



廈門國際港務股份有限公司  
XIAMEN INTERNATIONAL PORT CO., LTD\*  
Stock Code: 3378

# 2015 ANNUAL REPORT

\* For identification purpose only







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Xiamen International Port Co., Ltd  
2015 Annual Report

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# Corporate Information

## EXECUTIVE DIRECTORS

LIN Kaibiao (*Chairman*)  
CAI Liqun (*Vice Chairman*)<sup>1</sup>  
FANG Yao (*Vice Chairman*)  
CHEN Zhaohui<sup>1</sup>  
KE Dong

## NON-EXECUTIVE DIRECTORS

ZHENG Yongen  
CHEN Dingyu  
FU Chengjing  
HUANG Zirong<sup>2</sup>

## INDEPENDENT NON-EXECUTIVE DIRECTORS

LIU Feng  
LIN Pengjiu  
YOU Xianghua<sup>3</sup>  
JIN Tao<sup>3</sup>  
JI Wenyuan<sup>3</sup>

## SUPERVISORS

YU Mingfeng  
ZHANG Guixian  
LIAO Guosheng  
WU Weijian  
TANG Jinmu  
XIAO Zuoping

## JOINT COMPANY SECRETARIES

YANG Hongtu  
MOK Ming Wai

## AUTHORISED REPRESENTATIVES

CHEN Zhaohui<sup>4</sup>  
YANG Hongtu

## REGISTERED ADDRESS

No. 439 Gangnan Road  
Haicang District, Xiamen City  
Fujian Province, the PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

## AUDITORS

*International auditor:*  
PricewaterhouseCoopers

*PRC auditor:*  
PricewaterhouseCoopers Zhong Tian LLP

## LEGAL ADVISERS

*as to Hong Kong law:*  
Vincent T. K. Cheung, Yap & Co.

*as to PRC law:*  
King & Wood Mallesons

## PRINCIPAL BANKERS

Industrial & Commercial Bank of China  
China Construction Bank  
Communications Bank of China  
Bank of China  
China Merchants Bank

## HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

3378

## LISTING DATE

19 December 2005

### Notes:

1. Newly appointed since 1 December 2015
2. Re-designated from executive Director to non-executive Director since 1 December 2015
3. Newly appointed since 26 February 2016
4. Newly appointed since 5 January 2016

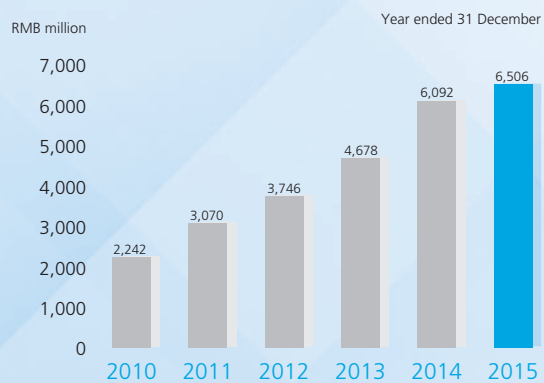
## Corporate Profile

Xiamen International Port Co., Ltd (“Xiamen Port” or the “Company”), together with its subsidiaries (collectively referred to as the “Group”), is the largest port terminal operator in Xiamen, the People’s Republic of China (the “PRC” or “China”). It is also the only company providing full scale ancillary value-added port services in Xiamen. The Group is principally engaged in container loading and unloading and storage for international and domestic trade, bulk/general cargo loading and unloading and storage and ancillary value-added port services, including port-related logistics, tugboat services, shipping agency and tallying as well as the manufacturing, processing and selling of building materials and the trading of merchandise in Xiamen. The Group currently operates six container terminals, namely the Haitian Container Terminal (“Haitian Terminal”, including the original New World Xiangyu Terminal (“Xiangyu Terminal”)), Xiamen International Container Terminal (“XICT”), Hairun Terminal, Xiamen Haicang International Container Terminal (“XHICT”) and Songyu Terminal, Xinhaida Terminal, as well as the Dongdu Terminal and ITG Terminal, which operating bulk/general cargo business in respect of both international and domestic trade. The Group currently operates totally 26 berths, the aforesaid terminal berths are capable of accommodating the largest container vessels in the world. Shipping routes have been developed from the container terminals to major ports in Europe, the United States (the “US”), the Mediterranean, Australia, Southeast Asia and Japan. The container terminals are also connected to major domestic shipping routes. In addition, the Group has leased Haicang berth No. 8 in the Haicang port area of Xiamen port for operation, and also leased berth No. 8 in the Qingzhou Operating Area of Mawei port area, Fuzhou City for operation, so as to meet the needs of business development.

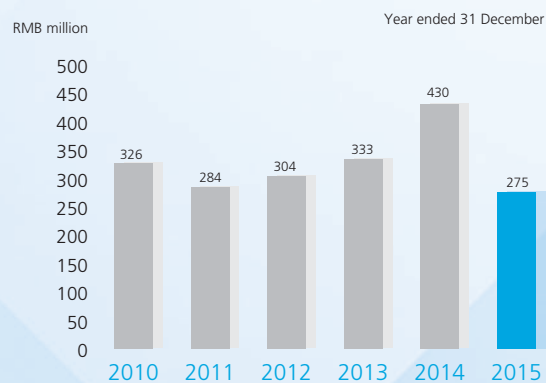
# Financial Highlights

	Year ended 31 December					2015 RMB'000
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	
Revenues	2,241,717	3,069,703	3,745,921	4,678,421	6,092,000	<b>6,506,115</b>
Gross profit	565,001	587,813	616,883	655,955	845,589	<b>861,465</b>
Operating profit	459,728	449,545	570,126	683,983	1,026,970	<b>832,855</b>
Profit before income tax expense	458,649	450,288	548,941	671,431	967,935	<b>801,151</b>
Profit for the year	406,121	388,001	443,643	520,196	741,149	<b>594,436</b>
Profit attributable to owners of the Company	325,814	284,337	303,587	332,789	429,911	<b>275,091</b>
Earnings per share for profit attributable to owners of the Company during the year — Basic and diluted (in RMB cents)	11.95	10.43	11.14	12.21	15.77	<b>10.09</b>

## Revenues



## Profit attributable to owners of the Company



## Financial Highlights

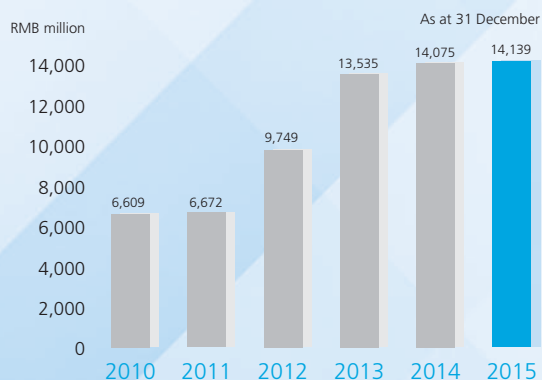
### As at 31 December

	2010	2011	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	6,609,407	6,671,807	9,749,410	13,535,272	14,075,129	<b>14,138,956</b>
Equity attributable to owners of the Company	3,906,187	3,924,498	5,130,429	4,535,506	4,798,765	<b>4,890,918</b>
Total liabilities	1,742,261	1,719,161	3,036,057	5,038,363	4,971,889	<b>4,736,017</b>
Cash and cash equivalents	1,154,304	926,176	827,469	872,760	648,058	<b>776,370</b>

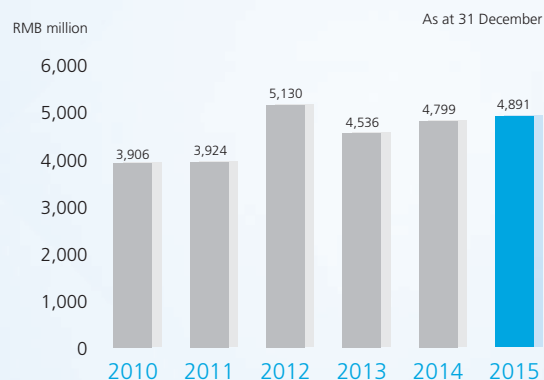
### As at 31 December

	2010	2011	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current ratio (times)	1.70	1.68	1.71	0.90	0.94	<b>0.99</b>
Gearing ratio (%)	(18.56)	(10.90)	(10.03)	(11.12)	(16.29)	<b>(16.57)</b>
Inventory turnover days	32	31	27	26	28	<b>25</b>
Accounts receivable turnover days	94	72	68	60	56	<b>59</b>

### Total assets



### Equity attributable to owners of the Company



# Chairman's Statement

I hereby present the annual report of the Group for the year ended 31 December 2015 (the "Year") to the shareholders.

In 2015, the global economy maintained a slow growth momentum and witnessed a sluggish and unbalanced recovery. As a result of the continuing adjustment of China's economy, the increased downward pressure on economy and the entering into a "New Normal" of the development of foreign trade, both the domestic and international economic environment faced by the port operations have become more difficult. Confronted with a complex market environment, the Group proactively faced the "New Normal" of the economic development, closely focused on the construction of Southeast International Shipping Centre (東南國際航運中心) and the transformation and upgrading of ports, strengthened its corporate governance, promoted meticulous management, and fully leveraged on the overall synergic effect of the comprehensive port logistics services and the scale advantages of the Group. Meanwhile, the Group also optimised its resource allocation, intensively implemented the strategic layout of hinterland and concentrated its efforts on developing its port business, enabling the Group to maintain a steady growth for its port business.

For the Year, the revenue of Xiamen Port was approximately RMB6,506,115,000, representing an increase of approximately 6.8% compared to the previous year; the profit after tax was approximately RMB594,436,000, representing a decrease of approximately 19.8% compared to the previous year; and the profit attributable to owners of the Company was approximately RMB275,091,000, representing a decrease of approximately 36.0% compared to the previous year (the Group recognised a land resumption gain of RMB172,763,000 regarding the related assets of Dongdu Terminal in 2015, representing a decrease of RMB225,260,000 compared to the previous year). Basic and diluted earnings per share attributable to owners of the Company were approximately RMB10.09 cents, representing a decrease of approximately 36.0% compared to the previous year.

The board (the "Board") of directors (the "Director(s)") of the Company recommended the payment of a final dividend of RMB4.0 cents per share (tax inclusive), thereby resulting in a total final dividend of RMB109,048,000 (tax inclusive).

In 2015, the Group focused closely on the development of its core ports operations, upheld the strategy of production and hinterland expansion, and proactively adopted various measures to effectively promote the sustainable and healthy development of the port business. Firstly, the optimisation of the allocation of port resources, which mainly included: (1) furthering the adjustment of port area functions and shipping routes layout. The Dongdu port area has been positioned as a



## Chairman's Statement

core port area for the shipping routes business to Taiwan and the 21st Century Maritime Silk Road, while the Haicang port area has been positioned as a large core port area of transshipment business for container ocean-going line and domestic trade container to promote the terminals in the Haicang bonded port area to operate both domestic and foreign trade container business. Additionally, the berths for the berthing of nine shipping routes have been adjusted accordingly to promote the rational utilisation of port resources. (2) To drive the integration of resources in the port area. The Group unified the operation of terminal gates, depots and other productive and service resources in the two terminals of XICT and Hairun Terminal to enhance the resources utilisation efficiency of berths No. 1 to No. 6 in the Haicang port area. (3) To reasonably deploy production facilities. The Group transferred the relevant facilities inside the Xiamen island to Hairun Terminal and other terminals for use in light of the actual situation of terminal operations gradually migrating from the Dongdu port area to the outside of the Xiamen island, which helps ease the pressure imposed by the shortage of terminal equipment outside the Xiamen island and improves its ability of loading and unloading services. Secondly, the expansion and development of principal operations in ports, which mainly included: (1) to increase marketing efforts. The Group strengthened the strategic cooperation between port and shipping companies and entered into port-shipping strategic cooperation agreements with major domestic and foreign trade container shipping operators, whereby boosting the concentration of regional shipment elements in Xiamen port. In 2015, the Group strived to open a total of 23 new shipping routes of shipping companies in Xiamen port. Moreover, it also coordinated its member corporations to carry out joint foreign marketing and utilised the advantages of its business supply chain to facilitate the centralised development of port operations. (2) To optimise the port fee-charging system. The Group streamlined fee-charging items, revised fee-charging criteria, and issued and implemented port fee-charging items and new fee-charging criteria solutions pursuant to the relevant regulations of the PRC. (3) To conduct innovation on transshipment business models. The Group innovated a waterway shipment business model, established new international transshipment routes from Tianjin to Xiamen and then to Southeast Asia and Jinmen, and commenced a container liner express between Xiamen and Haikou to expand the port hinterland into North China, Hainan and other regions; the Group expedited the construction of Xiamen port into a transit hub port for shipments from Southeast Asia to America, Northeast Asia and Europe, and coordinated the development of the "Xiamen-Chengdu-Europe" special train business; the Group attracted relevant shipping companies to sharpen a coastal sub-route container transshipment pattern with Xiamen port as its hub port. In 2015, the sub-route container transshipments at our terminals exceeded 300,000 Twenty-foot Equivalent Units ("TEUs"); the Group cultivated and constructed a "Regional Empty Container Reposition Base", supported and developed vessel trans-loading businesses, and enhanced the reaching capability of shipping routes from Xiamen port to other neighbouring counterparties. In 2015,

## Chairman's Statement

the vessel trans-loading throughput of the Group was approximately 81,000 TEUs, representing a year-on-year increase of 61.2%. Thirdly, further expansion of the hinterland of ports, which mainly included: (1) a throughput for containers of 240,000 TEUs was achieved by Haiying Terminal in 2015, highlighting the outstanding feeding function of its feeder routes. (2) the construction of the sub-route terminals in Chaozhou port smoothly progressed, which is anticipated to meet the basic conditions for business operation by the end of 2016. (3) the cargo-canvassing networks of land-based ports have been continuously improved: the Group has newly established two cargo-canvassing outlets in Ruijin and Hangzhou, and opened two special freight lines to Sanming and Ganzhou; the bonded warehouse, the two logistics warehouses of the second phase construction project in the warehouse area and the first phase construction project of the Commercial and Trading Area Professional Market (商貿區專業市場) of Sanming Land-based Port (三明陸地港) had been put into operation in 2015. In addition, Ji'an Land-based Port (吉安陸地港) was honored as the national advanced transportation and logistics enterprise in 2015. Fourthly, commitment to enhancing port service level. Combined with informationization construction, the Group has established a new "Online Business Hall + Customer Hotline" service model to promote its service quality. Xiamen Container Terminal Group Co., Ltd ("Xiamen Terminal Group"), a member company of the Group, was awarded the "2015 Container Terminal Comprehensive Services Platinum Prize (2015年集裝箱碼頭綜合服務白金獎)" issued by the China Shipping Gazette; the Group enhanced its operational efficiency and organised and carried out the special "80-day Service Promotion" event in ports. XICT was honored the "Terminal with Outstanding Container Crane Operation Efficiency for Over 30 TEUs per Hour in Chinese Ports (中國港口每小時超30標箱傑出集裝箱橋吊作業效率碼頭)" issued by the China Ports Association; the Group has improved its berthing capacity, and placed emphasis on the berthing level of deep water berths in the Haicang port area. Songyu Terminal is currently speeding up the completion of procedures for the normal berthing of 200,000-tonne container vessels, while with the upgrade and reconstruction completed, Hairun Terminal has been equipped with the capacity for the normal berthing of 120,000-tonne vessels and the berthing of 150,000-tonne vessels with load decreased. In addition, the upgrade and reconstruction projects of berth No. 1 with 150,000-tonne berthing capacity and berths No. 2 to No. 3 with 120,000-tonne berthing capacity in the Haicang port area have been proceeded smoothly. Fifthly, acceleration of the transformation and upgrade of ports. The Group captured the opportunities brought by the development of the China (Fujian) Pilot Free Trade Zone ("Free Trade Zone"), made use of the places owned by the Group in the Free Trade Zone to expand new business models of the Free Trade Zone, focused on promoting various projects, such as product display, import bonded warehouses and export supervised warehouses, and advanced the development of financing lease businesses; the Group also concentrated efforts to expand the scale of nodes of the "21st Century Maritime Silk Road" to serve international shipping routes in response

## Chairman's Statement

to the national strategy of “Silk Road Economic Belt” and “21st Century Maritime Silk Road” (“One Belt, One Road”), and further opened eight additional shipping routes in 2015. During the Year, the Group achieved continuous and steady growth both in container throughput and bulk/general cargo handling capacity in Xiamen with approximately 7.79 million TEUs and approximately 8.989 million tonnes respectively (the handling capacity of the aforesaid businesses of XICT and others terminals was included on a 100% basis, and the data below would be calculated on the same basis), of which, the container throughput accounted for 84.8% and 57.1% of the total throughput in Xiamen and Fujian Province, which allowed the Group to continuously maintain its leading market position in the port industry in both Xiamen and Fujian Province.

While devoting contribution to the core port businesses, the Group also continuously enhanced its corporate governance level. During the Year, the Company has routinely elected and appointed two executive Directors for the Board in light of the personnel movements and according to the arrangement for the general succession planning, and elected and appointed three new independent non-executive directors in February 2016 to fill the vacancy caused by the resignation of the three former independent non-executive Directors. In accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), the Group has updated the terms of reference of the Audit Committee of the Company and supplemented the contents of risk management; the Group strengthened the monitoring of major transactions and connected transactions, renewed the existing continuing connected transactions of the Group for the next three years and made appropriate information disclosure in respect of the issuance of short-term notes, purchase of wealth management products, land resumption and other matters of the Group; the Group also strengthened its investor relations and effectively maintained its company image in the market. On the other hand, the Group promoted the improvement of its internal control system and strengthened risk management. Firstly, based on the assessment of its corporate regulations and systems, it has revised or re-enacted more than ten regimes, including “Measures for Investment Management” and “Measures for Capital Raising Management”. Secondly, it has also prepared “Manual for Overall Risk Management” and “Internal Control Matrix” on the basis of the assessment of its corporate risks to provide the Company with the guidance for the risk and internal control management. Thirdly, the Group reinforced its audit monitoring, and conducted audit on the charging management process of the relevant members under the Group, thereby exerting its audit monitoring function. Meanwhile, the Group also strengthened its refined management, promoted its corporate management level, and increased its efforts to enhance efficiency through management, mainly by implementing the following measures: to strictly control costs and expenses, improve the management rules for expense reimbursement and

## Chairman's Statement

focus on controlling various controllable costs and expenses; to expand domestic and overseas sources of finance and reduce financial costs while ensuring the capital requirements for the corporate development by combination of low-cost overseas loans, issuance of short-term notes and strengthening the internal financial intermediation of the Group; to strengthen tax planning, and to reasonably take advantage of the government's preferential policies. Relevant enterprises under the Group have obtained the support of the government's various preferential policies in the aspects of deed tax for changes in asset ownership, exemption of value-added tax for cross-border services and land use tax. The Group has also continued to promote its innovative and green development. During the Year, the Group has proactively advanced the construction of smart ports, with the container business platform and intelligent gate projects having been put into trial operation. The first and second phases of the projects for container intelligent tallying operation system have been in operation in succession at the relevant terminals under the Group, with systems being optimized continuously. The Group adhered to the harmonious sustainable development direction of port development, resource utilisation and environmental protection, aggressively promoted energy conservation and emission reduction, facilitated the technical modification for energy conservation, such as "Change from Oil to Electricity" and "Change from Oil to Gas", boosted the application of clean energy, and has therefore saved energy of 1,680 tonnes of coal equivalent in the year, obtaining great achievement in energy saving and consumption reducing, thereby accelerating the green and low-carbon development for ports.

In 2016, it is expected that the global economic slowdown will continue, whereas the growth rate of the global economy may slightly rebound. However, a fundamental improvement for the weak momentum of overall recovery is unlikely to see. In Mainland China, according to a forecast by the Chinese government and its relevant authorities, the estimated national economic growth rate of China in 2016 will be around 6.5% to 7%, which is slightly lower than that in 2015 despite the fact that the economic growth under the "New Normal" will continuously operate within a reasonable range. On the other hand, the acceleration of construction of the Free Trade Zone with an improved supporting system, along with the further integration of Xiamen port into the strategy of "One Belt, One Road", will be beneficial to the further upgrading of the industrial landscape in Xiamen port as well as to the promotion of the connecting role of Xiamen port under the "One Belt, One Road", therefore enhancing its status in relation to the foreign trade and economic cooperation and Taiwan Strait shipping and facilitating the construction of Southeast International Shipping Centre (東南國際航運中心) in Xiamen and the sustainable development of the businesses of Xiamen port and the Group. As a result, the Group will encounter challenges from economic development in 2016 together with the existence of ample opportunities.



## Chairman's Statement

Looking forward to the year of 2016, the Group will continue to maximise the overall interests of shareholders as its ultimate objective, and proactively promote all operational and managerial undertakings. On the one hand, the Group will continue to promote its corporate governance, strengthen the information disclosure and the relations with investors, and keep improving the market image of the Company. On the other hand, the Group will continue to promote corporate refining management: strengthen the budget management and reinforce the budget tracking and implementation; stringently control costs, intensify capital management, diversify sources of finance and enhance lower costs with increasing efficiency; strengthen risk management, perfect the in-house control regime and improve the internal control and risk management system. In the meantime, the Group will continuously adhere to the development philosophy of the harmony and coordination of port development, resource utilisation and environmental protection. On one hand, the Group will closely focus on the construction of Southeast International Shipping Centre, fully capitalise on the development opportunities offered by the Free Trade Zone and the “One Belt, One Road”, continuously advance the resource integration, transformation and upgrading of ports, expedite the implementation of the overall marketing and the strategic layout of hinterland, enhance the operational efficiency and performance of the Group, and strive to bring stable return for shareholders of the Group. On the other hand, the Group will proactively discharge its social responsibilities, continuously strengthen its environmental protection commitment, intensively apply modern information technology and green energy conservation technology, and accelerate the “smart and eco-friendly” construction of ports to promote its sustainable and ecological growth.

Last but not least, on behalf of the Board, I would like to express my heartfelt thanks to the trust and support of all shareholders, investors and business partners of the Group in the past year, and sincerely thank all the members of the Group for their painstaking efforts. I am also confident that under the correct direction of the Board and with the joint efforts of all our members, the Group will definitely achieve better development of the Company and create bigger profit for our shareholders.

**LIN Kaibiao**

*Chairman*

Xiamen, the PRC  
24 March 2016

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

### China's Foreign Trade and Port Container Business

In 2015, the pace of the global economic growth was slower than generally expected. The developed economies witnessed a pickup in economic growth though at a slower pace, while that of the emerging market and developing economies was on the track of accelerating decline. The global economic growth rate slightly declined as compared to that of 2014, and the economic growth rate of China has fallen below 7% for the first time since 1991. Accordingly, in 2015, international trade suffered contractions both in prices and transaction volumes, resulting in negative growth, which in turn slowed down the global economic recovery and increased trade barrier risks. According to the relevant information released by the National Bureau of Statistics of the PRC, while the gross national product of the PRC in 2015 was approximately RMB67,670.8 billion, representing an increase of approximately 6.9% over the corresponding period of 2014 (same as below) with a slowdown in growth; the total import and export volume of goods of the PRC was approximately RMB24,574.1 billion, representing a decrease of approximately 7.0% as compared with last year, China continued to maintain its first superpower status in the global trade in goods, among which, the export of goods for the whole year decreased by approximately 1.8% to approximately RMB14,125.5 billion and the import of goods for the whole year decreased by 13.2% to approximately RMB10,448.5 billion. After setting off the import and export volume of goods, the foreign trade surplus was approximately RMB3,677.0 billion. For the port operation business, China's port cargo throughput was approximately 11.43 billion tonnes in 2015, representing a year-on-year increase of approximately 1.6%, while the port container throughput was approximately 209.59 million TEUs, representing a year-on-year growth of approximately 4.1%.

### Foreign Trade of Fujian and Ports in Xiamen

In 2015, the economy in Fujian Province gradually entered into a "New Normal" from high growth to mid-to-high growth, basically in line with the economic growth of China as a whole. Benefitted from the "One Belt, One Road" strategy and the implementation of the policy of China (Fujian) Pilot Free Trade Zone, as the front platform of economy and trade cooperation for the Maritime Silk Road, Fujian Province has continued to maintain a relatively rapid economic growth. Based on the data provided by the Fujian provincial government, the gross domestic product of Fujian Province in 2015 amounted to approximately RMB2,598.0 billion, representing a year-on-year growth of approximately 9.0%. The total value of export and import of foreign trade was approximately RMB1,051.1 billion,

## Management Discussion and Analysis

representing a year-on-year decrease of approximately 3.5%, and the port cargo throughput amounted to approximately 503 million tonnes, representing a year-on-year increase of approximately 2.3%, while the container throughput was approximately 13.637 million TEUs, representing a year-on-year increase of approximately 7.3%.

