrease was mainly because the growth of gross profit was slower than that of operating income.

(4) Segment Analysis (Business Overview)[2]

(i) Stevedoring services of dry bulk cargoes

Our stevedoring services of dry bulk cargoes mainly include stevedoring service of coal and metal ores. During the Year, the Group recorded total dry bulk throughput of 341.35 million tonnes, representing an increase of 8.42% as compared with 2012.

In respect of coal, we conduct our coal service business principally through 21 coal berths in Qinhuangdao Port. We also have two coal berths in Qinhuangdao Port under renovation and five coal berths in Caofeidian Port under construction, which are expected to be completed by 2014.

2 Throughput includes that of Caofeidian Shiye which is a non-consolidated associate company of, and 35% owned by, our Company. Our Company is the largest shareholder of Caofeidian Shiye. For the year ended 31 December 2013, the throughput of terminals operated by Caofeidian Shiye in Caofeidian Port was 68.54 million tonnes in total; including 2.60 million tonnes for coal, 65.92 million tonnes for metal ores and 0.02 million tonnes for general cargo.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2013, the Group achieved a total coal throughput of 243.82 million tonnes, representing an increase of 1.85% as compared with last year. The Group continued to optimize the cargo portfolio in 2013 to ensure sufficient sources of major cargoes and steady increase of throughput. Moreover, we strengthened cooperation in long-term leasing business to guarantee effective operation of exclusive sites. Long-term leasing, as a cooperation mode, has played an important role in stabilizing throughput of ports. Through the provision of scheduled shipping services, the Group not only secured stable supply of thermal coal, but also established satisfactory cooperation relationship between producers, shipping suppliers and the users. The Group also invented a pre-parking zone, a new transportation mode for vessel loading and unloading, which improved the efficiency of vessel organization and berth utilization rate as well as the transportation capability of the ports.

In respect of metal ores, we operate 17 general cargo berths in Qinhuangdao Port, 6 general cargo berths in Huanghua Port, as well as 4 ore berths and 2 general bulk berths in Caofeidian Port through our associate company, Caofeidian Shiye. Most of these berths (except for designated grain berths) are also able to handle metal ores. We are planning to develop two 200,000-tonne ore berths in Huanghua Port. As at the end of 2013, the main construction of berths, dredging of ports and installation of stacker-reclaimers and shiploaders were in smooth progress as scheduled. The project is expected to be completed in 2014.

In 2013, the Group achieved a total metal ore throughput of 97.53 million tonnes, representing an increase of 29.28% as compared with the corresponding period of 2012. The increase of metal ore throughput of the Group was mainly attributable to (1) full operation of berths of Cangzhou Bohai in the Year, as compared to the operation of less than three months in 2012 since Cangzhou Bohai only commenced operation in October 2012, (2) improvement of market competitiveness of Caofeidian Shiye as a result of the optimization of operation procedures, timely adjustment of operation strategies and introduction of tariff-free warehouse and ore screening and crushing business to provide customized services in response to the various demands of customers, and (3) the efforts to strengthen, develop and establish relationship with major customers, including entering into long-term and stable cooperation with customers of the Group.

(ii) Stevedoring services of oil and liquefied chemicals

We operate 4 crude oil berths, 1 refined oil berth and 2 liquefied chemical berths in Qinhuangdao Port. In the Year, the Group recorded a total oil and liquefied chemical throughput of 8.30 million tonnes, representing a decrease of 8.49% as compared with last year, which was mainly due to the decrease in total loading volume of crude oil from Daqing, resulting in the decrease of crude oil throughput of the Group.

Although our throughput decreased as compared with 2012, the oil and liquefied chemical segment achieved the following progress in the Year:

1. The new No. 107 oil berth of Qinhuangdao Port of the Group passed inspection and acceptance and commenced production; and

2. Renovation of No. 101 and 102 oil berths of Qinhuangdao Port of the Group passed inspection and acceptance. The abilities to berth vessels of the two berths improved significantly upon renovation.

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Container services

We provide stevedoring and depot services to container shippers engaged in both international and domestic container trade. We operate three container berths in Qinhuangdao Port and four multipurpose berths in Huanghua Port which may handle containers. In the Year, the Group recorded 618,000 TEUs, equivalent to the throughput of 7.98 million tonnes, representing increases of 56.9% and 43.53% as compared with the last year in number of containers and throughput, respectively. The significant increase in throughput of the Group was mainly due to the full operation of berths of Cangzhou Bohai in the Year, while in 2012, Cangzhou Bohai only operated for less than three months since it commenced operation in October 2012.

In addition, the Group began the development of the following routes for the shipping companies:

1. significant increase of schedules for "Qinhuangdao – Huangpu" route;

2. opening of internal trade sub-route "Qingdao – Huanghua – Qinhuangdao – Qingdao";

3. opening of "Qinhuangdao – Dalian – Shanghai" route; and

4. completed research and surveying of Kansai route of Japan to prepare for the operation of Kansai route.

(iv) Handling of general cargo

We operate 17 general cargo berths in Qinhuangdao Port and 6 general cargo berths in Huanghua Port, which can be used for handling general cargo. Our associate company, Caofeidian Shiye, operates 2 general cargo berths in Caofeidian Port. In the Year, the total throughput of our general and other cargoes amounted to 7.35 million tonnes, representing an increase of 11.36% as compared with the last year.

(v) Ancillary port services and value-added services

We also provide a variety of ancillary port services and value-added services. Our ancillary port services include tugging, tallying, trans-shipping, and shipping agency services. Our value-added services mainly include coal blending, providing coal trading service platform and tariff-free warehouse and export supervisory warehouse services to be provided. In the Year, the revenue from our ancillary port services and value-added services was RMB220.94 million, representing an increase of 2.35% from RMB215.86 million in 2012. During the Year, the Group further enhanced our capabilities in providing integrated and comprehensive services for coal transfer and actively provided value-added services such as coal blending, which not only satisfied customers' needs but also reduced their integrated procurement costs.

(5) Fees and Costs

Selling and distribution expenses and administrative expenses

The total selling and distribution expenses and administrative expenses of the Group in the Year was RMB819.07 million, increased by RMB77.43 million, or 10.44%, from RMB741.64 million in 2012, which was mainly attributable to the increase in labour cost due to inflation and competition in technician recruitment of the port industry, resulting in an increase of RMB77.80 million in administrative expenses as compared with 2012.

Other expenses

Other expenses in the Year amounted to RMB122.41 million, decreased by RMB46.05 million, or 27.34%, from RMB168.47 million in 2012, which was mainly attributable to the dredging costs and stamp duty of RMB152.61 million paid by Cangzhou Bohai in the first half of 2012 for the transfer of Huanghua Port public infrastructure.

(6) Financial Income and Financial Costs

The financial costs of the Group in the Year amounted to RMB333.31 million, increased by RMB74.10 million, or 28.59%, from RMB259.21 million in 2012. The increase was mainly because the interests of borrowings were no longer capitalized since Cangzhou Bohai commenced operation in October 2012, resulting in an increase of financial costs.

During the Year and the Previous Year, the Group had no financial income, and its net financial expenses amounted to RMB333.31 million and RMB259.21 million, respectively.

(7) Tax

Income tax expense of the Group decreased by RMB8.75 million to RMB419.32 million in the Year from RMB428.07 million in 2012. The effective income tax rate of the Group fell to 18.98% for the year ended 31 December 2013 from 23.45% for the year ended 31 December 2012, which was primarily because (1) Cangzhou Bohai has commenced operation since October 2012, stable income was generated from satisfactory stevedoring business in 2013 and government subsidies was received, resulting in relatively high growth in profit; (2) the profit growth of Cangzhou Bohai covered the losses of the prior years, leading to significant decrease of taxable profit, thus lowered the effective income tax rate of the Group.

(8) Profit

The net profit attributable to owners of the parent for the Year amounted to RMB1,777.61 million, representing an increase of 26.43% from RMB1,405.96 million in 2012.

Net profit margin of the Group in 2013 was approximately 25.47%, representing an increase of 3.11% from 22.36% for 2012. The increase was mainly attributable to the increase of revenue of the Group in 2013 by RMB777.76 million as compared with 2012, together with the government grants of RMB294.84 million related to the transfer of public infrastructures in 2013 which offset the impact from the increase in operating costs by RMB501.19 million.

(9) Earnings per Share

Earnings per Share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary Shares in issue during the Year. Earnings per Share of the Group for the Year amounted to RMB0.41, representing an increase of 24.24% from RMB0.33 of the same period last year. Please refer to Note 13 to the consolidated financial statements for the calculation of earnings per Share.

(10) Cash Flows and Financial Resources

As stated in the Prospectus, the Group has mainly relied on funds generated from operations and bank loans for our working capital requirement.

During the Year, the net cash inflows of the Group amounted to RMB2,200.47 million, representing an increase of approximately RMB4,369.85 million as compared with the net cash outflows of RMB2,169.38 million in 2012. Such increase was mainly attributable to the retained proceeds from Global Offering in 2013.

Net cash inflow generated from operating activities was RMB2,852.25 million, representing an increase of RMB680.59 million, or 31.34%, as compared with 2012. The increase was mainly attributable to the increase of net cash inflow generated from the full year operation of Cangzhou Bohai which commenced to generate revenue since its operation started in October 2012, while in 2012, Cangzhou Bohai only operated for three months.

The net cash outflows from investing activities was RMB2,138.83 million , which mainly reflected the construction fees of terminals paid by Cangzhou Mineral, Caofeidian Coal and Cangzhou Bohai.

The net cash inflow from financing activities was RMB1,487.05 million, including cash inflows from proceeds of overseas listing of RMB3,453.53 million, net increase in loans of RMB843.85 million and payment of dividend and interests of RMB2,810.33 million.

As at 31 December 2013, the gearing ratio (total liabilities divided by total assets) of the Group was 55.38%, increased by 0.33% from 55.05% as at 31 December 2012. The increase was mainly because the year-on-year growth of total liabilities of 26.76% was slightly higher than that of total assets of 26.02%.

The table below sets forth the summary of the statement of consolidated cash flow of the Group for the periods indicated:

	31 December 2013 RMB '000	31 December 2012 RMB '000
Net cash generated from operating activities	2,852,252	2,171,665
Net cash (used in)/generated from investing activities	–2,138,830	–2,470,774
Net cash generated from/(used in) financing activities	1,487,048	–1,870,275
Net (decrease)/increase in cash and cash equivalents	2,200,470	–2,169,384
Cash and cash equivalents at the beginning of year	3,336,887	5,506,271
Cash and cash equivalents at the end of year	5,537,357	3,336,887
Loans	10,763,459	9,919,610
Gearing ratio	55.38%	55.05%

(11) Exchange Rate Risks

The operations of the Group mainly locate in China, and substantially all of the assets, liabilities, revenue and expenses are settled in RMB, while loans in foreign currencies are mainly used to pay for overseas agency fees. As such, the Group has not made any foreign exchange hedging arrangement.

(12) Management of Working Capital

	31 December 2013	31 December 2012
Current ratio	0.76	0.81
Quick ratio	0.74	0.77
Turnover days of trade and bills receivables	12.06	10.52
Turnover days of trade payables	6.64	7.34

As at 31 December 2013, current ratio of the Group was 0.76, representing a decline as compared with the current ratio of 0.81 as at 31 December 2012. The decrease was mainly due to the vigorous increase in current liabilities as a result of the payable construction expenses for the construction of terminals of Cangzhou Mineral and Caofeidian Coal. The turnover days of trade and bill receivables for the Year were 12.06 days, representing an increase of 1.54 days over 2012, whereas the turnover days of trade payables were 6.64 days, representing a decrease of 0.7 day over 2012.

(13) Overview of Major Investments

In the Year, the Group made the following investments in its subsidiaries or associated companies:

(i) On 20 February 2013, the Group subscribed for registered capital of RMB40 million of the newly established Tangshan Jingtang Railway Company Limited (唐山京唐鐵路有限公司) at a consideration of RMB40 million. Upon completion of the subscription, the Group held 20% equity interests of Tangshan Jingtang Railway Company Limited, and completed the registration with the administration authority of industry and commerce on 7 March 2013);

(ii) On 4 September 2013, the Group contributed an additional of RMB825 million to the registered capital of Cangzhou Mineral at a consideration of RMB825 million. Upon completion of the increase of capital, the Group held 96.76% equity interests of Cangzhou Mineral, and completed the change of registration with the administration authority of industry and commerce on 12 September 2013; and

(iii) On 31 December 2013, the Group contributed an additional of RMB175 million to the registered capital of Cangzhou Mineral at a consideration of RMB175 million. On 14 January 2014, such additional contribution was registered with the relevant industrial and commercial administration authority. Upon completion of the increase of capital, the Group held 97.27% equity interests of Cangzhou Mineral.

(III) PROSPECTS

The Group is committed to further strengthening our position as a world leading port operator and comprehensive logistical service provider. The Group intends to pursue the following strategies to capture future growth opportunities and consolidate our leading market position:

Firstly, we aim to develop our Company into a world leading integrated port operator and strengthen our leading position as the world's largest independent port operator for major dry bulk cargo. The Group plans to continue to enhance our operating efficiency and integrated service capabilities at Qinhuangdao Port to strengthen its leading position in coal handling port. We will also accelerate our investment in and development of terminals in Caofeidian Port with a target to expand its designed annual port handling capacity significantly within the next five years. We also plan to construct dedicated ore and oil berths, as well as coal berths in connection with the commencement of operations of the Hanhuang Line. We expect our terminals in Huanghua Port to reach annual throughput capacity of over 100 million tonnes within the next five years.

Secondly, we will continue to enhance our port logistical service capabilities and develop our Group into a world leading provider of comprehensive logistical services. We plan to further promote our port logistical service capabilities, including providing more efficient services for cargo transshipping, stevedoring, storage, freight forwarding, shipping agency, customs clearance, cargo tallying, processing and trading. Building upon our existing offering of value-added services, we plan to expand the scope of our services and establish a business model that covers the entire coal logistical value chain. Furthermore, we plan to further strengthen our sales network and information systems.

Thirdly, we will aim to develop a comprehensive and specialized nationwide bulk commodity trading platform focused on coal and ore. We plan to strengthen the advantage of the Qinhuangdao Seaborne Coal Trading Market, actively promote capital market transactions and services for coal related financial derivative products and carry out electronic trading, medium to long term coal futures trading. We strive to build Qinhuangdao Seaborne Coal Trading Market into the largest coal trading market in China with the most comprehensive functions and a focus on logistical services. We also plan to establish a seaborne coal trading center for the Bohai Rim in Caofeidian Port, an ore trading market in Cangzhou and coal trading sub-markets or settlement points in the coastal areas in south China and the Yangzte River area by leveraging our platform of seaborne coal trading markets.

Fourthly, we will continue to strengthen relationships with our customers and partners to achieve mutual development. The Group is committed to building strong and long-term relationships with major customers through long-term contracts, jointly-owned entities in terminals and other strategic alliances. Furthermore, we intend to develop relationships with new customers, and further strengthen our strategic relationships with other coastal ports and the relevant railway departments.

Fifthly, we will continue to focus on research and development and promote the building of talents team to improve overall operational efficiency and core competitiveness. Research and development as well as technology innovation will be further enhanced. Moreover, we will further enhance the quality of our workforce by improving our recruitment, training, career development and incentive mechanisms to attract and retain high-quality talents, laying a solid foundation for our long-term development.

Sixthly, building upon our operations in the Bohai Rim, we will pursue suitable acquisition opportunities in China and overseas to extend our leading competitive operation. We will prudently consider potential synergistic acquisition opportunities in China and overseas. This includes developing or acquiring dry bulk terminals in south China and overseas to further strengthen our leading advantage in dry bulk cargo operations.

Seventhly, we will continue to promote our international brand recognition. We seek to promote our brand recognition and enhance our international image as a world leading port operator and industry influence through various ways. Additionally, we plan to continue to improve customer satisfaction and our industry reputation and status by establishing a comprehensive logistical service platform and providing high quality services to our customers.

Our future business plans are as follows:

I. In respect of coal:

1. Following the long-term cooperation with various large coal shipping companies and power companies, the Group will expand its scope of cooperation and business scale in 2014. We plan to enter into new long-term strategic cooperation with a large coal company to secure stable throughput in Qinhuangdao Port and improve the capability of Qinhuangdao Port in preventing market risks by expanding the strategic cooperation scale of coal.

2. The Group will launch a scheduled shipping route for a power company in Hubei Province, which will be the first scheduled shipping route from the sea to the river in Qinhuangdao Port and the first shipping route which guarantees stable supply of thermal coal for Hubei Province as well as the Central China. The purchase and shipping method, which features with scheduled delivery, fixed shipping route and fixed types of coal, will help the Company to expand into new market. Aiming at long-term development, we will maintain the coal supply through stable shipping to create an effective transfer system and provide strong support to thermal coal supply in Hubei Province in summer and winter peaks.

II. In respect of oil:

1. In 2014, it is expected that the freight volume of ocean oil of our customers will have a substantial growth.

2. In 2014, an oil refinery plant will commence operation, and its expected production volume in the year will be all transshipped in Qinhuangdao port.

III. In respect of general cargo business:

1. One of our Group's key customers is expected to further reduce the volume of imported iron ore transported from other ports and will shift to Qinhuangdao Port. It is expected that the throughput of Qinhuangdao Port will have a significant increase in 2014.

2. The volume of slag loaded in the port-of-call has increased significantly. It is expected that the total volume of seaborne slag will increase to 3 million tonnes and become a key cargo type of Qinhuangdao Port.

3. The Group proposes to enter into a strategic cooperation agreement with a major energy and chemical engineering enterprise in Inner Mongolia. Upon the finalization of the cooperation, the fertilizer throughput of the Group is expected to increase significantly.

4. Operation of the tariff-free warehouse in Qinhuangdao Port and export supervisory warehouse services have commenced. The establishment of the tariff-free warehouse and export supervisory warehouse have further enriched the service offerings and enhanced the competitiveness of our key ports so as to provide more diversified import and export channels for cargo owners and attract more cargos to load in the ports.

IV. In respect of container business:

1. Upon the transformation from dry bulk terminal and general cargo terminal to container terminal, it is expected that commodity cargoes including grain and steel will be transported by containers, which will bring significant increase to the container throughput of the Group.

2. The current negotiation of coal container business with a major domestic coal enterprise is in good progress. It is expected that the number of containers will increase in 2014.

3. The Group expects the shipping routes linking the Qinhuangdao port, Caofeidian port and Cangzhou port with Shanghai Port will be opened in 2014, which will form cooperation between the three major ports the Group with the key container port so as to facilitate the rapid development of the Group's container business.

V. Others

Leveraging on the development of the operation of Qinhuangdao Seaborne Coal Trading Market Co., Ltd., the Group will further expand into the upstream and downstream industries through participating in the establishment of Hengqin Coal Trading Market so as to enhance the reputation and strengths of Qinhuangdao port and the Group and strengthen the power of our say and influence in the industry.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company in respect of the Relevant Period.

CORPORATE GOVERNANCE

The Group is committed to maintaining high level of corporate governance. The Board is responsible for the implementation of corporate governance, including: (a) formulating, developing and reviewing the corporate governance policies and practices of the Company; (b) reviewing and supervising the training and continuous professional development of the Directors and senior management; (c) reviewing and supervising the policies and practices for the compliance of laws and regulatory requirements by the Company; (d) developing, reviewing and supervising the code of conduct and compliance manual, if any, for employees and the Directors; and (e) reviewing the compliance of the Corporate Governance Code by the Company and the disclosure in the corporate governance report. During the Year, measures were taken by the Board to strengthen the corporate governance and further improve the control system for corporate governance. The Board believes that an effective corporate governance system can safeguard the interests of the Shareholders and promote the value and accountability of the Company.