In 2015, as Xiamen City has actively integrated into the “One Belt, One Road” strategy of China, it continued to facilitate the construction of Southeast International Shipping Centre and actively promoted strategic cooperation between port and shipping companies to make transitional port. The port business in Xiamen maintained an overall stable development. In 2015, the total container throughput of Xiamen port was approximately 9.183 million TEUs, representing an increase of approximately 7.1% over the year of 2014, and it continued to rank eighth in terms of container throughput among the ports in mainland China, accounting for approximately 67.3% of the total container throughput in Fujian Province. In addition, the Xiamen section of the China (Fujian) Pilot Free Trade Zone, with a total land area of 43.78 square kilometers, commenced operation on 21 April 2015, which would follow the strategic requirements of focusing on both sides of the Taiwan Strait, serving the whole nation and taking the whole world in view, and rely on the endowed privileges to carry out pilot programs featured by liberalization of investment, facilitation of trade and internationalization of finance, so as to build it into an experimental pilot for reform and innovation, a demonstration zone for deepening economic cooperation across the Taiwan Strait and a core area for building the 21st Century Maritime Silk Road.

### BUSINESS REVIEW

For the Year, the Group was principally engaged in port terminal businesses in relevant terminals in Dongdu port area and Haicang port area in Xiamen, as well as Qingzhou Operating Area in Fuzhou City, including container port operation, bulk/general cargo port operations and ancillary value-added port services. In addition, the Group was also engaged in the manufacturing, processing and selling business of building materials as well as merchandise trading business (such as steel and chemical raw materials).

## Management Discussion and Analysis

### Scale of Operations

For the Year, the Group owned and operated 26 berths for containers of international and domestic trade and bulk/general cargo, with a water depth alongside ranging from 9.9 metres to 17.5 metres, which is able to accommodate vessels of up to 100,000 dwt and has a maximum carrying capacity of 19,000 TEUs. The Group also had a large area for warehousing facilities (depot/warehouse) and relevant auxiliary facilities both inside and outside the terminal area.

The Group had a total of six terminals to operate container loading and unloading business, namely, (1) Haitian Terminal in Dongdu port area (Dongdu berths No. 5 to No. 11, and the Dongdu berths No. 12 to No. 16 in the former Xiangyu Terminal); and (2) Songyu Terminal (Songyu berths No. 1 to No. 3), XHICT (Haicang berth No. 1) and XICT (Haicang berths No. 2 and No. 3, and Haicang berths No. 1 to No. 3 under unified operation) as well as Hairun Terminal (Haicang berths No. 4, No. 5 and No. 6) and Xinhaida Terminal (Haicang berths No. 18 and No. 19), all situated in Haicang port area.

In addition, the Group also operated berth No. 2 of Dongdu Terminal in Dongdu port area, and ITG terminal (Dongdu berths No. 20 and No. 21) for bulk/general cargo loading and unloading of both international and domestic trade.

Apart from the above-mentioned 26 berths owned by the Group, the Group also leased and operated berth No. 8 in Haicang port area (Mingda Terminal) from Mingda Terminal (Xiamen) Limited (明達碼頭(廈門)有限公司) during the reporting year. In addition, the Group also leased berth No. 8 in Qingzhou Operating Area in Fuzhou City (“Fuzhou Zhongying Terminal”) from Fuzhou Zhongying Gangwu Co., Ltd. (福州中盈港務有限公司) (“Zhongying Gangwu”) for operation of the container and general cargo loading and unloading business and the port-related comprehensive logistics business from 20 November 2012.



## Management Discussion and Analysis

### Container Port Business

For the Year, the Group achieved a container throughput of 8,030,197 TEUs and details of container throughput achieved by each terminal were as follows:

	Container throughput		
	2015 (TEUs)	2014 (TEUs)	Increase/ (decrease)
Haitian Terminal and Hairun Terminal of the Group <sup>#</sup>	<b>3,858,619</b>	3,756,978	2.71%
XICT and XHICT <sup>*</sup>	<b>1,165,998</b>	1,059,481	10.05%
Songyu Terminal <sup>⊕</sup>	<b>1,257,778</b>	955,746	31.6%
Xinhaida Terminal <sup>⊕</sup>	<b>1,507,450</b>	972,482	55.01%
Berth No. 1 of Dongdu Terminal <sup>*</sup>	—	547,141	—
<b>Total throughput in Xiamen region</b>	<b>7,789,845</b>	7,291,828	6.83%
Fuzhou Zhongying Terminal <sup>△</sup>	<b>240,352</b>	250,625	(4.10%)
<b>Total throughput</b>	<b>8,030,197</b>	7,542,453	6.47%

<sup>#</sup> For the purpose of operational information set out herein, the related operating figures of Haitian Terminal contain the figures of containers business of Dongdu berths No. 5 to No. 16, the related operating figures of Hairun Terminal include the figures of berths No. 4, No. 5 and No. 6 in Haicang port area of Xiamen port.

<sup>\*</sup> XICT and XHICT were joint ventures established by Xiamen Terminal Group with Hutchison Ports Xiamen Limited and Hutchison Port Haicang Limited, respectively. Since 1 September 2008, due to the commencement of unified operation between XICT and XHICT, the relevant operational information of XICT also contains the figures of XHICT correspondingly, which are consolidated in the calculation and 100% calculated into port business. The Company adopted HKFRS 11 "Joint Arrangements" for the financial year beginning on 1 January 2013 and determined the Group's jointly controlled entities as joint ventures and the interest of which was accounted by the equity method.

<sup>⊕</sup> Songyu Terminal and Xinhaida Terminal were the terminals controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group, their relevant operating figures were 100% calculated into the port business.

<sup>\*</sup> Due to the implementation of the related land and assets resumption in Dongdu Terminal, the container business of berth No. 1 of Dongdu Terminal has been transferred to other berths of the Group since 1 June 2014. Therefore, no container business of berth No. 1 of Dongdu Terminal was operated in 2015.

<sup>△</sup> Since 20 November 2012, the Group leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for operating container and general cargo loading and unloading business and the port-related comprehensive logistics business.

## Management Discussion and Analysis

In 2015, the Group proactively extended extensive operation, thoroughly implemented the overall marketing and hinterland strategy, simultaneously seized opportunity for reform and optimization of port charge system, and pursued proper differentiated marketing based on different businesses or customer demand, and strove to develop incremental businesses, thus continuing to maintain a stable growth of its container business. In particular, the container business in Xiamen region increased by 6.83% over the previous year, mainly attributable to the corresponding development of international container transshipment, domestic trade container transshipment, vessel transloading and other transition business under the affiliated terminal enterprises, as a result of the effective implementation of the differentiated marketing strategy of the Group. For instance, the international transshipment container throughput of the Group in 2015 increased by approximately 11.5% over the previous year, and the container vessel transloading throughput increased by approximately 61.2% over the previous year. During the Year, the container business volume of Fuzhou Zhongying Terminal under the Group decreased, mainly due to operational difficulties encountered by related domestic trade shipping companies and inadequate operation capability of terminal. In response to this, the Group has taken proper measures. On one hand, the Group further reinforced the strategic alliance with other related shipping companies, expanded domestic trade business development model and promoted integration development between domestic trade and foreign trade container business; on the other hand, the Group focused on improving the terminal operation capability and made efforts to meet the demand of port business development by upgrading and reconstruction, equipment renewal and technological transformation of port infrastructure.

## Management Discussion and Analysis

### Bulk/General Cargo Port Business

For the Year, the annual bulk/general cargo throughput handled by the Group amounted to a total of 9,049,550 tonnes, details are as follows:

	Bulk/general cargo throughput		
	2015 (Tonnes)	2014 (Tonnes)	Increase/ (decrease)
Berths No. 2 to No. 4 of Dongdu Terminal and ITG Terminal <sup>#</sup>	<b>8,315,336</b>	8,977,878	(7.38%)
XICT and XHICT <sup>*</sup>	<b>628,613</b>	1,532,399	(59.0%)
Songyu Terminal <sup>⊕</sup>	<b>44,893</b>	70,364	(36.2%)
<b>Total throughput in Xiamen region</b>	<b>8,988,842</b>	10,580,641	(15.0%)
Fuzhou Zhongying Terminal <sup>△</sup>	<b>60,708</b>	51,276	18.4%
<b>Total throughput</b>	<b>9,049,550</b>	10,631,917	(14.9%)

<sup>#</sup> Due to the implementation of the related land and assets resumption in Dongdu Terminal, the other bulk/general cargo business has been gradually transferred to ITG Terminal since 1 April 2014, except that the related bulk cargo business, such as grain bulk business in berth No. 2, was still operated in this berth in 2015; and ITG Terminal has been accordingly leased to Xiamen Port Development Co., Ltd. ("Xiamen Port Development") for the sole operation of bulk/general cargo business since 1 April 2014. In addition, Dongdu Terminal has leased part of berth No. 8 (Mingda Terminal) in Haicang port area of Xiamen port for operating transshipment business of the loading and unloading bulk/general cargo since November 2009. Therefore, for the purpose of the operational information set out herein, the relevant operating figures of bulk/general cargo of Dongdu Terminal also contain the figures of berths No. 2 to No. 4 in Dongdu Terminal, ITG Terminal and Mingda Terminal, which are consolidated in the calculation.

<sup>\*</sup> Since 1 September 2008, due to the commencement of unified operation between XICT and XHICT, the relevant operational information of XICT also contains the figures of XHICT correspondingly, which are consolidated in the calculation and 100% calculated into port business. In addition, due to performing the non-competition undertaking to Xiamen Port Development by the Company, XICT has leased its underlying assets to Xiamen Port Development for operation of bulk/general cargo business since 1 July 2015; XICT and XHICT were no longer in operation of bulk/general cargo business since 1 July 2015 accordingly.

<sup>⊕</sup> Songyu Terminal was the terminal controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group, its relevant operating figures was 100% calculated into the port business.

<sup>△</sup> Since 20 November 2012, the Group leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for operating container, general cargo loading and unloading business and the port-related comprehensive logistics business.

## Management Discussion and Analysis

During the Year, the Group's bulk/general cargo port business decreased by approximately 14.9% as compared with the previous year. In particular, the throughput of Dongdu Terminal and ITG Terminal recorded a decrease of approximately 7.38% in 2015, due to the macroeconomic downturn, the decrease in the trade of steel and other related commodities, the relocation and production halts of certain customers, and the limited port storage space; the throughput of XICT declined significantly, as XICT has leased its underlying assets to Xiamen Port Development for operation of bulk/general cargo business since 1 July 2015; and the throughput of the bulk/general cargo business of Songyu Terminal declined as compared with the previous year, as most of its resources were used to develop container loading and unloading business during the Year. In view of the above situation, the Group further strengthened its communications with major customers, carried out aggressive marketing, and strove to ensure stable development of traditional bulk cargo business. Meanwhile, the Group further accelerated the construction of Hailong Terminal (berths No. 20 and No. 21 in Haicang port area) to improve the capability for handling bulk/general cargo business, and the terminal has commenced trial operation in early 2016. This was believed to be conducive to promoting the bulk/general cargo business throughput.

### Ancillary Value-added Port Services

The ancillary value-added port services of the Group mainly include shipping agency, tallying, tugboat berthing and unberthing and port related logistics services. During the Year, the Group made certain progress by actively facilitating the overall marketing and correlative development between the ancillary value-added port services and the terminal loading and unloading business. However, the overall development of ancillary value-added port services has seen fluctuations due to the impact of macro-market conditions. During the Year, although the Group underwent ups and downs during the market expansion outside Xiamen port for the tugboat berthing and unberthing business, the business development within Xiamen port generally maintained stable, with a slight increase in operating vessels and operating income in relation to the tugboat berthing and unberthing business. The tallying business recorded a stable and sound growth as a whole through competition and cooperation, with different increases both in its overall business volume and economic results. On the other hand, the Group faced greater pressure of market competition for the shipping agency business and recorded a slight decrease in the market share and tariffs due to mega-vessels, shipping alliances, and self-agency of shipping companies. The port related logistics service was generally under pressure in transformation and upgrading, while the business in Haicang port area saw a faster growth benefiting from the optimization of shipping line layout in Xiamen port, and the shift of the focus of container business of ports in Xiamen to the outside of Xiamen island gradually.



## Management Discussion and Analysis

### Merchandise Trading Business

During the Year, adhering to the operation philosophy of port and trade integration, the Group actively promoted “Promoting Port with Trade, Driving Trade with Port” and prioritized the development of bulk/general cargo trade business, such as coal, sugar, steel and chemical raw materials, which promoted the development of the port-surrounding logistics supply chain and the increase of the port throughput of the Group, and increased the operating income and economic efficiency of the Group. Meanwhile, the Group also made efforts in strengthening the construction of internal control system of trade business, thus enhancing its risk prevention capacity and promoting the stable corporate operation.

## FINANCIAL REVIEW

### Revenue

Revenues of the Group increased by approximately 6.80% from approximately RMB6,092,000,000 for the year ended 31 December 2014 to approximately RMB6,506,115,000 for the year ended 31 December 2015. The increase was mainly due to the increases in revenue from the Company’s trading business of merchandise, container loading and unloading and storage business and ancillary value-added port services.

### Revenue by business sector

	For the year ended 31 December		
	2015 (RMB'000)	2014 (RMB'000)	Increase/ (Decrease)
Container loading and unloading and storage business	<b>1,389,036</b>	1,262,003	10.1%
Bulk/general cargo loading and unloading business	<b>176,985</b>	181,330	(2.4%)
Ancillary value-added port services	<b>900,718</b>	1,076,694	(16.3%)
Manufacturing and selling of building materials	<b>341,174</b>	369,388	(7.6%)
Trading business of merchandise	<b>3,698,202</b>	3,202,585	15.5%
Total	<b>6,506,115</b>	6,092,000	6.8%

## Management Discussion and Analysis

The reasons for the changes in the revenue of each business sector for the year ended 31 December 2015 compared with 2014 are as follows:

1. The container throughput of the Group for the year ended 31 December 2015 was approximately 8,030,197 TEUs, representing a significant increase compared with 2014.
2. The decrease of Group's total bulk/general cargo revenue was mainly due to a reduction of bulk/general cargo throughput compared with 2014.
3. The decrease of Group's ancillary value-added port services revenue was due to fierce competition of the market.
4. The sale volume of concrete declined because of the shrink of the building material market, which resulted in reduced revenue of the Group's manufacturing and sales of building materials.
5. The Group's expansion of the scope of its trading business resulted in a significant increase in the revenue of the merchandise trading business.

### Cost of sales

Cost of sales increased by approximately 7.6% from approximately RMB5,246,411,000 for the year ended 31 December 2014 to approximately RMB5,644,650,000 for the year ended 31 December 2015. The increase was primarily due to the increases in the cost of trading merchandise and cost of inventories consumed, employee benefits expense.

- Cost of trading merchandise and cost of inventories consumed increased by approximately 11.5% from approximately RMB3,594,018,000 for the year ended 31 December 2014 to approximately RMB4,008,883,000 for the year ended 31 December 2015. The increase was mainly due to the Group's expansion of the scope of trading business and the increase in the volume of merchandise trading business, which led to the corresponding increase in cost.
- Employee benefits expense increased by approximately 3.6% from approximately RMB567,969,000 for the year ended 31 December 2014 to approximately RMB588,652,000 for the year ended 31 December 2015. The increase was mainly due to the increase in the overall business volume of the Group which resulted in a corresponding increase of average remuneration and bonus expenditure related to the business volume.

## Management Discussion and Analysis

- Cost of transportation and labor outsourcing decreased by approximately 18.1% from approximately RMB569,063,000 for the year ended 31 December 2014 to approximately RMB465,812,000 for the year ended 31 December 2015. The decrease was primarily due to the reduction of transportation and logistics business of the Group.

### Gross profit

Due to the increase in the container port business volume of the Group, the Group's gross profit increased by approximately 1.9% from approximately RMB845,589,000 for the year ended 31 December 2014 to approximately RMB861,465,000 for the year ended 31 December 2015. Gross profit margin of the Group decreased from approximately 13.9% for the year ended 31 December 2014 to approximately 13.2% for the year ended 31 December 2015. The decrease in gross profit margin was mainly due to the significant increase in revenues of the Group's trading business of merchandise and manufacturing and selling business which have a lower profit margin and their proportion to the total revenue increased from approximately 59% for the year ended 31 December 2014 to approximately 62% for the year ended 31 December 2015.

### Other gains

Other gains of the Group decreased by approximately 57.1% from approximately RMB397,627,000 for year ended 31 December 2014 to approximately RMB170,770,000 for the year ended 31 December 2015. The decrease was mainly due to a significant decline in the relevant gains from certain land resumption, asset resumption transactions and other relevant compensation arrangements carried out between the Group and Xiamen Land Development Centre as compared with the previous year (as disclosed in the Company's announcement dated 14 October 2012, the circular dated 16 November 2012, the announcement dated 19 December 2014, the announcement dated 5 January 2015 and the announcement dated 23 December 2015 respectively).

### Operating expenses

The Group's operating expenses decreased by approximately 2.2% from approximately RMB324,464,000 for the year ended 31 December 2014 to approximately RMB317,285,000 for the year ended 31 December 2015. The decrease was primarily due to the strict examination and approval of costs.

## Management Discussion and Analysis

### Operating profit

The Group's operating profit decreased by approximately 18.9% from approximately RMB1,026,970,000 for the year ended 31 December 2014 to approximately RMB832,855,000 for the year ended 31 December 2015. The Group's operating profit margin was approximately 16.9% for the year ended 31 December 2014 and approximately 12.8% for the year ended 31 December 2015, which was mainly due to the decrease in other gains during the Year.

### Income tax expense

The Group's income tax expense decreased by approximately 8.9% from approximately RMB226,786,000 for the year ended 31 December 2014 to approximately RMB206,715,000 for the year ended 31 December 2015. The decrease was mainly due to the reduction in the Group's operating profit. The Group's applicable corporate income tax rate of (except for Trend Wood Investments Limited ("Trend Wood"), Xiamen Songyu Container Terminal Company Limited ("Songyu Terminal") and Xiamen Ocean Shipping Agency (Hong Kong) Co., Ltd ("Hong Kong Ocean Shipping Agency)) was 25%, same as that of last year.

### Profit for the Year

The Group's profit for the Year decreased by approximately 19.8% from approximately RMB741,149,000 for the year ended 31 December 2014 to approximately RMB594,436,000 for the year ended 31 December 2015. The Group's profit margin was approximately 12.2% for the year ended 31 December 2014 and approximately 9.1% for the year ended 31 December 2015. The decrease in profit margin for the Year was mainly due to the decrease in operating profit margin mentioned above.

### Total comprehensive income for the Year

Total comprehensive income for the Year decreased by approximately 21.2% from approximately RMB758,179,000 for the year ended 31 December 2014 to approximately RMB597,716,000 for the year ended 31 December 2015. Due to the market value of available-for-sale financial assets held reflected a less increase than prior year, other comprehensive income after tax generated from the change of fair value of available-for-sale financial assets of the Group decreased by approximately RMB13,750,000 for the year ended 31 December 2015 compared with the year ended 31 December 2014.

## Management Discussion and Analysis

### **Total comprehensive income for the Year attributable to non-controlling interests**

Total comprehensive income for the Year attributable to non-controlling interests increased by approximately 2.6% from approximately RMB311,238,000 for the year ended 31 December 2014 to approximately RMB319,345,000 for the year ended 31 December 2015, which was primarily due to the increase in profit of the Group's non-wholly owned subsidiaries.

### **Total comprehensive income for the Year attributable to owners of the Company**

Total comprehensive income for the Year attributable to owners of the Company decreased by approximately 37.7% from approximately RMB446,941,000 for the year ended 31 December 2014 to approximately RMB278,371,000 for the year ended 31 December 2015. This was mainly due to the decrease in gains from land resumption during this year as compared with that of last year.

### **Accounts and notes receivable**

The Group's net accounts and notes receivable decreased from approximately RMB1,092,295,000 as at 31 December 2014 to approximately RMB1,027,895,000 as at 31 December 2015. The decrease was due to normal fluctuation.

As at 31 December 2015, the Group's gross accounts and notes receivable were approximately RMB1,067,837,000, of which approximately RMB826,713,000 accounts and notes receivable were aged within six months, accounting for approximately 77.4% of the total accounts and notes receivable, approximately RMB157,348,000 were aged between six months to one year, approximately RMB62,680,000 were aged between one year to two years, approximately RMB8,137,000 were aged between two years to three years and approximately RMB12,959,000 were aged over three years.

### **Accounts and notes payable**

The Group's accounts and notes payable decreased by approximately 5.8% from approximately RMB844,105,000 as at 31 December 2014 to approximately RMB795,036,000 as at 31 December 2015. This was primarily due to normal fluctuation.

As at 31 December 2015, the Group's accounts and notes payable within one year were approximately RMB772,896,000, accounting for approximately 97.2% and due over one year were approximately RMB22,140,000, accounting for approximately 2.8%.



## Management Discussion and Analysis

### Borrowings

The Group's borrowings increased from approximately RMB2,419,374,000 as at 31 December 2014 to approximately RMB2,644,364,000 as at 31 December 2015, which was primarily due to the increase in bank loans for expansion of the operating businesses.

As at 31 December 2015, borrowings due within one year were approximately RMB1,614,853,000, due within one to two years were approximately RMB218,314,000, due within two to five years were approximately RMB461,237,000 and due over five years were approximately RMB349,960,000.

As at 31 December 2015, the Group's guaranteed loan was approximately RMB47,519,000, which was guaranteed by a state-owned bank. The Group has no mortgage loan as at 31 December 2015.

### Cash flows and working capital

The Group's working capital was primarily derived from cash generated from its operations.

The following table sets out the Group's cash flows derived from operating activities, investing activities and financing activities for the years ended 31 December 2014 and 2015 respectively:

	2015 RMB'000	2014 RMB'000
Net cash generated from operating activities	<b>718,188</b>	469,481
Net cash generated from/(used in) investing activities	<b>35,805</b>	(1,057,628)
Net cash (used in)/generated from financing activities	<b>(627,601)</b>	363,310
Net increase/(decrease) in cash and cash equivalents	<b>126,392</b>	(224,837)
Cash and cash equivalents at beginning of year	<b>648,058</b>	827,760
Exchange losses on cash and cash equivalents	<b>1,920</b>	135
Cash and cash equivalents at end of year	<b>776,370</b>	648,058

The Group's cash and cash equivalents are denominated in RMB.

### **Operating activities**

The Group's net cash generated from operating activities increased by approximately 53.0% from inflow of approximately RMB469,481,000 in 2014 to inflow of approximately RMB718,188,000 in 2015. The main reasons for the increase in net cash of operating activities included the increase in net cash generated from operations of approximately RMB221,565,000 and the decrease in income tax expense paid of approximately RMB27,381,000 in 2015, which was partially offset by the increase in interest paid of approximately RMB239,000.

### **Investing activities**

The Group's net cash used in investing activities decreased from outflow of approximately RMB1,057,628,000 in 2014 to inflow of approximately RMB35,805,000 in 2015. The cash outflow in investment activities in 2015 was mainly due to the construction of fixed assets for operational use and cash paid for the consideration of acquisition of equity interests of subsidiaries in the prior year.

### **Financing activities**

The Group's net cash generated from financing activities decreased from inflow of approximately RMB363,310,000 in 2014 to outflow of approximately RMB627,601,000 in 2015. The net cash generated from financing activities outflow in 2015 was primarily due to the cash inflow of approximately RMB3,168,756,000 from the newly borrowed loans, and the cash injection of approximately RMB941,000 by the non-controlling shareholders of the subsidiaries of the Company, partially offset by the cash outflow of borrowings repayment of approximately RMB2,958,972,000, payment to acquire 6.55% equity interest in Xiamen Terminal Group of approximately RMB339,583,000, pre-acquisition profit and related tax of approximately RMB130,176,000 and dividends paid during the Year of approximately RMB368,567,000.

## Management Discussion and Analysis

### Capital expenditure

The Group's capital expenditures in 2014 and 2015 primarily included expenditures on port terminal infrastructure and purchase of equipment, machineries and land use rights. The following table sets out the Group's capital expenditures in 2014 and 2015:

	2015 RMB'000	2014 RMB'000
Total capital expenditure	813,362	826,250

### Capital expenditure commitments

As at 31 December 2015, the Group's capital expenditure commitments were approximately RMB552,776,000, mainly consisting of expenditure on constructing and improving port and storage infrastructure, acquisition of new loading machineries and other machineries and building renovation.