The Company was listed on the Main Board of the Stock Exchange on 12 December 2013. The Company has adopted the provisions in the Corporate Governance Code which are applicable to the Company during the Relevant Period. Save for the deviations set out herein, the Company has complied with the all code provisions under Corporate Governance Code during the Relevant Period.

The Board will continue to review and improve the Company's corporate governance system to ensure the compliance of the Corporate Governance Code.

BOARD

Duties and Division of Responsibility

The Board shall act in the interests of the Shareholders and shall be accountable to the Shareholders. The Board shall mainly be responsible for the: execution of the resolutions adopted by general meeting of the Shareholders; formulation of the business and investment plan of the Company; formulating the annual budget and final accounts of the Company; formulating the profit distribution plan of the Company; establishing the management structure and operation procedures of the Company. The Company has established four Board committees to oversee specific matters of the Company, namely the Audit Committee, Remuneration Committee; Nomination Committee and Strategy Committee. The Board has delegated the relevant duties to the respective committees, which are contained in the terms of reference of the relevant committees. The management of the Company will provide sufficient information to the Board and the Board committees when appropriate to facilitate the Directors in making informed decision.

Chairman of the Board and Chief Executive Officer

The Board is responsible for decision making on important matters of the Company and the management is authorized to manage the daily operation of the Company. The Company does not have the position of chief executive officer of which the duties are performed by the general manager. Mr. Xing Luzhen and Mr. He Shanqi are the chairman of the Board and the general manager, respectively. They have clear division of duties. The chairman of the Board shall oversee the works of the Board and monitor the execution of the resolutions adopted by the Board and the general manager shall coordinate the operation of the business of the Company under the supervision of the Board. Therefore, the Company has complied with Code A.2.1 of the Corporate Governance Code. Save as disclosed in the section "Biographical Details of Directors, Supervisors and Senior Management" in this annual report, there is no financial, business, family or other important relationship between the Directors, the chairman of the Board and this general manager.

CORPORATE GOVERNANCE REPORT

Composition of the Board

As at the date of this annual report, the Board had 11 Directors, including four executive Directors, Mr. Xing Luzhen (chairman), Mr. He Shanqi (general manager), Mr. Wang Lubiao and Mr. Ma Xiping, three non-executive Directors, Mr. Zhao Ke, Mr. Zheng Yunming and Mr. Duan Gaosheng, and four independent non-executive Directors, Mr. Hong Shanxiang, Mr. Shi Rongyao, Ms. Yu Shulian and Mr. Li Man Choi. The particulars of the Directors are set out in the section “Biographical Details of Directors, Supervisors and Senior Managements” in this annual report.

During the period from the Listing Date to the date of this annual report, the Board had complied with the requirement of Rule 3.10 (1) and 3.10 (2) of the Listing Rules to have not less than three independent non-executive Directors, including at least an independent non-executive Director who has the relevant professional qualification or is an expert in accounting or financial management. In accordance with Rule 3.10A of the Listing Rules, not less than one third of the Directors shall be independent non-executive directors. The Company had four independent non-executive Directors during the Relevant Period, representing four eleventh of the total number of Directors and was in compliance with relevant requirement.

In accordance with the Articles of Association, the Directors (including non-executive Directors) shall have a term of office of three years from the date of appointment at the general meeting of the Shareholders subject to termination upon expiry of the session of the Board. Directors are eligible for re-election provided that no independent non-executive Director shall serve consecutive terms for more than six years.

Positions in Other Companies Held by Directors

Save as disclosed in the section headed “Biographical Details of Directors, Supervisors and Senior Management” in this annual report, none of the Directors holds any directorship in other listed companies.

Time Commitment of Directors

In addition to attending meetings of the Board, the Directors shall also review reports of the management and regular reports of the Company, inspect the operation of the Company and understand all matters of the Company through various channels so as to effectively perform their duties. After making particular enquiries, the Board is of the view that the Directors had devoted sufficient time and efforts to perform their duties.

Training and Professional Development of Directors

Prior to the Listing in 2013, all Directors, namely, Mr. XING Luzhen, Mr. HE Shanqi, Mr. WANG Lubiao, Mr. MA Xiping, Mr. ZHAO Ke, Mr. ZHENG Yunming, Mr. DUAN Gaosheng, Mr. HONG Shanxiang, Mr. SHI Rongyao, Ms. YU Shulian and Mr. LI Man Choi had already participated in the formal and comprehensive training program in respect of (i) the obligations of compliance with the Listing Rules by the directors, supervisors and senior management of companies listed in Hong Kong; and (ii) the compliance requirement for connected transaction of listed companies under the Listing Rules.

No training program was arranged for the Directors during the Relevant Period as the Company was listed on 12 December 2013.

The Directors will be updated of the latest development in legal and regulatory requirements and the operation of the Company to facilitate the performance of their duties. Training will also be provided for the Directors when necessary to ensure that the Directors understand the business and operation of the Group and their duties and obligations under the Listing Rules and the applicable laws and regulations.

Insurance for Directors

The Company pays much attention to the prevention of the risks in relation to the liabilities of the Directors. The Board has resolved to maintain liability insurance for all the Directors. The proposed insurance shall be approved by the Shareholders at the Annual General Meeting.

CORPORATE GOVERNANCE REPORT

Meetings of the Board

According to the Articles of Association, the Board shall conduct at least four regular meetings per year, i.e. a meeting in each quarter. Written notice of regular Board meeting shall be delivered to all Directors and supervisors of the Company 14 days before the meeting. Written notice of ad hoc Board meeting shall be delivered three days before the meeting. Notice of meeting shall contain the date, venue and duration of the meeting, matters and resolutions to be considered and the date of the notice. Unless otherwise specified by the Articles of Association, more than half of the number of Directors shall form a quorum of a Board meeting. A Director who is unable to attend Board meeting may appoint another Director to attend on his behalf as a proxy by a power of attorney which shall contain the name and capacity of the proxy and the scope and duration of the appointment. No Director shall vote on any resolution for himself or on behalf of other Directors if he has interest in the parties or matters in relation to the resolution. An ad hoc Board meeting may be conducted by video conferencing, telephone conferencing and by written resolution. Any Director who fails to attend a Board meeting in person or by proxy shall be deemed to have waive his voting rights. The Board shall prepare minutes of Board meetings to record the matters resolved. The minutes shall be initialed by all Directors who have attended the meeting and the person who has prepared the minutes.

All Directors are provided with all relevant information of matters to be discussed in the Board meetings in a timely manner, and they may seek independent professional advice and services from the company secretary and senior management of the Company. Upon reasonable request to the Board, the Directors may seek independent professional advice, as and when necessary, at the Company's expenses.

No Board meeting was held during the Relevant Period as the Company was listed on 12 December 2013. As of the date of this annual report, the Board held a meeting on 28 March 2014 to review the results for 2013.

The Company was listed on 12 December 2013. No general meeting of the Shareholders was held during the Relevant Period.

Board Committees

The Board has four committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee.

Since the Company was listed on 12 December 2013, no meetings of the Board committees were held during the Relevant Period.

Audit Committee

The major responsibilities of the Audit Committee are to (1) propose the appointment, re-appointment or termination of external auditing firm; (2) to review and supervise the independence and objectiveness of the external auditors and the effectiveness of the audit process in accordance with applicable standards; (3) review the financial information of the Company and its disclosure; (4) supervise the financial reporting system and internal control system of the Company; and (5) enhance the communication between the internal and external auditors. The terms of reference of the audit committee are posted on the websites of the Company and the Stock Exchange.

The Audit Committee comprises three Directors, namely Ms. Yu Shulian, Mr. Duan Gaosheng and Mr. Li Man Choi. Ms. Yu Shulian, the independent non-executive Director, acts as chairman of the Audit Committee. All members of the Audit Committee are non-executive Directors and Ms. Yu Shulian and Mr. Li Man Choi are independent non-executive Directors.

The Company was listed on 12 December 2013. No meeting of the Audit Committee was held during the Relevant Period. During the period immediately following the Relevant Period and up to the date of this annual report, the Audit Committee held a meeting on 27 March 2014 to review, inter alias, the financial results of the Group for the Year before the same are submitted to the Board.

The Audit Committee has reviewed the consolidated financial statements in this annual report and has discussed with the management on the financial statements and the internal control of the Company. The Audit Committee is of the view that the financial statements are prepared in accordance with the applicable accounting standards and requirements and the disclosure is adequate.

Remuneration Committee

The major responsibilities of the Remuneration Committee are to (1) review the remuneration packages and policies of all Directors and senior management and propose a formal and transparent remuneration policy determination procedure for approval by the Board; (2) to review the policy and structure of the remuneration of Directors, Supervisors and monetary management (including non-monetary benefits, pension and allowance) and the procedure of the determination of remuneration policy and to make recommendations to the Board on a formal and transparent remuneration policy determination procedure; (3) to approve, pursuant to the authority delegated by the Board, or to make recommendation on, the remuneration of executive directors and senior management; (4) to propose to the Board on the remuneration of non-executive Directors; (5) to review and approve the compensation for Directors who are dismissed or removed due to misconduct so as to ensure that the compensation is in compliance with the contract terms or reasonable and appropriate if not in compliance with the contract terms; and (6) to monitor the implementation of the remuneration policy for Directors, supervisors and senior management. The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee comprises three Directors, including two independent non-executive Directors, Mr. Shi Rongyao and Ms. Yu Shulian, and one executive Director, Mr. He Shanqi. Independent non-executive Directors represent a majority in the committee. Mr. Shi Rongyao, an independent non-executive Director, acts as chairman of the Remuneration Committee.

The Company was listed on 12 December 2013. No meeting of the Remuneration Committee was held during the Relevant Period. During the period immediately following the Relevant Period and up to the date of this annual report, the Remuneration Committee held a meeting on 27 March 2014 to review, inter alias, the remuneration package of the Directors and senior management.

In accordance with paragraph B.1.5 of the Corporate Governance Code, the remunerations of the Directors, Supervisors and senior management for the year ended 31 December 2013 can be classified into the following ranges:

Band (Notes)	Remuneration (RMB)	Number of persons
1	0–500,000	11
2	500,001–1,000,000	6
3	1,000,001–1,500,000	1

Notes:

Band 1 includes eight Directors and three Supervisors.
Band 2 includes two Directors, two Supervisors and two senior management members.
Band 3 includes a Director.

Further details of the remuneration of the Directors and the five highest-paid employees are disclosed in notes 8 and 9 to the financial statements for the Year as required by the Appendix 16 to the Listing Rules.

Nomination Committee

The major responsibilities of the Nomination Committee are (1) to review the criteria and procedure for selection of Directors and senior management, and the structure, number of members, composition and diversification (including but not limited to gender, age, cultural and educational background, professional experience, skill, knowledge and term of office) of the Board or senior management once a year and to propose changes to the Board or senior management for implementation of the Company's strategy; (2) to identify, select and nominate candidates for Director or senior management for approval by the Board or to advise the Board on the selection of Director candidates. The committee shall consider the merits and assessable quality of the candidates and the diversification of the Board and the senior management; (3) to advise the Board on the appointment, re-appointment and succession of Directors and senior management on consideration of the strategy of the Company and the skill, knowledge, experience and diversification requirements; (4) to review the Diversification Membership policy of the Board and assess the effectiveness and progress of its implementation and to disclose in the annual corporate governance report; (5) to review the independence of the independent non-executive Directors; and (6) to perform other duties delegated by the Board. The terms of reference of the nomination committee are posted on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises three Directors, including Mr. Hong Shanxiang and Ms. Yu Shulian, the independent non-executive Directors, and Mr. Cheng Yunming, a non-executive Director. The independent non-executive Directors represent a majority in the committee. Mr. Hong Shanxiang, an independent non-executive Director, acts as chairman of the committee.

In 2013, the Nomination Committee has done the following works: to assess and advise the Board on suitability of the appointment of Mr. Ma Xiping as an executive Director and Mr. Shi Rongyao and Mr. Li Man Choi as independent non-executive Directors, and review the composition of the Board in accordance with the requirement of the diversification policy of the Board. The Nomination Committee has held a meeting and all members attended the meeting.

The Company was listed on 12 December 2013. No meeting of the Nomination Committee was held during the Relevant Period. During the period immediately following the Relevant Period and up to the date of this annual report, the Nomination Committee held a meeting on 27 March 2014 to (1) review the independence of the independent non-executive Directors and the terms of reference of the Nomination Committee and its working plan for 2014, and (2) recommended to the Board for the appointment of Mr. Lu Fuyu (路富裕) as independent non-executive Director, chairman of the Nomination Committee and member of the Strategy Committee to fill up the vacancies left by Mr. Hong Shanxiang after his resignation becomes effective. Such recommendation was made after reviewing and considering Mr. Lu's background and industrial experience. For details of the change of independent non-executive Director, please refer to the section headed "Report of the Board of Directors"..

Strategy Committee

The major responsibilities of the Strategy Committee are (1) to formulate the long term development strategy of the Company; (2) to review and advise on major investment and financing plans to be approved by the Board as required by the Articles of Association; (3) to review and advise on major capital operation and asset operation to be approved by the Board as required by the Articles of Association; (4) to review and advise on other significant matters affecting the development of the Company; (5) to inspect the implementation of the above matters; and (6) to perform other duties delegated by the Board. The terms of reference of the Strategy Committee are posted on the websites of the Company and the Stock Exchange.

The Strategy Committee comprises five Directors, including two executive Directors, a non-executive Director and two independent non-executive Directors, namely Mr. Xing Luzhen, chairman of the Board, Mr. He Shanqi, general manager, Mr. Duan Gaosheng, Mr. Hong Shanxiang and Mr. Shi Rongyao. Mr. Xing Luzhen, chairman of the Board, acts as chairman of the committee.

The Company was listed on 12 December 2013. No meeting of the Strategy Committee was held during the Relevant Period.

CORPORATE GOVERNANCE REPORT

Diversification of the Board

In accordance with the board member diversification requirement of the Listing Rules, the Board has adopted the Diversified Membership Policy of the Board. In determining the composition of the Board, the Company seeks to achieve board diversity through the consideration of a number of factors and measurable criteria, age, education background, industry experience, geographical location and duration of service. The Nomination Committee has reviewed the composition of the Board in accordance with the Listing Rules and concluded that the composition of the Board is in compliance with the diversification requirements of the Listing Rules in terms of age, education background, industry experience, geographical location and duration of service. Members of the Board are set out in the following table:

Name	Age	Education	Industry experience	Location	Duration of service (since)
Executive Directors					
– Xing Luzhen *(chairman)*	58	University graduate	Transportation, port operation	Hebei, China	March 2008
– He Shanqi	58	Master	Port operation	Hebei, China	April 2012
– Wang Lubiao	50	Master	Port operation	Hebei, China	April 2012
– Ma Xiping	45	Master	Port operation	Hebei, China	July 2013
Non-executive Directors					
– Zhao Ke	57	Master	Port operation	Hebei, China	March 2008
– Zheng Yuming	55	Bachelor	Civil service	Hebei, China	December 2009
– Duan Gaosheng	51	Master	Construction, investment	Hebei, China	March 2008
Independent non-executive Directors					
– Hong Shanxiang	72		Transportation	Shanghai, China	April 2012
– Shi Rongyao	63	Master	Civil service	Beijing, China	July 2013
– Yu Shulian	60	Master	Education	Beijing, China	March 2008
– Li Man Choi	52	Master	Accounting, audit	Hong Kong	July 2013

DIRECTORS

Appointment and re-election of Directors

Directors (including non-executive Directors and independent non-executive Directors) shall be elected by the Shareholders in general meeting for a term of three years from the date on which the relevant resolutions are passed at general meeting of the Shareholders until the expiry of the session of the Board. Directors are eligible for re-election provided that no independent non-executive Director shall serve consecutive terms for more than six years.

Chairman and deputy chairman of the Board shall be elected and removed by simple majority of the Directors. The chairman and deputy chairman of the Board shall have a term of three years and shall be eligible for re-election.

Each of the Directors has entered into a service contract with the Company on 11 November 2013 to be effective for three years upon approval by Shareholders subject to termination in accordance with the terms of the respective contracts.

None of the Directors has entered or proposed to enter into a service contract with any member of the Group other than contracts which was not determinable by the relevant employer within one year without payment of compensation (except statutory compensation).

CORPORATE GOVERNANCE REPORT

Nomination of Directors

In accordance with the Articles of Association, candidates for Directors shall be nominated by existing Director or Shareholder(s) holding in aggregate not less than 3% shareholding of the Company. The Board shall verify the qualifications of the candidates before a resolution is proposed at the general meeting of the Shareholders for approval.

Independence of independent non-executive Directors

The Company has four independent non-executive Directors and as at the date of this annual report, none of them has served as independent non-executive Director for more than six years. The number and qualification of the independent non-executive Directors are in compliance with the requirement of the Listing Rules and the Articles of Association. Their independence is highly guaranteed as none of the independent non-executive Directors has any business and financial relationship with the Company or its subsidiaries and has no management function in the Company.

Each of our four independent non-executive Directors has given their written confirmation of their independence in accordance with Rule 3.13 of the Listing Rules. Having confirmed, the Board understand that all independent non-executive Directors are independent and is in compliance with the requirement of Rule 3.13 of the Listing Rules.

Securities transaction by Directors and supervisors

The Company has adopted the Model Code as its code of conduct for securities transactions by the Directors and Supervisors to regulate the securities transactions of the Directors and Supervisors. After specific enquiries, all Directors and Supervisors have confirmed that they have complied with the provisions of the Model Code during the Relevant Period.

Directors' responsibilities on financial statements

The Directors have the responsibility to prepare the financial statements for the year ended 31 December 2013 to give a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.

According to Code C.1.1 of the Corporate Governance Code, the management shall provide necessary explanation and information to the Board so that the Board can have a preliminary assessment of the financial statements before they are submitted to the Board for approval. The Company will also provide monthly reports on the results, positions and prospects of the Group to all members of the Board.

SHAREHOLDERS AND GENERAL MEETING OF THE SHAREHOLDERS

Particulars of the Controlling Shareholder and the ultimate Controlling Shareholder

The controlling shareholder of the Company is HPG, a state-owned company under the Hebei SASAC.

The operation of the Company is independent from the Controlling Shareholder in terms of personnel, organization, assets and business. The Controlling Shareholder has not taken any action beyond its authority without approval of the Shareholders at the general meeting and has not directly or indirectly intervened the operation and decision of the Company.

Shareholdings of the substantial shareholders (as defined in the Listing Rules) of the Company as at 31 December 2013 and details of the Non-competition Agreement and Undertakings of the Controlling Shareholder are set out in the "Report of the Board of Directors" in this annual report.

CORPORATE GOVERNANCE REPORT

Shareholders' meeting

The Company is committed to ensure that all Shareholders, in particular the minority Shareholders, are treated equally and are able to exercise all their rights. Shareholders' meeting is the highest authority of the Company and performs its duties in accordance with all applicable laws.

To safeguard the interests and rights of Shareholders, all major matters of the Company shall be proposed as separate resolutions by the Shareholders at the general meeting for consideration in accordance with the applicable laws and the Listing Rules. The rights of Shareholders and voting procedures of the general meeting shall be contained in the relevant circular in accordance with the Articles of Association and the Listing Rules, which shall be despatched to Shareholders within a specified period of time and shall be posted on the websites of the Stock Exchange and the Company.

As the Company was listed on 12 December 2013, no general meeting of the Shareholders was held during the Relevant Period.

CONTROL SYSTEM

Supervisory Committee

The Supervisory Committee is the supervisory authority of the Company and shall be accountable to the general meeting of the Shareholders. Supervisors shall act independently to protect the legal interests of Shareholders and the Company in accordance with the laws.

The major responsibilities of the Supervisory Committee are (1) to review the financial statements, business report and profit distribution plan prepared by the Board and may retain certified accountant or certified auditor to review the financial information; (2) to supervise the financial activities of the Company; (3) to demand the rectification of acts of the Directors, general manager and senior management which are against the interests of the Company; and (4) to exercise other power, authority and duties in accordance with the Articles of Association.

The Supervisory Committee comprises five members, including three Supervisors elected by the Shareholders (Mr. Ge Ying, Mr. Ning Zhongyou and Mr. Chen Shaojun) and two supervisors elected by employees (Mr. Cao Dong and Mr. Yang Jun). Mr. Ge Ying acts as chairman of the Supervisory Committee. Supervisors who are representatives of the Shareholders shall be elected and removed by shareholders' general meeting. Supervisors who are representatives of employees shall be elected and removed by employee conference, employee general meeting or other democratic procedures. Each supervisor shall have a term of three years from the date of approval by shareholders' general meeting or employee conference subject to termination upon expiry of the session of the Supervisory Committee. Supervisor are eligible for re-election.

Particulars of the supervisors are set out in the section "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

Since the Company was listed on 12 December 2013, no meeting of the Supervisory Committee was held during the Relevant Period. The works of the Supervisory Committee are set out in the Report of Supervisory Committee in this annual report.

Internal control

The Board shall have the decision on all operation matters and is committed to establish and improve the internal control system. It shall also supervise the implementation of the internal control system to safeguard the investment of the Shareholders and the assets of the Group.

The Company has adopted a number of internal control and corporate governance measures since July 2010 to strengthen the systematic management of construction projects and other business operations for better internal control. Some major measures are as follows:

– clear division of the authorities of the general meeting of the Shareholders, the Board, the chairman of the Board and the general manager to avoid the centralization of authority;

– stringent authority delegation, division and supervision system to ensure the security and proper use of funds;

– collective decision is required for major investment and the proposal, evaluation, decision and implementation procedures are under strict control to minimize investment risks;

– invitation of non-state-owned entities to participate in major projects or services of the Group is under strict control and the Directors and senior management are prohibited to have any paid positions outside the Group;

– to promote the transparency of the management and operation through the implementation of "Three Major One Important" policy so as to prevent the Directors and senior management from fraud and bribe;

– the entire procurement procedure from application, approval, contracting, procurement, inspection and delivery and payment is improved to eliminate any loophole in procurement;

– the size, structure and sources of funding as well as the use of significant amount of fund are also under strict control to minimize finance costs and ensure the efficient use of funds; and

– there are highly regulated procedures for connected transactions to specify the preliminary examination by independent non-executive Directors before submitting for approval by the Board.

Since the Listing of the Company on 12 December 2013, the above procedures were effectively implemented. The internal control system was improved to strengthen the risk prevention and internal control capabilities. The Audit Committee will continue to review and evaluate the effectiveness of the internal control system of the Group and to report the findings to the Board. The Board will review and evaluate the internal control system at least once a year to ensure that no material internal control loophole exists.

AUDITORS AND THEIR REMUNERATION

Ernst & Young and Ernst & Young Hua Ming LLP are appointed by the Company as the international auditors and the PRC auditors of the Company for 2013, respectively. The appointments shall expire upon conclusion of the 2013 annual general meeting. The Board is authorized to determine the remuneration of the auditors which is in line with market practice.

For the year ended 31 December 2013, the fees paid or payable to external auditors for annual audit services and reporting audit services in relation to the Listing were RMB3 million and RMB5.83 million, respectively.

Save as disclosed above, for the year ended 31 December 2013, the Group did not pay any fee to Ernst & Young and Ernst & Young Hua Ming LLP for non-audit services. The Audit Committee is satisfied that the independence of the auditors is not affected by the non-audit services provided in 2013.

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Zhang Nan and Ms. Kwong Yin Ping as joint company secretaries.

Mr. Zhang joined the Company in 2002 and has more than 11 years legal and securities management related experience. He is familiar with the operation of the Board and the Company and is currently the deputy manager of the Board office. As Mr. Zhang does not meet the requirement of Rule 3.28 of the Listing Rules to act as company secretary, Ms. Kwong is therefore appointed as joint company secretary of the Company. In accordance with Code F.1.1 of the Corporate Governance Code, Ms. Kwong will work closely with Mr. Zhang and assist Mr. Zhang to perform his duties as a company secretary.

Particulars of Mr. Zhang and Ms. Kwong are set out in the section "Biographical Details of Directors, Supervisor and Senior Management" in this annual report.

The Company was listed on 12 December 2013. As such, Mr. Zhang was unable to receive not less than 15 hours relevant training during the Relevant Period as required by Rule 3.29 of the Listing Rules. Ms. Kwong has confirmed that she has received not less than 15 hours of relevant training during the year ended 31 December 2013.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONSHIP

Convening of extraordinary general meeting

In accordance with the Articles of Association, the Shareholders of the Company may demand to convene, convene, chair, attend (in person or by proxy) the general meeting of the Shareholders and exercise voting rights thereat.

Shareholder(s) holding in aggregate not less than 10% Shares in issue with voting rights may demand the convening of extraordinary general meeting in writing. The Company shall promptly convene such meeting after receipt of the demand. The following procedures shall be followed when Shareholders demand the convening of extraordinary general meeting or class shareholders' meeting:

(1) Shareholder(s), separately or jointly, holding in aggregate not less than 10% voting Shares of the Company may sign one or more written requests of the same format and content to demand the Board to convene extraordinary general meeting or class shareholders' meeting with explanation of the purpose of the meeting. Upon receipt of the request, the Board shall convene the extraordinary general meeting or class shareholders' meeting as soon as possible. The number of Shares held by the abovementioned Shareholders shall be based on the number of Shares as of the date on which the Shareholders put forward such written request.

(2) Where the Board fails to issue notice to convening the meeting within 30 days upon receipt of the above written request, Shareholders proposing such request may convene a meeting by their own within four months upon receipt of the request by the Board. The convening procedures shall as much as possible be equivalent to the procedures for meeting convened by the Board.

If Shareholders call and convene a meeting by themselves since the Board fails to convene the meeting in accordance with the aforesaid requirements, the reasonable expenses incurred shall be borne by the Company and be deducted from the amounts due to the Directors who shall be responsible for such dereliction of duty.

Enquiry to the Board

According to the Articles of Association, Shareholders of the Company shall have access to the Articles of Association, the personal particulars of Directors, supervisors and senior management, minutes of shareholders' general meetings, Board meetings, meetings of Supervisory Committee and financial statements.

Request for information, materials or enquiry to the Board shall be forwarded to the Company (contacts to whom are set out in the website of the Company). Shareholder is required to provide written proof of his/her holding of Shares in the Company (including the class and number of Shares) for verification when submitting the enquiry.

Proposal at the general meeting of the Shareholders

Shareholders are entitled to make proposal(s) at the general meeting of the Shareholders by proposing resolution or speaking at the meeting.

Shareholder(s) holding in aggregate 3% of the Shares in the Company may propose additional resolution in writing to the convener 10 days before the meeting. Upon receipt of the proposal, the convener shall issue supplemental notice of meeting to contain the additional resolutions in two days.

Shareholders attending the general meeting of the Shareholders are entitled to speak. Shareholders who require to speak shall make registration before voting.

Amendment of Constitutional Documents

The current Articles of Association were adopted by the Company on 11 July 2013 and became effective from the Listing Date. As of the date of this annual report, no material changes have been made to the Articles of Association.

Communication with Investors and Investor Relationship

The Company has established an Investor Relationship Management System to strengthen and regulate the communication between the Company and its investors and potential investors so as to allow the understanding of the Company by the investors. The system is also part of the corporate governance of the Company as it protect the legal rights of the investors, in particular the public investors. The Company provide various communication channels for investors, including but not limited to:

(1) public documents, including regular and ad hoc reports;
(2) general meeting of the Shareholders;
(3) website of the Company;
(4) mailing materials;
(5) telephone enquiry;
(6) press interview;
(7) meeting with analysts and briefing of operation results;
(8) advertisement or other promotion materials;
(9) face to face discussion;
(10) on-site visit;
(11) road show;
(12) questionnaire survey; and
(13) others.

CORPORATE GOVERNANCE REPORT

The Company has complied with the disclosure requirement of the place in which the Shares are listed. The disclosure of information is compliant, transparent, sufficient and continuous and allows the Shareholders and investors to have full access to the information of the Company.

The Company has always maintained efficient communication with the Shareholders and investors. The Company strictly complies with the legal disclosure requirement to allow local and overseas investors to have prompt and full access to information of the operation and development of the Company by organizing various investor relationship activities. In the future, the Company will maintain regular communication with local and overseas investors through telephone, mail and personal interview. The Company will also voluntarily and promptly disclose information of the Company on the website of the Stock Exchange and the Company in accordance with the requirement of the Listing Rules. The Company will maintain its good corporate governance reputation by enhancing the transparency of the Company.

Corporate governance is a permanent strategic system of the Company. The Company will further improved its risk management and internal control in accordance with the regulatory requirements of the place in which its Shares are listing and the chances in the capital market as well as the expectation of investors. The Company will continue to review and improve its corporate governance and enhance the transparency of information disclosure to ensure the stable and healthy development of the Company and the increase in Shareholders' value.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this annual report, the biographical details of Directors, Supervisors and senior management of the Company are as follows:

DIRECTORS

(1) Executive Directors

Mr. XING Luzhen (邢錄珍), aged 58, the Chairman of the Board, executive Director, and the party secretary of our Company. Mr. Xing graduated from the Institute of Chemical Defense of CPLA (中國人民解放軍化學院) in fundamental theory of party and government in 1997. He has a professional qualification of senior economist. Mr. Xing has more than 25 years of experience in senior management in government institutions and/or major state-owned enterprises and over 15 years of experience in transportation and port industries. In July 2006, Mr. Xing joined QPG, the Controlling Shareholder of our Company, and has served as general manager, deputy party secretary, director and vice chairman. He has served as director, chairman and party secretary of HPG since April 2011. Mr. Xing, joined our Company in March 2008 and served as a Director, vice chairman, president and deputy party secretary. Since December 2009, he serves as chairman and party secretary of our Company.

Mr. HE Shanqi (何善琦), aged 58, an executive Director, general manager and deputy party secretary of our Company. He graduated from Nankai University (南開大學) majoring in economic management (junior level) in 1988 and obtained a certificate of part-time postgraduate in economic management from Party School of the Hebei Committee of the Chinese Communist Party in 2003. He has a professional qualification of senior economist and has a qualification of senior manager. Mr. He has over 30 years of experience in port industry, among which nearly 20 years of experience was in intermediate and senior management and other leadership roles. He has extensive experience in management and leadership in major port enterprises. Mr. He served as director and vice general manager of QPG (later renamed as HPG). Since July 2009, he has served as director of HPG. Since December 2009, Mr. He has served as general manager and member of the party committee of the port service company of HPG and was promoted as deputy party secretary since March 2010. Mr. He has served as a Director, general manager and deputy party secretary of our Company since April 2012.

Mr. WANG Lubiao (王錄彪), aged 50, an executive Director, deputy general manager and member of the Party Committee of our Company. Mr. Wang graduated from Northwest Institute of Telecommunication Engineering (西北電訊工程學院) in 1983 with a bachelor's degree in engineering in radio communication and graduated from Yanshan University (燕山大學) in September 2004 with a master's degree of engineering in control engineering. He has a professional qualification of senior engineer. Mr. Wang joined the Qinhuangdao Port Authority (秦皇島港務局) (the predecessor of HPG) in August 1983. He has over 30 years of working experience in port operation. He has served various intermediate and senior management positions for approximately 18 years. Mr. Wang has been a Director, deputy general manager and member of the Party Committee of our Company since April 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. MA Xiping (馬喜平), aged 45, an executive Director, deputy general manager, member of the Party Committee and the secretary to the Board of our Company. Mr. Ma has received bachelor's degree in law in major of economic law from Renmin University of China (中國人民大學) in 1990, obtained a master's degree in administration in science and engineering from Yanshan University (燕山大學) in 2003, and has a professional qualification of senior economist. Mr. Ma started his career in July 1990 in the Qinhuangdao Port Authority (秦皇島港務局) and now has over 20 years of working experience in port industry. Moreover, he has served various intermediate and senior management positions for approximately 15 years. He has served as an executive Director since July 2013 and has concurrently served as secretary to the Board since March 2008.

(2) Non-executive Directors

Mr. ZHAO Ke (趙克), aged 57, the Vice Chairman of the Board and a non-executive Director. Mr. Zhao graduated from Hebei Industrial College (河北工學院) with a bachelor's degree in chemical engineering in 1982 and obtained a master's degree in engineering in transportation planning and management from Dalian Maritime University (大連海事大學) in 2004. Mr. Zhao has a professional qualification of senior engineer and is engaged by HPG as a senior economist. Since 1975, Mr. Zhao joined the Qinhuangdao Port Authority (秦皇島港務局), the predecessor of HPG, and has over 35 years of working experience in port industry. He had served as intermediate and senior management in the port management authority and port enterprises for nearly 20 years. Since July 2009, he has been serving as director, deputy general manager and member of the standing committee of the party committee of HPG. Since December 2009, he has been serving as vice chairman and a Director of our Company. In addition, Mr. Zhao has been serving as director of Daqin Railway Co., Ltd. (大秦鐵路股份有限公司, listed on the Shanghai Stock Exchange in August 2006; stock code: 601006) since May 2011 and as director of Datong Coal Industry Co., Ltd. (大同煤業股份有限公司, listed on the Shanghai Stock Exchange in June 2006; stock code: 601001) from September 2004 to May 2013.

Mr. ZHENG Yunming (鄭雲明), aged 55, a non-executive Director. He is also a director-general and deputy secretary of the party committee of Qinhuangdao SASAC (our Shareholder). Mr. Zheng graduated from Hebei Mining and Metallurgy College (河北礦冶學院) in 1982 majoring in manufacturing technology and equipment. He has a professional qualification of mechanical engineer. Mr. Zheng has over 35 years of working experience and has extensive management experience from various intermediate and senior management positions in the recent 30 years. Mr. Zheng has been a director and deputy party secretary of Qinhuangdao SASAC since October 2009 and has been serving as a Director of our Company since December 2009.

Mr. DUAN Gaosheng (段高升), aged 51, a non-executive Director. He is also general manager of Hebei Communications (our Shareholder). Mr. Duan graduated from PLA Military Equipment Engineering College (中國解放軍軍械工程學院) (formerly known as PLA Advanced Military Equipment School (解放軍高級軍械學校)) in 1982 with a bachelor's degree in engineering in light weapons and graduated from the East China Institute of Technology (華東工學院) in 1985 with a master's degree in engineering in artillery and automatic weapons. Mr. Duan has nearly 30 years of working experience, and has more than 15 years of management experience from various intermediate and senior management positions in construction investment enterprises. Mr. Duan has been a Director since March 2008. Mr. Duan has also served as director of Tangshan Port Group Co., Ltd. (唐山港集團股份有限公司) (listed on the Shanghai Stock Exchange in July 2010, stock code: 601000) since December 2005 and as deputy chairman since April 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(3) Independent Non-executive Directors

Mr. HONG Shanxiang (洪善祥), aged 72, an independent non-executive Director. He is also chairman of the China Express Association (中國快遞協會). Mr. Hong has over 50 years of working experience, including management experience from management positions in enterprises, social entities and/or government departments in China in the recent 30 years. During his career, he had served various positions, including deputy manager, member of the Party Committee, manager and party secretary of Guangzhou Ocean Shipping Co., Ltd. of the Ministry of Transport (交通部廣州遠洋運輸公司). Mr. Hong was deputy minister and member of the party committee of the Ministry of Transport, as well as director of Maritime Safety Administration of Ministry of Transport. He was also the president of the Council of China Institute of Navigation (中國航海學會). Mr. Hong has been serving as chairman of the China Express Association since February 2009 and as an independent Director since April 2012.

Mr. SHI Rongyao (師榮耀), aged 63, an independent non-executive Director. Mr. Shi studied in the department of philosophy in Peking University (北京大學) from September 1974 to September 1977. He graduated from Harbin Institute of Technology (哈爾濱工業大學) in 1995 with a master's degree in engineering in management engineering. He has over 40 years of working experience, including more than 25 years experience from various senior and leading positions in state and local governments. Mr. Shi had served in various departments under the State Council (國務院) and the General Office of the Central Committee of the Communist Party (中共中央辦公廳) of China. Since March 2012, Mr. Shi has been serving as the president of China Association of Development Zones (中國開發區協會). Mr. Shi has been serving as an independent non-executive Director since July 2013.

Ms. YU Shulian (余恕蓮), aged 60, an independent non-executive Director. She graduated from Xiamen University (廈門大學) in July 1983 with a bachelor's degree in economics majoring in accounting, and graduated from Xiamen University (廈門大學) in June 1986 with a master's degree in economics majoring in accounting. She is a non-practicing certified public accountant and professor of international accounting. Ms. Yu has been serving as an independent Director of the Company since March 2008. She also served as independent director of Zibo Qixiang Tengda Chemical Co., Ltd. (淄博齊翔騰達化工股份有限公司, stock code: 002408) from December 2007 to March 2014 and independent director of Wuxi Double Elephant Micro Fiber Material Co., Ltd. (無錫雙象超纖材料股份有限公司, stock code: 002395) from March 2008 to December 2013. Both companies are listed on the Shenzhen Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. LI Man Choi (李文才), aged 52, an independent non-executive Director. He obtained his Honours Diploma in Accounting from the Hong Kong Baptist University in 1986, his degree of Master of Business Administration from Brunel University, United Kingdom in 1997 and his degree of Master of Science in the Social Sciences in Accounting and Management Science from the University of Southampton, United Kingdom in 1998. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a Hong Kong Certified Public Accountant and a member of the Institute of Chartered Accountants in England and Wales. He has over 25 years of practical experience in accounting. Since June 2013, Mr. Li has been a partner of ZHONGLEI (HK) CPA Company Limited and a technical director of Pan-China Certified Public Accountants LLP, Chongqing Branch (天健會計師事務所(特殊普通合夥)，重慶分所). In addition, since August 2013, Mr. Li has been a director of Pan-China (H.K.) CPA Limited. Mr. Li has been serving as an independent non-executive Director since July 2013.

SUPERVISORS

(1) Supervisors

Mr. GE Ying (葛瑛), aged 57, a Supervisor, the Chairman of the Supervisory Committee, labor union chairman and member of the Party Committee of our Company. He graduated from Hebei University (河北大學) majoring in Chinese in 1978. Mr. Ge served as deputy director of the Trade Affairs Office of Qinhuangdao (秦皇島商貿辦公室), vice chairman and general manager of Qinhuangdao Trade and State-Owned Assets Investment and Operation Company (秦皇島市商貿國有投資經營公司), deputy director of Qinhuangdao SASAC, vice chairman and general manager of Qinhuangdao Trade and State-Owned Assets Investment and Operation Company. He has served as Chairman of the Supervisory Committee of our Company since March 2008.

Mr. CHEN Shaojun (陳少軍), aged 54, a Supervisor. Mr. Chen received a bachelor's degree of arts from the Chinese department of Nanning Normal College (南寧師範學院) in 1982 and has the professional qualification of senior economist. Mr. Chen served as director of the Investment Center of QPG and deputy chief of the preparatory group for Phase Two of Caofeidian Coal project. He has also served as party secretary, secretary of the Discipline Inspection Commission and deputy general manager of Caofeidian Coal since April 2009. Mr. Chen has served as a Supervisor since April 2012.