### Exchange rate and interest rate risk

The Group's bank borrowings are denominated in RMB, US dollars and HK dollars. To the extent that RMB appreciates (or depreciates) against US dollars and HK dollars, the value of bank borrowings and repayment cost of such borrowings will decrease (or increase) correspondingly. In addition, since only a minor part of the business revenue is settled in foreign currencies, fluctuation in RMB exchange rate has no material impact on the business operations of the Group. The Group believes that the depreciation of RMB had no material impact on the operating results and financial position of the Group as at 31 December 2015.

The Group has not used any means to hedge its foreign currency exposure. Nevertheless, the foreign currency exposure is still monitored by the Board, who would consider hedging any significant foreign currency exposure should the need arise.

### Net debt to equity ratio

The Group's net debt to equity ratio changed from approximately 16.29% as at 31 December 2014 to approximately 16.57% as at 31 December 2015, which was mainly due to the increases in borrowings and payables resulted from the expansion of businesses, the reorganization and establishment of new subsidiaries.

### Contingent liabilities

As at 31 December 2015, the Group had no significant contingent liabilities.

### EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2015, the Group had a total of 6,281 employees, representing a decrease of 196 employees as compared to 31 December 2014. The decrease was mainly due to the optimization and integration of internal human resources of Xiamen Terminal Group upon its establishment as well as the business relocation and personnel integration of Dongdu Terminal. During the year, the total staff cost accounted for approximately 11.64% of the revenue of the Group. Employees' remunerations of the Group included basic salary, other allowances and performance-based bonus, which were determined by their job nature, individual performance, qualifications and experience as well as the prevailing practices of the industry. Employees may be offered bonus or awards according to the Group's annual operating results and the assessment results of their performance. The payment of rewards is an impetus to motivate each employee. The Group's remuneration policy is reviewed on a regular basis.

### ESTABLISHMENT OF NEW COMPANIES

On 1 March 2015, Xiamen Terminal Group, a subsidiary of the Company, established Xiamen Container Terminal Group Co., Ltd Haitian Branch\* (廈門集裝箱碼頭集團有限公司海天分公司) in the core zone of the Cross-strait Trade Center in Xiamen Free Trade Zone, which is principally engaged in freight port cargo loading and unloading and storage services, terminal and other port facilities services and vessel port services, currently, the relevant industrial and commercial registration formalities have been completed.

On 6 August 2015, China Ocean Shipping Agency (Xiamen) Co., Ltd\* (中國廈門外輪代理有限公司, "Xiamen Ocean Shipping Agency"), an indirect subsidiary of the Company, and Fujian All-Trans Logistics Co., Ltd\* (福建八方物流股份有限公司, "Fujian All-Trans") jointly invested to establish Xiamen Ocean Shipping Agency All-Trans Logistics Co., Ltd\* (廈門外代八方物流有限公司, "Xiamen Agency All-Trans"), which is principally engaged in bonded and cargo warehousing, freight forwarding agency and ancillary services such as container transshipment and storage, comprehensive logistics services as well as export and import supervision business, etc. The registered capital of Xiamen Agency All-Trans is RMB37,882,000, which is owned as to 51% by Fujian All-Trans and 49% by Xiamen Ocean Shipping Agency, and the relevant industrial and commercial registration formalities have been completed.

## Management Discussion and Analysis

On 7 August 2015, Xiamen Terminal Group, a subsidiary of the Company, established Xiamen Container Terminal Group Co., Ltd Hairun Branch\* (廈門集裝箱碼頭集團有限公司海潤分公司) in Haicang District, Xiamen City, Fujian Province, which is principally engaged in freight port cargo loading and unloading and storage services, terminal and other port facilities services and vessel port services. Currently, the relevant industrial and commercial registration formalities have been completed.

### OTHER MAJOR EVENTS IN 2015

On 27 May 2015, Xiamen Port Development has completed the issue of the second tranche and third tranche of short-term notes, both of which carry a term of one year from the date of issue and each with an aggregate principal amount of RMB50 million at a fixed interest rate of 4.4% per annum to certain domestic institutional investors in China. The net proceeds from the issue of the short-term notes are mainly for Xiamen Port Development's general working capital.

On 12 June 2015, Sanming Port Development Co., Ltd\* (三明港務發展有限公司, "SPD", an indirect non-wholly owned subsidiary of the Company) entered into an equity transfer agreement with Xiamen Port Properties Co., Ltd\* (廈門港務地產有限公司, "Xiamen Port Properties", a wholly-owned subsidiary of Xiamen Port Holding) and Fujian Sanming Ecological Industrial and Trading Area Ecological New Town Group Co., Ltd\* (福建三明生態工貿區生態新城集團有限公司, "FSE", the substantial shareholder of SPD), pursuant to which SPD disposed of (i) its 52% equity interest in Sanming Port Construction Co., Ltd\* (三明港務建設有限公司, "SPC", a wholly-owned subsidiary of SPD) to Xiamen Port Properties; and (ii) its 13% equity interest in SPC to FSE. For details, please refer to the announcement of the Company dated 12 June 2015.

On 18 August 2015, the National Association of Financial Market Institutional Investors\* (中國銀行間市場交易商協會) accepted the registration of short-term notes with an aggregate principal amount of RMB2,000,000,000 to be issued by the Company to certain domestic institutional investors in the PRC with an effective period from 18 August 2015 to 17 August 2017. The Company may issue the notes in multiple tranches within the effective period of registration. In this regard, the Company issued the first tranche of the notes on 14 September 2015 with a term of one year from the date of issue with a total principal amount of RMB500,000,000, the net proceeds from the issue were used principally for supplementing the Group's liquidity and repayment of the Group's bank loans so as to satisfy the working capital demands of the Group's business operations and investment projects.



### SUBSEQUENT EVENTS

From 31 December 2015 to the date of this annual report, there were no important events affecting the Group.

### FUTURE PROSPECTS

The year of 2016 is the opening year for the Chinese government to implement its 13th Five-year Plan. Looking forward to 2016, it is expected that the global economy will continue to slow down. Internationally, the International Monetary Fund predicts that the global economic growth will be 3.4% in 2016, representing a slight increase over the previous year, however, there are still various difficulties in returning to strong global expansion. Against the backdrop of a sluggish recovery of global economy, the positive effects of macro-economic stimulus policies gradually decline in different countries. In particular, the decreased bulk commodity prices and large-scale capital outflow caused by the increase of the U.S. Federal Reserve's interest rate as well as the decreased importance of labor costs due to the rapid development of automatic intelligent manufacturing technology would have certain negative impact on the foreign trade export in China. From a domestic perspective, the general economy of China was under increasing downward pressure, however, the Chinese government and society would adjust the industrial structure positively and implement policies and measures for steady growth and structural adjustment which will become effective in 2016 so as to optimize the economic development environment and enable the economy to gain new momentum. On the other hand, the Chinese government is actively promoting Asian Infrastructure Investment Bank and "One Belt, One Road" strategy to expand its room for foreign development, and hence the China's economy is expected to maintain stable growth in 2016. After taking into account of various factors, the Chinese government forecasts that the growth rate of China's national economy will be approximately 6.5% to 7% in 2016, and the growth rates of national economy in Fujian Province and Xiamen City will both be approximately 8.5%, as estimated by the respective governments. The foreign trade export in Fujian Province and Xiamen City will achieve a growth rate of approximately 2.5% and 3% respectively. The national economy will strive to achieve stable and continuous growth, laying a foundation for the growing Xiamen port and port business.

## Management Discussion and Analysis

Based on the above forecast on economic and trading conditions in 2016, the Company expects that its port business will still encounter a complicated overall developmental environment in 2016. Therefore, the Company will continue to look for steady progress in 2016 and focus on the development of the port core business for the purpose of enhancing the business volume of ports and economic efficiency, expanding external markets, improving internal management, facilitating the transformation and upgrading and innovation as well as promoting the sustainable and stable development of the Group. In 2016, the Group intends to roll out the following measures:

- To deepen overall marketing. The Group will leverage on the port business and integrate logistics platform of the Company, enhance deep integration of container resources and continue to promote resources integration of the bulk/general cargo terminals and logistics, so as to create competitive edge and greater synergistic effect as well as further improve the interactive development between the Company's terminal loading and unloading business and the ancillary value-added port services.
- To promote strategic port-shipping cooperation. The Group will promote full implementation of the strategic cooperation agreement, provide additional routes and shipments to create transshipment port, make effort to expand container incremental businesses such as domestic feeder-line container transshipment, international container transshipment, empty container reposition and vessel transloading and expanding the room for development of new business.
- To expand cargo source hinterland. The Group will actively adopt the "One Belt, One Road" strategy, strengthen the strategic cooperation with large logistics providers and major customers, focus on the development of cargo sources in eastern Fujian, northern Fujian, southern Jiangxi and Chaoshan area, promote the construction of land-based ports and the development of sea-rail joint transportation, and improve intermodal transportation network, so as to make Xiamen port a connection point of "One Belt, One Road" and expand the cargo sources for the development of the Group's port business.
- To improve its terminal services capability. The Group will upgrade the berths No. 1 to No. 3 in Haichang port area, promote the port opening of Hailong Terminal (berths No. 20 to No. 21 in Haichang port area), etc. and the regular berthing of 200,000-tonne container terminal on the Songyu Terminal, accelerate the construction of berths No. 1 to No. 2 in Gulei north port area in Zhangzhou City, and strive for the satisfaction of the preliminary operational conditions of sub-route terminal in Chaozhou, Guangdong Province at the end of 2016, so as to ensure the future development capacity of the Group.

## Management Discussion and Analysis

- To seize the development opportunity in Xiamen Free Trade Zone. The Group will actively develop the Free Trade Zone business, promote the transformation and upgrading of port business by focusing on launching innovative businesses/projects, such as “XPYCH Baoxiang International Furniture Outlets (葉水福寶象國際家居名品城)”, and strive to operate non-foreign trade container business in the Free Trade Zone.
- To improve refining management. The Group will focus on improving the internal control system, reinforcing the budget enforcement, system construction and audit supervision, and carrying out safe production. In addition, the Group will conduct strict costs control, strengthen the capital management, and improve the efficiency in capital utilization.
- To enhance capital operation. Firstly, the Group will capture market opportunities to reduce the financing cost by ways of short-term financing instruments, super-short-term financing instruments and corporate bond based on its actual conditions; secondly, pursuant to the “Options and Rights of First Refusal Agreement” and “Non-Competition Agreement” entered into between the Company and Xiamen Port Holding, the Company will actively follow up the relevant terminals assets and the progress of the terminal construction works, so as to facilitate the Board and general meeting to make appropriate decisions based on the management and operational circumstances at the time.
- To promote construction of informationization of the port enterprises. Leveraging on the success in the construction of the container business management platform and the intelligent gate project (phase I), the Group will speed up the construction of the intelligent gate project (phase II), and promote the construction of phase IV of intelligent tallying operating system project in Songyu Terminal, so as to improve the informationization of the port operations.
- To promote green development of ports. The Group will focus on the implementation of projects on marine shore power and solar energy application, thus strengthening the construction of “intelligent and environment-friendly” ports.

# Corporate Governance Report

The Company continues to pursue excellence and is devoted to raising corporate governance practices to a higher level. The Board fully understands and acknowledges the importance of corporate governance and believes that the implementation of good corporate governance can strengthen the transparency of the Company's business, which is accountable to shareholders and be in the interest of the shareholders as a whole, and enables the Company to achieve the ultimate success.

The Board has adopted the code provisions of the Corporate Governance Code (the "Corporate Governance Code") under Appendix 14 of the Listing Rules as the code on corporate governance practices of the Company.

With reference to the Corporate Governance Code, this annual report elaborates the corporate governance practices of the Company for the period from 1 January 2015 to 31 December 2015 (the "Reporting Period") and covers the information regarding the mandatory disclosure requirements and most of the recommended disclosures set out in Appendix 14 of the Listing Rules. The Directors consider that the Company has complied with the relevant requirements of the applicable code provisions of the Corporate Governance Code for the Year. The Company's compliance with the Corporate Governance Code is detailed in the following sections.

## THE BOARD

The Board is accountable to shareholders and operates on the principle of maximizing the profit of the Company, the corporate value and the return of shareholders. The Board fully represents the interests of shareholders and formulates the development strategies of the Company within the terms of reference under the Articles of Association of the Company (the "Articles"), and collectively facilitates continuous development of the Group through instructing and monitoring the Group's business.

## DIRECTORS

At the beginning of the Reporting Period, the fourth session of the Board of the Company comprised of thirteen Directors, including four executive Directors, namely Mr. LIN Kaibiao, Mr. FANG Yao, Mr. HUANG Zirong and Mr. KE Dong; four non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Ms. MIAO Luping and Mr. FU Chengjing; and five independent non-executive Directors, namely Mr. LIU Feng, Mr. HUI Wang Chuen, Mr. LIN Pengjiu, Mr. HUANG Shumeng and Mr. SHAO Zheping.

On 29 June 2015, Ms. MIAO Luping resigned from the positions of non-executive Director and a member of the Business Strategy Committee of the Company due to her change of employment. From 9 October 2015 to 1 December 2015, in consideration of the health condition of the Chairman Mr. LIN Kaibiao, Mr. HUANG Zirong, in addition to his capacity as an executive Director and the General Manager of the Company, assumed Mr. LIN Kaibiao's responsibilities as the Chairman of the Board on an interim basis. In addition, as part of the Company's overall succession planning, on 1 December 2015, Mr. CAI Liqun and Mr. CHEN Zhaohui were appointed as executive Directors of the fourth session of the Board at the second extraordinary general meeting of the Company in 2015 for a period commencing immediately after the extraordinary general meeting until the expiry of the term of the fourth session of the Board on 27 February 2017. On the same date, the Company convened the 20th meeting of the fourth session of the Board to (i) elect Mr. CAI Liqun, an executive Director, as a Vice Chairman of the fourth session of the Board and he assumed Mr. LIN Kaibiao's responsibilities as the Chairman of the Board on an interim basis; (ii) resolve Mr. CHEN Zhaohui, an executive Director, to assume the responsibilities as the General Manager of the Company on an interim basis; and (iii) re-designate Mr. HUANG Zirong to a non-executive Director of the Company from the position of executive Director of the Company since 1 December 2015.

Furthermore, on 9 December 2015, (i) Mr. HUI Wang Chuen has indicated his intention to resign from his positions of independent non-executive Director and chairman and member of the Remuneration Committee of the Company in consideration of his personal health reason; and (ii) Mr. HUANG Shumeng has indicated his intention to resign from his positions of independent non-executive Director, member of the Audit Committee of the Company and member of the Nomination Committee of the Company and Mr. SHAO Zheping has indicated his intention to resign from his positions of independent non-executive Director, the chairman and member of the Business Strategy Committee of the Company and member of the Corporate Governance Committee of the Company, both due to the current management requirements by the Communist Party of China in relation to leading cadres occupying part-time positions in enterprises. Their resignations have taken effect after Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were elected as new independent non-executive Directors to fill such vacancies at the first extraordinary general meeting of the Company in 2016 held on 26 February 2016.



## Corporate Governance Report

Accordingly, as at 31 December 2015, the fourth session of the Board comprised a total of fourteen Directors, including five executive Directors, four non-executive Directors and five independent non-executive Directors. The details are as follows:

Executive Directors	Gender	Ethnicity	Age	Term of Service
LIN Kaibiao ( <i>Chairman</i> )	Male	Han	49	Appointed on 28 February 2014
CAI Liqun ( <i>Vice Chairman</i> )	Male	Han	46	Appointed on 1 December 2015
FANG Yao ( <i>Vice Chairman</i> )	Male	Han	55	Appointed on 28 February 2014
CHEN Zhaohui	Male	Han	46	Appointed on 1 December 2015
KE Dong	Male	Han	55	Appointed on 28 February 2014

Non-executive Directors	Gender	Ethnicity	Age	Term of Service
ZHENG Yongen	Male	Han	57	Appointed on 28 February 2014
CHEN Dingyu	Male	Han	58	Appointed on 28 February 2014
FU Chengjing	Male	Han	53	Appointed on 28 February 2014
HUANG Zirong	Male	Han	52	Appointed on 28 February 2014

Independent non-executive Directors	Gender	Ethnicity	Age	Term of Service
LIU Feng	Male	Han	49	Appointed on 28 February 2014
HUI Wang Chuen	Male	Han	71	Appointed on 28 February 2014
LIN Pengjiu	Male	Han	49	Appointed on 28 February 2014
HUANG Shumeng	Male	Han	53	Appointed on 28 February 2014
SHAO Zheping	Male	Han	51	Appointed on 28 February 2014

## THE SUPERVISORY COMMITTEE

The fourth session of the Supervisory Committee of the Company comprised six supervisors (the "Supervisors"), including two Shareholders representative Supervisors, namely Mr. YU Mingfeng and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. WU Weijian, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

Accordingly, as at 31 December 2015, the Supervisors of the Company are as follows:

**Supervisors:**

Mr. YU Mingfeng (*Chairman of the Supervisory Committee*)

Mr. ZHANG Guixian

Mr. LIAO Guosheng

Mr. WU Weijian

Mr. TANG Jinmu

Mr. XIAO Zuoping

The biographical details of the above Directors and Supervisors are set out on pages 66 to 81 of this annual report and published on the Company's website at <http://www.xipc.com.cn>.

The structure, quorum and composition of the executive Directors, non-executive Directors and independent non-executive Directors of the Board are well balanced and appropriate. All members of the Board respectively possess professional knowledge and experience required for performing their duties in port terminal operation, corporate management, finance, laws, investment, financing and other relevant fields, and perform duties honestly, faithfully and diligently. The independent non-executive Directors are also capable of making independent judgments to enable the Board to make cautious and prudent decisions.

During the year ended 31 December 2015, the Company has complied with the relevant requirements of Rule 3.10 and Rule 3.10A of the Listing Rules by appointing at least three independent non-executive Directors and having two independent non-executive Directors with appropriate professional qualifications or professional knowledge in accounting or relevant financial management, and the number of independent non-executive Directors appointed (i.e. five) is accounted for at least one-third of the members of the Board of the Company.

All independent non-executive Directors have confirmed their independence during the Reporting Period with the Company in accordance with Rule 3.13 of the Listing Rules. Based on the confirmations of the independent non-executive Directors, the Board is satisfied that, as at the date of this annual report, all independent non-executive Directors have maintained their status of independence as defined in the Listing Rules.

## Corporate Governance Report

### RESPONSIBILITY OF THE BOARD

The Board is responsible for the management of the Group's business and affairs, aiming at enhancing the value of the Company's shares. The Board is also responsible for formulating the Company's corporate governance policy and performing the corporate governance duties and is required to ensure proper compliance with applicable laws and regulations, to carry out balanced, lucid and easy-to-understand assessments on the performance, conditions and prospects of the Company as set out in the Company's annual and interim reports, to publish inside information and other disclosure as and when required by the Listing Rules, and to report any discloseable information to regulatory authorities in accordance with statutory requirements.

The Board has fiduciary and statutory obligations owed to the Company and the Group. Under the leadership of the Chairman of the Company and pursuant to the requirements of the Articles, the Board collectively exercises a number of powers, including:

- formulating long-term strategy;
- formulating annual financial budget and final accounts proposal;
- approving public announcements, including interim and annual financial statements;
- formulating dividend policy;
- deciding on the establishment of the Company's internal management structure;
- formulating the Company's basic management system;
- approving material borrowings and treasury policy;
- undertaking major acquisitions and disposals, formation of joint ventures and entering into capital transactions; and
- formulating the Company's corporate governance policy and performing the corporate governance duties.

The management of the Company is responsible for various duties delegated by the Board, mainly including:

- taking charge of the daily management and operation of the Company and the business of the Group;
- organizing and implementing the resolutions of the Board;
- organizing and implementing the Company's annual operating plans and investment proposals;
- drawing up the proposal of the establishment of the Company's internal management structure;
- drawing up the Company's basic management system; and
- formulating specific rules and regulations of the Company.

On 1 December 2015, adjustment was made to the management of the Company at the 20th meeting of the fourth session of the Board of the Company: Mr. HUANG Zirong ceased to be the General Manager of the Company since 1 December 2015, and Mr. CHEN Zhaohui, an executive Director, assumes the responsibilities of the General Manager of the Company on an interim basis since 1 December 2015. Therefore, as at 31 December 2015, the senior management of the Company included Mr. CHEN Zhaohui (Deputy General Manager, who was performing responsibilities of the General Manager on the interim basis), Mr. KE Dong (Deputy General Manager) and Mr. YANG Hongtu (Deputy General Manager and joint company secretary).

The roles of the Chairman and the General Manager have been separated with clear division of responsibility and have been performed by different individuals to secure their independence, accountability and well-balanced power and authority: the Chairman is responsible for leading the Board, deciding the long term development strategy, overall development targets and business objectives of the Company. The Chairman is also responsible for convening and presiding over Board meetings; organizing and fulfilling the functions of the Board; and inspecting the execution of Board resolutions, and hence enabling a normal and effective operation of the Board with good corporate governance practices and procedures. The General Manager assumes the responsibility to perform the above duties and the other management duties in accordance with the Articles under the assistance and support of other members of the management, and is responsible for the daily operation and management of the Company to facilitate the Company to achieve its overall business targets. The Board has resolved to approve the "Regulations for the Chairman's Works" and the "Regulations for the General Manager's Works" of the Company, which further clarify and refine the above duties of the Chairman and the General Manager.

## Corporate Governance Report

Each of the Directors (including all non-executive Directors) and Supervisors has entered into a service contract with the Company for a term of not more than three years, and each new member of the Board and the Supervisory Committee has also entered into a service contract with the Company for a term of not more than three years after their respective appointment. Other than that, none of the Directors and Supervisors has any personal effective interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during the year of 2015, or has entered into with the Company any service contract which shall be not terminable within one year without payment of compensation (other than statutory compensation) by the Company.

Save as disclosed above, none of the Directors, Supervisors and senior management has any financial, business or family relationships or any relationships in other material aspects with the Company or each other for which disclosure may be required.

Other than the general functions exercisable by the Directors as provided for in the Articles in order to procure the Board to make more complete and prudent decisions, important functions of corporate governance are also borne by the five independent non-executive Directors of the Company. Each of the independent non-executive Directors also plays an important role in the five professional committees under the Board, of which four committees are chaired by each of them respectively, in order to promote good corporate governance in respect of financial audit and internal control, corporate governance policy and practices, remuneration management, strategic planning and the Board structure. They also undertake the important functions of reviewing and monitoring the connected transactions of the Group and carry out sufficient checks and balances so as to protect the benefits of the majority of shareholders and the Company as a whole. The Company strives to facilitate full attendance of all independent non-executive Directors at Board meetings in order to enhance their opportunities of expressing their independent judgments and opinions thereat. Approval of the independent non-executive Directors is required in respect of any resolution on connected transactions proposed by the Board.

The Company has arranged appropriate liability insurance for the Directors, Supervisors and senior management to indemnify them against all liabilities howsoever arising from the corporate activities conducted by the senior management, such as the Directors. The insurance coverage will be reviewed by the Company on an annual basis.



### BOARD MEETINGS

The Company strives to provide all Directors with sufficient information concerning the matters to be reviewed and resolved at the meetings of the Board and each professional committee, and provide each Director with the relevant information in respect of the operation, management and finance of the Company on a monthly basis in accordance with the Listing Rules to ensure that the Directors have readily available information in making reasoned decisions and fulfilling their functions and responsibilities. During the year of 2015, all Directors proactively attended each of the Board meetings and professional committees meetings. The Board believes that each of the Directors has devoted sufficient time to the business of the Company during the Reporting Period and all of them were capable of discharging their functions diligently.

The Board has held regular meetings in accordance with the requirements of code provision A.1.1 of the Corporate Governance Code. In accordance with the requirements of the Articles, the Board shall convene at least four meetings every year. During the year of 2015, in order to facilitate maximum attendance, notices (including the relevant agendas) of Board meetings were dispatched to all Directors at least fourteen days in advance. In respect of the extraordinary Board meeting, notices as to the time, venue, subject matters and meeting method to be applied shall be given to all the Directors at least ten days before the meeting was convened.

Before each Board meeting is convened, the company secretary shall draw up the matters to be submitted to the Board for consideration and determination, assist the chairman of the meeting in preparing the agenda for each Board meeting to ensure that the agenda complies with the applicable regulations and rules of the meeting concerned. Meanwhile, all the Directors have the opportunity to include their motions in the meeting agenda. The final agenda and the documents for the Board meeting are distributed to the Directors at least three days before the meeting date, so as to ensure that they have sufficient time to review the documents concerned and are well-prepared for the meeting. If any Director is unable to attend the meeting, he or she shall also be informed of such matters to be addressed at the meeting, and has the opportunity to present his or her own opinion to the chairman of the meeting before the meeting is held and is also allowed to attend by teleconference or authorize other Directors to vote on his or her behalf.

## Corporate Governance Report

The Board meeting shall only be validly held if attended by more than half of the Directors. Directors may attend the Board meeting in person or appoint, in written form, other Directors as proxies to attend the meeting on their behalf. If a Director has a conflict of interest in any resolution to be considered at the Board meeting, such Director shall abstain from voting on such resolution.

During the Reporting Period, the fourth session of the Board held ten meetings. The attendance record of each Director is set out below:

Members of the Board	Number of the Board Meetings Attended in Person/by Proxy	Attendance Rate
<i>Executive Directors</i>		
LIN Kaibiao	6/0 <sup>a</sup>	60%
CAI Liqun	1/0 <sup>b</sup>	100%
FANG Yao	9/1 <sup>c</sup>	100%
HUANG Zirong	10/0	100%
CHEN Zhaohui	1/0 <sup>b</sup>	100%
KE Dong	10/0	100%
<i>Non-executive Directors</i>		
ZHENG Yongen	9/1 <sup>d</sup>	100%
CHEN Dingyu	9/1 <sup>e</sup>	100%
MIAO Luping	2/1 <sup>f</sup>	75%
FU Chengjing	10/0	100%
<i>Independent non-executive Directors</i>		
LIU Feng	9/1 <sup>g</sup>	100%
HUI Wang Chuen	9/1 <sup>h</sup>	100%
LIN Pengjiu	10/0	100%
HUANG Shumeng	8/2 <sup>i</sup>	100%
SHAO Zheping	8/2 <sup>j</sup>	100%

Notes:

- a Mr. LIN Kaibiao was present in person in six of the ten Board meetings, and the remaining four Board meetings were absent due to his health condition.
- b Mr. CAI Liqun and Mr. CHEN Zhaohui were both newly appointed as executive Directors of the Company on 1 December 2015, thus both only attended one Board meeting in 2015.

## Corporate Governance Report

- c Mr. FANG Yao was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.
- d Mr. ZHENG Yongen was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.
- e Mr. CHEN Dingyu was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.
- f Ms. MIAO Luping resigned as a non-executive Director of the Company on 29 June 2015, and she was present in person in two of the four Board meetings before resignation, one Board meeting was attended and voted on her behalf by another authorized Director during her business trip away from Xiamen, and the remaining one Board meeting was absent due to her business trip away from Xiamen.
- g Mr. LIU Feng was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.
- h Mr. HUI Wang Chuen was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director due to his health condition.
- i Mr. HUANG Shumeng was present in person in eight of the ten Board meetings, and the remaining two Board meetings were attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.
- j Mr. SHAO Zheping was present in person in eight of the ten Board meetings, and the remaining two Board meetings were attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.

The chairman of the meeting is responsible for conducting the procedures of the Board meetings to ensure that sufficient time is allocated for discussion and consideration of each item on the agenda, equal opportunities are given to all Directors to speak and express their opinions and share their concerns.

The company secretary is responsible for ensuring that the operation of the Board complies with procedures as required under the Company Law of the People's Republic of China (the "Company Law"), the Articles and the Listing Rules, and providing the Board with recommendations on matters regarding corporate governance and regulatory compliance. The company secretary is also responsible for compiling and keeping the minutes of the Board meetings and meetings of each Board committee. To enable Directors to make reasoned decisions, all Directors are entitled to inspect the minutes of the Board meetings and relevant materials at any reasonable time and are informed about the latest information of the Company immediately.

## Corporate Governance Report

### DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Reporting Period, with the support of the company secretary, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills, including, without limitation, provision of reading materials to the Directors in respect of latest legal and regulatory requirements and development as to corporate governance, directors' duties, internal risk management and compliance obligations of listed issuers in Hong Kong. This is to ensure that their contribution to the Board remains informed and relevant. Newly appointed Directors have received external induction training on relevant compliance, regulatory and legal matters for directors of companies listed in Hong Kong before their respective appointment became effective. They also provided a record of training that they received during the Reporting Period to the company secretary.

A summary of training received by all the Directors during the year of 2015 is as follows:

Names of Directors	Training Contents
<i>Executive Directors</i>	
LIN Kaibiao	A, B, C
CAI Liqun	A, B, C
FANG Yao	A, B, C
CHEN Zhaohui	A, B, C
KE Dong	A, B, C
<i>Non-executive Directors</i>	
ZHENG Yongen	A, B, C
CHEN Dingyu	A, B, C
FU Chengjing	A, B, C
HUANG Zirong	A, B, C
MIAO Luping (Resigned on 29 June 2015)	B, C
<i>Independent non-executive Directors</i>	
LIU Feng	A, B, C
HUI Wang Chuen	A, B
LIN Pengjiu	A, B, C
HUANG Shumeng	A, B
SHAO Zheping	B, C

Notes:

- A: Thematic trainings or studies on topics such as corporate governance of listed companies, directors' duties, connected transaction and internal risk management, etc.;
- B: Thematic training or studies on topics such as economics, finance, corporate management and law, etc.;
- C: Attending seminars, forums and conferences on topics related to corporate governance, directors' duties, connected transaction, internal risk management as well as economics, finance, corporate management and law, etc.

### COMMITTEES ESTABLISHED UNDER THE BOARD

To assist the performance of its duties and to facilitate effective management, five committees were set up under the Board by the Company, namely the Nomination Committee, the Audit Committee, the Remuneration Committee, the Business Strategy Committee and the Corporate Governance Committee. The Board has delegated certain of its functions to the committees, which are required to review their specific scope of functions and report to the Board with recommendations, where appropriate. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

Each committee has specific functions and authorities. Members of the committees are entitled to make decisions on relevant issues within the terms of reference delegated to each committee. According to the relevant requirements of the revised Corporate Governance Code under Appendix 14 to the Listing Rules effective on 1 January 2016, the Company has amended and improved the terms of reference for the Audit Committee, which were adopted at the 16th meeting of the fourth session of the Board of the Company held on 21 August 2015.

Particulars of these Committees are set out below and their respective terms of reference are also published on the Company's website at [www.xipc.com.cn](http://www.xipc.com.cn) and the website of the Stock Exchange.



## Corporate Governance Report

### NOMINATION COMMITTEE

During the Reporting Period, the Nomination Committee of the Company comprised three members, including Mr. LIN Kaibiao, the Chairman and an executive Director, and two independent non-executive Directors, Mr. LIN Pengjiu and Mr. HUANG Shumeng. The Nomination Committee was chaired by Mr. LIN Kaibiao.

The Board has adopted the terms of reference of Nomination Committee which conform to the relevant code provisions as set out in the Corporate Governance Code. The principal duty of the Nomination Committee is to review structure, quorum and composition of the Board, identify qualified person to be members of the Board and assess independence of the independent non-executive Directors, and advise on relevant issues of succession plan of Directors (particularly the Chairman and the General Manager) to the Board.

In accordance with code provision A.5.6 of the Corporate Governance Code, the Company has prepared the policy on Board diversity of the Company, which is effective after considered and approved at the meeting of the Board. To achieve Board diversity, when formulating the composition of the Board, the Company will consider the diversity of the members of the Board in various aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional competence, industry experience, skills, knowledge and term of service. The Company will seek to appoint all members of the Board on the basis of meritocracy, fully taking into account the benefits of the diversity of the members of the Board based on the objective conditions when considering candidates and eventually determines the appointment based on the relevant expertise, contributions that he/she can bring to the Board and the Company and the balance of the composition of the Board. Such policy has been published on the Company's website at [www.xipc.com.cn](http://www.xipc.com.cn).

The Nomination Committee of the Company has evaluated the structure of the Board of the Company during the Year and considers that its structure, quorum and composition are well-balanced and appropriate. For details, please see the section titled "Directors" under "The Board" above.

## Corporate Governance Report

During the Reporting Period, the Nomination Committee of the Company held a total of four meetings, mainly for conducting the following businesses: reviewing the structure of the Board and assessing the independence of the independent non-executive Directors; nominating Mr. CAI Liqun and Mr. CHEN Zhaohui as executive Directors of the Company, and nominating Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan as independent non-executive Directors of the Company to replace Mr. HUI Wang Chuan, Mr. HUANG Shumeng and Mr. SHAO Zheping as announced by the Company on 5 January 2016; nominating Mr. CAI Liqun as a Vice Chairman of the Company; and making recommendations to the Board in respect of the matters such as the assumption of the responsibilities of the Chairman by Mr. HUANG Zirong and Mr. CAI Liqun in succession on an interim basis and the resignation as the General Manager by Mr. HUANG Zirong and the assumption of the responsibilities of the General Manager by Mr. CHEN Zhaohui thereafter on an interim basis.

The members' attendance records of the meetings of the Nomination Committee are as follows:

Members of the Nomination Committee	Number of the Committee Meetings Attended in Person/by Proxy	Attendance Rate
LIN Kaibiao	1/0 <sup>a</sup>	25%
LIN Pengjiu	4/0	100%
HUANG Shumeng	4/0	100%

- a Mr. LIN Kaibiao was present in person in one of the four Nomination Committee meetings, and absent in the remaining three meetings due to his health condition.

## Corporate Governance Report

### NOMINATION OF DIRECTORS

All intended candidates for directorship of the Company shall be first considered by the Nomination Committee and, if suitable, recommended to the Board for consideration and approval, prior to the submission by the Board to the general meetings for consideration and approval. While considering candidates for directorship proposed for new appointment or nominated for re-election, the Nomination Committee will perform an assessment on the candidates for directorship before making any recommendation to the Board. The underlying principles of the Nomination Committee in nominating, and of the Board in assessing, candidates for directorship (including incumbent Directors seeking re-election) are:

- the relevant knowledge, background, ability, industry experience and qualifications of a candidate and his/her integrity, independent thinking and capability to contribute time and effort to effectively discharge the duties concerned;
- compliance with the provisions of the Articles in respect of qualifications and conditions for directorship;
- compliance with the relevant requirements or provisions of the PRC laws in respect of Directors' taking office of overseas-listed companies; and
- compliance with the relevant requirements or provisions of Listing Rules in respect of Directors' taking office.

### AUDIT COMMITTEE

During the Reporting Period, the Audit Committee of the Company comprised three members, including two independent non-executive Directors, namely Mr. LIU Feng and Mr. HUANG Shumeng, and one non-executive Director, Mr. FU Chengjing. The Audit Committee was chaired by Mr. LIU Feng. All members of the Committee possess relevant professional skills and experiences and two of them are independent non-executive Directors with professional qualifications and financial management expertise. Accordingly, during the year of 2015, the Company has been in compliance with the requirements in respect of audit committee as set out in Rule 3.21 of the Listing Rules.

## Corporate Governance Report

The Board has adopted the terms of reference of the Audit Committee which comply with the relevant code provisions set out in the Corporate Governance Code. The Audit Committee is mainly responsible for: making recommendations to the Board in respect of the appointment, removal and remunerations of the external auditors and reviewing its performance; reviewing and monitoring the independence of the external auditors and the effectiveness of auditing procedures; reviewing the Company's financial information and monitoring the Company's financial reporting system, and reviewing the Company's risk management and internal control procedures and its effectiveness.

During the Reporting Period, the Company's Audit Committee held a total of two meetings, mainly for conducting the following businesses: reviewing the amendments to the terms of reference of the Audit Committee of the Company, the accounting principles and practices adopted by the Group and other material matters in respect of financial reporting; reviewing the Group's annual report on annual results for the year ended 31 December 2014 and the interim report on interim results for the six months ended 30 June 2015; reviewing the audit results presented by the auditors and discussing with the external auditors in respect of any important findings and audit matters; reviewing the non-exempted continuing connected transactions of the Group; re-appointment of auditors and fixing its remuneration and submitting recommendations to the Board for approval; and discussing and approving the action plan for the internal audit of the Group in 2015.

The members' attendance records of the meetings of the Audit Committee are as follows:

Members of the Audit Committee	Number of the Committee Meetings Attended in	
	Person/by Proxy	Attendance Rate
LIU Feng	2/0	100%
FU Chengjing	2/0	100%
HUANG Shumeng	2/0	100%

## Corporate Governance Report

### REMUNERATION COMMITTEE

During the Reporting Period, the Remuneration Committee of the Company comprised three members, including two independent non-executive Directors, Mr. HUI Wang Chuen and Mr. LIU Feng, and one non-executive Director, Mr. CHEN Dingyu. The Remuneration Committee was chaired by Mr. HUI Wang Chuen.

The Board has adopted the terms of reference of the Remuneration Committee which comply with the code provisions set out in the Corporate Governance Code. The primary functions of the Remuneration Committee are: to make recommendations to the Board in respect of the policy and structure of the remuneration of all the Directors, Supervisors and senior management of the Group, to formulate formal and transparent procedures for such remuneration policy, to review and determine their remuneration levels, and to make recommendations to the Board in respect of directors' fees and directors' annual remuneration. The Remuneration Committee will engage professional consultants for provision of assistance and/or professional advice on related matters when needed.

During the Reporting Period, the Remuneration Committee of the Company met once to review and approve the Directors', Supervisors' and senior management's remuneration, including the granting of annual bonus, reviewing and perfecting remuneration policy. Before determining the remunerations and benefits (including salary and bonus), the Remuneration Committee has taken full consideration of factors such as the comparable market remuneration level in the PRC, and the time committed by, duties and personal performance of the Directors, Supervisors and senior management as well as the results of the Company. The Remuneration Committee also reviews and approves remuneration of Directors and senior management with reference to their performance and the corporate objectives set by the Board from time to time.

The members' attendance records of meeting of the Remuneration Committee are as follows:

Members of the Remuneration Committee	Number of the Committee Meetings Attended in Person/by Proxy	Attendance Rate
HUI Wang Chuen	1/0	100%
CHEN Dingyu	1/0	100%
LIU Feng	1/0	100%



### REMUNERATION POLICY FOR DIRECTORS

The remuneration policy for Directors aims to ensure that the remuneration level is sufficiently competitive and effective to attract, retain and incentivize Directors. The purpose of formulating the remuneration policy for non-executive Directors of the Company is to ensure that they are sufficiently but not excessively compensated for their effort and time contributed to the Company and that of formulating the remunerations policy for executive Directors is to ensure that the remuneration they received accords with their duties and is basically in line with market practice. The remuneration for non-executive Directors is paid in the form of directors' fee. The principal elements of the remuneration package of executive Directors include basic salary and related allowances, benefits in kind and discretionary cash bonus, pension scheme contribution and relevant insurance benefits. Cash bonuses for executive Directors, as incentives for them to achieve corporate objectives, are linked with the Group's operating results.

As the Company's customary practice, the Remuneration Committee submits the Directors' remuneration plan to the Board for initial consideration. After being approved by the Board, such plan will be submitted to shareholders for further consideration and approval before implementation. The emoluments paid to each Director by the Company for the Year are set out in Note 41 to the financial statements.

### BUSINESS STRATEGY COMMITTEE

During the Reporting Period, the Business Strategy Committee of the Company comprised five members, including one independent non-executive Director, Mr. SHAO Zheping, two executive Directors, namely Mr. LIN Kaibiao and Mr. HUANG Zirong (Mr. HUANG Zirong was re-designated as a non-executive Director on 1 December 2015), and two non-executive Directors, namely Mr. CHEN Dingyu and Ms. MIAO Luping (Ms. MIAO Luping resigned as a non-executive Director and member of the Business Strategy Committee of the Company on 29 June 2015). The Business Strategy Committee was chaired by Mr. SHAO Zheping.

The main duties of the Business Strategy Committee are to review and consider the overall strategy and the direction of the business development of the Company, and to consider, assess and review any important investment plan, acquisition and disposal and propose them to the Board, and to perform subsequent evaluation on investment projects.

## Corporate Governance Report

During the Reporting Period, the Business Strategy Committee of the Company held one meeting to discuss and review such matters related to the Company's business operation schedule for 2015. During the Reporting Period, a majority of the members of the Business Strategy Committee were also involved in the evaluation of the Company's major investments and financing exercises, major capital and asset management issues and other business opportunities that might have an impact on the future development of the Group's business.

The members' attendance records of the meetings of the Business Strategy Committee are as follows:

Members of the Business Strategy Committee	Number of the Committee Meetings Attended in Person/by Proxy	Attendance Rate
SHAO Zheping	1/0	100%
LIN Kaibiao	1/0	100%
HUANG Zirong	1/0	100%
CHEN Dingyu	1/0	100%
MIAO Luping	1/0	100%

## CORPORATE GOVERNANCE COMMITTEE

During the Reporting Period, the Corporate Governance Committee of the Company comprised three members, including two independent non-executive Directors, Mr. LIN Pengjiu and Mr. SHAO Zheping, and one executive Director, Mr. FANG Yao. The Corporate Governance Committee was chaired by Mr. LIN Pengjiu.

The Board has adopted the terms of reference of the Corporate Governance Committee which comply with the code provisions of the Corporate Governance Code. The primary functions of the Corporate Governance Committee are: to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of the Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the Corporate Governance Code and relevant disclosure requirements.

## Corporate Governance Report

During the Reporting Period, the Corporate Governance Committee of the Company held one meeting to discuss and review the corporate governance report of the Company for the year ended 31 December 2014, which set out the Company's policies and practices on corporate governance and included mandatory disclosure requirements and most information to be disclosed under the Appendix 14 to the Listing Rules.

The members' attendance records of the meeting of the Corporate Governance Committee are as follows:

Members of the Corporate Governance Committee	Number of the Committee Meetings Attended in Person/by Proxy	Attendance Rate
LIN Pengjiu	1/0	100%
SHAO Zheping	1/0	100%
FANG Yao	1/0	100%

### JOINT COMPANY SECRETARIES

Mr. YANG Hongtu and Ms. MOK Ming Wai, a director and the head of listing services department of KCS Hong Kong Limited, are the Joint Company Secretaries of the Company. The primary corporate contact person at the Company is Mr. YANG Hongtu, one of the Joint Company Secretaries of the Company. Mr. YANG Hongtu and Ms. MOK Ming Wai have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules for the Year.

## Corporate Governance Report

### EXTERNAL AUDITORS

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers were re-appointed as the PRC and international auditors of the Company respectively at the 2014 annual general meeting held on 12 June 2015, for a term until the expiration of the forthcoming annual general meeting.

For the Year, the total remuneration paid and payable to the external auditors by the Group amounted to RMB3,700,000 (of which, the remuneration payable by the Company was RMB2,550,000), exclusively for audit services. In addition, the Company also paid RMB75,000 to PricewaterhouseCoopers Zhong Tian LLP for the auditor's fee in respect of the agreed procedures performed on the return on equity computation of the relevant joint ventures under the Company. Except for the above mentioned, the Company did not pay any other fees for non-audit services to the external auditors.

### INTERNAL CONTROL AND RISK MANAGEMENT

The maintenance of a high standard of control environment has been and remains a top priority of the Group. The Board assumes the ultimate responsibility for the effectiveness of the Group's internal control and the risk management control system. During the year of 2015, the Audit Committee of the Company has already assisted the Board in conducting efficiency review on the effectiveness and the adequacy of the internal control and risk management control system twice a year, the scope of which covers all material aspects of the control system, including the financial, operational, compliance monitoring and risk management functions etc. The Audit Committee will examine the relevant review report and discuss with the external auditor regarding the relevant issues and recommendations, and then will report the relevant situation to the Board. The Board is satisfied with the existing internal control and risk management control system of the Group and believes that the control system is adequate and effective in all material areas, and also complies with the code provisions on risk management and internal control set out in the Corporate Governance Code. No significant control deficiency and major concerns which may affect the interest of the shareholders has been found during the Reporting Period, and the Board will continue to improve the risk management and internal control system to facilitate our corporate governance.

The management of the Company highly values risk management and internal control and principally takes charge of formulating, implementing and maintaining the risk management and internal control system of the Group, in order to ensure a good and effective monitoring, which in turn effectively safeguards the shareholders' investment and the assets of the Company. The specific measures are as follows:

### **(1) Financial control**

During the Reporting Period, the Group strictly complied with the relevant laws and regulations, implemented various financial systems established by the Company such as the "Interim Provisions of Asset Supervision and Management", the "Trial Methods for Financial Reports and Financial Analysis", the "Trial Methods for Tax Planning Management", and the "Basic Methods for Financial Management", and also implemented various newly issued financial management systems, such as the "Method for Fund Management", the "Method for Fixed Asset and Construction in Progress Management", the "Method for Intangible Asset Management", the "Method for Financing Management", the "Implementing Rules for Financial Risk Management", the "Method for Tax Payment Management", the "Method for Accounting Policy and Accounting Estimate Management" and the "Method for Expense Imbursement Management", so as to continuously regulate the financial management system of the Company, strictly implement the limits for examining and approving authority and proceedings thereof on the financial revenues and expenditures, and strengthen the financial management. The Group also continues to improve its management accounting system, in order to provide its management with an objective indicator to measure the financial and operational performance and provide relevant financial information for reporting and disclosure purpose. Variances against actual performances and targets are prepared, analyzed and explained and appropriate actions are also taken to rectify the identified deficiencies, if necessary. This enables the management of the Group to monitor business operations closely and also enables the Board to formulate and, if necessary, revise strategic plan timely and prudently. The Group highly values and requires the integrity of the account and finance personnel, as well as their qualification, and continuous training resources and its budgets have been adequately considered.



## Corporate Governance Report

The Audit Committee of the Company shall act in accordance with the responsibilities and procedures stipulated in the “Regulations for Audit Committee’s Works”, be responsible for assisting the Board in reviewing and monitoring the financial reports independently, and procure to make itself satisfied with the effectiveness of the Group’s risk management and internal control as well as the adequacy of the internal and external auditing. In order to improve the quality of financial information disclosures and improve the internal governance, the Audit Committee has authorized a member to be responsible for the daily management of the Audit Committee and monitor the Company’s financial and risk management and internal control on behalf of the Audit Committee under the requirements of the “Regulations for Audit Committee’s Works”. In 2015, the Audit Committee has made recommendations to the Board in respect of the matters relating to the Group’s audited accounts for the year ended 31 December 2014, internal and external audit findings, accounting principles and practices adopted by the Group, re-appointment of auditors and fixing of audit fees, and the interim results for the six months ended 30 June 2015.

The Company attaches great importance to the internal audit functions. The internal audit includes the examination of all activities of the Group and conducting a comprehensive review of all practices and procedures without any restrictions, and hence assists the management and the Audit Committee in maintaining an effective risk management and internal control system within the Group. The audit department, as an internal audit function of the Company, is accountable to the Board, and the Audit Committee is responsible for its management and the performance appraisal. The Audit Committee may make recommendations in respect of the appointment and removal of the employees of the audit department (including the head of the department), and its authorized representatives shall examine and audit the relevant documents before they are issued in accordance with certain prescribed procedures. As the supervisor of internal audit function, the head of the audit department can contact the Audit Committee without any restrictions, attend the meetings of the Audit Committee and report the matters revealed during the internal audit process to the Audit Committee. The management and reporting structure above enables the independence and effectiveness of the internal audit of the Company. The annual internal audit plan of the Company was reviewed and approved by the Audit Committee. The relevant audit works of the 2015 Internal Audit Plan considered and agreed by the Audit Committee had been all completed on schedule. The Company conducted a special audit and internal control inspection on the operation and management or the investment project management and the procedures of management of charge of the relevant entities under the Company and also made corresponding recommendations for improvement.

### (2) Operational control

The Company's management and its respective departments exercise and discharge their respective powers and duties in accordance with the Articles and the corporate policies of the Company, so as to safeguard the operation of the Company's business. The heads of the departments and the senior management convene the meetings periodically (once a month) to keep well knowledge of the market trends and changes, analyze and discuss the performance of each business segment, and respond to changes in business environment, market conditions and operation. The major issues of the Company shall be submitted by the management to the Board or at general meetings for consideration and voting in accordance with procedures stipulated in the Articles.