Mr. NING Zhongyou (寧中友), aged 60, a Supervisor. Mr. Ning was assistant researcher of the Steering Committee of Qinhuangdao, and party secretary, vice chairman and deputy general manager of Metallurgical Machinery Company Limited, deputy secretary of Qinhuangdao Working Committee of Enterprises and deputy secretary of Qinhuangdao SASAC. Since October 2009, he has served as assistant researcher of Qinhuangdao SASAC, one of our Shareholders. Mr. Ning has served as a Supervisor since April 2012.

(2) Employee Representative Supervisors

Mr. CAO Dong (曹棟), aged 44, an employee representative Supervisor. Mr. Cao received a bachelor's degree in economics in financial economics from Hebei University (河北大學) in July 1991 and a master's degree in software engineering from the University of Electronic Science and Technology of China (電子科技大學) in December 2011. He has the professional qualification of senior accountant. Mr. Cao was deputy director of the Investment Center of QPG, deputy manager of general affairs office of construction headquarters of Caofeidian of QPG and deputy director of the audit department of our Company. He has served as director of the audit department of our Company since March 2012. He has served as deputy director and director of the audit department of HPG since October 2009. Mr. Cao has served as an employee representative Supervisor since August 2010. Mr. Cao also serves as supervisor of China Merchants Securities Co., Ltd. (招商證券股份有限公司) (listed on the Shanghai Stock Exchange in November 2009, stock code: 600999) from September 2013.

Mr. YANG Jun (楊軍), aged 43, an employee representative Supervisor and vice chairman of the labor union of our Company. Mr. Yang received a bachelor's degree in engineering in management information system from Beifang Jiaotong University (北方交通大學, currently Beijing Jiaotong University 北京交通大學) in 1992, and a master's degree in engineering in electronic and communication engineering from Wuhan University of Technology (武漢理工大學) in 2009. He has the professional qualification of senior engineer. He was the vice manager and labor union chairman of Railway Transportation Branch of our Company. He has served as vice chairman of the labor union of our Company since September 2012. He has served as an employee representative Supervisor since June 2013.

SENIOR MANAGEMENT

Mr. HE Zhenya (何振亞), aged 50, the deputy general manager and member of the Party Committee of our Company. He has been engaged in as a senior engineer by our Company. Mr. He graduated from China University of Mining and Technology (中國礦業大學), formerly known as China Institute of Mining and Technology (中國礦業學院), in 1986 with a bachelor's degree in engineering in metals and heat treatment and obtained a master's degree in engineering in machinery engineering from Yanshan University (燕山大學) in 2006. He joined the Qinhuangdao Port Authority in 1988 and acquired over 25 years of port industry experience. In the past 10 years, he held various intermediate and senior management positions and has extensive business and management experience. Since December 2009, he has been serving as the deputy general manager and member of the Party Committee of our Company. From December 2009 to July 2011, he was also the manager of the Ninth Port Branch of the Company.

Mr. GUO Xikun (郭西錕), aged 48, the chief financial officer and member of the Party Committee of our Company. He has the professional qualification of senior accountant. He completed the postgraduate course in business management of Guanghua School of Management of Peking University (北京大學光華管理學院) and started the EMBA course at the School of Economics and Management of Beijing Jiaotong University (北京交通大學) in May 2012. Mr. Guo joined the Qinhuangdao Port Authority in 1988 and have since been engaged in finance-related work. He has over 25 years of experience in financial management and port industry-related areas. In the past 15 years, he served in various intermediate and senior management positions. Since December 2009, he has served as chief financial officer and member of the Party Committee of our Company. Mr. Guo previously served as supervisor of China Merchants Securities Co., Ltd. (招商證券股份有限公司) (listed on the Shanghai Stock Exchange in November 2009 stock code: 600999) from December 2001 to May 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. ZHANG Nan (張楠), aged 33, the deputy director of the general office of the Board, representative for securities affairs and the joint company secretary of our Company. He obtained a bachelor's degree in law majoring in economic laws from Heilongjiang University (黑龍江大學) in July 2002. He is a registered corporate lawyer and a registered corporate legal advisor. He is a certified enterprise risk manager and has the qualification certificates of securities practice, secretary to the board of directors, securities affairs representative, independent director as well as financial and tax intermediate professional and technical position. Mr. Zhang serves as the deputy director of the general office of the Board and the representative for securities affairs of our Company since November 2013. He has been the joint company secretary of our Company since August 2013.

Ms. KWONG Yin Ping, Yvonne (鄺燕萍), the joint company secretary of our Company. Ms. Kwong obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University (香港理工大學). She works as vice president in a professional corporate services company which is engaged in providing secretarial and compliance services for listed companies. She is also a fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom. She has extensive experience in providing company secretarial services for numerous private and listed companies. She serves as company secretary and joint company secretary of various companies listed on the Hong Kong Stock Exchange. Mr. Zhang Nan is the major contact person of Ms. Kwong in the Company.

REPORT OF THE BOARD OF DIRECTORS

The Board hereby presented the Report of the Board of Directors and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL BUSINESS

As at the date of this annual report, the Group provides integrated port services including stevedoring, stacking, warehousing, transportation and logistics services. The various types of cargo we handled mainly include (i) dry bulk cargoes (including coal and metal ores), (ii) oil and liquefied chemicals, (iii) containers and (iv) general cargo and other goods. The Group also provide value-added services such as coal blending and providing a coal trading service platform.

There is no material change to the nature of Group's principal business activities during the Relevant Period.

FINANCIAL POSITION AND RESULTS

Financial position as at 31 December 2013 and profit of the year of the Group are set out in page 59 of this annual report.

DIVIDENDS

The Board proposed distribution of final dividends for the Year totalling RMB0.32 (tax inclusive) per Share. If the profit distribution plan was approved by the Shareholders on the Annual General Meeting, final dividends will be distributed to Shareholders whose names appear on the register of members of the Company on 8 July 2014 on or before 6 August 2014. In accordance with the Articles of Association, dividends payable to holders of the Domestic Shares will be made and paid in RMB, whereas dividends payable to holders of the H Shares will be declared in RMB and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate published by The People's Bank of China (中國人民銀行) during the week prior to the annual general meeting to be held on 6 June 2014.

In accordance with the Corporate Income Tax Law of the People's Republic of China and its implementation rules effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% corporate income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of final and special dividends as corporate income tax, distribute the final and special dividends to non-resident enterprise Shareholders, i.e. any Shareholders who hold the Company's Shares in the name of non-individual Shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups.

Due to changes in the PRC tax laws and regulations, according to the Announcement on the List of Fully and Partially Invalid and Repealed Tax Regulatory Documents issued by the State Administration of Taxation on 4 January 2011, individual Shareholders who hold the Company's H Shares and whose names appeared on the H Share Register of the Company can no longer be exempted from personal income tax pursuant to the Notice of the State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (Guo Shui Fa [1993] No. 045) issued by the State Administration of Taxation, whilst pursuant to the letter titled Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies issued by the Stock Exchange to the issuers on 4 July 2011 and the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 of State Administration of Taxation (Guo Shui Han [2011] No. 348), it is confirmed that the overseas resident individual shareholders holding shares of domestic non-foreign invested enterprises issued in Hong Kong are entitled to the relevant preferential tax treatments pursuant to the provisions in the tax arrangements between the countries where they reside and China or the tax arrangements between China and Hong Kong (Macau). Therefore, the Company will withhold 10% of the dividend as individual income tax, unless it is otherwise specified in the relevant tax regulations and tax agreements, in which case the Company will withhold individual income tax of such dividends in accordance with the tax rates and according to the relevant procedures as specified by the relevant regulations.

REPORT OF THE BOARD OF DIRECTORS

The annual general meeting for 2013 of the Company will be held on Friday, 6 June 2014. In order to determine the list of holders of H Shares who will be entitled to attend and vote at the annual general meeting, the H share register of the Company will be closed from Wednesday, 7 May 2014 to Friday, 6 June 2014 (both days inclusive), during which no transfer of Shares will be effected. In order for the holders of H Shares of the Company to qualify for attending the annual general meeting, all completed share transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Monday, 5 May 2014.

Subject to the approval of the relevant proposal at the annual general meeting for 2013, the dividends will be paid to the Shareholders whose names appear on the register of members of the Company after the close of the market on Tuesday, 8 July 2014. The H share register of the Company will be closed from Thursday, 3 July 2014 to Tuesday, 8 July 2014 (both days inclusive), during which no transfer of Shares will be effected. In order for the holders of H Shares of the Company to qualify for receiving the final dividends, all completed share transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Wednesday, 2 July 2014. The Company has no obligation and will not be responsible for confirming the identities of the Shareholders. The Company held no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding.

The Board is not aware that any Shareholder has waived or agreed to waive any dividends.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of the Company has been listed and traded on the Stock Exchange since 12 December 2013. After deducting related expenses, the net proceeds of the Company from the Global Offering amounted to HKD3,820 million. During the Relevant Period, The use of proceeds was in line with the usage disclosed in the Prospectus.

BANK LOANS AND OTHER BORROWINGS

As of 31 December 2013, details of bank loans and other borrowings of the Group are set out in Note 29 to the consolidated financial statements in this annual report.

FIXED ASSETS AND CONSTRUCTION IN PROGRESS

Details of fixed assets and construction in progress of the Group in the Year are set out in Note 14 to the consolidated financial statements in this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of changes in reserves of the Group in the Year are set out in the "Consolidated Statement of Changes in Equity" in this annual report. As of 31 December 2013, distributable reserves for Shareholders include retained profit of approximately RMB1,523.89 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, revenue from the sales to the five largest customers by the Group accounted for approximately 47.62% of the total turnover of the Group, among which, revenue from the sales to the largest customers accounted for approximately 15.33% of the total turnover of the Group.

During the Year, our purchases made from the five largest suppliers of goods or services (i.e. our non-capital goods suppliers) accounted for 11.89% of our total cost of sales, among which, our purchases made from the largest supplier of non-capital goods accounted for 6.65% of our total cost of sales; our purchases made from the five largest equipment and construction service suppliers (i.e. our capital goods suppliers) amounted to RMB3,743,923,000, among which, our purchases made from the largest equipment and construction service supplier amounted to RMB2,862,948,000.

REPORT OF THE BOARD OF DIRECTORS

During the Year, none of the Directors, supervisors or their respective associates or any Shareholders who own more than 5% of equity interests of the Company so far as the Directors are aware, has beneficial interests in the five largest customers and the five largest capital or non-capital goods suppliers.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The Group has no pledge of assets and contingent liabilities during the Year.

CAPITAL COMMITMENT

Details of the capital commitment of the Group for the Year are set out in Note 36 to the financial statements in this report.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of business performance of each of the major subsidiaries, joint ventures and associates of the Company are set out in Notes 18 to 20 to the consolidated financial statements in this annual report.

DONATION

The charity and other donations of the Group made during the Relevant Period amounted to approximately RMB1,818,000.

CONNECTED TRANSACTIONS

Details of connected transactions of the Group for the year ended 31 December 2013 are set out in Note 37 to the consolidated financial statements in this annual report. All of these transactions constitute connected transactions under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Holding 10% or more of the issued share capital of the Company, HPG is the substantial shareholder of the Company as defined in the Listing Rules. As such, HPG and its associates (as defined in the Listing Rules) are the connected persons of the Company under Chapter 14A of the Listing Rules.

The Group and HPG have carried out the following continuing connected transactions not exempted from Rule 14A.33A of the Listing Rules during the Year:

(A) Lease Agreement

The Company and HPG entered into a lease agreement on 25 December 2008 which was renewed on 28 March 2011 ("**Lease Agreement**") in respect of the lease of certain assets which include land, buildings, facilities and equipment from HPG to us. The Lease Agreement is valid from 31 March 2008 to 31 December 2013. On 11 July 2013, the Company and HPG entered into a supplemental agreement to the Lease Agreement, which extended its term to 31 December 2015, with effect from the execution date of the supplemental agreement. Pursuant to the Lease Agreement, HPG leases to us certain facilities, equipment and properties related to our operations in the western zone of Qinhuangdao Port. Such facilities, equipment and properties include office buildings, stacking yards, pipelines, starting engines, office facilities and instruments, and a majority of which are immovable properties. For details of the Lease Agreement, please refer to the Prospectus.

The total rental fee paid to HPG by the Group pursuant to the Lease Agreement during the Year was RMB104,900,000.

(B) General Services Agreement

We entered into a general services agreement with HPG on 25 December 2008 which was renewed on 28 March 2011 (the "**General Services Agreement**"). On 11 July 2013, we entered into a supplemental agreement to the General Services Agreement with HPG, which extended the term to 31 December 2015 with effect from the execution date of the supplemental agreement. The General Services Agreement serves as a framework agreement containing the scope of goods and services, transaction principle, stipulation on the formulation of annual procurement and estimation plan, pricing terms and policies in respect of the goods and services to be provided under the General Services Agreement.

Pursuant to the General Services Agreement, HPG and/or its subsidiaries shall provide a wide range of services for the Group, which include (i) social services such as employee training, medical services, printing and other relevant or similar services, (ii) office and logistics services such as property services, office leasing, office supplies and other daily supplies leasing, water and heat supply, hygiene, greening and other relevant or similar services, and (iii) production services such as equipment manufacturing, survey and design, supervisory services, vehicle and other equipment leasing, port construction, port engineering maintenance and communication services, reclaimed water supply, goods and resource supply and other relevant or similar services, while the Group shall provide HPG and/or its subsidiaries with the following services: general port services, port electricity management services, transportation services, software services, labor services, leasing services, resources supply services and other relevant or similar services. For details of the General Services Agreement, please refer to the Prospectus.

The independent non-executive Directors of the Company had reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

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

(2) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms or not, on terms no less favorable than those available to or from independent third parties; and

(3) in accordance with the relevant agreements governing the transactions and on terms that are fair and reasonable and in interests of the Company and the Shareholders as a whole.

According to Rule 14A.38 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules". The auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with paragraph 14A.38 of the Listing Rules. The Lease Agreement and General Services Agreement:

(1) have been approved by the Board;

(2) have been effected in accordance with pricing policies specified under the respective agreements relating to the transactions;

(3) have been entered into on the terms of the respective agreements relating to the transactions; and

(4) do not exceed the annual caps as disclosed in the Prospectus.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

Staff costs of the Group during the Year amounted to RMB2,047.83 million. For details of employees, remuneration policy and pension scheme of the Company, please refer to Note 2.4 to the financial statements.

REPORT OF THE BOARD OF DIRECTORS

SHARE CAPITAL

As of 31 December 2013, the total Shares in issue of the Company amounted to RMB5,029,412,000, which divided into 5,029,412,000 Shares with a nominal value of RMB1.00 each, including:

Class of Shares	Number of Shares	Percentage to total issued share capital of the Company
Domestic Shares	4,199,559,000	83.50%
H Shares	829,853,000	16.50%
Total	5,029,412,000	100%

Details of changes in share capital of the Company during the Year are set out in Note 32 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, so far as the Directors and supervisors of the Company are aware, other than the Directors, Supervisors and the senior management of the Company, the following persons had or deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Number of Shares held	Capacity	Class of Share	Percentage of the total number of relevant class of issued share capital of the Company	Percentage of the total number of issued share capital of the Company	Long position/ short position
Hebei SASAC	3,104,314,204 (Note 1)	Interest of controlled corporation	Domestic Share	73.92%	61.72%	Long position
HPG	3,104,314,204	Beneficial owner	Domestic Share	73.92%	61.72%	Long position
Qinhuangdao Municipal People's Government State-owned Assets Supervision and Administration Commission	629,824,026	Beneficial owner	Domestic Share	15.00%	12.52%	Long position

Name of Shareholders	Number of Shares held	Capacity	Class of Share	Percentage of the total number of relevant class of issued share capital of the Company	Percentage of the total number of issued share capital of the Company	Long position/ short position
Hebei Construction & Investment Communications Investment Co., Ltd.	212,692,830	Beneficial owner	Domestic Share	5.06%	4.23%	Long position
Turiya Advisors Asia Limited	70,332,500	Investment manager	H Share	8.48%	1.40%	Long position
Citigroup Inc.	248,954,000 (Note 2)	Interest of controlled corporation	H Share	30%	4.94%	Long position
Citigroup Inc.	124,477,000 (Note 2)	Interest of controlled corporation	H Share	15%	2.47%	Short position
Citigroup Global Markets Asia Limited	248,954,000 (Note 2)	Beneficial owner	H Share	30%	4.94%	Long position
Citigroup Global Markets Asia Limited	124,477,000 (Note 2)	Beneficial owner	H Share	15%	2.47%	Short position
Citigroup Global Markets Hong Kong Holdings Limited	248,954,000 (Note 2)	Interest of controlled corporation	H Share	30%	4.94%	Long position
Citigroup Global Markets Hong Kong Holdings Limited	124,477,000 (Note 2)	Interest of controlled corporation	H Share	15%	2.47%	Short position
Citigroup Global Markets Overseas Finance Limited	248,954,000 (Note 2)	Interest of controlled corporation	H Share	30%	4.94%	Long position
Citigroup Global Markets Overseas Finance Limited	124,477,000 (Note 2)	Interest of controlled corporation	H Share	15%	2.47%	Short position
Citigroup Global Markets (International) Finance AG	248,954,000 (Note 2)	Interest of controlled corporation	H Share	30%	4.94%	Long position
Citigroup Global Markets (International) Finance AG	124,477,000 (Note 2)	Interest of controlled corporation	H Share	15%	2.47%	Short position
Citigroup Global Markets Switzerland Holding GmbH	248,954,000 (Note 2)	Interest of controlled corporation	H Share	30%	4.94%	Long position
Citigroup Global Markets Switzerland Holding GmbH	124,477,000 (Note 2)	Interest of controlled corporation	H Share	15%	2.47%	Short position
Citigroup Financial Products Inc.	248,954,000 (Note 2)	Interest of controlled corporation	H Share	30%	4.94%	Long position

Name of Shareholders	Number of Shares held	Capacity	Class of Share	Percentage of the total number of relevant class of issued share capital of the Company	Percentage of the total number of issued share capital of the Company	Long position/ short position
Citigroup Financial Products Inc.	124,477,000 (Note 2)	Interest of controlled corporation	H Share	15%	2.47%	Short position
Citigroup Global Markets Holdings Inc.	248,954,000 (Note 2)	Interest of controlled corporation	H Share	30%	4.94%	Long position
Citigroup Global Markets Holdings Inc.	124,477,000 (Note 2)	Interest of controlled corporation	H Share	15%	2.47%	Short position
The Hongkong and Shanghai Banking Corporation Limited	124,477,000 (Note 3)	Beneficial owner	H Share	15%	2.47%	Long position
HSBC Asia Holdings (UK) Limited	124,477,000 (Note 3)	Interest of controlled corporation	H Share	15%	2.47%	Long position
HSBC Asia Holdings BV	124,477,000 (Note 3)	Interest of controlled corporation	H Share	15%	2.47%	Long position
HSBC Finance (Netherlands)	124,477,000 (Note 3)	Interest of controlled corporation	H Share	15%	2.47%	Long position
HSBC Holdings BV	124,477,000 (Note 3)	Interest of controlled corporation	H Share	15%	2.47%	Long position
HSBC Holdings plc	124,477,000 (Note 3)	Interest of controlled corporation	H Share	15%	2.47%	Long position
Credit Suisse Group AG	68,033,000 (Note 4)	Interest of controlled corporation	H Share	8.20%	1.35%	Long position
Credit Suisse AG	68,033,000 (Note 4)	Interest of controlled corporation	H Share	8.20%	1.35%	Long position
Credit Suisse Investments (UK)	68,033,000 (Note 4)	Interest of controlled corporation	H Share	8.20%	1.35%	Long position
Credit Suisse Investment Holdings (UK)	68,033,000 (Note 4)	Interest of controlled corporation	H Share	8.20%	1.35%	Long position
Credit Suisse Securities (Europe) Limited	68,033,000 (Note 4)	Beneficial owner	H Share	8.20%	1.35%	Long position
China Shipping (Group) Company	44,296,500 (Note 5)	Interest of controlled corporation	H Share	5.34%	0.88%	Long position