The Group continues to promote computerized management of its business process, and certain major business operations are controlled and monitored by computer systems, such as the operations of its container loading and unloading business and shipping agent business. The Group's terminals have already installed and utilized the ship dynamic and port production operation monitoring geographical information system, so the production manager at all levels can completely and directly master the basic information of real-time development of ship and terminal operation, and improve production monitoring level of terminals. In order to ensure the stability and reliability of the computer systems, the operating systems are operated by trained professionals, checked regularly and upgraded where necessary. All the data are backed up in a timely manner, and contingency plans are drawn up for emergencies to ensure safety.

The Group attaches great importance to the safety production in the ports and allocates adequate resources in terms of allocation of safety equipment and facilities, safety promotion, safety drilling and staff training. Regardless of the locations and nature of businesses, the Group makes a continuing effort to build the highest safety standard within the organizations so that the manager and staff at all levels put safety as the top priority, and make effort to promote the safety standard to all sites.

In addition, the management of the Group also pays special attention to the activities with higher risk and focuses on monitoring such activities, including the trade business and the accounts receivable, etc.

## Corporate Governance Report

### (3) Compliance Control

Subject to the applicable laws and regulations, the Group has continuously regulated and improved its internal management system with regard to the management of its business transactions with outsiders. Business transactions with external parties and issues in respect of the intellectual property rights are handled prudently in accordance with the required procedures set out in the “Measures for the Administration of Examination and Approval of Contracts” of the Company. The Company’s proprietary trademark has also been registered with the Trademark Office of the State Administration for Industry & Commerce. The Company’s legal professionals and the company secretary will participate in handling the relevant legal documents of the Company, offer advice on the legality and compliance of its major operation decisions, and work in conjunction with the respective departments in respect of the specific projects. The company secretary will make arrangements to consult professional legal advisers, whenever necessary, for opinions on specific legal matters.

The Group has adopted the code provisions of the Corporate Governance Code as the code on corporate governance practices of the Company, and strictly complies with the relevant information disclosure requirements under the Listing Rules. With respect to the procedures and internal control measures for the handling and dissemination of inside information, the Company fully understands its obligations assumed under the Listing Rules and the material principle that inside information should be announced immediately upon decision. The Company also understands that it shall comply with the “Guide on Disclosure of Inside Information” issued by the Securities and Futures Commission of Hong Kong when handling relevant matters. The Company’s policy includes a strict prohibition on any unauthorized use of confidential, sensitive or inside information. In addition, procedures have been established and implemented for responding to external enquiries about the Group’s matters. In order to standardize information disclosure affairs of the Company, the “Management System for Information Disclosure Affairs” of the Company has made specific provisions of the basic principles, content, procedure, responsibility and confidentiality measures of information disclosure of the Company.

## Corporate Governance Report

The Group emphasizes the internal control of certain major issues, such as connected transactions and also has established and improved its control system and procedures for connected transactions in accordance with the requirements under the Listing Rules. The enterprises under the Group will designate the dedicated personnel to calculate and aggregate the information regarding the connected transactions on a regular basis, and timely update the name list of connected parties (not a complete list). The negotiation and execution of contracts relating to connected transactions shall be reviewed carefully by the appropriate management to ensure that the transactions comply with the pricing policies of the Group. The contracts shall be submitted to the Board or the general meeting pursuant to procedures for review and approval and then disclosed to the public in a timely manner, so as to ensure that such connected transactions, as well as their decision making process and information disclosure, comply with the relevant rules and regulations.

In addition, pursuant to the Rule 3.10A of the Listing Rules and relevant provisions of the Articles, the Company has appointed five independent non-executive Directors, accounting for at least one-third of the members of the Board. Also, the Company has published the relevant information about the Articles, the list of the Directors and their roles and functions, and the procedures for shareholders to propose a person for election as a Director on the Company's website and the website of the Stock Exchange.

## Corporate Governance Report

### (4) Risk Management

Since its establishment, the Group has formulated various risk control regulations, including the “Measures for Asset Tenancy and Administration”, the “Interim Provisions of Asset Supervision and Management”, the “Measures for the Administration of Examination and Approval of Contracts”, the “Management Methods (Trial) for Equipment Invitation Bidding and Procurement”, the “Information System Security Management Method (Trial)”, the “Measures for Appraising the Operation Results of Members of the Group”, the “Administration Measures Governing Subscription Money for New Shares”, the “Provisions on Management of Internal Audit”, the “Measures for the Administration of Internal Control” and the “Implementing Rules on Internal Control Assessment”, and has established the legal affairs reporting system of the Group and strengthened the monitoring of major contracts, connected transactions and other legal affairs, the purpose of which is to enhance the risk management of and control over the various projects including the operation and disposal of assets, major agreements, information system security, equipment procurement and new share subscription, so as to improve the comprehensive risk management system and enhance the risk prevention capability of the Group. During the Reporting Period, in accordance with the provisions as set out in the Corporate Governance Code, the Company has made the corresponding revision to the terms of reference of the Audit Committee under the Board, completed the related content of the risk management, and published the amended terms of reference on the Company’s website and the website of the Stock Exchange. Furthermore, the Board of the Company has approved to publish and implement the “System for Investment Management” and the “Administrative System Governing Information Disclosures of Debt Financing Instrument of Non-financial Institutions” in the year of 2015, so as to regulate the inward/external investment, the operation of financing project, as well as mitigate the risk.

The management of the Company has conducted frequent discussions regarding the effectiveness of the risk management and internal control system with the relevant Directors. The Company believes that the continuous improvement and effective operation of its risk management and internal control system will be helpful for the Company to timely deal with and mitigate the potential risks and better safeguard the interests of customers and shareholders.



### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has already adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules. With regard to the Company’s actual circumstances, the Company prepared a Model Code for Securities Transactions by Directors of Xiamen International Port Co., Ltd (the “Code”) on terms no less than the required standards set out in the Model Code. The Code has been approved at the meeting of the Board and become effective as the code of conduct for securities transactions by the Directors, Supervisors and senior management of the Company. The Company has made specific enquiry of, and has received specific confirmations from, all Directors, Supervisors and senior management that they at all times complied with the standards required in the Model Code and the Code during the Reporting Period, and the Company was not aware of any violations during the Reporting Period.

### STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The Directors declared that they are responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the results and financial conditions of the Company and the Group. The Directors considered that, in preparing the financial statements for the Year, the Group has adopted appropriate accounting policies, applied them consistently and complied with all relevant accounting standards. Having made appropriate enquiries, and judgments and estimates that are prudent and reasonable, the Directors also considered that it is appropriate to prepare the financial statements on a going concern basis.

The Directors also have responsibilities to ensure the Group has kept the proper accounting records that disclose with reasonable accuracy at any time the financial position and results of the Group and the financial statements can be prepared in accordance with Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

In addition, the Directors are obliged to take all reasonable and necessary measures to protect the Group’s assets, and to prevent and detect fraud and other irregularities.

The auditors’ statement of responsibility report on the financial statements is set out on page 101 of this annual report.

## Corporate Governance Report

### SHAREHOLDERS' RIGHTS

The Board and senior management of the Company fully understand their responsibilities to act on behalf of the interests of the shareholders as a whole and to strive to enhance shareholders' value. The Company believes that regular and timely communication with shareholders will help our shareholders to better understand our business.

The Company considers that the annual general meeting is a forum at which shareholders can timely communicate with the Board and senior management, and all the shareholders will be given notice of the meeting at least 45 days before the general meeting is held and they are encouraged to attend the annual general meeting or other extraordinary general meetings. The Company complies with the provisions of the code as stipulated in the Corporate Governance Code whose principle is to encourage shareholders' participation and encourages and welcomes shareholders to raise their questions at the above meetings. The company secretary, on behalf of the chairman of the general meetings, explains the detailed procedures for conducting a poll at the commencement of general meetings. In order to ensure that shareholders can express their intentions freely at general meetings, the rights of shareholders, and the rights, notices, procedures and voting pertinent to general meetings are clearly and adequately provided for in Chapters 7 and 8 of the Articles respectively. The Board is committed to maintain communication with shareholders, and all Directors and senior management will try their best to attend those meetings, while the chairmen of the Board, the Nomination Committee, the Audit Committee, the Remuneration Committee, the Business Strategy Committee and the Corporate Governance Committee as well as the Company's auditors will try their best to attend the annual general meeting to answer shareholders' questions. In 2015, the Company convened three general meetings in total, namely the first and second extraordinary general meetings on 27 March 2015 and 1 December 2015, respectively, and the 2014 annual general meeting on 12 June 2015.

## Corporate Governance Report

The attendance record of each Director of the fourth session of the Board of the Company at the general meetings in 2015 is set out below:

Members of the Board	Number of the general meetings attended	Attendance Rate
<i>Executive Directors</i>		
LIN Kaibiao ( <i>Chairman of the Nomination Committee</i> ) <sup>a</sup>	2	67%
CAI Liqun <sup>b</sup>	—	—
FANG Yao	3	100%
HUANG Zirong	3	100%
CHEN Zhaohui <sup>b</sup>	—	—
KE Dong	3	100%
<i>Non-executive Directors</i>		
ZHENG Yongen <sup>c</sup>	2	67%
CHEN Dingyu	3	100%
MIAO Luping <sup>d</sup>	1	50%
FU Chengjing	3	100%
<i>Independent non-executive Directors</i>		
LIU Feng ( <i>Chairman of the Audit Committee</i> ) <sup>e</sup>	2	67%
HUI Wang Chuen ( <i>Chairman of the Remuneration Committee</i> ) <sup>f</sup>	2	67%
LIN Pengjiu ( <i>Chairman of the Corporate Governance Committee</i> )	3	100%
HUANG Shumeng	3	100%
SHAO Zheping ( <i>Chairman of the Business Strategy Committee</i> ) <sup>g</sup>	1	33%

- a Mr. LIN Kaibiao was not present at the second extraordinary general meeting in 2015 due to his health condition;
- b Mr. CAI Liqun and Mr. CHEN Zhaohui were both newly appointed as executive Directors of the Company since 1 December 2015, thus both being not present at these three general meetings as mentioned above;
- c Mr. ZHENG Yongen was not present at the second extraordinary general meeting in 2015 during his business trip away from Xiamen;
- d Ms. MIAO Luping resigned as a non-executive Director of the Company on 29 June 2015, being not present at the 2014 annual general meeting during her business trip away from Xiamen, when the two general meetings was held before her resignation;
- e Mr. LIU Feng was not present at the first extraordinary general meeting in 2015 during his business trip away from Xiamen;
- f Mr. HUI Wang Chuen was not present at the second extraordinary general meeting in 2015 due to his health condition; and
- g Mr. SHAO Zheping was not present at the first extraordinary general meeting in 2015 and the 2014 annual general meeting during his business trip away from Xiamen.

## Corporate Governance Report

The shareholders who individually or jointly hold 10% or more of the shares with voting right of the Company can request the Board or the company secretary to convene an extraordinary general meeting or a class general meeting in written form, elaborate the resolutions to be proposed at the meeting and explain the reasons for requesting and submit the relevant request(s) to the Company's principal place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. When the Company convenes the annual general meeting, any shareholder individually or jointly holding 3% or more of the shares with voting right of the Company has the right to propose an interim proposal no later than 10 days before the general meeting and to submit such proposal to the Board in written form. The Board shall notify other shareholders within two days after receiving the proposal and submit the interim proposal at the general meeting for review. In order to facilitate the exercise of shareholders' rights, all independent matters will be proposed as separate resolutions at the general meeting.

The Company has been actively establishing various communication channels. The shareholders can keep abreast of the Company's operating conditions, announcements and relevant news and information through the website of the Company, and also can make enquiries to the Board through the company secretary in Xiamen, the PRC or the alternate authorised representatives at the Company's principal place of business in Hong Kong.

## INVESTOR RELATIONSHIP

The Company places great emphasis on communication with investors. The company secretary, who is responsible for the investor relationship of the Company as well as external information disclosure and communication, shall arrange or assist the relevant executive Directors and senior management to meet with institutional investors and analysts, enabling them to understand the latest developments of the Company and to make timely responses to any inquiries. Through different channels such as individual meetings, telephone conferences and the spot inspection at the terminals, the Company can maintain close communication with the investors, media, analysts and fund managers in order to enhance the investors' understanding on the relevant information relating to the Group's operating and financial performance.

The Company has adopted and implemented a fair, transparent and timely disclosure policies and practices. Prior to the convening of individual meetings with investors or analysts, all price sensitive information or data should have been announced to the public in accordance with the disclosure policies and practices of the Company. The Company provides comprehensive information about the Group's business, business strategy and development in its annual and interim reports, and results announcements. The Company also timely publishes the latest announcements of the Group as well as detailed information about the Group and the development dynamics of its new businesses by electronic means through its website [www.xipc.com.cn](http://www.xipc.com.cn) as required by the Stock Exchange, which enables shareholders and investors to grasp the Company's latest operating conditions and developments instantly. They can also make enquiries to the Company through its Investor Relationship webpage (the contact details are set out in the Company's website).

### **CORPORATE SOCIAL RESPONSIBILITY**

The Group is conscious of its role as a socially responsible group of companies. It cares for and supports the communities where it operates. The Group has made donations for community well-being from time to time.

The Company is committed to the sustainable development of the environment and our society. In recognition of the potential climate impact due to the development and operation of port business, the Company strives to enhance the environmental performance of the development and management of its port business through eco-friendly engineering design, equipment configuration and technological transformation as well as operational measures. The Company sets corresponding index each year to promote and enhance energy efficiency and reduce carbon emissions. In the year of 2015, the Group saved energy equivalent of 1,680 tonnes of coal throughout the year.

### **AMENDMENTS TO THE ARTICLES**

A special resolution was passed by the Company on 27 March 2015 at the first extraordinary general meeting in 2015, for the Shareholders to approve the amendments to several existing articles of the Articles to (i) reflect the changes regarding the holders of the Domestic Shares; and (ii) to allow sending a notice of Board meeting to the Directors by electronic means. The contents of such amendments to the Articles are set out below (details of which can be found in the notice of the Company published on 9 February 2015):



## Corporate Governance Report

### (1) The original content of Sub-paragraph (3) of Article 1:

“The Promoter of the Company is Xiamen Port Holding Group Co., Ltd (holding 1,702,900,000 Shares); other domestic shareholders are Xiamen Seashine Group Co., Ltd. (holding 18,300,000 Shares) and 廈門輕工集團有限公司 (holding 18,300,000 Shares).”

The amended Sub-paragraph (3) of the Article 1:

“The Promoter of the Company is Xiamen Port Holding Group Co., Ltd. (holding 1,721,200,000 Shares); other domestic shareholder is 廈門輕工集團有限公司 (holding 18,300,000 Shares).”

### (2) The original content of Article 16:

“After the establishment, the Company issued 73,200,000 shares for the purpose of increasing its capital and made a public offering of 897,000,000 ordinary shares. The promoter sold 89,700,000 stock shares. The share capital structure of the Company is: 2,726,200,000 ordinary shares, of which 1,702,900,000 ordinary shares are held by the promoter Xiamen Port Holding Group Co., Ltd. and 18,300,000 ordinary shares held by each of the other two domestic shareholders respectively, consisting of 63.81% of the total registered capital of the Company; and 986,700,000 are held by holders of H shares listed in Hong Kong, consisting of 36.19% of the total registered capital of the Company.”

The amended Article 16:

“After the establishment, the Company issued 73,200,000 shares for the purpose of increasing its capital and made a public offering of 897,000,000 ordinary shares. The promoter sold 89,700,000 stock shares. The share capital structure of the Company is: 2,726,200,000 ordinary shares, of which 1,721,200,000 ordinary shares are held by the promoter Xiamen Port Holding Group Co., Ltd. and 18,300,000 ordinary shares is held by the other domestic shareholder, consisting of 63.81% of the total registered capital of the Company; and 986,700,000 are held by holders of H shares listed in Hong Kong, consisting of 36.19% of the total registered capital of the Company.”

### (3) The original content of Article 94:

“The method of notification for convening a meeting or interim meeting of the board of directors is: personal delivery, facsimile, express mail or registered mail, and the period of notice is: at least fourteen (14) days prior to the convening of the meetings of the board of directors; at least ten (10) days prior to the convening of interim meetings of the board of directors.”

The amended Article 94:

“The method of notification for convening a meeting or interim meeting of the board of directors is: personal delivery, facsimile, electronic means, express mail or registered mail, and the period of notice is: at least fourteen (14) days prior to the convening of the meetings of the board of directors; at least ten (10) days prior to the convening of interim meetings of the board of directors.”

The Company has completed all registration and filing procedures regarding the aforesaid amendments to the Articles and the change of the Company’s registered address in accordance with the applicable laws and regulations of the PRC and Hong Kong, as well as the relevant requirements of the Listing Rules.

While upholding the principles of transparency, integrity, fairness and openness, the Company will devote to improving the level of investor relationship and actively collect feedback from related parties such as investors. The Company will also continue to enhance its corporate governance level with reference to its accumulated experience and the changes in regulatory policies and to strive for the best practice standards, and hence support the sustainable and healthy development of the Company.

By Order of the Board

**LIN Kaibiao**

*Chairman*

Xiamen, the PRC

24 March 2016

# Biographies of Directors, Supervisors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. LIN Kaibiao**, aged 50, is the Chairman, an executive Director and legal representative of the Company. He graduated in 1991 from the Dalian Maritime University with a master's degree in transportation management and engineering and is an Economist. He joined Xiamen Harbour Bureau in 1991 and worked as an instructor for engineering classes, deputy head and head of office, manager of the commercial operations department and deputy general manager of Dongdu Port Services Company from 1991 to March 2001. He was a director and the general manager of Dongdu Terminal Company Limited as well as the chairman and the general manager of Xiamen Dongling Company, an Executive director and the general manager of Xiamen Domestic Shipping Agency and a director and general manager of Xiamen Lurong Water-Rail Company from April 2001 to June 2004. Mr. Lin was a director of Xiamen Port (Group) Co., Ltd from April 2004 to March 2005. He was the chairman of the board of directors of Xiamen Port Logistics Co., Ltd from September 2004 to April 2006, and also a director of Xiamen Waili Tallying Co., Ltd from March 2005 to March 2006. He became the manager of the operations management department of Xiamen Port (Group) Co., Ltd in June 2004 and also has been a director of Xiamen Port Development Co., Ltd. ("Xiamen Port Development") (a company listed on the Shenzhen Stock Exchange in the PRC) since September 2004. From March 2005 to April 2007, he was appointed as a deputy general manager of the Company and was also an executive Director of the Company. He has been appointed as a deputy general manager of Xiamen Port Holding Group Co., Ltd ("Xiamen Port Holding") since February 2007. He had been re-designated as a non-executive Director of the Company from 10 April 2007 to 28 February 2011. And he has been re-designated from a non-executive Director to an executive Director, the Chairman and legal representative of the Company since 28 February 2011. He was also the chairman and legal representative of Xiamen Haitian Company from 12 March 2012 to December 2013 and the chairman of Xiamen Songyu Container Terminal Co., Ltd from 2012 to 2013. He was also a director of Xiamen Haixia Investment Co., Ltd. since August 2013 and the chairman and legal representative of Xiamen Container Terminal Group Co., Ltd since December 2013.

## Biographies of Directors, Supervisors and Senior Management

**Mr. CAI Liquan**, aged 47, is an executive Director and a Vice Chairman of the Company. He graduated in 1991 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a Master's degree in economics and is a senior economist. He was a planning coordinator of the planning office of Dongdu Port Services Company of Xiamen Harbour Bureau from July 1991 to October 1994 and was a deputy general manager of Xiamen Haijie Freight Company Limited from October 1994 to January 1998. He was the deputy director of the planning office of Dongdu Port Services Branch of Xiamen Port (Group) from January 1998 to October 1998. He was a deputy manager of Xiamen Domestic Shipping Agency of Xiamen Port (Group) from October 1998 to September 2001. He was a deputy general manager of Dongdu Port Services Branch of Xiamen Port (Group) from September 2001 to September 2004. He also was the chairman of Xiamen Ocean Shipping Tally Co., Ltd. from March 2006 to December 2015. He also was the chairman of Xiamen Road and Bridge Building Materials Company from August 2006 to December 2015. He was the general manager of Dongdu Port Branch of Xiamen Port Development from January 2009 to January 2010. He was a deputy general manager of Xiamen Port Development from September 2004 to April 2009, and has been a director of Xiamen Port Development Co., Ltd. since May 2009. He was the general manager of Xiamen Port Development Co., Ltd. from May 2009 to November 2015. He also was a director of Xiamen Port Trading Co., Ltd. from August 2010 to November 2015. He also was the chairman of Sanming Port Development Co., Ltd. from February 2011 to January 2016. He also was the chairman of Ji'an Port Development Co., Ltd. from June 2011 to December 2015. He also was an executive director of Xiamen Hailong Terminal Co., Ltd. from September 2012 to December 2015. He also was the chairman of Chaozhou Port Development Co., Ltd. from December 2012 to January 2016. He has also been a director of Xiamen Container Terminal Group Co., Ltd. since December 2013. He has been a deputy general manager of Xiamen Port Holding since September 2015. He has been an executive Director and a Vice Chairman of the Company since 1 December 2015.

## Biographies of Directors, Supervisors and Senior Management

**Mr. FANG Yao**, aged 56, is an executive Director and a Vice Chairman of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a bachelor's degree in harbour engineering and is a Senior Engineer. He joined Xiamen Harbour Bureau in October 1982 and was a technician of the Heping terminal operating area, deputy leader of the mechanical team, deputy head of the technical office and deputy head of the harbour engineering factory of the Dongdu operating area and deputy manager of the Shihushan terminal operating area from October 1982 to June 1998. He was a manager of the Harbour Supervision Company of Xiamen Port (Group) Co., Ltd from June 1998 to April 2001 and had been the party secretary of Xiamen Haitian Company from April 2001 to October 2005. Other than his work as party secretary, he was also responsible for production, business, human resources, safety, security and corporate culture construction of Xiamen Haitian Company. He was also a director of Xiamen Haitian Company from March 2002 to December 2013. He was appointed as the general manager of the Company from March 2005 to March 2012. He has been an executive Director of the Company since March 2005. He has also been the Vice Chairman of the Company since August 2013.

**Mr. CHEN Zhaohui**, aged 47, is an executive Director and a deputy general manager of the Company. He graduated in July 1990 from Wuhan Institute of Water Transport Engineering with a Bachelor's degree in engineering. He graduated from the School of Management of Xiamen University in December 2000 and obtained a Master's degree in business administration and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1990 and was a technician and deputy leader of the gantry crane team of Dongdu operating area of Xiamen port from July 1990 to August 1992. He was the leader of mechanical team, deputy general manager and general manager of Xiamen Port Shihushan Terminal Company from August 1992 to March 2006, during which he attended the job training of "Advanced Course of the Terminal Management" (Magum) held by A.P. Moller Maersk Terminal from May 2004 to March 2006 and acted as the duty manager at the container terminal in Aqaba, Jordan and PIER 400 container terminal in Los Angeles, the United States respectively. He also acted as an executive director, legal representative and the general manager of Xiamen Port Power Supply Service Co., Ltd from May 2003 to October 2006. He was then acted as an executive director and legal representative of Xiamen Port Power Supply Service Co., Ltd since August 2012. He was the deputy general manager, and then the general manager of Xiamen Songyu Container Terminal Co., Ltd from March 2006 to November 2013. He was also the director of the Office of Safety Committee of Xiamen Port Holding from October 2012 to December 2013. He has been a deputy general manager of the Company since 27 March 2012. He has also been a director of Xiamen Container Terminal Group Co., Ltd. since December 2013 and the chairman of the supervisory committee of Xiamen Port Development since January 2014. He has been an executive Director of the Company since 1 December 2015.



## Biographies of Directors, Supervisors and Senior Management

**Mr. KE Dong**, aged 56, is an executive Director and the deputy general manager of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute). In June 2009, he graduated from Xiamen University with an EMBA degree. He is an Economist and a Political Instructor. He joined Xiamen Harbour Bureau in 1982, where he was a service representative from 1982 to 1984, the deputy general manager of the Xiamen Ocean Shipping Agency from November 1984 to February 2001, and also the general manager of Xiamen Penavico International Freight from June 1999 to December 2000, then became the general manager of Xiamen Port Logistics from February 2001 to July 2004. He had been a director and general manager of Xiamen Port Development, a company listed on the Shenzhen Stock Exchange in the PRC, from August 2004 to April 2006, and he has been the chairman of Xiamen Port Development since April 2006. He was a director of Xiamen Haitian Company from March 2002 to December 2013. He has also been the chairman of Xiamen Ocean Shipping Agency Co., Ltd. since 20 April 2006. He has also been the chairman of Zhangzhou Shi Gulei Port Development Co., Ltd. since 28 February 2012. He was a non-executive Director of the Company from March 2005 to 28 February 2014. He has also been the deputy general manager of the Company since August 2013. He has been re-designated from a non-executive Director to an executive Director of the Company since 28 February 2014.

### Non-executive Directors

**Mr. ZHENG Yongen**, aged 58, is a non-executive Director of the Company. He graduated in 1982 from Tianjin University with a bachelor's degree in port engineering and is a Senior Engineer. He was an assistant engineer and an assistant of the Xiamen port construction command department and the executive deputy head of the Haicang port construction command department from September 1982 to 1996. He was the general manager of the Port Development Co., Ltd from August 1996 to January 1998. He was the director and deputy general manager of Xiamen Port (Group) Co., Ltd, from January 1998 to March 2005. He also acts as a director of Xiamen Haicang Port Co., Ltd since April 2001, a director and the general manager of Xiamen Port Labour Services Co., Ltd from March 2002 to early February 2006. Since January 2005, he has been a director of Xiamen Port Holding. He was the general manager of Xiamen Port Holding from July 2005 to January 2007 and has been acting as the chairman of Xiamen Port Holding since February 2007. He was the chairman and legal representative of Xiamen Haitian Company from 10 May 2007 to 12 March 2012. He was also a non-executive Director of the Company from March 2005 to 9 April 2007. He had been appointed as an executive Director, Chairman and legal representative of the Company from 10 April 2007 to 28 February 2011 and has been re-designated from an executive Director to a non-executive Director of the Company since 28 February 2011.

## Biographies of Directors, Supervisors and Senior Management

**Mr. CHEN Dingyu**, aged 59, is a non-executive Director of the Company. He graduated in 1999 from the Central Party School with a bachelor's degree in economics and management and is a Senior Economist and an Engineer. From 1980 to January 1998, he worked as the chief engineer of the Tugboat Company of Xiamen Harbour Bureau and a technician of the technical department at Xiamen Harbour Bureau as well as deputy manager, manager and the party secretary of Xiamen Port Shipping Company. From January 1998 to March 2005, he was a director and deputy general manager of Xiamen Port (Group) Co., Ltd. He acts as a non-executive director of Xia Ning Shipping Co. Ltd since August 2003. Since January 2005, he has been a director of Xiamen Port Holding. He was also deputy general manager of Xiamen Port Holding from July 2005 to January 2007, and has been acting as the general manager of Xiamen Port Holding since February 2007. He had been the deputy Chairman and an executive Director of the Company from March 2005 to 28 February 2011 and has been re-designated from an executive Director to a non-executive Director of the Company since 28 February 2011.

**Mr. FU Chengjing**, aged 54, is a non-executive Director of the Company. He graduated in 1983 from Jiangxi Institute of Finance and Economics with a bachelor's degree in economics and is an Accountant. He has been a staff and section member of the office of the Xiamen Finance Bureau, deputy head of credit finance management office, deputy head and head of the industry and communication office and office head of the Xiamen Finance Bureau from August 1983 to February 2004. From February 2004 to March 2005, he was a director and deputy general manager of Xiamen Port (Group) Co., Ltd. Since January 2005, Mr. Fu has been a director of Xiamen Port Holding; and also a non-executive Director of the Company since March 2005. He has been deputy general manager of Xiamen Port Holding since July 2005 and also acts as its chief accountant since February 2007. He also acts as the chairman of Xiamen Port Financial Holding Co., Ltd since December 2015.

## Biographies of Directors, Supervisors and Senior Management

**Mr. HUANG Zirong**, aged 53, is a non-executive Director of the Company. He graduated in August 1983 from Shanghai Jiaotong University with a Bachelor's degree in mechanics and obtained a Master's degree in business administration from the School of Management of Xiamen University in October 2000 and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1983, was a technician and deputy leader of the mechanical team of Dongdu operating area, and was also a deputy supervisor and deputy head of the harbour engineering factory of Xiamen Harbour Bureau. He was the deputy general manager of Xiamen Port Container Company from October 1990 to April 2001. He was the general manager of Xiamen Port (Group) Co., Ltd Haitian Port Services Branch from April 2001 to March 2002. He was the general manager of Xiamen Haitian Company from March 2002 to 31 March 2012. Mr. Huang was an executive Director and a deputy general manager of the Company from March 2005 to 27 March 2012. He was an executive Director and the general manager of the Company from 27 March 2012 to 1 December 2015. He has also been a director of Xiamen Container Terminal Group Co., Ltd since December 2013. He has also been a director of Xiamen Port Development Co., Ltd since January 2014. He has been the chief engineer of Xiamen Port Holding since September 2015. He has been re-designated from an executive Director to a non-executive Director of the Company since 1 December 2015.

**Ms. MIAO Luping**, aged 52, resigned from the position of non-executive Director of the Company with effect from 29 June 2015. She graduated from Xiamen University with a master's degree in economics and is a Senior Economist. She worked for the Fujian Branch of the China Rural Development Trust and Investment Company from July 1992 to January 1994. She was the deputy general manager of the development and operations department, deputy head of the chief accountant office and manager of the capital settlement centre of the Xiamen City Road and Bridge Construction and Investment General Corporation from January 1994 to March 1999. She worked for Xiamen Luqiao Joint Stock Company Limited as the managing director from March 1999 to September 2004. She has been a director of Xiamen Port Development, a company listed on the Shenzhen Stock Exchange in the PRC, from September 2004 to June 2015. She was a director and the chief economist of Xiamen Port (Group) Co., Ltd from September 2004 to March 2005, She has been a director of Xiamen Port Holding from January 2005 to September 2015. She became the chief economist of Xiamen Port Holding in July 2005 and has been the deputy general manager and the chief economist of Xiamen Port Holding from February 2007 to April 2015 and also acted as the chairman of Xiamen Guarantee & Investment Co., Ltd from July 2009 to December 2012. She acted as a non-executive Director of the Company from March 2005 to 28 February 2011 and was an executive Director of the Company from 28 February 2011 to 28 February 2014. She also was an executive director and the chairman of Xiamen Haixia Venture Investment Co., Ltd. (later renamed as Xiamen Haixia Investment Co., Ltd) from June 2009 to July 2015. She also was the chairman of Xiamen International Cruise Home Port Group Co., Ltd. from October 2013 to July 2015. She was a non-executive Director of the Company from 28 February 2014 to 29 June 2015.

## Biographies of Directors, Supervisors and Senior Management

### Independent non-executive Directors

**Mr. LIU Feng**, aged 50, is an independent non-executive Director of the Company. He graduated from the accountancy department of Xiamen University in 1994 and obtained a doctoral degree in economics (accountancy). He was a teacher of Xiamen University since July 1987 and taught in Zhongshan University as a Distinguished Professor in January 2000, and was a supervisor of doctoral candidates of the accountancy of School of Management, Zhongshan University, the director of Modern Accountancy and Finance Research Center of Zhongshan University and the vice president of School of Management, Zhongshan University. He was invited as a professor and a supervisor of doctoral candidates of accountancy department of School of Management, Xiamen University since September 2010. He also acts an independent director in two listed companies, namely Cosco Shipping Co., Ltd. and Xiamen C&D Inc. (both listed on the Shanghai Stock Exchange in the PRC). He is also a director of Anhui Saunaking Co., Ltd (a company listed on the Shenzhen Stock Exchange in the PRC). Currently, he is a member of the Professional Responsibility Appraisal Committee of Chinese Institute of Certified Public Accountants. He also acts as an independent non-executive Director of the Company since 28 February 2011.

**Mr. LIN Pengjiu**, aged 50, is an independent non-executive Director of the Company. He graduated from the Department of Navigation of Dalian Maritime University with a Bachelor of Engineering Degree in 1988 and a Postgraduate Degree in Maritime Law in 1991 respectively. He also obtained a Master Degree in Laws from Jilin University. From 1991 to 1997, Mr. Lin taught maritime law in the Faculty of Law of Dalian Maritime University while engaging in the provision of legal services on a part-time basis. He joined Heng Xin Law Office in Liaoning in 1997 and became a qualified lawyer and partner of Heng Xin Law Office in 1998. He has been a full-time lawyer, partner and manager of Liaoning Tytop Law Firm since the end of 2008. He also acts as an arbitrator of the China Maritime Arbitration Commission, Vice President of Liaoning Province Maritime Law Institute, legal consultant for the Dalian Municipal Government, member of the Dalian Administrative Review Committee, council member of Dalian Lawyers Association, Vice President of the Supervisory Commission of the Dalian Maritime University Si Yuzhuo Maritime Law Education Fund, member of the Maritime Committee of All China Lawyers Association, and member of the Rescue and Salvage Committee of the China Maritime Law Association and an arbitrator of Dalian Arbitration Commission, Wuhan Arbitration Commission and Nantong Arbitration Commission. He also acts as an independent non-executive Director of the Company since 28 December 2012.



## Biographies of Directors, Supervisors and Senior Management

**Mr. YOU Xianghua**, aged 50, is an independent non-executive Director of the Company. He graduated in July 1986 from the accounting department of Anhui University of Finance and Economics (formerly known as Anhui Institute of Finance and Trade) with a Bachelor's degree in economics, in July 1991 from Xiamen University's accounting department with a Master's degree in economics, and in July 1999 from Xiamen University's accounting department with a Doctorate in management and accounting, and is currently a senior accountant. From July 1986 to August 1988 he worked as a lecturer at Anhui University of Finance and Economics's accounting department. From August 1991 to March 1999 he worked as the finance manager of Xiamen Huicheng Construction Development Co., Ltd. From August 1999 to September 2001 he worked as the chief accountant of Xiamen State-owned Assets Investment Company and acted as a director to numerous companies including Xiamen City Commercial Bank. From September 2001 to August 2007, he worked as an assistant professor at the accounting department of the School of Management of Xiamen University, and was an independent director at Xiamen Road & Bridge Co., Ltd. and its subsequently renamed entity Xiamen Port Development Co., Ltd. (which is listed on the Shenzhen Stock Exchange of the PRC), Xiamen King Long Motor Group Co., Ltd. (which is listed on the Shanghai Stock Exchange of the PRC), and Xiamen Speed Logistics Development Co., Ltd. From March 2006 to February 2007, he was sent by the PRC as a visiting scholar to the accounting department of the University of Houston in the United States of America. From September 2007 to April 2009, he was the deputy general manager of the Shenzhen Litong Investment Development Co., Ltd., an independent non-executive director of Xiamen Port Development Co., Ltd., and the chairman of the supervisory committee of Mintaian Insurance Surveyors & Loss Adjusters Group Co., Ltd. Since May 2009, he is the chairman of the board of directors and general manager of China Universal Finance Consulting (Xiamen) Ltd., and also an independent director of Honest Engineering Consulting Co., Ltd. Additionally, he was previously an independent director of TianGuang Fire-Fighting Co., Ltd (which is listed on the Shenzhen Stock Exchange of the PRC). In addition, he is also the vice president of the Xiamen Cross-Strait Accounting Cooperation and Exchange Promotion Association, an executive director of the Xiamen Accounting Association, an executive director of the Xiamen Chief Accountants Association, and an executive director of the Xiamen Accounting Industry Association. He also acts as an independent non-executive Director of the Company since 26 February 2016.



## Biographies of Directors, Supervisors and Senior Management

**Mr. JIN Tao**, aged 50, is an independent non-executive Director of the Company. He graduated in July 1988 from Kaifeng University and Henan University's Joint Undergraduate Geography Program with a Bachelor of science degree from Henan University, studied at Henan University's geography department and majored in economic geography from September 1991 to August 1994 and graduated with a Master's degree in economics, and studied at Nankai University's Economics Research Institute and majored in political economics from September 2001 to July 2004 and graduated with a Doctorate in economics. From August 1988 to August 1991, he taught at School No. 18 at Kaifeng, Henan. From September 1994 to August 2001 he worked in the Administrative Committee of Ningbo Economic and Technological Development Zone. From August 2004 to October 2008, he worked as an associate professor at the Economics Research Institute of Xiamen University. From November 2006 to March 2014, he also acted as the associate chief editor of Economic Issues in China, a core economics national journal in the PRC. Since November 2008, he worked as a professor and a doctorate tutor at Xiamen University. From October 2008 to February 2012, he worked as the deputy head of Xiamen University's Economics Research Institute. Since February 2012, he acted as the head of Xiamen University's Economics Research Institute. Since March 2014, he also acted as the joint chief editor of Economic Issues in China. He also acts as an independent non-executive Director of the Company since 26 February 2016.

**Mr. JI Wenyuan**, aged 48, is an independent non-executive Director of the Company. He graduated in March 1993 from Shanghai Maritime University's (formerly known as Shanghai Shipping Institute) international shipping department majored at shipping economics and business with a Master's degree in economics management. From April 1993 to October 1995, while he was in the shipping department of Shanghai Ocean Shipping Co. Ltd., he worked in the container shipping division, container management division, bulk shipping division and the chartering division, and then as the manager of the chartering division. From November 1995 to December 1996, he was the manager of the chartering branch office of the chartering division of Beijing China Ocean Shipping Group Co., Ltd. and COSCO Bulk Carrier Co., Ltd. From January 1997 to December 1997, he was the deputy department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd., and from January 1998 to April 1998 he was the deputy department manager of the Third Shipping Department of COSCO Bulk Carrier Co., Ltd. From May 1998 to September 1998, he was the department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd. From October 1998 to April 2000, he acted as the Hong Kong and Macau region chief representative of COSCO Bulk Carrier Co., Ltd., and as the deputy general manager of Fansco Shipping (Hong Kong) Co., Ltd. From May 2000 to September 2002, he was the general manager and director of Jinjiang Shipping (Hong Kong) Corporation Limited. From September 2002 to December 2005, he was the senior vice president of the Parakou Group, the fourth

## Biographies of Directors, Supervisors and Senior Management

largest shipping corporation in Hong Kong. In January 2006, he established Seamaster Chartering Limited in Hong Kong and since then acts at its general manager. In October 2010, he established Shanghai Seamaster Shipbroking Company Limited and since then acts as the chairman of the board of directors. In addition, he is also a visiting professor at Shanghai Maritime University, an invited shipping expert of the Shanghai Municipal Transport and Port Authority, an executive director of the Shanghai Shipping Broker Club and an executive director of the Shanghai Brokers Association. He also acts as an independent non-executive Director of the Company since 26 February 2016.

**Mr. HUI Wang Chuen**, aged 72, resigned from the position of independent non-executive Director of the Company with effect from 26 February 2016. He graduated in 1968 from the Chemistry Department of Xiamen University. He worked for the Industry Bureau of Ningde City in Fujian Province from 1970 to 1974. He is the chairman of Kong Hee Enterprise Ltd, Fujian Fubao Paper Industrial Co., Ltd. and Fuzhou Fubao Colour Printing Co., Limited. He was also an independent non-executive Director of the Company from March 2005 to 26 February 2016.

**Mr. HUANG Shumeng**, aged 54, resigned from the position of independent non-executive Director of the Company with effect from 26 February 2016. Mr. Huang graduated from the Department of Oceanography of Xiamen University with a Bachelor of Science Degree in July 1983, and obtained a Master Degree and a Doctoral Degree in Economics from the Department of Finance of Xiamen University in July 1995 and 2001 respectively. He is an associate professor and a senior economist. He served in Unit 32417 of the People's Liberation Army of the PRC as a deputy company commander and political officer from July 1983 to June 1987. Mr. Huang also taught at Xiamen University from July 1987 to December 1993. He was a manager and assistant to the general manager of the investment banking department of Xiamen C&D Corporation Limited from January 1994 to May 2001. From June 2001 to August 2003, he was the general manager of the securities department in China Eagle Securities Company Limited. He has been the Deputy Director of the Department of Finance and the Deputy Head of the Faculty of Finance and Economics of Jimei University since September 2003. He has also been a director of Xiamen Tax Institute since March 2014. He was also an independent non-executive Director of the Company from 28 December 2012 to 26 February 2016.

## Biographies of Directors, Supervisors and Senior Management

**Mr. SHAO Zheping**, aged 52, resigned from the position of independent non-executive Director of the Company with effect from 26 February 2016. He graduated from Jimei Navigation College in July 1982, majoring in navigation technology and obtained a master's degree in navigation technology from Shanghai Shipping Institute (currently known as Shanghai Maritime University) in July 1990, and then obtained a doctoral degree in transportation information engineering and control from Dalian Maritime University in January 2001. He is the Dean of the Maritime College of Jimei University and is also a standing member of Maritime Experts Committee under the Ministry of Transport and a member of the Navigation Technology Professional Teaching Steering Committee under the Ministry of Education, a member of the Xiamen Work Safety Experts Group, a standing director of China Institute of Navigation and a standing director of Xiamen Institute of Navigation. He was also an independent director of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) from May 2006 to January 2014. He was also an independent non-executive Director of the Company from 28 February 2014 to 26 February 2016.

### SUPERVISORS

**Mr. YU Mingfeng**, aged 53, is the chairman of the Supervisory Committee of the Company since 28 February 2014. He graduated from Guangzhou Jinan University with a bachelor's degree in economics in July 1985, and is now a senior accountant. Mr. Yu joined Xiamen Automobile Transport Company (now known as Xiamen Teyun Group Co., Ltd ("Xiamen Teyun Group")) in 1985. He had been an accountant of the passenger transportation division and also the financial controller of the tourists' transportation division, of Xiamen Automobile Transport Company from July 1985 to April 1989; the deputy manager of finance department of Xiamen Teyun Group from April 1989 to November 1997; the manager of finance department of Xiamen City Traffic State-owned Assets Investment Co., Ltd from November 1997 to March 2005; the deputy manager of finance department of Xiamen Port Holding Group Co., Ltd from March 2005 to August 2005; the deputy manager of audit department of Xiamen Port Holding Group Co., Ltd from August 2005 to January 2007; and the manager of audit department of Xiamen Port Holding Group Co., Ltd from January 2007 to December 2011, during which period he was also the manager of the audit center of financial budgets and final accounts, and the director of the disciplinary inspection office, of Xiamen Port Holding Group Co., Ltd, and the legal representative of Shuichan Group. He has also been a staff supervisor of Xiamen Port Holding from April 2008 to April 2014. He also acts as the deputy secretary of the Disciplinary Inspection Committee of Xiamen Port Holding from November 2011 to April 2014. He has been the manager of finance department of Xiamen Port Holding since January 2012. He has been a financial controller of Xiamen Port Holding since April 2014, and also been the chairman of Xiamen Hairuntong Asset Management Company Limited since November 2014. He has also been the chairman of Xiamen Haixinsheng Financial Leasing Company Limited since September 2015. He has also been a director of Xiamen Port Financial Holding Co., Ltd since December 2015.

## Biographies of Directors, Supervisors and Senior Management

**Mr. ZHANG Guixian**, aged 49, is a Supervisor of the Company since 28 February 2014. He graduated from Hohai University with a bachelor's degree in engineering in July 1987. In April 1998, he graduated from Shanghai Maritime University with a master's degree in economics and is now an auditor, economist and engineer. From July 1987 to September 1995, he worked as an engineer and was engaged in the design of port and sea-route engineering at Fujian Traffic Planning & Design Institute. From April 1998 to July 2009, he worked as an economist at the corporate management department of Xiamen Port Holding. He has been working in the audit department of Xiamen Port Holding since August 2009, currently being the deputy manager of the audit department. He has also been a supervisor of Xiamen Port Financial Holding Co., Ltd since December 2015.

**Mr. LIAO Guosheng**, aged 53, is the Staff Representative Supervisor of the Company since 28 February 2014. He graduated from Central Party School in 2002 and received the on-job bachelor degree in economy management. Currently, he is a Senior Economist. He had served as tallying officer, business representative, deputy office director, head of business division, deputy general manager and party secretary of China Ocean Shipping Tally Company Xiamen Branch from September 1983 to April 2001. He had been the general manager and party secretary of Xiamen Haicang Port Co., Ltd, and the deputy general manager and Chinese representative of Xiamen International Container Terminals Limited from May 2001 to March 2006. During the period from April 2006 to April 2009, he had been the director and general manager of Xiamen Port Development, concurrently served as the chairman of Xiamen Port Logistics Co., Ltd, Xiamen Port Shipping Co., Ltd and Xiamen Port Transportation Co., Ltd From May 2009 to December 2013, he had been the party secretary of Xiamen Haitian Container Terminals Co., Ltd. He has been the deputy general manager of Xiamen Container Terminal Group Co., Ltd since December 2013.

**Mr. WU Weijian**, aged 57, is a Staff Representative Supervisor of the Company. He graduated from the distance learning school of the Central Party School and obtained a college diploma in party and politics in 1996 and is a Senior Political Instructor. He was the sub-team leader of the port loading and unloading team of Xiamen Harbour Bureau from December 1976 to March 1978. He then served in a division of the People's Liberation Army of the PRC as soldier, squad leader and acting platoon leader from March 1978 to October 1981. From October 1981 to June 1983, he was the dispatch head of the port loading and unloading team of Xiamen Harbour Bureau. From July 1983 to December 1992, he was the deputy secretary and then the secretary of the party branch of Haibin Loading and Unloading Company of Xiamen Harbour Bureau. He was then the deputy head and the person-in-charge of the party branch of the preparatory office of Shihushan Terminal of Xiamen Harbour Bureau from December 1992 to October 1994. Then from December 1994 to April 2001, he was the secretary of the party



## Biographies of Directors, Supervisors and Senior Management

branch of Xiamen Port Group Shihushan Terminal Branch. From April 2001 to September 2009, he has been the party secretary of Xiamen Port Group Dongdu Port Branch (which was renamed as Xiamen Port Development Dongdu Branch Co., Ltd., in December 2004). He has also been the director of Xiamen Lurong Water-Railway Joint Transportation Co., Ltd since September 2001, and the supervisor of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) since July 2004. Since October 2009, he has been the deputy party secretary of Xiamen Port Development and also the secretary of the disciplinary committee of C.P.C. of Xiamen Port Development. He also acted as an executive director and the legal representative of Xiamen Port Group Labour Services Co., Ltd and the legal representative of Xiamen Port Group Hailongchang International Freight Co., Ltd from 2 July 2010 to September 2013. He has also been a director of Zhangzhou Shi Gulei Port Development Co., Ltd since 28 February 2012. Since 23 October 2008, he has also been the Staff Representative Supervisor of the Company. He has also been the general manager of bulk/general cargo business department of Xiamen Port Development since October 2013.

**Mr. TANG Jinmu**, aged 50, is an independent Supervisor of the Company and a senior accountant and a member of the twelve session of Xiamen Committee of Chinese People's Political Consultative Conference. He graduated in 1988 from the accountancy department of Xiamen University with a bachelor's degree. He obtained a master of business administration degree from the Open University of Hong Kong in December 2002. He graduated from the Economics School of Xiamen University with a doctoral degree and academic qualification in finance in July 2011. He worked for Xiamen Finance Bureau from September 1988 to June 1994. He was deputy head of Xiamen Certified Public Accountants and head of Xiamen Asset Valuation Office from July 1994 to December 1998. He worked for Xiamen Huatian Certified Public Accountants from January 1999 to October 2000 and as a partner of Xiamen Tianjian Huatian Certified Public Accountants from November 2000 to December 2001. He has been working in Xiamen Institute of Certified Public Accountants since January 2002, currently being the secretary general of Xiamen Institute of Certified Public Accountants and is also the secretary general of Xiamen Asset Appraisal Association. He has also been acting as an independent director of Tsann Kuen (China) Enterprise Co., Ltd (a company listed on the Shenzhen Stock Exchange in the PRC) since June 2014 and an independent director of Xingye Leather Technology Co., Ltd (a company listed on the Shenzhen Stock Exchange in the PRC) since February 2015. He has also been a Supervisor of the Company since March 2005.