Name of Shareholders	Number of Shares held	Capacity	Class of Share	Percentage of the total number of relevant class of issued share capital of the Company	Percentage of the total number of issued share capital of the Company	Long position/ short position
China Shipping (H.K.) Holdings Co., Ltd.	44,296,500 (Note 5)	Interest of controlled corporation	H Share	5.34%	0.88%	Long position
China Shipping Terminal Development (H.K.) Co., Ltd.	44,296,500 (Note 5)	Beneficial owner	H Share	5.34%	0.88%	Long position

Notes:

1. Hebei Provincial People's Government State-owned Assets Supervision and Administration Commission is the controlling shareholder of HPG, therefore, was deemed to be interested in 3,104,314,204 Shares of the Company under the SFO;

2. Citigroup Inc. (direct controlling shareholder of Citigroup Global Markets Holdings Inc.), Citigroup Global Markets Holdings Inc. (direct controlling shareholder of Citigroup Financial Products Inc.), Citigroup Financial Products Inc. (direct controlling shareholder of Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Switzerland Holding GmbH), Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Switzerland Holding GmbH (direct controlling shareholder of Citigroup Global Markets Overseas Finance Limited), Citigroup Global Markets Overseas Finance Limited (direct controlling shareholder of Citigroup Global Markets Hong Kong Holdings Limited) and Citigroup Global Markets Hong Kong Holdings Limited (direct controlling shareholder of Citigroup Global Markets Asia Limited) were deemed to be interested in 248,954,000 Shares and have short position in 124,477,000 Shares respectively under the SFO;

3. HSBC Holdings plc (direct controlling shareholder of HSBC Finance (Netherlands)), HSBC Finance (Netherlands) (direct controlling shareholder of HSBC Holdings BV), HSBC Holdings BV (direct controlling shareholder of HSBC Asia Holdings (UK) Limited), HSBC Asia Holdings (UK) Limited (direct controlling shareholder of HSBC Asia Holdings BV) and HSBC Asia Holdings BV (direct controlling shareholder of The Hongkong and Shanghai Banking Corporation Limited) were deemed to be interested In 124,477,000 Shares of the Company respectively under the SFO; and

4. Credit Suisse Group AG (the direct controlling shareholder of Credit Suisse AG), Credit Suisse AG (the direct controlling shareholder of Credit Suisse Investments (UK), Credit Suisse Investment (UK) (the direct controlling shareholder of Credit Suisse Investment Holdings (UK)) and Credit Suisse Investment Holdings (UK) (the direct controlling shareholder of Credit Suisse Securities (Europe) Limited) were deemed to be interested in 68,033,000 Shares of the Company respectively under the SFO; and

5. China Shipping (Group) Company (direct controlling shareholder of China Shipping (H.K.) Holdings Co., Ltd.) and China Shipping (H.K.) Holdings Co., Ltd. (direct controlling shareholder of China Shipping Terminal Development Co., Ltd.) were deemed to be interested in 44,296,500 Shares of the Company respectively under the SFO.

Save as disclosed above, as of 31 December 2013, to the best knowledge of our Directors and supervisors, none of other persons (other than Directors, supervisors and senior management of the Company) had, or was deemed to have, any interests and short positions in Shares, underlying Shares and debentures of the Company which will be required to be recorded in the register kept by the Company under Section 336 of the SFO.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

To the best knowledge of our Directors, as of 31 December 2013, none of our Directors, or Supervisors or chief executive and their respective associates had, or was deemed to have, any interest or short positions in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be recorded in the register under Section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE BOARD OF DIRECTORS

REPURCHASE, SALES AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period, the Company did not repurchase, sell or redeem any of its Shares.

PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1) of the Listing Rules ("**Waiver from Compliance with Public Float Requirement**"). In accordance with the Waiver from Compliance with Public Float Requirement, the Company shall maintain the minimum percentage of public float of at least 15% of our issued share capital. Pursuant to information available for public and as far as Directors are aware, as of the date of this annual report, the Company has maintained the public float in accordance with the Listing Rules and the Waiver from Compliance with Public Float Requirement.

NON-COMPETITION AGREEMENT AND UNDERTAKING BY THE CONTROLLING SHAREHOLDER

HPG has made a statement to the Company, during the Relevant Period, HPG has complied with the Non-Competition Agreement and Undertaking.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Relevant Period, the Company has continued to improve and optimize its internal control system in order to implement sound corporate governance. The Company has adopted and complied with all applicable provisions of the Corporate Governance Code. For details of compliance with Corporate Governance Code, please refer to the section headed "Corporate Governance Report" in this annual report.

DIRECTORS AND SUPERVISORS

During the Relevant Period and as at the date of this annual report, the Directors and supervisors of the Company include:

Executive Directors

Mr. Xing Luzhen *(chairman of the Board)*
Mr. He Shanqi *(general manager)*
Mr. Wang Lubiao
Mr. Ma Xiping

Non-executive Directors

Mr. Zhao Ke
Mr. Zheng Yuming
Mr. Duan Gaosheng

Independent non-executive Directors

Mr. Hong Shanxiang
Mr. Shi Rongyao
Ms. Yu shulian
Mr. Li Man Choi

Supervisors

Mr. Ge Ying
Mr. Chen Shaojun
Mr. Ning Zhongyou
Mr. Cao Dong
Mr. Yang Jun

REPORT OF THE BOARD OF DIRECTORS

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DETAILS

Mr. Hong Shanxiang, an independent non-executive Director of the Company has resigned from his office as independent non-executive Director and relevant positions in Board committees due to personal reasons. Mr. Hong has agreed to perform his duties as the independent non-executive Director, chairman of the nomination committee and member of the Strategy Committee until the appointment of new independent non-executive Director by the Company to fill his vacancy in accordance with relevant laws and regulations. On 28 March 2014, the Board proposed to appoint Mr. Lu Fuyu as the independent non-executive Director, the chairman of the nomination committee and member of the Strategy Committee to fill his vacancy upon the effective date of resignation of Mr. Hong Shanxiang. Such appointment shall be subject to the approval of Shareholders at Annual General Meeting. In addition, on the same date, Mr. Ge Ying has resigned from his office as Supervisor and the chairman of supervisory committee and Mr. Chen Shaojun has resigned from his office as Supervisor (their respective resignation will be effective from the approval of the proposed appointment of Supervisors by the Shareholders at the Annual General Meeting). On the same date, the Supervisory Committee proposed to appoint Mr. Nie Yuzhong as Supervisor and the chairman of Supervisory Committee of the Company and Mr. Wang Yashan as Supervisor of the Company. The appointment of Mr. Nie Yuzhong and Mr. Wang Yashan shall be subject to the approval of Shareholders at the Annual General Meeting.

Save as the above, from the Listing Date to the date of this annual report, there was no other change in our Director, Supervisor and senior management.

For the year ended 31 December 2013, there was no information of Directors shall be disclosed under the paragraphs (a) to (e) and (g) of Rule 13.51(2) of Listing Rules and there was no change in any disclosed information.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

All current Directors have entered into service contracts with the Company on 11 November 2013 for a term of three years commencing from the date of the approval from Shareholders and shall be terminated pursuant to relevant terms of respective contracts.

As at the date of this annual report, none of the Directors and Supervisors of the Company had entered into any service contract with the Company or its subsidiaries which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS OF SIGNIFICANCE OF DIRECTORS AND SUPERVISORS

During the Relevant Period, none of Directors and Supervisors was materially interested, directly or indirectly, in any contracts of significance entered into with the Company or its controlling companies or its subsidiaries or subsidiaries of its controlling companies subsisting as at the end of the Year.

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

Other than business of the Group, none of the Directors of the Company holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group.

REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Remuneration of Directors and Supervisors is determined by the Remuneration Committee by making reference to the remuneration paid by comparable companies and efforts and duties of Directors and Supervisors.

Details of remuneration of Directors, Supervisors and the five highest paid individuals in the Year are set out in Notes 8 to 9 to the consolidated financial statements in this annual report.

REPORT OF THE BOARD OF DIRECTORS

MANAGEMENT CONTRACTS

During the year under review, the Company did not enter into any contracts with respect to the management or administration of all or any substantial part of our businesses.

THE BOARD AND BOARD COMMITTEES

Details of the Board and Board committees are set out in the section headed "Corporate Governance Report" in this annual report.

MATERIAL LITIGATION AND ARBITRATION

So far as the Directors are aware and save as disclosed in the Prospectus, the Company was not engaged in any material litigation, arbitration or claim, and no arbitration or claim of material importance was pending or threatened against the Company during the Year.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the provisions of Corporate Governance Code.

Details of the meetings of the Audit Committee are set out in the section headed "Corporate Governance Report" in this annual report.

AUDITORS

The Company has appointed Ernst & Young and Ernst & Young Hua Ming LLP as the international and the domestic auditors for the year ended of 31 December 2013, respectively. Ernst & Young has audited the financial statements for 2013 of the Company prepared under the IFRS. The Company has been engaging Ernst & Young and Ernst & Young Hua Ming LLP since the preparation of its Listing. A resolution regarding re-appointment of Ernst & Young and Ernst & Young Hua Ming LLP as the international and the PRC auditors of the Company respectively will be proposed at the forthcoming annual general meeting which will be held on 6 June 2014.

EVENTS AFTER THE REPORTING PERIOD

On 11 April 2014, the Company executed the articles of association ("Articles of HPG Finance") of Hebei Port Group Finance Company Limited (河北港口集團財務有限公司) ("HPG Finance") with HPG in respect of the establishment of HPG Finance. According to the Articles of HPG Finance, the total registered capital of HPG Finance will be RMB500 million, among which, RMB200 million and RMB300 million, or 40% and 60%, will be contributed by the Company and HPG respectively. Details of other significant events after the Reporting Period are disclosed in Note 41 to the consolidated financial statements in this annual report.

By order of the Board
Xing Luzhen
Chairman

PRC, 28 March 2014

REPORT OF SUPERVISORY COMMITTEE

The Supervisory Committee of the Company (the "**Supervisory Committee**") has fully discharged its duty of supervision on the Directors and senior management of the Company in a faithful and diligent manner according to the Company Law, the Articles of Association of the Company, the Rules of Procedures of Meetings of the Supervisory Committee of Qinhuangdao Port Co., Ltd. ("**Rules of Procedures of the Supervisory Committee**") and other applicable laws and regulations, playing a positive role for the regulation and compliance operation of the Company.

EVALUATION ON THE BEHAVIOR AND PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2013

The Supervisory Committee is of the view that the Board and senior management were able to comply with the requirements of the Company Law, Articles of Association of the Company and other applicable laws and regulations and were able to carry out operation in accordance with laws. The Directors and senior management of the Company discharged their fiduciary duties in a prudent manner based on the resolutions approved at the shareholders' general meeting and policies formulated by the Board. After supervision and investigation, none of the Directors and senior management of the Company were found to be in breach of the Articles of Association of the Company and other applicable laws and regulations when discharging their duties and none of their acts were found to be detrimental to the interests of the Company or the Shareholders of the Company.

OVERVIEW OF THE MEETINGS OF SUPERVISORY COMMITTEE

Three meetings were held by the Supervisory Committee during the Year. Details of the meetings are set out below:

1. On 16 April 2013, the Supervisory Committee held its first meeting. At the meeting, three resolutions, namely the 2012 Work Report of the Supervisory Committee of Qinhuangdao Port Co., Ltd. (《秦皇島港股份有限公司監事會2012年度工作報告》), the 2012 Supervision and Inspection Report of the Supervisory Committee of Qinhuangdao Port Co., Ltd. (《秦皇島港股份有限公司監事會2012年度監督檢查報告》) and the Proposals on Change of Employee Representative Supervisors (《關於調整職工監事的議案》), were considered and approved, and four resolutions, namely the 2012 Financial Statements of Qinhuangdao Port Co., Ltd. (《秦皇島港股份有限公司2012年度財務決算報告》), the 2013 Financial Budget Report of Qinhuangdao Port Co., Ltd. (《秦皇島港股份有限公司2013年度財務預算報告》), the Proposals on 2013 Fixed Asset Investment of Qinhuangdao Port Co., Ltd. (《秦皇島港股份有限公司2013年度固定資產投資計劃》) and the Resolution on 2012 Profit Distribution of Qinhuangdao Port Co., Ltd. (《關於秦皇島港股份有限公司2012年度利潤分配的議案》), were considered and approved without objection.

2. On 24 June 2013, the second meeting of the Supervisory Committee was held in which the resolution on the Rules of Procedures of the Supervisory Committee of Qinhuangdao Port Co., Ltd. (H Share) (《秦皇島港股份有限公司監事會議事規則(H股)》) was considered and approved.

3. On 9 December 2013, the third meeting of the Supervisory Committee was held in which the resolution on the Research Report on Assets and Disposal of Three Companies in respect of the Western Zone Relocation of Qinhuangdao Port (《關於西港搬遷中三公司資產狀況及處置情況的調研報告》).

The Supervisory Committee also kept track of the business operation, financial position and performance of the Company through a variety of means in a timely manner to conduct effective supervision on the internal control, financial and major decision-making process of the Company and the performance of duties by the Board and senior management of the Company. Such measures include:

1. to understand and supervise the research and decision-making details as well as procedures of major issues by attending important meetings, such as the Board meetings, shareholders' general meetings, operation meetings of general manager, and regular and monthly meetings in relation to administrative affairs.

2. to understand and supervise the operation of the Company through extensive project review and inspection in line with its annual supervision emphasis.

3. to facilitate the active and proper performance of duties by Directors and senior management through supervision and clear separation of roles of Directors and senior management.

4. to integrate supervision into daily operation with an emphasis on financial, investment and operation aspects so as to promptly respond to any problems identified.

During the Year, meetings and compositions of members of the Supervisory Committee were in compliance with the Company Law, the Articles of Association of the Company, Rules of Procedures of Meetings of the Supervisory Committee and other applicable laws and regulations.

INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT ISSUES FOR 2013

(A) Compliance of the Company

During the Year, the operation and decision-making process of the Board of the Company were in compliance with the Company Law, the Articles of Association of the Company and other applicable laws and regulations. The operating results of the Company are objective and true, reflecting its optimal internal control system. The Directors and the senior management of the Company carried out the business and management with diligence, prudence and aspiration. None of the Directors and senior management of the Company were found to be in breach of the laws and regulations when discharging their duties and none of their acts were found to be detrimental to the interests of the Company and the Shareholders as a whole.

(B) Financial position and annual report of the Company

Ernst & Young and Ermst & Young Hua Ming prepared and reviewed the financial statements of the Company for 2013 based on the International Financial Reporting Standards and China Auditing Standards, respectively, and issued respective standard unqualified audit reports. The Supervisory Committee duly reviewed and discussed the audited financial report of the Company for 2013 and considered that it gave an objective, true, reasonable view in compliance with the laws, regulations and the Articles of Association of the Company. It also gave a complete and objective picture of the Company without any false representations, misleading statements or material omissions.

In addition, the Supervisory Committee participated in the preparation and review of this annual report and considered that the preparation of this annual report was in compliance with the laws, regulations and the Articles and Association of the Company and its disclosure gave a complete and true picture of the operation, management and financial position of the Company during the Year.

(C) Use of proceeds

The Supervisory Committee supervised and inspected the use of proceeds from the global offering of the Company and believed that the use of proceeds was in compliance with relevant requirements and no misappropriation was found.

(D) Supervision and inspection on connected transactions

The Supervisory Committee carried out supervision and inspection on the connected transactions, including continuing connected transactions, of the Company during the Year and none of these transactions were found to be unfair or detrimental to the interests of the Company and the Shareholders.

(E) Acquisition and disposal of material assets and external investments

The Supervisory Committee carried out supervision and inspection on the disposal and acquisition of material assets and external investments. None of the above acquisition and disposal of material assets and external investments involved insider trading, were detrimental to the interests of the Company and the Shareholders or resulted in the loss of assets of the Company.

REPORT OF SUPERVISORY COMMITTEE

PROSPECTS OF THE SUPERVISORY COMMITTEE FOR 2014

The Supervisory Committee will further carry out its supervision and inspection duties accountable to all the Shareholders in strict accordance with applicable laws and regulations, and the Articles of Association and the Rules of Procedures of the Supervisory Committee of the Company. The Supervisory Committee will continue to safeguard the legal interests of the Company and the supervisors in line with the daily port business of the Company so as to effectively regulate the operation and development of the Company.

By Order of the Board
Ge Ying
Chairman

PRC, 28 March 2014

INDEPENDENT AUDITORS' REPORT

To the shareholders of Qinhuangdao Port Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Qinhuangdao Port Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 124 which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this annual report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	5	7,027,920	6,250,162
COST OF SALES		(4,037,272)	(3,536,081)
Gross profit		2,990,648	2,714,081
Other income and gains	5	379,188	125,416
Selling and distribution expenses		(122)	(496)
Administrative expenses		(818,952)	(741,148)
Other expenses		(122,412)	(168,466)
Finance costs	7	(333,310)	(259,209)
Share of profits and losses of:			
Associates		114,261	154,622
Joint ventures		272	565
PROFIT BEFORE TAX	6	2,209,573	1,825,365
Income tax expense	10	(419,320)	(428,069)
PROFIT FOR THE YEAR		1,790,253	1,397,296
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,790,253	1,397,296
Attributable to:			
Owners of the parent	11	1,777,613	1,405,958
Non-controlling interests		12,640	(8,662)
		1,790,253	1,397,296
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	13	RMB0.41	RMB0.33

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	20,138,010	16,344,421
Prepaid land lease payments	15	528,710	539,834
Other intangible assets	16	120,653	105,458
Goodwill		59	59
Investments in joint ventures	19	4,994	5,233
Investments in associates	20	1,034,206	997,946
Investment properties	17	4,171	5,923
Available-for-sale investments	21	681,624	681,624
Long-term prepayments	22	59,776	240,736
Deferred tax assets	31	163,649	78,172
Total non-current assets		22,735,852	18,999,406
CURRENT ASSETS			
Inventories	23	190,336	213,404
Trade and bills receivables	24	261,886	202,371
Prepayments, deposits and other receivables	25	90,220	257,163
Prepaid land lease payments	15	12,745	12,709
Tax recoverable		5,438	26,128
Cash and cash equivalents	26	5,945,267	3,492,887
Total current assets		6,505,892	4,204,662
CURRENT LIABILITIES			
Trade payables	27	78,083	68,762
Other payables and accruals	28	4,837,577	2,384,527
Interest-bearing bank borrowings	29	3,395,367	2,564,534
Tax payable		203,307	176,100
Total current liabilities		8,514,334	5,193,923
NET CURRENT LIABILITIES		(2,008,442)	(989,261)
TOTAL ASSETS LESS CURRENT LIABILITIES		20,727,410	18,010,145
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	29	7,368,092	7,355,076
Government grants	30	310,392	225,544
Total non-current liabilities		7,678,484	7,580,620
Net assets		13,048,926	10,429,525
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	5,029,412	4,275,000
Reserves	33	5,243,304	3,908,588
Proposed final dividend	12	1,609,412	1,090,125
		11,882,128	9,273,713
Non-controlling interests		1,166,798	1,155,812
Total equity		13,048,926	10,429,525

The publication of the above statement was approved and authorised by the Board of the Company on 28 March 2014.