## Biographies of Directors, Supervisors and Senior Management

**Mr. XIAO Zuoping**, aged 41, is an independent Supervisor of the Company. He graduated from the School of Management, Xiamen University in July 2004 and obtained a doctoral degree in Management (Finance). He was engaged in post-doctoral research from April 2005 to April 2007 in the School of Economics and Management, Tsinghua University and was exceptionally promoted to a professor of Southwest Jiaotong University in July 2006, and currently being a professor and a supervisor of doctoral candidates of accountancy of the School of Economics & Management, Southwest Jiaotong University since 2007. He has been also acting as an independent Supervisor of the Company since 28 February 2011. He has been also acting as an independent director of Guizhou Bijie Rural Commercial Bank Co., Ltd. since February 2015, an independent director of Dalian East New Energy Development Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) since May 2015, and an independent director of Sichuan Sundaily Farm Ecological Food Co., Ltd. since December 2015. He is the excellent talent of Ministry of Education in the new century, the national leading talent in accounting of the Ministry of Finance, the expert of excellence with outstanding contribution of Sichuan Province, a non-practicing member of Chinese Institute of Certified Public Accountants (“CPA”), a standing director of the Financial Cost Branch of China Accounting Society, a standing director of the Accounting Society of Sichuan Province, a member of the Accounting Society of America, a senior member of the Accounting Society of the PRC, a director of the Council of “China Accounting Review”. He is also an evaluation expert of the Ministry of Education in degree and postgraduate education, a peer review expert of the State Natural Fund Commission, a peer review expert of the Doctoral Fund of the Ministry of Education, an evaluation expert of Scientific Research Fund and Awards for Science and Technology of the Ministry of Education and a specially requested member of Editorial Committee of the “Securities Market Herald”, a journal published by the Shenzhen Stock Exchange. He also acts as independent Supervisor of the Company since 28 February 2011.

## Biographies of Directors, Supervisors and Senior Management

### JOINT COMPANY SECRETARIES

**Mr. YANG Hongtu**, aged 41, is one of the joint Company Secretaries of the Company and a deputy general manager of the Company. He is a Senior Accountant with graduate degree. He graduated from the Accounting Department of Xiamen University in June 1999 and obtained a bachelor's degree and a master's degree in management. He studied in a doctoral class of Accounting Department of Xiamen University from September 2002 to March 2005. He worked in the finance department of Xiamen Port (Group) Co., Ltd from July 1999 to September 2002 and served as the staff and the deputy manager of finance department. He was the manager of finance department of Xiamen Port Holding from March 2005 to August 2011. He has been the deputy general manager of the Company since 24 August 2011. He also was the Chief Financial Officer of Xiamen Port Properties Co., Ltd. from June 2006 to August 2009. He has also been a director of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) since 27 December 2011. He was also a director of Xiamen Haitian Company from 12 March 2012 to December 2013. He has also been a supervisor of Xiamen Container Terminal Group Co., Ltd since 13 December 2013. He has also been a joint company secretary of the Company since July 2014. He also acted as the secretary of the Internal Auditing Standards Committee of the China Institute of Internal Audit from September 2002 to January 2005 and also acted as the member and the secretary of the Internal Auditing Standards Committee of the China Institute of Internal Audit from January 2005 to December 2006. He has also been the member of Management Accounting and Application Specialized Committee of Accounting Society of China and the member of Experts Committee of China Accounting News since January 2009. He has been the standing director of Xiamen Accounting Industry Association since April 2011 and the standing director of Accounting Society of Xiamen since October 2011.

**Ms. MOK Ming Wai**, was appointed as a joint company secretary of the Company on 8 July 2014. She is a director and the head of listing services department of KCS Hong Kong Limited. She has over 20 years of professional and in-house experience in company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

## Biographies of Directors, Supervisors and Senior Management

### SENIOR MANAGEMENT

#### **CHEN Zhaohui, Deputy General Manager**

Mr. CHEN Zhaohui is one of the executive Directors of the Company. For further details regarding Mr. CHEN Zhaohui, please refer to the section headed “Executive Directors” above.

#### **KE Dong, Deputy General Manager**

Mr. KE Dong is one of the executive Directors of the Company. For further details regarding Mr. KE Dong, please refer to the section headed “Executive Directors” above.

#### **YANG Hongtu, Deputy General Manager**

Mr. YANG Hongtu, is one of the joint company secretaries of the Company and a Deputy General Manager of the Company. For further details regarding Mr. YANG Hongtu, please refer to the section headed “Joint Company Secretaries” above.

# Report of the Directors

The Board is pleased to present the report of the Directors and the audited financial statements of the Group for the Year.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

During the Year, the principal activities of the Group include: (i) container, bulk and general cargo loading and unloading and storage businesses; (ii) ancillary value-added port services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and (iii) building materials manufacturing, processing and selling and the trading of merchandise (the above collectively referred to as the “Core Businesses”). Besides the Core Businesses, the Group is also engaged in long term investment business. The principal activities of our subsidiaries are set out in Note 38(a) to the financial statements.

Details of the Group’s operating results for the Year by business segments are set out in Note 26 to the financial statements.

No analysis by geographical segment is presented since the Core Businesses of the Group are mainly operated in Xiamen City, the PRC and all of the Group’s activities are conducted in the PRC during the year of 2015.

## BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group’s future business development, as well as the description of possible risks and uncertainties that the Group may be facing are set out in the Chairman’s Statement on pages 6 to 11 and the Management’s Discussion and Analysis on pages 12 to 31 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in Note 3 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 are provided in Note 42 to the consolidated financial statements. An analysis of the Group’s performance during the Year using financial key performance indicators is provided in the Group’s Financial Highlights on pages 4 to 5 of this annual report. In addition, discussions on the Group’s corporate social responsibility, environmental policies, investor’s relationships and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 32 to 65 and this Report of the Directors on pages 82 to 97 respectively.

## RESULTS

The Group's results for the Year are set out in the consolidated income statement on page 105.

## FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB4 cents per share (tax inclusive), aggregating RMB109,048,000 (tax inclusive) to all shareholders whose names appeared on the Register of Members on 27 June 2016, subject to the consideration and approval of the same by shareholders at the forthcoming annual general meeting to be held on 15 June 2016.

## RESERVES

Details of movements in reserves of the Group and the Company during the Year are set out in Note 25 to the financial statements.

## DONATIONS

Charitable and other donations made by the Group in the Year were approximately RMB345,400 in aggregate.

## SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2015:

Class of shares	Number of shares	Proportion (%)
Domestic shares	1,739,500,000	63.81
H shares	986,700,000	36.19
Total	2,726,200,000	100.00

There was no movement in the share capital of the Company during the Year.



## Report of the Directors

### RESERVES AVAILABLE FOR DISTRIBUTION

Pursuant to the PRC Company Law, the Company may distribute dividend only out of the annual profit available for distribution, being the balance of the profit after tax of the Company after deducting (i) the accumulated losses of prior years, and (ii) allocations to the statutory surplus reserve and, if any, the discretionary surplus reserve (in order of their priorities). Pursuant to the Articles, for the purpose of determining the profit available for distribution, the profit after tax of the Company shall be the lower of two of the profit after tax calculated in accordance with (i) the PRC Accounting Standards and Rules and (ii) the generally accepted accounting principles in Hong Kong.

As at 31 December 2015, the amount of reserves available for distribution of the Company, calculated on the above basis, was approximately RMB42,350,000. Such amount was prepared under the PRC Accounting Standards and Rules.

### PRE-EMPTION RIGHTS

Pursuant to the Articles and the PRC laws, there is no provision for pre-emption rights which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

### SHARE OPTION SCHEME

The Company did not implement any share option scheme.

### FINANCIAL HIGHLIGHTS

Highlights of the Group's results and assets and liabilities are set out on pages 4 and 5.

### PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the Year, the Group did not purchase, sell or redeem any of the securities of the Company.

### MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES

On 12 June 2015, SPD (三明港務發展有限公司, an indirect non-wholly owned subsidiary of the Company) has entered into an equity transfer agreement with Xiamen Port Properties (廈門港務地產有限公司, a wholly-owned subsidiary of Xiamen Port Holding) and FSE (福建三明生態工貿區生態新城集團有限公司, a substantial shareholder of SPD), pursuant to which SPD has disposed of (i) its 52% equity interest in SPC (三明港務建設有限公司, which is a wholly-owned subsidiary of SPD) to Xiamen Port Properties; and (ii) its 13% equity interest in SPC to FSE, details of which are set out in the following section titled “CONNECTED TRANSACTIONS”.

Save as the aforementioned, there was no other major acquisition or disposal of its subsidiaries, jointly controlled entities, associated companies and joint ventures during the Year.

### DIRECTORS AND SUPERVISORS

At the beginning of the Reporting Period, the fourth session of the Board of the Company comprised thirteen Directors, including four executive Directors, namely Mr. LIN Kaibiao (Chairman), Mr. FANG Yao (Vice Chairman), Mr. HUANG Zirong and Mr. KE Dong, four non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Ms. MIAO Luping and Mr. FU Chengjing, and five independent non-executive Directors, namely Mr. LIU Feng, Mr. HUI Wang Chuen, Mr. LIN Pengjiu, Mr. HUANG Shumeng and Mr. SHAO Zheping.

On 29 June 2015, Ms. MIAO Luping resigned from the positions of non-executive Director and member of the Business Strategy Committee of the Company due to her change of employment. From 9 October 2015 to 1 December 2015, in consideration of the health condition of Mr. LIN Kaibiao, the Chairman of the Board, Mr. HUANG Zirong, in addition to his capacity as an executive Director and the General Manager of the Company, assumed Mr. LIN Kaibiao’s responsibilities as the Chairman of the Board on an interim basis. On 1 December 2015, Mr. CAI Liqun and Mr. CHEN Zhaohui have been appointed as executive Directors of the fourth session of the Board at the second extraordinary general meeting of the Company in 2015. On the same date, the Company convened the 20th meeting of the fourth session of the Board to (i) elect Mr. CAI Liqun, an executive Director, as a Vice Chairman of the fourth session of the Board and he assumed Mr. LIN Kaibiao’s responsibilities as the Chairman of the Board

## Report of the Directors

on an interim basis; (ii) resolve Mr. CHEN Zhaohui, an executive Director, assumed the responsibilities as the General Manager of the Company on an interim basis; and (iii) re-designate Mr. HUANG Zirong as a non-executive Director of the Company from the position of executive Director of the Company since 1 December 2015. Furthermore, on 9 December 2015, (i) Mr. HUI Wang Chuen has indicated his intention to resign from his positions of independent non-executive Director and chairman and member of the Remuneration Committee of the Company in consideration of his personal health reason; and (ii) Mr. HUANG Shumeng has indicated his intention to resign from his positions of independent non-executive Director, member of the Audit Committee of the Company and member of the Nomination Committee of the Company and Mr. SHAO Zheping has indicated his intention to resign from his positions of independent non-executive Director, the chairman and member of the Business Strategy Committee of the Company and member of the Corporate Governance Committee of the Company, both due to the current management requirements by the Communist Party of China in relation to leading cadres occupying part-time positions in enterprises. Their resignations have taken effect after Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were elected as new independent non-executive Directors to fill such vacancies at the first extraordinary general meeting of the Company in 2016 held on 26 February 2016 (details of which are set out in the section titled “Corporate Governance Report” in this annual report).

Accordingly, as at 31 December 2015, the fourth session of the Board comprised of fourteen Directors, including five executive Directors, namely Mr. LIN Kaibiao (Chairman), Mr. CAI Liqun (Vice Chairman), Mr. FANG Yao (Vice Chairman), Mr. CHEN Zhaohui and Mr. KE Dong; four non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. HUANG Zirong; and five independent non-executive Directors, namely Mr. LIU Feng, Mr. HUI Wang Chuen, Mr. LIN Pengjiu, Mr. HUANG Shumeng and Mr. SHAO Zheping.

The fourth session of the Supervisory Committee of the Company comprised six Supervisors, including two Shareholders representative Supervisors, namely Mr. YU Mingfeng (chairman of the Supervisory Committee) and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. WU Weijian, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

According to the Articles, all Directors and Supervisors are appointed for a term of three years and subject to re-election upon the expiry of their terms. Besides, there is no requirement of retirement by rotation in the Articles.

### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

Each of the Directors and Supervisors of the Company had already entered into a service contract with the Company respectively for a term of not more than three years effected until the expiry of the term of the fourth session of the Board or the Supervisory Committee.

The Company did not enter into any service contract with any Director or Supervisor which cannot be terminated by the Company within one year without payment of compensation, other than statutory compensation.

### **REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals during the Reporting Period are set out in Note 41 to the financial statements.

Remuneration paid by the Company to the senior management (excluding the Directors) for the Year with the range of approximately RMB708,400 and RMB885,200 each.

### **DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Other than their service contracts, none of the Directors or Supervisors or their connected entities had any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a Director or Supervisor had a material interest, whether directly or indirectly, at the end of the Year or any time during the Year.

### **BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The biography of each of the existing and resigned Directors, Supervisors and senior management of the Company as at the date of this annual report are set out on pages 66 to 81.

## Report of the Directors

### **RIGHTS TO ENABLE DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES**

During the Year, the Company, any of its subsidiaries, its holding company or any of its fellow subsidiaries did not grant any right and was not a party to any arrangement which would enable any Directors and Supervisors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate, nor was any of such rights exercised.

### **DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

As at 31 December 2015, none of the Directors, Supervisors, chief executives of the Company or their associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Director, Supervisor or chief executive of the Company is deemed or taken to be under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the Year, none of the Directors or Supervisors of the Company had any interests in a business which competes or may compete, either directly or indirectly, with the businesses of the Company or the Group.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2015, to the best of the knowledge of the Directors of the Company, the following persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which should be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares	Capacity	As a % of the relevant class of share capital	As a % of the total share capital
Xiamen Port Holding	Domestic Shares (Long position)	1,721,200,000	Beneficial owner	98.95%	63.14%

Save as disclosed above, as at 31 December 2015, to the best of the knowledge of the Directors of the Company, no other persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO. In addition, no short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 31 December 2015.

## MANAGEMENT CONTRACTS

During the Year, no contract in respect of the management or administration of the entire business or any significant business of the Group was entered into or maintained by the Company.

## EQUITY-LINKED AGREEMENTS

During the Year, the Group has not entered into any equity-linked agreements.

## Report of the Directors

### PERMITTED INDEMNITY PROVISION

At no time during the Year and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and the Supervisors (whether made by the Company or otherwise) or an associated company (if made by the Company). The Company has arranged appropriate Directors', Supervisors' and senior management's liability insurance coverage for the Directors, Supervisors and senior management of the Group.

### DEBENTURES ISSUED

Saved as disclosed in this annual report, for the Year, the Company did not issue any other debentures.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Year, total sales to the five largest customers of the Group accounted for less than 30% of the Group's total sales; and total purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

The Company has maintained continuous close relationship with stakeholders, including customers and suppliers. The Company is devoted to balancing the opinions and interests of the stakeholders through constructive communication, so as to set the long-term development direction for the Company and the regions where our business operates.

### CONNECTED TRANSACTIONS

In 2015, the Company and/or its related subsidiaries has entered into and completed the following one-off connected transactions with related parties:

On 12 June 2015, SPD has entered into an equity transfer agreement with Xiamen Port Properties and FSE, pursuant to which SPD has agreed to concurrently dispose of (i) its 52% equity interest in SPC to Xiamen Port Properties for a consideration of approximately RMB5,381,605; and (ii) its 13% equity interest in SPC to FSE for a consideration of approximately RMB1,345,401. The aforesaid equity transfer has been completed during the year of 2015. As only 35% equity interest in SPC is held by SPD, SPC then ceases to be a subsidiary of the Company as a result. For more details of the above-mentioned transactions, please refer to the announcement of the Company dated 12 June 2015.

## Report of the Directors

The table below sets out a summary of the above-mentioned one-off connected transactions:

Transaction particulars	Connected persons	Date of signing the agreement	Amount (RMB)
A. SPD disposed of its 52% equity interest in SPC to Xiamen Port Properties	Xiamen Port Properties	12 June 2015	5,381,605
SPD disposed of its 13% equity interest in SPC to FSE	FSE		1,345,401

On 27 March 2015, Xiamen Road and Bridge Building Materials Corporation Ltd\* (“XRB” (廈門市路橋建材有限公司), an indirect non-wholly owned subsidiary of the Company) and Xiamen Port Dredging Engineering Co., Ltd\* (“Xiamen Port Dredging Engineering” (廈門港務疏浚工程有限公司), an associate of Xiamen Port Holding) have entered into a master concrete sale and purchase agreement, pursuant to which XRB and/or its subsidiaries (the “Selling Companies”) agreed to sell certain concrete products to Xiamen Port Dredging Engineering, Xiamen Port Holding and/or its subsidiaries (the “Purchasing Companies”) for the Purchasing Companies’ ordinary and usual production and operational usage. The Purchasing Companies and the Selling Companies may from time to time enter into implementation agreements for each specific transaction contemplated under the said agreement to reflect the detailed requirements of the relevant sale and purchase. The said agreement was effective from 1 January 2015 to 31 December 2015 (for the period between 1 January 2015 to 27 March 2015, such above-mentioned transactions, whether on a stand-alone or aggregate basis, only constituted de minimis transactions and were therefore exempted from disclosure pursuant to Rule 14A.76 of the Listing Rules). The said agreement may be extended for a further term of not more than three years from the expiry of the initial term, subject to confirmation by the two parties of the agreement six months prior to the expiry of the initial term. The corresponding annual caps for the period from 1 January 2015 to 31 December 2015 have been estimated respectively at the twelfth meeting of the fourth session of the Board on 27 March 2015 while approving the above-mentioned transactions. For more details of the above-mentioned transactions, please refer to the announcement of the Company dated 27 March 2015.

## Report of the Directors

In addition, in 2015, due to its operation demands, the Group also entered into certain non-exempt continuing connected transactions with the Company's controlling shareholder, Xiamen Port Holding and its subsidiary companies (collectively known as the "Xiamen Port Holding Group") and certain other connected parties outside the Group during the Year. The table below sets out a summary of the above-mentioned non-exempt continuing connected transactions:

Services	Connected Persons	2015	
		Proposed annual cap (RMB)	Actual amount incurred (RMB)
A. Office/premises/terminal facilities lease	Xiamen Port Holding Group	95,000,000	36,054,000
B. Logistics property services	Xiamen Port Holding Group	38,000,000	14,063,557
C. Comprehensive services	Xiamen Port Holding Group	38,000,000	23,331,745
D. Construction project management	Xiamen Port Holding Group	35,000,000	7,302,000
E. Port facilities engineering and construction	Xiamen Port Holding Group	65,000,000	46,889,000
F. Port-related labour services	Xiamen Port Holding Group	110,000,000	36,797,000
G. Electrical equipment maintenance	Xiamen Port Holding Group	25,300,000	6,887,765
H. Port services	COSCO Container Lines Co., Ltd	139,800,000	39,192,000
I. Power supply and maintenance	Xiamen Port Holding Group	48,000,000	21,682,451
J. Port services	Xiamen Gangwu Haiyun Co., Ltd	60,000,000	30,363,000
K. Information services	Xiamen Port Holding Group	16,500,000	16,098,374
L. Port services	Maersk (China) Shipping Co., Ltd	470,000,000	156,287,882
M. Port services	Xiamen Xiangyu Logistics Group Co., Ltd	30,000,000	10,165,000
N. Purchase of oil products	Xiamen Port Holding Group	100,000,000	38,760,910
O. Concrete sale and purchase	Xiamen Port Holding Group	25,000,000	4,009,134

## Report of the Directors

The Company has complied with the requirements of the waivers granted by the Stock Exchange or the disclosure requirements under Chapter 14A of the Listing Rules.

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

- (1) in the ordinary and usual course of business of the Company and the Group (where appropriate);
- (2) either on normal commercial terms or better; and
- (3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, and reported that:

- (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board.
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the agreements related to such transactions.



## Report of the Directors

- (4) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions.

A copy of the auditor's letter has been submitted by the Company to the Stock Exchange.

Details of significant related party transactions undertaken in the ordinary and usual course of business are set out in Note 37 to the consolidated financial statements. None of the related party transactions constitutes a connected transaction that should be disclosed, except for the above connected transactions, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

### PENSION SCHEME

Pursuant to the relevant laws and regulations of the PRC and Xiamen Municipal Government regarding the administration of corporate annuity, the Group has implemented corporate annuity schemes combined with its actual situation. According to the statistics, for the Year, the aggregate corporate contribution of the Group to the corporate annuity was approximately RMB15,559,700, of which, the aggregate contribution of the Company to the corporate annuity was approximately RMB486,200.

The abovementioned corporate annuity is a contribution scheme. The forfeited contribution may be used by the Group. As at 31 December 2015, the forfeited contribution available for the use of the Group amounted to RMB698,626.24. The Group had not used the forfeited contribution during the Year.

The details of the Group's pension scheme are set out to Note 28 to the financial statements.

### BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2015 are set out in note 23 of the Notes to the Consolidated Financial Statements.

### ENTRUSTED DEPOSITS AND OVERDUE DEPOSITS

As at 31 December 2015, the Group did not make any entrusted deposit with financial institutions in the PRC nor was there any overdue term deposit irrecoverable.

### DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 13 March 2014, the Board approved the entering into of a facility agreement with a bank (as lender) relating to an unsecured 3-year term loan of RMB265,000,000 to be made available to the Company (as borrower).

On 10 July 2014, the Company (as borrower) has entered into a facility agreement with a bank (as lender) involving a revolving credit facility of an actual amount to the extent of HKD70,000,000 to be made available to the Company for a tenor of 1 year.

On 12 June 2015, the Company and its subsidiary Songyu Terminal entered into a facility agreement with a bank relating to an unsecured 3-year term loan of RMB300,000,000 to be made available to Songyu Terminal guaranteed by the Company.

Pursuant to the facility agreements of the above loan facilities, the Company has undertaken to, inter alia, ensure that the ultimate beneficial shareholding in the Company held by the relevant governmental authorities in Xiamen for the supervision and administration of state-owned assets and its associates (including without limitation, the Xiamen Municipal State-owned Assets Supervision and Administration Commission (廈門市人民政府國有資產監督管理委員會)) will be maintained at not less than 51% during the continuance of the respective facility agreements. Failure to comply with such undertakings may constitute a breach of the Company's contractual obligation under the said facility agreements and upon which damages may be available to the lender as of right.

### TAXATION

The Company was subject to an applicable income tax rate of 25% during the Year.

## Report of the Directors

Trend Wood and Hong Kong Ocean Shipping Agency, both being subsidiaries of the Company, are incorporated in Hong Kong, thus their applicable income tax rate is 16.5%. The Company's subsidiary, Songyu Terminal, obtained the approval (Xiamen Guoshui Zhihan [2008] No.1) from the branch office of the State Tax Administration in Xiamen City, and enjoys 100% reduction in corporate income tax in the first five years since the first taxable profit year and 50% reduction in the sixth to the tenth years. The first profit year for Songyu Terminal is 2008, the applicable income tax rate is 12.5% in 2015. Other than the above mentioned, the applicable corporate income tax rate for the Company's all the other subsidiaries is 25%.

Since 1 November 2012, Xiamen City was set as the pilot city of the reform from business tax to value-added tax, while the port industry was within the scope of the pilot reform, in which a value-added tax rate of 11% is applicable to the general taxpayers in the transportation industry (including land transport and water transport services, etc) and a value-added tax rate of 6% is applicable to the general taxpayers of some other modern services industries (including logistics auxiliary services such as port terminal service, cargo transport agency service, storage service and loading, unloading and transport services). Therefore, the main applicable value-added tax rates of the Company and its subsidiaries were 6% or 11%. In addition, according to the relevant provisions issued by Ministry of Finance and the State Administrative of Taxation, for the units in the above-mentioned pilot region, the taxable services including the provision of logistics auxiliary services to overseas units are exempted from value-added tax. As a result, with the consent given by the branch office of the State Tax Administration in Xiamen City, the profit of the Company and some of its subsidiaries generated from the provision of logistic auxiliary services to overseas clients was exempted from value-added tax.

Save as the aforementioned, the Company is not aware of any other tax concession relevant to the holding of any securities of the Company.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been committed to maintaining a high standard of corporate governance, and the Board considers that the efficient corporate governance has made an important contribution to the success of the Company's operation and the value enhancement of shareholders as a whole. For the Year, the Company has been in compliance with the code provisions and most of the recommended best practices of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Details of the discussion of such compliance are set out in the "Corporate Governance Report" section of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, more than 25% of the shares issued by the Company were held in public float as at the latest practicable date prior to the issue of this annual report, which adequately exceeded the requirements of the Listing Rules.

### AUDITORS

The financial statements in this annual report have been audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong, who will retire at the forthcoming annual general meeting. The Company will propose a resolution to re-appoint the auditors at the forthcoming annual general meeting.

By Order of the Board

**LIN Kaibiao**

*Chairman*

Xiamen, the PRC

24 March 2016

# Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd:

The Supervisory Committee of the Company (the “Supervisory Committee”) hereby presents the Report of the Supervisory Committee.

## I. STATUS OF THE SUPERVISORY COMMITTEE IN 2015

In the year of 2015, all members of the Supervisory Committee had been keeping their promises and discharging their supervisory duties faithfully pursuant to the provisions of the Company Law, the Articles, the Listing Rules and other applicable laws and regulations on the basis of diligence and integrity, so as to safeguard the interests of the Company and its shareholders as a whole.