Xing Luzhen
Director

Ma Xiping
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Special reserve RMB'000 note 33	Statutory surplus reserve RMB'000	Retained profits RMB'000	Proposed dividend RMB'000 note 12	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	4,275,000	2,240,185	9,229	17,545	544,743	1,096,886	1,090,125	9,273,713	1,155,812	10,429,525
Profit for the year	–	–	–	–	–	1,777,613	–	1,777,613	12,640	1,790,253
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	1,777,613	–	1,777,613	12,640	1,790,253
Proposed 2013 final dividend	–	–	–	–	–	(1,609,412)	1,609,412	–	–	–
Dividends declared and paid to non-controlling interests	–	–	–	–	–	–	–	–	(2,965)	(2,965)
Issue of shares	754,412	2,366,788	–	–	–	–	–	3,121,200	–	3,121,200
Share issue expenses	–	(108,837)	–	–	–	–	–	(108,837)	–	(108,837)
Appropriation to statutory surplus reserve	–	–	–	–	138,647	(138,647)	–	–	–	–
Contribution from the parent	–	–	(1,311)	–	–	–	–	(1,311)	1,311	–
Net increase in special reserve for the year	–	–	–	10,093	–	(10,093)	–	–	–	–
Proposed and declared additional 2012 dividend	–	–	–	–	–	(1,090,125)	–	(1,090,125)	–	(1,090,125)
Final 2012 dividend declared	–	–	–	–	–	–	(1,090,125)	(1,090,125)	–	(1,090,125)
At 31 December 2013	5,029,412	4,498,136*	7,918*	27,638*	683,390*	26,222*	1,609,412	11,882,128	1,166,798	13,048,926
At 1 January 2012	4,275,000	2,240,185	6,034	–	397,556	945,785	405,337	8,269,897	1,139,887	9,409,784
Profit for the year	–	–	–	–	–	1,405,958	–	1,405,958	(8,662)	1,397,296
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	1,405,958	–	1,405,958	(8,662)	1,397,296
Final 2011 dividend declared	–	–	–	–	–	–	(405,337)	(405,337)	–	(405,337)
Proposed 2012 final dividend	–	–	–	–	–	(1,090,125)	1,090,125	–	–	–
Dividends declared and paid to non-controlling interests	–	–	–	–	–	–	–	–	(1,031)	(1,031)
Appropriation to statutory surplus reserve	–	–	–	–	147,187	(147,187)	–	–	–	–
Net increase in special reserve for the year	–	–	–	17,545	–	(17,545)	–	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	30,000	30,000
Others	–	–	3,195	–	–	–	–	3,195	(4,382)	(1,187)
At 31 December 2012	4,275,000	2,240,185*	9,229*	17,545*	544,743*	1,096,886*	1,090,125	9,273,713	1,155,812	10,429,525

* These reserve accounts comprise the consolidated reserves of RMB5,243,304,000 in the consolidated statements of financial position as at 31 December 2013 (2012: RMB3,908,588,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,209,573	1,825,365
Adjustments for:			
Depreciation	14	982,458	857,115
Amortisation of other intangible assets	16	7,743	6,287
Amortisation of prepaid land lease payments	15	9,497	9,495
Amortisation of investment properties	17	128	130
Bank interest income	5	(19,687)	(19,186)
Government grants received		22,997	–
Government grants recognised		(301,291)	(6,513)
Finance costs	7	333,310	259,209
Provision for/(reversal of) impairment of trade and other receivables	6	24,152	(49,995)
Provision for impairment of items of property, plant and equipment	6	8,656	–
Dividend income from available-for-sale investments	6	(46,118)	(47,631)
Loss on disposal of items of property, plant and equipment	6	68,730	164,951
Share of profits of joint ventures		(272)	(565)
Share of profits of associates		(114,261)	(154,622)
		3,185,615	2,844,040
Decrease/(increase) in inventories		23,068	(3,619)
Decrease in pledged deposits		–	3,911
Increase in trade and bills receivables		(62,303)	(45,513)
Increase in prepayments, deposits and other receivables		(30,248)	(4,235)
Increase/(decrease) in trade payables		9,321	(4,705)
Increase/(decrease) in other payables and accruals		164,012	(66,513)
Cash generated from operations		3,289,465	2,723,366
Interest received		19,687	19,186
Tax paid		(456,900)	(570,887)
Net cash flows from operating activities		2,852,252	2,171,665
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(2,498,658)	(3,597,980)
Additions to other intangible assets		(19,058)	(16,252)
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired		(251,910)	53,000
Additions of investments in associates		(55,000)	(15,000)
Purchase of available-for-sale investments		–	(32,550)
Prepayment for acquisition of equity investment		(50,000)	–
Proceeds from disposal of a subsidiary		–	40,000
Proceeds from disposal of items of property, plant and equipment		193,025	904,431
Dividends received from available-for-sale investments		46,118	47,631
Government grants received		363,142	5,700
Dividends received from a joint venture and associates		133,511	140,246
Net cash flows used in investing activities		(2,138,830)	(2,470,774)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		4,230,383	4,037,684
Issue of shares		3,121,200	–
Other proceeds from the issue of shares		343,391	–
Repayment of bank loans		(3,386,534)	(4,834,800)
Interest paid		(629,032)	(686,623)
Dividends paid		(2,178,332)	(405,337)
Dividends paid to non-controlling interests		(2,965)	(11,199)
Share issue expenses		(11,063)	–
Contribution from non-controlling interests		–	30,000
Net cash flows from/(used in) financing activities		1,487,048	(1,870,275)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,200,470	(2,169,384)
Cash and cash equivalents at the beginning of each year		3,336,887	5,506,271
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,537,357	3,336,887
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statements of financial position	26	5,945,267	3,492,887
Less: Time deposits with original maturity of more than three months	26	(407,910)	(156,000)
Cash and cash equivalents as stated in the consolidated statements of cash flows		5,537,357	3,336,887

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	6,833,497	6,962,864
Prepaid land lease payments	15	413,799	421,709
Other intangible assets	16	15,670	17,162
Investments in subsidiaries	18	4,414,423	3,429,423
Investment in joint ventures	19	2,304	2,304
Investments in associates	20	797,296	742,296
Available-for-sale investments	21	532,000	532,000
Investment properties	17	4,171	5,923
Long-term prepayments	22	226,927	205,468
Deferred tax assets	31	114,608	77,181
Total non-current assets		13,354,695	12,396,330
CURRENT ASSETS			
Inventories	23	186,236	211,021
Trade and bills receivables	24	242,162	181,827
Prepayments, deposits and other receivables	25	10,939	48,593
Prepaid land lease payments	15	9,531	9,494
Cash and cash equivalents	26	3,837,282	999,568
Total current assets		4,286,150	1,450,503
CURRENT LIABILITIES			
Trade payables	27	58,333	44,103
Other payables and accruals	28	1,511,372	765,375
Interest-bearing bank borrowings	29	3,198,000	2,472,000
Tax payable		203,160	174,902
Total current liabilities		4,970,865	3,456,380
NET CURRENT LIABILITIES		(684,715)	(2,005,877)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,669,980	10,390,453
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	29	608,000	658,000
Government grants	30	304,692	221,668
Total non-current liabilities		912,692	879,668
Net assets		11,757,288	9,510,785
EQUITY			
Issued capital	32	5,029,412	4,275,000
Reserves	33	5,118,464	4,145,660
Proposed dividend	12	1,609,412	1,090,125
Total equity		11,757,288	9,510,785

1. CORPORATE INFORMATION

The Company was established as a joint stock company with limited liability on 31 March 2008 in the PRC. The Company's "H" shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 December 2013. The registered office of the Company is located at 35 Haibin Road, Qinhuangdao, Hebei Province, the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in provision of integrated port services including stevedoring, stacking, warehousing, transportation and logistics and handling various types of cargo including coal, metal ores, oil, liquefied chemicals, containers and general cargo.

In the opinion of the directors (the "Directors"), the holding company and the ultimate holding company of the Company is Hebei Port Group Co., Ltd. ("HPG"), which is a state-owned enterprise established on 28 August 2002 in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted, at the beginning of the financial periods presented, all IFRSs that have been issued and effective for the financial periods presented.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the financial statements.

IFRS 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39[3]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefits Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements to IFRSs 2010–2012 Cycle	Amendments to a number of IFRSs issued in December 2013
Annual Improvements to IFRSs 2011–2013 Cycle	Amendments to a number of IFRSs issued in December 2013

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries (continued)

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investment in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses in the Company's statement of financial position.

When an investment in an associate and joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Annual rates
Buildings	2.77% to 4.85%
Terminal facilities	3.23% to 4.85%
Plant and machinery	2.77% to 48.5%
Vessels and motor vehicles	9.7% to 48.5%
Furniture and fixtures	6.47% to 48.5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents building, terminal facilities and plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation or amortisation and any impairment losses. Depreciation or amortisation is charged to write off the cost of investment properties using the straight-line method.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of software and sea area use rights are 5 years and 50 years, respectively.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group firstly assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise depreciation and amortisation, power and fuel costs, labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Other employee benefits

Pension scheme

The employees of the Group in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

In addition to the central pension scheme, the Group implemented a pension annuity plan for its employees in Mainland China pursuant to which the Group contributes to the plan regularly based on a percentage of the employees' basic salary. The Group has no further obligation once the required contribution has been made. The contribution is recognised as expense as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The financial statements are presented in RMB which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgments

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Transfer of construction in progress to property, plant and equipment

Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. It requires management's judgement and estimation to determine when the project under construction is substantially ready for its intended use, i.e., when it is capable of commercial operation based on the overall assessment of trial operation results.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Impairment of receivables

Impairment of receivables is made based on management's assessment of their recoverability. The identification of impairment of receivables requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying values of the receivables and impairment loss/ reversal of impairment of the receivables in the period in which such an estimate is changed.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Non-financial assets with definite lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 31 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment: provision of integrated port services. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

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

Information about major customers

During this year, there were two single customers who contributed over 10% of the Group's revenue individually.

	2013 RMB'000	2012 RMB'000
Customer A	1,077,655	793,151
Customer B	1,008,157	834,159

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the value of services rendered, the invoiced value of goods sold and the gross rental income received during the year.

An analysis of revenue, other income and gains from continuing operations is as follows:

	Note	2013 RMB'000	2012 RMB'000
Revenue			
Integrated port services		6,692,994	5,984,241
Sale of goods		98,671	46,239
Gross rental income		4,432	3,078
Other comprehensive services		231,823	216,604
		7,027,920	6,250,162
Other income and gains			
Other income			
Bank interest income		19,687	19,186
Dividend income from available-for-sale investments		46,118	47,631
Government grants*	30	309,392	7,942
		375,197	74,759
Gains			
Reversal of impairment of trade and other receivables, net		–	49,995
Others		3,991	662
		3,991	50,657
		379,188	125,416

* Included in government grants for 2013, RMB294,842,000 was in connection with the transfer of Huanghua Port public infrastructure. The Group transferred the Huanghua Port public infrastructure in 2011 and paid the relevant taxes and surcharges of RMB294,842,000 for this transfer. The Group received the tax refund of RMB294,842,000 from the local government in connection with the taxes and surcharges paid for the transfer in the current year.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2013 RMB'000	2012 RMB'000
Cost of services provided	4,037,272	3,536,081
Depreciation (note 14)	982,458	857,115
Amortisation of other intangible assets (note 16)	7,743	6,287
Amortisation of prepaid land lease payments (note 15)	9,497	9,495
Amortisation of investment properties (note 17)	128	130
Loss on disposal of items of property, plant and equipment	68,730	164,951
Government grants recognised as income (note 30)	309,392	7,942
Employee benefit expense (including directors' and supervisors' remuneration (note 8)):		
Wages, salaries and bonuses	1,759,049	1,548,642
Pension scheme contributions and other employee benefits	288,783	252,546
	2,047,832	1,801,188
Provision for/(reversal of) impairment of trade and other receivables	24,152	(49,995)
Provision for impairment of items of property, plant and equipment	8,656	–
Dividend income from available-for-sale investments	(46,118)	(47,631)
Minimum lease payments under operating leases of items of property, plant and equipment	161,695	169,640
Auditors' remuneration	3,278	1,691
Bank interest income	(19,687)	(19,186)
Foreign exchange differences, net	16,943	122
Rental income on investment properties	4,432	3,078

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 RMB'000	2012 RMB'000
Interest on bank borrowings		
– wholly repayable within five years	379,831	321,212
– wholly repayable over five years	254,429	362,207
	634,260	683,419
Less: Interest capitalised	(300,950)	(424,210)
	333,310	259,209

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION

Directors', supervisors' and chief executives' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 RMB'000	2012 RMB'000
Fees	200	200
Other emoluments:		
Salaries, allowances and benefits in kind	4,631	3,757
Performance-related bonuses	–	–
Pension scheme contributions	849	625
	5,480	4,382
	5,680	4,582

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013 RMB'000	2012 RMB'000
Mr. Hong Shanxiang	–	–
Ms. Yu Shulian	100	100
Mr. Liu Xue	50	100
Mr. Li Wencai	50	–
Mr. Shi Rongyao	–	–
	200	200

Mr. Liu Xue resigned in May 2013. Mr. Li Wencai and Mr. Shi Rongyao were appointed in July 2013.

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and chief executives

	Year ended 31 December 2013				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Xing Luzhen	–	–	–	–	–
Mr. He Shanqi	–	857	–	154	1,011
Mr. Wang Lubiao	–	622	–	111	733
Mr. Ma Xiping	–	619	–	106	725
	–	2,098	–	371	2,469
Chief executives					
Mr. He Zhenya	–	622	–	110	732
Mr. Guo Xikun	–	619	–	106	725
	–	1,241	–	216	1,457
	–	3,339	–	587	3,926

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION (continued)

(b) Executive directors and chief executives (continued)

	Year ended 31 December 2012				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Xing Luzhen	–	–	–	–	–
Mr. He Shanqi	–	–	–	–	–
Mr. Wang Lubiao	–	607	–	103	710
	–	607	–	103	710
Chief executives					
Mr. He Zhenya	–	607	–	103	710
Mr. Guo Xikun	–	588	–	103	691
Mr. Ma Xiping	–	605	–	120	725
	–	1,800	–	326	2,126
	–	2,407	–	429	2,836

Mr. Ma Xiping was appointed as an executive director in July 2013. Mr. He Shanqi receives his remuneration from the Company from 1 January 2013.

Other than being executive directors, Mr. He Shanqi, Mr. Wang Lubiao and Mr. Ma Xiping are also the chief executives of the Group, and their remunerations disclosed above include those for services rendered by them as the chief executives.

There was no arrangement under which a director or a chief executive waived or agreed to waive any remuneration during the years ended 31 December 2013 and 2012.

(c) Non-executive directors

Mr. Zhao Ke and Mr. Duan Gaosheng were appointed as non-executive directors in 2008. Mr. Zheng Yunming was appointed as a non-executive director in 2009. There were no fees or other emoluments payable to them during the years ended 31 December 2013 and 2012.

(d) Supervisors

	Year ended 31 December 2013				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Mr. Ge Ying	–	–	–	–	–
Mr. Ning Zhongyou	–	–	–	–	–
Mr. Chen Shaojun	–	507	–	92	599
Mr. Cao Dong	–	473	–	107	580
Mr. Ma Chengzhu	–	88	–	26	114
Mr. Yang Jun	–	224	–	37	261
	–	1,292	–	262	1,554

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' REMUNERATION (continued)

(d) Supervisors (continued)

	Year ended 31 December 2012				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Mr. Ge Ying	–	–	–	–	–
Mr. Ning Zhongyou	–	–	–	–	–
Mr. Chen Shaojun	–	385	–	66	451
Mr. Cao Dong	–	567	–	72	639
Mr. Ma Chengzhu	–	351	–	38	389
Mr. Bi Keshuang	–	47	–	20	67
Ms. Qi Guiqiu	–	–	–	–	–
Mr. Xue Tiemin	–	–	–	–	–
	–	1,350	–	196	1,546

Mr. Ning Zhongyou, Mr. Chen Shaojun and Mr. Ma Chengzhu were appointed in April 2012. Mr. Yang Jun was appointed in June 2013. Mr. Bi Keshuang, Ms. Qi Guiqiu and Mr. Xue Tiemin resigned in April 2012. Mr. Ma Chengzhu resigned in April 2013.

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the years ended 31 December 2013 and 2012.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included three directors and two chief executives (2012: one director and three chief executives), details of whose remuneration are set out in note 8 above.

	Number of employees	
	2013	2012
Directors (note 8)	3	1
Chief executives (note 8)	2	3
Non-director and non-chief executive employees	–	1

Details of the remuneration for years ended 31 December 2013 and 2012 of the remaining highest paid employee who is neither a director nor chief executive of the Company is as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	–	567
Performance-related bonuses	–	–
Pension scheme contributions	–	72
	–	639

9. FIVE HIGHEST PAID INDIVIDUALS (continued)

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2013	2012
Nil to HK$1,000,000	–	1

10. INCOME TAX EXPENSE

The provision for Mainland China current income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the year.

	Note	2013 RMB'000	2012 RMB'000
Current – Mainland China			
Charge for the year		504,797	434,090
Deferred	31	(85,477)	(6,021)
Total tax change for the year		419,320	428,069

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate applicable in Mainland China to the tax expense at the Group's effective tax rate is as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	2,209,573	1,825,365
Tax at the statutory tax rate	552,393	456,341
Expenses not deductible for tax*	16,021	36,275
Tax losses not recognised	3,990	4,627
Income not subject to tax	(11,529)	(11,908)
Profits and losses attributable to joint ventures and associates	(27,843)	(38,797)
Non-deductible expenses from previous periods confirmed to be deductible by tax authority*	(110,558)	(18,469)
Deductible temporary difference not recognised	2,320	–
Utilised deductible temporary difference not recognised in prior year	(5,474)	–
Tax charge at the Group's effective rate	419,320	428,069

* Included in the expenses not deductible for tax, RMB37,500,000 and RMB73,058,000 in 2012 and 2011, respectively, were in connection with the transfer of Huanghua Port public infrastructure. The expenses were confirmed by the tax authority to be deductible in 2013.

The share of tax attributable to associates and joint ventures amounting to RMB15,909,000 (2012: RMB29,431,000) and RMB154,000 (2012: RMB233,000), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profits attributable to owners of the parent for the years ended 31 December 2013 includes a profit of RMB1,410,666,000 (2012: RMB1,472,365,000), which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Proposed final dividend – RMB0.32 (2012: RMB0.255) per ordinary share	**1,609,412**	1,090,125

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forth coming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profits attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,316,338,000 (2012: 4,275,000,000) in issue during the year.

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**1,777,613**	1,405,958

	2013 '000	2012 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,316,338**	4,275,000

No adjustment has been made to the basic earnings per share amounts presented for 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Terminal facilities RMB'000	Plant and machinery RMB'000	Vessels and motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013							
Cost:							
At 1 January 2013	2,179,362	5,186,422	6,674,281	475,080	195,070	6,215,976	20,926,191
Additions	2,846	–	303	732	751	4,830,038	4,834,670
Transfers	232,849	1,710,898	737,666	76,052	10,727	(2,768,192)	–
Disposals	(3,374)	(257)	(195,133)	(6,460)	(4,548)	–	(209,772)
Transfer to intangible assets	–	–	–	–	–	(4,514)	(4,514)
Reclassification	85,513	–	(85,513)	–	–	–	–
At 31 December 2013	2,497,196	6,897,063	7,131,604	545,404	202,000	8,273,308	25,546,575
Accumulated depreciation:							
At 1 January 2013	500,799	633,545	3,119,200	210,160	118,066	–	4,581,770
Depreciation provided for the year (note)	105,389	232,698	569,548	51,918	25,149	–	984,702
Reclassification	50,040	–	(50,040)	–	–	–	–
Disposals	(1,180)	(52)	(155,050)	(6,209)	(4,072)	–	(166,563)
At 31 December 2013	655,048	866,191	3,483,658	255,869	139,143	–	5,399,909
Impairment:							
At 1 January 2013	–	–	–	–	–	–	–
Provision provided for the year	–	–	8,569	–	87	–	8,656
At 31 December 2013	–	–	8,569	–	87	–	8,656
Net book value:							
At 31 December 2013	1,842,148	6,030,872	3,639,377	289,535	62,770	8,273,308	20,138,010
31 December 2012							
Cost:							
At 1 January 2012	2,136,806	2,932,511	5,936,444	381,197	154,193	5,770,957	17,312,108
Additions	17	–	1,403	703	1,760	3,655,853	3,659,736
Transfers	61,441	2,253,911	760,513	95,425	39,512	(3,210,802)	–
Disposals	(18,902)	–	(24,079)	(2,245)	(395)	(32)	(45,653)
At 31 December 2012	2,179,362	5,186,422	6,674,281	475,080	195,070	6,215,976	20,926,191
Accumulated depreciation:							
At 1 January 2012	414,458	491,742	2,590,884	163,393	87,600	–	3,748,077
Depreciation provided for the year	89,953	141,803	545,848	48,703	30,808	–	857,115
Disposals	(3,612)	–	(17,532)	(1,936)	(342)	–	(23,422)
At 31 December 2012	500,799	633,545	3,119,200	210,160	118,066	–	4,581,770
Net book value:							
At 31 December 2012	1,678,563	4,552,877	3,555,081	264,920	77,004	6,215,976	16,344,421

Note: Included the depreciation provided for the current year, RMB2,244,000 was directly related to the construction in progress and was capitalised in 2013 (2012: Nil), RMB982,458,000 (2012: RMB857,115,000) was charged into the profit or loss for the year.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Buildings RMB'000	Terminal facilities RMB'000	Plant and machinery RMB'000	Vessels and motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013							
Cost:							
At 1 January 2013	2,109,623	2,933,008	5,492,441	359,145	172,331	317,853	11,384,401
Additions	–	–	–	–	–	689,873	689,873
Transfers	136,911	142,794	531,623	71,286	10,296	(892,910)	–
Disposals	(3,374)	(257)	(195,133)	(6,460)	(4,548)	–	(209,772)
Transfer to intangible assets	–	–	–	–	–	(4,514)	(4,514)
Reclassification	85,513	–	(85,513)	–	–	–	–
At 31 December 2013	2,328,673	3,075,545	5,743,418	423,971	178,079	110,302	11,859,988
Accumulated depreciation:							
At 1 January 2013	499,193	612,680	3,003,321	192,970	113,373	–	4,421,537
Depreciation provided for the year	103,352	111,582	487,063	39,376	21,512	–	762,885
Reclassification	50,040	–	(50,040)	–	–	–	–
Disposals	(1,181)	(52)	(155,049)	(6,234)	(4,071)	–	(166,587)
At 31 December 2013	651,404	724,210	3,285,295	226,112	130,814	–	5,017,835
Impairment:							
At 1 January 2013	–	–	–	–	–	–	–
Provision provided for the year	–	–	8,569	–	87	–	8,656
At 31 December 2013	–	–	8,569	–	87	–	8,656
Net book value:							
At 31 December 2013	1,677,269	2,351,335	2,449,554	197,859	47,178	110,302	6,833,497
31 December 2012							
Cost:							
At 1 January 2012	2,120,785	2,932,511	5,517,402	357,853	144,036	83,653	11,156,240
Additions	–	–	–	–	94	269,456	269,550
Transfers	5,500	497	(882)	1,650	28,458	(35,223)	–
Disposals	(16,662)	–	(24,079)	(358)	(257)	(33)	(41,389)
At 31 December 2012	2,109,623	2,933,008	5,492,441	359,145	172,331	317,853	11,384,401
Accumulated depreciation:							
At 1 January 2012	412,856	491,742	2,505,889	155,606	84,533	–	3,650,626
Depreciation provided for the year	89,168	120,938	514,962	37,670	29,076	–	791,814
Disposals	(2,831)	–	(17,530)	(306)	(236)	–	(20,903)
At 31 December 2012	499,193	612,680	3,003,321	192,970	113,373	–	4,421,537
Net book value:							
At 31 December 2012	1,610,430	2,320,328	2,489,120	166,175	58,958	317,853	6,962,864

15. PREPAID LAND LEASE PAYMENTS

Group

	2013 RMB'000	2012 RMB'000
Cost:		
At the beginning of year	603,291	603,291
Transfer from investment properties	1,825	–
At the end of year	605,116	603,291
Accumulated amortisation:		
At the beginning of year	(50,748)	(38,039)
Amortisation capitalised as property, plant and equipment for the year	(3,215)	(3,214)
Transfer from investment properties	(201)	–
Recognised during the year	(9,497)	(9,495)
At the end of year	(63,661)	(50,748)
Net book value:		
At the end of year	541,455	552,543
Current portion	(12,745)	(12,709)
Non-current portion	528,710	539,834

Company

	2013 RMB'000	2012 RMB'000
Cost:		
At the beginning of year	474,719	474,719
Transfer from investment properties	1,825	–
At the end of year	476,544	474,719
Accumulated amortisation:		
At the beginning of year	(43,516)	(34,021)
Transfer from investment properties	(201)	–
Recognised during the year	(9,497)	(9,495)
At the end of year	(53,214)	(43,516)
Net book value:		
At the end of year	423,330	431,203
Current portion	(9,531)	(9,494)
Non-current portion	413,799	421,709

The leasehold land is situated in Mainland China and is held under long-term leases.

16. OTHER INTANGIBLE ASSETS

Group

	Sea area use rights RMB'000	Software RMB'000	Total RMB'000
31 December 2013			
Cost:			
At 1 January 2013	84,318	63,906	148,224
Transfer from construction in progress	–	4,514	4,514
Additions	18,994	64	19,058
At 31 December 2013	103,312	68,484	171,796
Accumulated amortisation:			
At 1 January 2013	(1,781)	(40,985)	(42,766)
Amortisation capitalised as property, plant and equipment for the year	(634)	–	(634)
Amortisation charged for the year	(374)	(7,369)	(7,743)
At 31 December 2013	(2,789)	(48,354)	(51,143)
Net book value:			
At 31 December 2013	100,523	20,130	120,653
31 December 2012			
Cost:			
At 1 January 2012	73,492	58,572	132,064
Additions	10,826	5,426	16,252
Disposals	–	(92)	(92)
At 31 December 2012	84,318	63,906	148,224
Accumulated amortisation:			
At 1 January 2012	(858)	(34,790)	(35,648)
Amortisation capitalised as property, plant and equipment for the year	(923)	–	(923)
Amortisation charged for the year	–	(6,287)	(6,287)
Disposals	–	92	92
At 31 December 2012	(1,781)	(40,985)	(42,766)
Net book value:			
At 31 December 2012	82,537	22,921	105,458

16. OTHER INTANGIBLE ASSETS (continued)

Company

	Software	
	2013	2012
	RMB'000	RMB'000
Cost:		
At the beginning of year	**57,626**	57,260
Transfer from construction in progress	**4,514**	–
Additions	**–**	458
Disposals	**–**	(92)
At the end of year	**62,140**	57,626
Accumulated amortisation:		
At the beginning of year	**(40,464)**	(34,549)
Amortisation charged for the year	**(6,006)**	(6,007)
Disposals	**–**	92
At the end of year	**(46,470)**	(40,464)
Net book value:		
At the end of year	**15,670**	17,162

17. INVESTMENT PROPERTIES

Group

	2013	2012
	RMB'000	RMB'000
Cost:		
At the beginning of year	**6,521**	6,521
Transfer to prepaid land lease payments	**(1,825)**	–
At the end of year	**4,696**	6,521
Accumulated amortisation:		
At the beginning of year	**(598)**	(468)
Amortisation charged for the year	**(128)**	(130)
Transfer to prepaid land lease payments	**201**	–
At the end of year	**(525)**	(598)
Net book value:		
At the end of year	**4,171**	5,923

17. INVESTMENT PROPERTIES (continued)

Company

	2013 RMB'000	2012 RMB'000
Cost:		
At the beginning of year	6,521	6,521
Transfer to prepaid land lease payments	(1,825)	–
At the end of year	4,696	6,521
Accumulated amortisation:		
At the beginning of year	(598)	(468)
Amortisation charged for the year	(128)	(130)
Transfer to prepaid land lease payments	201	–
At the end of year	(525)	(598)
Net book value:		
At the end of year	4,171	5,923

18. INVESTMENTS IN SUBSIDIARIES

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted investments, at cost	4,414,423	3,429,423

Particulars of the subsidiaries are as follow:

Company name	Place and date of Registration and business	Registered capital RMB'000	Percentage of equity interest attributable to the Company Direct (%)	Indirect (%)	Principal activities
Cangzhou Bohai Port Co., Ltd. (滄州渤海港務有限公司)	PRC 31 October 2007	2,460,000	95.93	–	Port construction and operation
Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島中理外輪理貨有限責任公司)	PRC 10 June 2008	6,740	84	–	Provision of cargo tallying services

18. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place and date of Registration and business	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	(%)	(%)	
Qinhuangdao Xin'gangwan Container Terminal Co., Ltd. (秦皇島港新港灣集裝箱碼頭有限公司)	PRC 30 October 2007	400,000	55	–	Provision of and logistic services container terminal
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	PRC 29 October 2009	1,800,000	51	–	Port construction and operation
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	PRC 22 March 2006	10,000	100	–	Provision of equipment and spare part trading services
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	PRC 10 April 2012	925,000	96.76	–	Port construction and operation
Qinhuangdao Seaborne Coal Trading. Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	PRC 26 April 2007	3,750	68	–	Provision of coal information consultation and agency services
Cangzhou Ocean Shipping Tally Co., Ltd. (滄州中理外輪理貨有限公司)	PRC 30 August 2011	1,000	–	56	Provision of cargo tallying services

Details of the Group's subsidiary that has a material non-controlling interest is set out below:

	2013 RMB'000	2012 RMB'000
Percentage of equity interest held by non-controlling interests:		
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	49%	49%
Profit for the year allocated to non-controlling interests	548	1,289
Dividends paid to non-controlling interests:	–	–
Accumulated balances of non-controlling interests at the reporting date:		
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	883,837	883,289

18. INVESTMENTS IN SUBSIDIARIES (continued)

The following tables illustrate the summarised financial information of the subsidiary. The amounts disclosed are before any inter-company eliminations:

	2013 RMB'000	2012 RMB'000
Revenue	–	–
Other income and gains	1,118	2,631
Total expenses	–	–
Profit for the year	1,118	2,631
Total comprehensive for the year	1,118	2,631

	2013 RMB'000	2012 RMB'000
Current assets	537,185	714,980
Non-current assets	4,179,670	3,799,793
Current liabilities	(758,014)	(749,067)
Non-current liabilities	(2,155,092)	(1,963,076)
Net cash flows from operating activities	–	–
Net cash flows used in investing activities	(266,013)	(858,145)
Net cash flows from financing activities	83,705	702,274
Net decrease in cash and cash equivalents	(182,308)	(155,871)

19. INVESTMENTS IN JOINT VENTURES

Group

	2013 RMB'000	2012 RMB'000
Share of net assets	4,994	5,233

Company

	2013 RMB'000	2012 RMB'000
Unlisted investment, at cost	2,304	2,304

19. INVESTMENTS IN JOINT VENTURES (continued)

Particulars of the Group's joint ventures are as follows:

Company name	Registered capital	Place of registration and business	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
	RMB'000		(%)	(%)	
Qinhuangdao Honggang Terminal Services Co., Ltd. (秦皇島鴻港裝卸服務有限公司)	5,000	PRC/ Mainland China	35	–	Provision of cargo loading and unloading services
Qinhuangdao Wanhui Logistics Co., Ltd. (秦皇島萬匯物流有限公司)	500	PRC/ Mainland China	–	49	Provision of logistic services

The percentages of voting power and profit sharing are the same as the percentage of equity interest attributable to the Group.

The following table illustrates the summarised financial information of Qinhuangdao Honggang Terminal Services Co., Ltd. and Qinhuangdao Wanhui Logistics Co., Ltd. adjusted for any differences in accounting policies, and reconciled to the carrying amount in the financial statements:

	2013 RMB'000	2012 RMB'000
Share of the joint ventures' profit for the year	272	565
Share of the joint ventures' total comprehensive income	272	565
Aggregate carrying amount of the Group's investments in the joint ventures	4,994	5,233

20. INVESTMENTS IN ASSOCIATES

Group

	2013 RMB'000	2012 RMB'000
Share of net assets	1,034,206	997,946

Company

	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	797,296	742,296

20. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the principal associate is as follows:

Company name	Registered capital	Place of registration and business	Percentage of equity interest attributable to the Group		Principal activities
			Direct	Indirect	
	RMB'000		(%)	(%)	
Tangshan Caofeidian Shiye Port Co., Ltd.* (唐山曹妃甸實業港務有限公司)	2,000,000	PRC/ Mainland China	35	–	Port construction and operation

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The percentages of voting power and profit sharing are the same as the percentage of equity interest attributable to the Group.

Tangshan Caofeidian Shiye Port Co., Ltd., which is considered a material associate of the Group, is a strategic partner of the Group engaged in provision of integrated port services including stevedoring, stacking, warehousing, transportation and logistics and handling metal ores cargo at the Caofeidian port. The following table illustrates the summarised financial information of Tangshan Caofeidian Shiye Port Co., Ltd. adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

	2013 RMB'000	2012 RMB'000
Current assets	1,528,024	1,450,218
Non-current assets	6,541,080	6,770,390
Current liabilities	(1,529,136)	(1,872,357)
Non-current liabilities	(3,950,820)	(3,712,506)
Non-controlling interests	(6,429)	(5,256)
Net assets	2,582,719	2,630,489
Proportion of the Group's ownership	35%	35%
Carrying amount of the investment	903,952	920,671
Revenues	1,554,050	1,497,623
Profit for the year	333,573	440,521
Total comprehensive income attributable to owners of the parent	332,228	440,783
Dividend received	133,000	140,000

The Group received dividend from the associate of RMB133,000,000 in 2013 (2012: RMB140,000,000). As at 31 December 2013 and 2012, the associate had no significant contingent liabilities.

20. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 RMB'000	2012 RMB'000
Share of the associates' (loss)/profit for the year	(2,019)	348
Share of the associates' total comprehensive income	(2,019)	348
Aggregate carrying amount of the Group's investments in the associates	130,254	77,275

21. AVAILABLE-FOR-SALE INVESTMENTS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted equity investments, at cost	681,624	681,624

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted equity investments, at cost	532,000	532,000

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are stated at cost less impairment at each reporting date. As the investments do not have quoted market prices in an active market and the range of reasonable fair value estimate is so significant that the directors are of the opinion that their fair values cannot be reliably measured. The Group does not intend to dispose of them in the near future.

22. LONG-TERM PREPAYMENTS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Prepayments for purchase of items of plant, property and equipment	9,776	240,736
Prepayments for acquisition of equity investment	50,000	–
	59,776	240,736

22. LONG-TERM PREPAYMENTS (continued)

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Prepayments for purchase of items of plant, property and equipment	1,927	205,468
Prepayments for acquisition of equity investment	225,000	–
	226,927	205,468

23. INVENTORIES

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Raw materials	97,160	115,936
Spare parts and consumables	90,158	95,699
Finished goods	3,018	1,769
	190,336	213,404

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Raw materials	96,648	115,322
Spare parts and consumables	89,588	95,699
	186,236	211,021

24. TRADE AND BILLS RECEIVABLES

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade receivables	189,188	157,462
Bills receivable	72,698	44,909
	261,886	202,371

24. TRADE AND BILLS RECEIVABLES (continued)

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade receivables	169,464	138,368
Bills receivable	72,698	43,459
	242,162	181,827

The Group normally requires payment in advance from its customers and allows credit terms of not more than 90 days to certain established customers. Customers with a good track record could be granted a longer credit period. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date, as at the end of reporting period is as follows:

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	99,873	68,001
3 to 6 months	25,604	24,188
6 to 12 months	52,294	51,404
Over 12 months	24,275	23,939
	202,046	167,532
Provision for impairment	(12,858)	(10,070)
	189,188	157,462

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	80,815	49,439
3 to 6 months	24,820	22,883
6 to 12 months	52,094	51,251
Over 12 months	23,457	23,851
	181,186	147,424
Provision for impairment	(11,722)	(9,056)
	169,464	138,368

24. TRADE AND BILLS RECEIVABLES (continued)

The movements in the provision for impairment of trade receivables are as follows:

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
At the beginning of year	10,070	10,786
Provision for impairment	6,056	7,289
Reversal of impairment	(3,268)	(6,088)
Amount written off as uncollectible	–	(1,917)
At the end of year	12,858	10,070

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
At the beginning of year	9,056	7,887
Provision for impairment	4,894	7,338
Reversal of impairment	(2,228)	(6,169)
At the end of year	11,722	9,056

As at 31 December 2013, there is no provision for individually impaired trade receivables and bills receivable (31 December 2012: Nil).

There are no trade receivables that are not individually nor collectively considered to be impaired.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Prepayments	12,350	17,573
Receivable in respect of disposal of a subsidiary	–	39,200
Receivable in respect of disposal of items of property, plant and equipment	–	196,692
Receivable in respect of electricity fee	68,273	–
Dividend receivables	1,027	1,027
Others	8,570	2,671
	90,220	257,163

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Prepayments	5,874	6,948
Receivable in respect of disposal of a subsidiary	–	39,200
Dividend receivables	1,027	1,027
Others	4,038	1,418
	10,939	48,593

An aged analysis of the prepayments, deposits and other receivables as at the end of the reporting period is as follows:

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within 1 year	92,881	20,762
1 to 2 years	956	219,198
2 to 3 years	425	56,020
Over 3 years	56,598	676
	150,860	296,656
Provision for impairment	(60,640)	(39,493)
	90,220	257,163

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within 1 year	10,765	8,996
1 to 2 years	177	487
2 to 3 years	420	56,014
Over 3 years	56,594	459
	67,956	65,956
Provision for impairment	(57,017)	(17,363)
	10,939	48,593

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in the provision for impairment are as follows:

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
At the beginning of year	39,493	95,982
Provision for impairment*	44,506	26,826
Reversal of impairment	(23,142)	(78,022)
Amount written off as uncollectible	(217)	(5,293)
At the end of year	60,640	39,493

* Included in the above provision for impairment of prepayments, deposits and other receivables is a provision for an individually impaired receivable of RMB56,000,000 (2012: RMB16,800,000) with a carrying amount before provision of RMB56,000,000 (2012: RMB56,000,000), which was in connection with the transfer of a subsidiary and has been overdue for three years.

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
At the beginning of year	17,363	10,139
Provision for impairment	39,654	7,224
At the end of year	57,017	17,363

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash and bank balances	5,537,357	3,336,887
Time deposits	407,910	156,000
	5,945,267	3,492,887
Less: Pledged deposits	–	–
Cash and cash equivalents	5,945,267	3,492,887

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash and bank balances	3,787,282	949,568
Time deposits	50,000	50,000
Cash and cash equivalents	3,837,282	999,568

As at 31 December 2013, the Group's cash and cash equivalents denominated in foreign currencies amounted to RMB2,473,087,000. The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. Time deposits with original maturity of more than three months earn interest at fixed interest rates for varying periods of between three months and one year. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

27. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	74,366	64,021
3 to 6 months	76	265
6 to 12 months	978	1,305
Over 12 months	2,663	3,171
	78,083	68,762

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within 3 months	57,064	42,325
3 to 6 months	4	25
6 to 12 months	123	1,237
Over 12 months	1,142	516
	58,333	44,103

The trade payables are unsecured, non-interest-bearing and are normally settled on three-month terms.

28. OTHER PAYABLES AND ACCRUALS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Payables for purchase of items of property, plant and equipment	3,452,076	1,619,185
Advances from customers	614,578	487,693
Other taxes and surcharges payables	119,266	128,847
Dividends payable	1,918	–
Port construction fee payables	3,697	6,434
Payables for staff costs	122,525	80,299
National Council for social security fund	312,138	–
Others	211,379	62,069
	4,837,577	2,384,527

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Payables for purchase of items of property, plant and equipment	180,066	59,619
Advances from customers	600,925	459,217
Other taxes and surcharges payables	116,288	124,338
Port construction fee payables	3,697	78,420
Payables for staff costs	118,984	6,434
National Council for social security fund	312,138	–
Others	179,274	37,347
	1,511,372	765,375

Other payables are unsecured and non-interest-bearing.

29. INTEREST-BEARING BANK BORROWINGS

	2013			2012		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Group						
Current						
Bank loans – unsecured	5-7	2014	3,395,367	5-7	2013	2,564,534
Non-current						
Bank loans – unsecured	6-7	2015–2030	7,368,092	5-7	2014–2027	7,355,076
			10,763,459			9,919,610
Company						
Current						
Bank loans – unsecured	5-7	2014	3,198,000	5-7	2013	2,472,000
Non-current						
Bank loans – unsecured	6	2015–2016	608,000	6-7	2014–2015	658,000
			3,806,000			3,130,000

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Analysed into:				
Within one year or on demand	3,395,367	2,564,534	3,198,000	2,472,000
In the second year	807,431	462,787	410,000	248,000
In the third to fifth years, inclusive	2,587,496	2,068,068	198,000	410,000
Beyond five years	3,973,165	4,824,221	–	–
	10,763,459	9,919,610	3,806,000	3,130,000

30. GOVERNMENT GRANTS

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Government grants	310,392	225,544

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Government grants	304,692	221,668

Government grants received by the Group as financial subsidies were mainly for environment-protection projects and certain research and development activities and were recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they were intended to compensate. There are no unfulfilled conditions or contingencies relating to the grants.

The movements in government grants during the year are as follows:

Group

	2013 RMB'000	2012 RMB'000
At the beginning of year	225,544	226,357
Additions	394,240	7,129
Recognised as income during the year	(309,392)	(7,942)
At the end of year	310,392	225,544

Company

	2013 RMB'000	2012 RMB'000
At the beginning of year	221,668	226,357
Additions	89,473	1,700
Recognised as income during the year	(6,449)	(6,389)
At the end of year	304,692	221,668

31. DEFERRED TAX ASSETS

The movements in deferred tax assets during the year are as follows:

Group

	Asset impairment provision RMB'000	Accrued employee benefits RMB'000	Government grants RMB'000	Others* RMB'000	Total RMB'000
At 1 January 2012	4,312	11,250	56,589	–	72,151
Deferred tax credited/(charged) to profit or loss during the year (note 10)	2,315	–	(203)	3,909	6,021
At 31 December 2012 and 1 January 2013	6,627	11,250	56,386	3,909	78,172
Deferred tax credited to profit or loss during the period (note 10)	11,592	10,000	20,912	42,973	85,477
At 31 December 2013	18,219	21,250	77,298	46,882	163,649

* Others mainly represented deductible temporary differences resulting from trial operation of Huanghua Port during its construction phase.

Company

	Asset impairment provision RMB'000	Accrued employee benefits RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	4,507	11,250	56,589	–	72,346
Deferred tax credited/(charged) to profit or loss during the year	2,098	–	(1,172)	3,909	4,835
At 31 December 2012 and 1 January 2013	6,605	11,250	55,417	3,909	77,181
Deferred tax credited/(charged) to profit or loss during the period	10,580	10,000	20,756	(3,909)	37,427
At 31 December 2013	17,185	21,250	76,173	–	114,608

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Tax losses	82,941	66,981
Deductible temporary differences	9,280	23,056
	92,221	90,037

31. DEFERRED TAX ASSETS (continued)

The above tax losses are available for offsetting against future taxable profits of the companies in which the losses arose for a period of five years. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. ISSUED CAPITAL

	31 December 2013 RMB'000	31 December 2012 RMB'000
Registered, issued and fully paid:		
Domestic shares of RMB1 each	4,199,559	4,275,000
H shares of RMB1 each	829,853	–
	5,029,412	4,275,000

In connection with the Company's initial public offering in the current year, 754,412,000 ordinary shares of RMB1 each were issued at a price of HK$5.25 per share, for a total cash consideration, before share issue expenses of RMB108,837,000, of approximately HK$3,960,663,000 (equivalent to approximately RMB3,121,200,000).

Pursuant to the approval of the State-owned Assets Supervision and Administration Commission of the State Council and the letter issued by the National Council for Social Security Fund of the PRC ("NSSF"), the original state-owned shareholders of the Company (excluding Daqin Railway Co., Ltd.) transferred 75,441,000 shares to the NSSF, and those domestic shares were converted to H shares on the date of the Company's initial public offering.

33. RESERVES

Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

Company

	Share premium RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total RMB'000
At 1 January 2013	2,241,365	15,637	544,605	1,344,053	1,090,125	5,235,785
Profit for the year	–	–	–	1,414,390	–	1,414,390
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	1,414,390	–	1,414,390
Issue of shares	2,366,788	–	–	–	–	2,366,788
Share issue expenses	(108,837)	–	–	–	–	(108,837)
Proposed 2013 final dividend	–	–	–	(1,609,412)	1,609,412	–
Proposed and declared additional 2012 dividend	–	–	–	(1,090,125)	–	(1,090,125)
Final 2012 dividend declared	–	–	–	–	(1,090,125)	(1,090,125)
Appropriation to statutory surplus reserve	–	–	138,647	(138,647)	–	–
Net increase in special reverse for the year	–	5,786	–	(5,786)	–	–
At 31 December 2013	4,499,316	21,423	683,252	(85,527)	1,609,412	6,727,876
At 1 January 2012	2,241,365	–	397,418	1,119,646	405,337	4,163,766
Profit for the year	–	–	–	1,477,356	–	1,477,356
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	1,477,356	–	1,477,356
Final 2011 dividend declared	–	–	–	–	(405,337)	(405,337)
Proposed 2012 final dividend	–	–	–	(1,090,125)	1,090,125	–
Appropriation to statutory surplus reserve	–	–	147,187	(147,187)	–	–
Net increase in special reverse for the year	–	15,637	–	(15,637)	–	–
At 31 December 2012	2,241,365	15,637	544,605	1,344,053	1,090,125	5,235,785

33. RESERVES (continued)

Share premium

Share premium account represented the amount paid by shareholders for capital injection in excess of its nominal value.

Special reserve

In accordance with the Production Safety Law of the PRC, the Group is required to accrue a safety fund for its port services in Mainland China by appropriating a portion of its net profit to the special reserve based on certain percentage of its annual revenue from port services starting from February 2012 onwards.

Statutory surplus reserves

In accordance with the PRC Company Law and the respective articles of association, the Company and its subsidiaries are required to appropriate 10% of their net profits after tax, as determined under the Chinese Accounting Standards, to their respective statutory surplus reserves until the reserve balances reach 50% of their respective registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company and its subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after this conversion is not less than 25% of their respective registered capital of the Company and its subsidiaries. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

34. CONTINGENT LIABILITIES

As at 31 December 2013, neither the Group nor the Company had any significant contingent liabilities.

35. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of property, plant and equipment under operating lease agreements, with leases negotiated for terms ranging from one to nine years.

At the end of the reporting period, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within one year	121,100	121,054
In the second to fifth years, inclusive	169,517	64,614
After fifth year	–	16,154
	290,617	201,822

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Within one year	104,900	104,900
In the second to fifth years, inclusive	104,900	–
	209,800	104,900

36. COMMITMENTS

In addition to the operating lease commitments details in note 35 above, the Group and Company had the following capital commitments at the end of the reporting period:

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Capital expenditure in respect of property, plant and equipment:		
– Contracted, but not provided for	770,356	2,335,598
– Authorised, but not contracted for	396,642	839,659
	1,166,998	3,175,257
Capital expenditure in respect of capital injection in existing joint ventures and associates:		
– Contracted, but not provided for	170,000	–
– Authorised, but not contracted for	260,000	200,000
	430,000	200,000
	1,596,998	3,375,257

Company

	31 December 2013 RMB'000	31 December 2012 RMB'000
Capital expenditure in respect of property, plant and equipment:		
– Contracted, but not provided for	164,267	319,890
– Authorised, but not contracted for	393,813	839,659
	558,080	1,159,549
Capital expenditure in respect of capital injection in existing joint ventures and associates:		
– Contracted, but not provided for	160,000	160,000
– Authorised, but not contracted for	400,000	350,000
	560,000	510,000
	1,118,080	1,669,549

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2013 RMB'000	2012 RMB'000
Integrated port service income received from:		
Subsidiaries of HPG	34,012	8,806
Other related parties	41,322	39,458
	75,334	48,264
Other comprehensive services income received from:		
HPG	9,992	11,661
Subsidiaries of HPG	3,358	7,011
Associates	6,387	5,220
A joint venture	1,970	1,865
Other related parties	10,767	594
	32,474	26,351
Rental income received from:		
HPG	48	–
A subsidiary of HPG	1,625	1,588
	1,673	1,588
Other comprehensive services provided by:		
HPG	68,288	76,728
Subsidiaries of HPG	5,767	3,237
Other related parties	1,131	1,118
	75,186	81,083
Rental expense paid to HPG	129,598	129,459
Construction and maintenance services provided by:		
Subsidiaries of HPG	190,926	222,076
Project management services provided by:		
A subsidiary of HPG	23,706	32,280
Loading and unloading services provided by:		
A joint venture	133,991	119,503

Other related parties represent the joint ventures and associates of HPG.

The above related party transactions were conducted in accordance with the terms/agreements mutually agreed between the parties.

37. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

Group

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade and bills receivables:		
HPG	–	647
Subsidiaries of HPG	9,731	83
Associates	–	1,040
Other related parties	1,655	885
	11,386	2,655
Prepayments, deposits and other receivables:		
HPG	528	204
Associates	1,027	1,027
Other related parties	283	–
	1,838	1,231
Long-term prepayments:		
Subsidiaries of HPG	880	19,645
Trade payables:		
HPG	–	206
Subsidiaries of HPG	3,641	1,752
A joint venture	140	307
	3,781	2,265
Other payables and accruals:		
HPG	44,362	48,640
Subsidiaries of HPG	73,414	31,840
Associates	5	–
Other related parties	15	–
	117,796	80,480

(c) Commitments with related parties

As lessee

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases with a related party as at the end of reporting period as follows:

Group

	2013 RMB'000	2012 RMB'000
HPG	290,568	201,822

37. RELATED PARTY TRANSACTIONS (continued)

(c) Commitments with related parties (continued)

Construction services

As at the end of the reporting period, the Group entered into certain agreements with subsidiaries of HPG for construction of terminal facilities, plant and machinery. The total future payments regarding to these agreements as at the end of reporting period are as follows:

Group

	2013 RMB'000	2012 RMB'000
Subsidiaries of HPG	56,323	69,174

(d) Compensation of key management personnel of the Group:

	2013 RMB'000	2012 RMB'000
Short-term employee benefits	4,831	3,957
Pension scheme contributions	849	625
	5,680	4,582

Further details of directors' and chief executives' emoluments are included in note 8 to the financial statements.

(e) In April 2011, the Port Construction Command Office of Shanxi Province in Qinhuangdao ("Shanxi Port Construction Command", established to manage the relevant investments made by the Planning Committee of Shanxi Provincial Government), a third party, initiated a civil lawsuit in the Higher People's Court of Hebei Province against the Company and HPG, as co-defendants, claiming that the port investment agreement between the Planning Committee of Shanxi Provincial Government and the Qinhuangdao Port Management Bureau of Ministry of Transport of the PRC (the predecessor of HPG) had been terminated and the Company and HPG should return Shanxi Provincial Government approximately RMB144,884,000, which includes the investment principal provided by Shanxi Port Construction Command, accrued interest and management fees. HPG issued a commitment letter on 16 April 2012 whereby HPG committed to reimburse the Company for all losses in connection with the lawsuit. As at the date of this annual report, the court proceedings are still ongoing and no ruling has been made by the Higher People's Court of Hebei Province. The directors are of the opinion that the lawsuit has no significant impact on the Group's financial statements.

(f) China Ocean Shipping Agency Qinhuangdao, Penavico QHD Logistics Co., Ltd. and Cangzhou Bohai New Zone Far Trans Shipping Agency Company (the "Agencies") acted as certain non-related shipping companies' agent to accept the integrated port services provided by the Group, and pay the relevant integrated port services fee on behalf of these shipping companies to the Group. The relevant service fee paid by the Agencies on behalf of the shipping companies amounted to RMB15,286,000, RMB11,622,000 and RMB9,427,000 (2012:RMB11,357,000, RMB10,012,000 and RMB6,214,000) respectively.

(g) In December 2008, the Company entered into an agreement with HPG pursuant to which the Company had the right to use HPG's trademark for free with a term of ten years commencing on 31 March 2008.

37. RELATED PARTY TRANSACTIONS (continued)

(h) The Group enters into extensive transactions covering purchases or sales of goods, property, plant and equipment and other assets and receiving or providing of services with some state-owned enterprises, in the normal course of business on terms comparable to those with non-state owned enterprises. The transactions with these state-owned enterprises are individually not significant.

(i) The related party transactions with HPG and companies owned by HPG also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting period as follows:

Financial assets

31 December 2013

	Group			Company		
	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	681,624	681,624	–	532,000	532,000
Trade and bills receivables	261,886	–	261,886	242,162	–	242,162
Financial assets included in prepayments, deposits and other receivables (note 25)	77,870	–	77,870	5,065	–	5,065
Cash and cash equivalents	5,945,267	–	5,945,267	3,837,282	–	3,837,282
	6,285,023	681,624	6,966,647	4,084,509	532,000	4,616,509

31 December 2012

	Group			Company		
	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	681,624	681,624	–	532,000	532,000
Trade and bills receivables	202,371	–	202,371	181,827	–	181,827
Financial assets included in prepayments, deposits and other receivables (note 25)	239,590	–	239,590	41,645	–	41,645
Cash and cash equivalents	3,492,887	–	3,492,887	999,568	–	999,568
	3,934,848	681,624	4,616,472	1,223,040	532,000	1,755,040

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

Group

	Financial liabilities at amortised cost	
	2013 RMB'000	2012 RMB'000
Trade payables	78,083	68,762
Financial liabilities included in other payables and accruals (note 28)	3,981,208	1,687,688
Interest-bearing bank borrowings	10,763,459	9,919,610
	14,822,750	11,676,060

Company

	Financial liabilities at amortised cost	
	2013 RMB'000	2012 RMB'000
Trade payables	58,333	44,103
Financial liabilities included in other payables and accruals (note 28)	675,175	103,400
Interest-bearing bank borrowings	3,806,000	3,130,000
	4,539,508	3,277,503

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial assets:				
Available-for-sale investments	681,624	681,624	681,624	681,624

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial liabilities:				
Interest-bearing bank borrowings	10,763,459	9,919,610	10,763,459	9,919,610

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Company

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial assets:				
Available-for-sale investments	532,000	532,000	532,000	532,000

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial liabilities:				
Interest-bearing bank borrowings	3,806,000	3,130,000	3,806,000	3,130,000

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank borrowing has been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing borrowings as at 31 December 2013 was assessed to be insignificant.

Unlisted available-for-sale equity investments are stated at cost less impairment because the investments do not have a quoted market price in an active market and the range of reasonable fair value estimates is so significant that in the opinion of the directors, the fair value cannot be measured reliably.

Fair value hierarchy

All financial assets and liabilities for which fair value was measured or disclosed in the financial statements are categorised within Level 2 of the fair value hierarchy at the end of the reporting period.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group currently does not have any interest rate hedging policy.

As at 31 December 2013, the Group's borrowings of RMB9,863,000,000 (31 December 2012: RMB9,639,610,000) were with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change by 50 basis points in interest rate, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

	Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2013				
RMB	50	(49,317)	50	(14,780)
RMB	(50)	49,317	(50)	14,780
2012				
RMB	50	(48,198)	50	(14,250)
RMB	(50)	48,198	(50)	14,250

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's cash and bank deposits from its initial public offering which is denominated in a different currency from the functional currency of the Company.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK and US dollar exchange rates, with all other variables held constant, of the Group's profit before (or after) tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in HK$ rate	Increase/ (decrease) in profit before (or after) tax	Increase/ (decrease) in equity*
	%	RMB'000	RMB'000
2013			
If the RMB strengthens against the HK$	1%	(27,923)	–
If the RMB strengthens against the US$	1%	1,256	–
If the RMB weakens against the HK$	(1%)	27,923	–
If the RMB weakens against the US$	(1%)	(1,256)	–
2012			
If the RMB strengthens against the HK$	1%	–	–
If the RMB strengthens against the US$	1%	–	–
If the RMB weakens against the HK$	(1%)	–	–
If the RMB weakens against the US$	(1%)	–	–

* Excluding retained profits

Credit risk

The Group normally requires payment in advance from its customers for the coal handling services and allows credit terms to certain established customers for other services and trading. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customers. As at 31 December 2013, 61% (31 December 2012: 64%) of the Group's trade receivables were due from a single customer. The customer is a large scale state-owned enterprise with a good reputation and financial situation. The management communicates with the customer regarding its financial situation and the repayment schedule on a regular basis to monitor the credit risk closely. The Group did not hold any collateral or other credit enhancements over the balances of trade receivables.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arising from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

31 December 2013

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	78,083	–	–	78,083
Financial liabilities included in other payables and accruals	506,915	3,474,293	–	–	3,981,208
Interest-bearing bank borrowings	–	3,938,683	4,824,836	4,913,999	13,677,518
	506,915	7,491,059	4,824,836	4,913,999	17,736,809

31 December 2012

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	68,762	–	–	68,762
Financial liabilities included in other payables and accruals	50,205	1,637,483	–	–	1,687,688
Interest-bearing bank borrowings	–	3,062,274	4,009,330	5,501,312	12,572,916
	50,205	4,768,519	4,009,330	5,501,312	14,329,366

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

31 December 2013

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	58,333	–	–	58,333
Financial liabilities included in other payables and accruals	488,555	186,620	–	–	675,175
Interest-bearing bank borrowings	–	3,312,856	626,117	–	3,938,973
	488,555	3,557,809	626,117	–	4,672,481

31 December 2012

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	44,103	–	–	44,103
Financial liabilities included in other payables and accruals	37,771	65,629	–	–	103,400
Interest-bearing bank borrowings	–	2,572,264	703,558	–	3,275,822
	37,771	2,681,996	703,558	–	3,423,325

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade payables	78,083	68,762
Other payables and accruals	4,837,577	2,384,527
Interest-bearing bank borrowings	10,763,459	9,919,610
Less: Cash and cash equivalents	(5,945,267)	(3,492,887)
Net debt	9,733,852	8,880,012
Equity attributable to owners of the parent	11,882,128	9,273,713
Capital and net debt	21,615,980	18,153,725
Gearing ratio	45%	49%

41. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolution at the meeting of the board of directors held on 28 March 2014, the Company proposed to pay a cash dividend to shareholders of RMB1,609,412,000, which is calculated based on the issued ordinary shares, in aggregate of 5,029,412,000 shares, and RMB0.32 per share (inclusive of applicable tax). The resolution will be submitted to the forthcoming annual general meeting for approval.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.