In the year of 2015, the Supervisory Committee convened two meetings, mainly for reviewing and approving the financial documents such as the annual report and interim report of the Company and the working report of the Supervisory Committee for the year of 2014 by resolutions.

During the Reporting Period, all members of the Supervisory Committee monitored and reviewed the agendas at the Board meetings and general meetings, the relevant resolutions passed and their implementations by attending all the Board meetings convened in 2015 and all general meetings held during the period, was reported about the working and financial position concerning the operations of the Company, reviewed the financial report and audit report and was reported by the external auditors as to their auditing of the Company. The Supervisory Committee believes that the Directors and senior management of the Company were capable of performing their duties conscientiously according to the resolutions passed at the general meetings or by the Board.



### II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF RELEVANT MATTERS OF THE COMPANY IN 2015

#### 1. Operation of the Company in compliance with the law

The Supervisory Committee had closely monitored the operation and management of the Company and had carefully monitored and inspected the performance of duties conducted by its Directors and senior management as well as the execution of the Company's internal control system pursuant to the provisions of the Listing Rules, the relevant applicable laws and regulations and the Articles. The Supervisory Committee is of the opinion that during the Reporting Period, the Company's operation was normal and standardised and the decision-making procedures were legal, the Company had strictly complied with all the applicable laws, regulations and the Listing Rules, and the internal control system had been implemented strictly and improved continuously. The Board and senior management had duly and diligently discharged their duties and operated the Company with a standardized operation system in place. The Supervisory Committee neither found contravention of applicable laws or regulations or the Articles nor acts which were detrimental to the interests of the Company and its shareholders.

#### 2. Financial position of the Company

The Supervisory Committee had carefully audited the 2015 financial report of the Company, the 2015 profit distribution proposal of the Company and the 2015 auditors' report issued by the auditors of the Company in Hong Kong, PricewaterhouseCoopers, Certified Public Accountants, and other relevant information. The Supervisory Committee is of the opinion that during the Reporting Period, the financial condition of the Company was sound with standardized financial management strictly implemented. The 2015 financial report of the Company provides an objective, fair and true view of the financial conditions and operating results of the Company for the Reporting Period. The Supervisory Committee concurred with the auditors' opinions and also approved the 2015 profit distribution proposal of the Company.

## Report of the Supervisory Committee

### 3. Connected transactions of the Company

The Supervisory Committee is of the opinion that, during the Reporting Period, the considerations of the transactions in connection with the acquisition or disposal of assets of the Company were reasonable, no insider dealings were identified and there was no circumstances which would have been detrimental to any shareholders or would have resulted in any loss of the Company's assets in transaction activities. During the Reporting Period, each connected transaction was concluded in the ordinary course of business of the Company on normal or better commercial terms and the terms of transaction were fair and reasonable and adhering to the principle of fairness, openness and impartiality. Consideration for these transactions were negotiated and determined on the basis of fair market value. No circumstances which would have been detrimental to the interests of the Company and its shareholders as a whole were discovered.

In 2016, all members of the Supervisory Committee will continue to strictly discharge their functions as per the authorities conferred by the laws, regulations and the Articles and abide by the principle of good faith, put more effort to supervise in order to safeguard and protect the interests of the Company and its shareholders as a whole.

By Order of the Supervisory Committee  
**XIAMEN INTERNATIONAL PORT CO., LTD**

**YU Mingfeng**  
*Chairman of the Supervisory Committee*

Xiamen, the PRC  
24 March 2016

# Independent Auditor's Report



羅兵咸永道

## **TO THE SHAREHOLDERS OF XIAMEN INTERNATIONAL PORT CO., LTD**

*(incorporated in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of Xiamen International Port Co., Ltd (the "Company") and its subsidiaries set out on pages 103 to 228, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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 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.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## Independent Auditor's Report



羅兵咸永道

### Auditor's Responsibility (continued)

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 auditor's 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 auditor considers 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.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 24 March 2016

# Consolidated Balance Sheet

As at 31 December 2015

As at 31 December			
	Note	2015 RMB'000	2014 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	5	118,901	121,866
Property, plant and equipment	6	6,601,162	6,085,363
Land use rights	7	2,072,101	2,275,530
Intangible assets	8	266,903	268,459
Interests in joint ventures	10	1,178,344	1,146,467
Interests in associates	11	59,923	41,260
Available-for-sale financial assets	12	76,233	73,350
Long-term receivables and prepayments	16	320,372	432,535
Deferred income tax assets	13	264,742	256,401
<b>Total non-current assets</b>		<b>10,958,681</b>	10,701,231
<b>Current assets</b>			
Available-for-sale financial assets	12	130,000	72,200
Inventories	14	327,644	443,955
Accounts and notes receivable	15	1,027,895	1,092,295
Other receivables and prepayments	16	867,240	830,982
Term deposits with initial term over three months	17	6,615	4,500
Restricted cash	18	44,511	281,908
Cash and cash equivalents	19	776,370	648,058
<b>Total current assets</b>		<b>3,180,275</b>	3,373,898
<b>Total assets</b>		<b>14,138,956</b>	14,075,129
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	2,726,200	2,726,200
Reserves	25	2,164,718	2,072,565
		<b>4,890,918</b>	4,798,765
<b>Non-controlling interests</b>		<b>4,512,021</b>	4,304,475
<b>Total equity</b>		<b>9,402,939</b>	9,103,240



## Consolidated Balance Sheet

As at 31 December 2015

		As at 31 December	
	Note	2015 RMB'000	2014 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	23	1,029,511	893,962
Deferred government grants and income	22	151,658	159,471
Long-term payables and advances	21	1,880	3,537
Early retirement benefit obligations		195	414
Deferred income tax liabilities	13	347,582	332,332
<b>Total non-current liabilities</b>		<b>1,530,826</b>	<b>1,389,716</b>
<b>Current liabilities</b>			
Accounts and notes payable	20	795,036	844,105
Other payables and accruals	21	723,658	1,132,889
Borrowings	23	1,614,853	1,525,412
Taxes payable		71,644	79,767
<b>Total current liabilities</b>		<b>3,205,191</b>	<b>3,582,173</b>
<b>Total liabilities</b>		<b>4,736,017</b>	<b>4,971,889</b>
<b>Total equity and liabilities</b>		<b>14,138,956</b>	<b>14,075,129</b>

The notes on pages 111 to 228 are an integral part of these consolidated financial statements.

The financial statements on pages 82 to 97 were approved by the Board of Directors on 24 March 2016 and were signed on its behalf.

**Cai Liqun**  
Director

**Chen Zhaohui**  
Director

# Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Revenues	26	<b>6,506,115</b>	6,092,000
Cost of sales		<b>(5,644,650)</b>	(5,246,411)
<b>Gross profit</b>		<b>861,465</b>	845,589
Other income	26	<b>117,905</b>	108,218
Other gains — net	27	<b>170,770</b>	397,627
Selling and marketing expenses		<b>(44,330)</b>	(46,134)
General and administrative expenses		<b>(272,955)</b>	(278,330)
<b>Operating profit</b>		<b>832,855</b>	1,026,970
Finance income	30	<b>50,375</b>	59,025
Finance costs	30	<b>(111,715)</b>	(127,124)
		<b>771,515</b>	958,871
Share of profits less losses of joint ventures	10	<b>25,262</b>	5,681
Share of profits less losses of associates	11	<b>4,374</b>	3,383
<b>Profit before income tax expense</b>		<b>801,151</b>	967,935
Income tax expense	31(a)	<b>(206,715)</b>	(226,786)
<b>Profit for the year</b>		<b>594,436</b>	741,149
<b>Profit attributable to:</b>			
Owners of the Company		<b>275,091</b>	429,911
Non-controlling interests		<b>319,345</b>	311,238
		<b>594,436</b>	741,149
<b>Earnings per share for profit attributable to owners of the Company during the year</b>			
— Basic and diluted (in RMB cents)	33	<b>10.09</b>	15.77

The notes on pages 111 to 228 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
<b>Profit for the year</b>	<b>594,436</b>	741,149
<b>Other comprehensive income, net of tax</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
— Fair value gains on available-for-sale financial assets, net of tax	<b>3,280</b>	17,030
<b>Total comprehensive income for the year</b>	<b>597,716</b>	758,179
<b>Total comprehensive income for the year attributable to:</b>		
— Owners of the Company	<b>278,371</b>	446,941
— Non-controlling interests	<b>319,345</b>	311,238
	<b>597,716</b>	758,179

The notes on pages 111 to 228 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Other reserves	Retained earnings	Total		
	RMB'000 (Note 24)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000		
<b>Balance at 1 January 2014</b>	2,726,200	2,054	1,807,252	4,535,506	3,961,403	8,496,909
<b>Comprehensive income</b>						
Profit for the year	—	—	429,911	429,911	311,238	741,149
<b>Other comprehensive loss</b>						
Fair value losses on available-for-sale financial assets	—	17,030	—	17,030	—	17,030
— Gross	—	22,707	—	22,707	—	22,707
— Related deferred income tax	—	(5,677)	—	(5,677)	—	(5,677)
<b>Total comprehensive income</b>	—	17,030	429,911	446,941	311,238	758,179
<b>Total transaction with owners, recognised directly in equity</b>						
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	74,500	74,500
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(42,666)	(42,666)
2013 final dividends	—	—	(149,941)	(149,941)	—	(149,941)
Profit appropriation	—	5,015	(5,015)	—	—	—
Others	—	(33,741)	—	(33,741)	—	(33,741)
<b>Total transaction with owners, recognised directly in equity</b>	—	(28,726)	(154,956)	(183,682)	31,834	(151,848)
<b>Balance at 31 December 2014</b>	2,726,200	(9,642)	2,082,207	4,798,765	4,304,475	9,103,240

The notes on pages 111 to 228 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000		
<b>Balance at 1 January 2015</b>	<b>2,726,200</b>	<b>(9,642)</b>	<b>2,082,207</b>	<b>4,798,765</b>	<b>4,304,475</b>	<b>9,103,240</b>
<b>Comprehensive income</b>						
Profit for the year	—	—	275,091	275,091	319,345	594,436
<b>Other comprehensive income</b>						
Fair value gains on available-for-sale financial assets	—	3,280	—	3,280	—	3,280
— Gross	—	4,374	—	4,374	—	4,374
— Related deferred income tax	—	(1,094)	—	(1,094)	—	(1,094)
<b>Total comprehensive income</b>	<b>—</b>	<b>3,280</b>	<b>275,091</b>	<b>278,371</b>	<b>319,345</b>	<b>597,716</b>
<b>Total transaction with owners, recognised directly in equity</b>						
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	4,655	4,655
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(116,454)	(116,454)
2014 final dividends	—	—	(163,572)	(163,572)	—	(163,572)
Profit appropriation	—	4,706	(4,706)	—	—	—
Others (Note 25)	—	(22,646)	—	(22,646)	—	(22,646)
<b>Total transaction with owners, recognised directly in equity</b>	<b>—</b>	<b>(17,940)</b>	<b>(168,278)</b>	<b>(186,218)</b>	<b>(111,799)</b>	<b>(298,017)</b>
<b>Balance at 31 December 2015</b>	<b>2,726,200</b>	<b>(24,302)</b>	<b>2,189,020</b>	<b>4,890,918</b>	<b>4,512,021</b>	<b>9,402,939</b>

The notes on pages 111 to 228 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	34(a)	<b>1,051,998</b>	830,433
Interest paid		<b>(132,337)</b>	(132,098)
Income tax paid		<b>(201,473)</b>	(228,854)
Net cash generated from operating activities		<b>718,188</b>	469,481
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment, intangible assets and land use rights		<b>(608,262)</b>	(804,718)
Proceeds from disposals of property, plant and equipment and land use rights		<b>315,396</b>	392,000
Capital injection to joint venture	10	<b>(19,200)</b>	(18,390)
Capital injection to associate	11	<b>(14,000)</b>	—
Cash paid for acquisition of subsidiaries in prior year		—	(634,175)
Investment in Build and Transfer project		<b>(81,012)</b>	(140,052)
Investment return from Build and Transfer project		<b>134,440</b>	—
Interested loan to a related party	16(b)	<b>(85,000)</b>	(60,000)
Take back loan from a related party		<b>104,170</b>	—
Government grants for property, plant and equipment		—	52,352
Interest received		<b>71,326</b>	72,357
Dividends received		<b>38,658</b>	6,236
Prepayment for acquisition of a joint venture		—	(19,811)
Settlement of wealth management product		<b>72,200</b>	—
Purchase of wealth management product		<b>(130,000)</b>	(72,200)
Cash received from disposal of a subsidiary which became an associate		<b>1,522</b>	—
Cash received from disposal of available for sale		<b>285</b>	—
Net decrease in restricted cash		<b>237,397</b>	121,590
Net (increase)/decrease in term deposits with initial term of over three months		<b>(2,115)</b>	47,183
Net cash generated from/(used in) investing activities		<b>35,805</b>	(1,057,628)



## Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>3,168,756</b>	2,302,999
Repayments of borrowings		<b>(2,958,972)</b>	(2,072,732)
Contribution from non-controlling shareholders of subsidiaries		<b>941</b>	444,365
Cash paid for transaction to non-controlling shareholders of subsidiaries		<b>(469,759)</b>	(120,000)
Dividends paid to owners of the Company		<b>(252,016)</b>	(150,124)
Dividends paid to non-controlling shareholders of subsidiaries		<b>(116,551)</b>	(41,198)
Net cash (used in)/generated from financing activities		<b>(627,601)</b>	363,310
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		<b>648,058</b>	872,760
Exchange gains on cash and cash equivalents		<b>1,920</b>	135
<b>Cash and cash equivalents at end of year</b>	19	<b>776,370</b>	648,058

The notes on pages 111 to 228 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 1. General information

Xiamen International Port Co., Ltd (the “Company”) was a joint stock limited company established in the People’s Republic of China (the “PRC”). The Company’s H-shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Main Board”).

The Company and its subsidiaries (together the “Group”) is principally engaged in container, bulk and general cargo loading and unloading businesses at Dongdu port area, Haicang port area in Xiamen and Qingzhou operation area in Fuzhou and providing ancillary value-added port services (including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying), building materials manufacturing, processing and selling, trading of merchandise, and investment holding.

The Company, Xiamen Port Holding Group Co., Ltd. (“XPHG”), Xiamen Port Logistics Co., Ltd. (“XPL”), New World (Xiamen) Port Investment Limited (“NWXP”), Xiamen Xiangyu Logistics Co., Ltd. (“Xiangyu Logistics”), Xiamen ITG Terminals Co.,Ltd. (“ITG Terminal”) and Pointer Investment (Hong Kong) Limited (“Pointer Investment”) (collectively, the “JV Parties”), Xiamen Haitian Container Terminal Co., Ltd. (“Haitian Terminal”), Xiamen Haicang Port Co., Ltd. (“XMHCP”), ITG Terminal and Xiamen New World Xiangyu Terminals Co., Ltd. (“NWX Y Terminal”) (collectively, the “Merged Companies”) and NWS Ports Management (Haicang) Limited (“NWSHC”) entered into a conditional merger and contribution agreement on 25 February 2013 (the “JV Agreement”) and signed a supplemental agreement on 23 October 2013, for the establishment of Xiamen Container Terminal Group Co., Ltd. (“Xiamen Terminal Group”) by the JV Parties, to integrate the assets and businesses of the related container terminals in Xiamen port strategically. After the transaction, the Company effectively holds 59.75% equity interest in Xiamen Terminal Group.

The directors of the Company regard XPHG as being the parent company of the Company.

These consolidated financial statements were approved for issue by the Board of Directors (the “Board”) of the Company on 24 March 2016.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### *Changes in accounting policies and disclosures*

###### *(a) New and amended standards adopted by the group*

The following new amendments to existing standards are mandatory for the first time for the financial year beginning on 1 January 2015 and are relevant to the Group's operations.

		Effective for annual periods beginning on or after
HKFRS 2 (Amendments)	Share-based Payment	1 January 2015
HKFRS 3 (Amendments)	Business Combinations	1 January 2015
HKFRS 8 (Amendments)	Operating Segments	1 January 2015
HKFRS 9 (Amendments)	Financial Instruments	1 January 2015
HKFRS 13 (Amendments)	Fair Value Measurement	1 January 2015
HKAS 16 (Amendments)	Property, Plant and Equipment	1 January 2015
HKAS 19 (Amendments)	Employee Benefits	1 January 2015
HKAS 24 (Amendments)	Related Party Disclosure	1 January 2015
HKAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets	1 January 2015
HKAS 38 (Amendments)	Intangible Assets	1 January 2015
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement, on novation of derivatives	1 January 2015
HKAS 40 (Amendments)	Investment property	1 January 2015

The adoption of the above new amendments starting from 1 January 2015 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2015.

###### *(b) New Hong Kong Companies Ordinance (Cap.622)*

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### *Changes in accounting policies and disclosures* (continued)

- (c) New standards and amendments issued but are not yet effective for the financial year beginning on January 1, 2016, and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments from annual improvements, on HKFRS 5, HKFRS 7, HKAS 19 and HKAS 34	Non-current assets held for sale and discontinued operations Financial instruments: Disclosures Employee benefits Interim financial reporting	1 January 2016
Amendments to HKFRS 10	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKFRS 12	Disclosure of Interests in Other Entities	1 January 2016
Amendments to HKAS 28	Investments in Associates and Joint Ventures	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS16	Leases	1 January 2019

The Group is yet to assess the full impact of these new standards and amendments and intends to adopt them no later than the respective effective dates of these new standards and amendments.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.2 Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

##### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

##### (a) *Business combinations under common control*

Business combinations under common control refers to combinations where the combining entities are controlled by the same party or parties before and after the combination and that control is not transitory.

The acquirer measures both the consideration paid and net assets obtained at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid is recorded in other reserve. Any direct transaction cost attributable to the business combination is recorded in the consolidated income statement in the current period. However, the handling fees, commissions and other expenses incurred for the issuance of equity instruments or bonds for the business combination are recorded in the initial measurement of the equity instruments and bonds respectively.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.2 Subsidiaries (continued)

##### 2.2.1 Consolidation (continued)

###### (b) *Business combinations not under common control*

The group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2.10)(d).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

### 2. Summary of significant accounting policies (continued)

#### 2.2 Subsidiaries (continued)

##### 2.2.1 Consolidation (continued)

(c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) *Disposal of subsidiaries*

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.2 Subsidiaries (continued)

##### **2.2.2 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.3 Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Gains and losses on dilution of equity interest in associates are recognised in the income statement.

In the Company's balance sheet, investments in associates are accounted for at cost less impairment. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the associates in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

#### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chairman and the chief executive officer, carried out on a regular basis to make strategic decisions, are responsible for allocating resources and assessing performance of the operating segments.

### 2. Summary of significant accounting policies (continued)

#### 2.6 Foreign currency translation

##### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency. Renminbi is also the functional currency of all the subsidiaries, joint ventures and associates of the Group.

##### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the income statement within 'other gains — net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised as part of the fair value gain or loss in the consolidated income statement. Translation differences on non-monetary financial assets and liabilities, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.7 Investment properties

Investment properties are held for long-term rental yields.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful lives of 25 to 50 years. The residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the consolidated income statement when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to the consolidated income statement. The cost of maintenance, repairs and minor improvements is charged to the consolidated income statement during the financial period when it is incurred.

An investment property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposal of an investment property are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of property, plant and equipment to the residual values over their estimated useful lives, as follows:

— Buildings	10 to 40 years
— Port infrastructure	25 to 50 years
— Storage infrastructure	20 to 25 years
— Loading machineries	8 to 25 years
— Other machineries	6 to 15 years
— Vessels	5 to 18 years
— Vehicles	5 to 10 years
— Furniture, fittings and equipment	5 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.8 Property, plant and equipment (continued)

Construction-in-progress represents property, plant and equipment under construction or pending installation and is stated at cost. Cost includes the costs of construction of property, plant and equipment, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to the relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated income statement.

#### 2.9 Land use rights

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the lease periods of 26 to 50 years.

#### 2.10 Intangible assets

##### (a) Port line use rights

Port line use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the port lines for periods of 48 years. Amortisation of port line use rights are calculated on the straight-line method over the period of the port line use rights of 48 years.

### 2. Summary of significant accounting policies (continued)

#### 2.10 Intangible assets (continued)

##### **(b) Sea area use rights**

Sea area use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the sea area for periods of 48 years. Amortisation of sea area use rights are calculated on the straight-line method over the period of the sea area use rights of 48 years.

##### **(c) Computer software**

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years on a straight-line basis.

##### **(d) Goodwill**

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.11 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 2.12 Financial assets

##### (a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current assets.

### 2. Summary of significant accounting policies (continued)

#### 2.12 Financial assets (continued)

##### (a) Classification (continued)

###### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as accounts and other receivables, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "accounts and notes receivable", "other receivables and prepayments" and "cash and cash equivalents" in the balance sheet (Note 2.16 and 2.17).

###### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of reporting period.

##### (b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.12 Financial assets (continued)

##### **(b) Recognition and measurement** (continued)

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of the available-for-sale financial assets are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as “gains and losses from investment securities”.

Financial assets are measured at cost where fair value cannot be determined.

#### 2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 2. Summary of significant accounting policies (continued)

#### 2.14 Impairment of financial assets

##### **(a) Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost is impaired. A financial asset or a group of such financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.14 Impairment of financial assets (continued)

##### (a) Assets carried at amortised cost (continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

### 2. Summary of significant accounting policies (continued)

#### 2.14 Impairment of financial assets (continued)

##### *(b) Assets classified as available for sale*

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 available for sale is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

#### 2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 2.16 Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.17 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

#### 2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.19 Accounts and other payables

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2. Summary of significant accounting policies (continued)

#### 2.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.22 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/regions where the Company, its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (b) Deferred income tax

###### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

### 2. Summary of significant accounting policies (continued)

#### 2.22 Current and deferred income tax (continued)

##### (b) *Deferred income tax* (continued)

###### *Inside basis differences* (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

###### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

##### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.23 Employee benefits

##### **(a) Retirement benefit obligations**

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans. In addition, the Group has participates in a supplementary pension scheme under which the Group is required to make monthly payments to insurance companies for its existing qualifying employees, at certain percentages of the annual salaries of the qualifying employees. The Group has no further obligation for post-retirement benefits beyond the above contributions made. Contributions to these plans or scheme are expensed as incurred.

##### **(b) Early retirement benefits**

Early retirement benefits are recognised as expense in the period the Group reaches agreements with the relevant employees for the early retirement.

##### **(c) Housing benefits**

Full-time employees of the Group are entitled to participate in various government sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

### 2. Summary of significant accounting policies (continued)

#### 2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 2.25 Government grants and subsidies

Grants and subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants and subsidies relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants and subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.26 Recognition of revenue and income

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### **(a) Revenue from container loading and unloading and storage**

Revenue from container loading and unloading is recognised when the services are rendered. Revenue from container storage is recognised on a straight-line basis over the period of storage.

##### **(b) Revenue from bulk/general cargo loading and unloading**

Revenue from bulk/general cargo loading and unloading is recognised when the services are rendered.

##### **(c) Revenue from ancillary value-added port services**

Revenue from ancillary value-added port services is recognised when the services are rendered.

##### **(d) Revenue from sales of building materials**

Sales of building materials are recognised when the Group has delivered products to the customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

### 2. Summary of significant accounting policies (continued)

#### 2.26 Recognition of revenue and income (continued)

##### **(e) Revenue from merchandise trading**

Revenue is recognised when the Group transfers all the significant risks and rewards incidental to ownership of goods to the buyer and no longer reserved any right to continue to manage and implement effective control which often associated with the ownership of the goods, and costs incurred or to be incurred can be measured reliably. The revenue for the sales of good is recognized on prices received or receivable from the buyer according to the contract or agreement.

##### **(f) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

##### **(g) Rental income**

Rental income on assets leased out under operating leases is recognised on the straight-line basis over the lease periods.

##### **(h) Dividend income**

Dividend income is recognised when the right to receive payment is established.

#### 2.27 Operating leases

##### **(a) The Group as lessee**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) by the Group are charged to the consolidated income statement on a straight-line basis over the period of the lease.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.27 Operating leases (continued)

##### *(b) The Group as lessor*

Assets leased out under operating leases by the Group are included in the Group's balance sheet in accordance with their nature and where applicable, are depreciated in accordance with the Group's depreciation policy as set out in Note 2.8. Rental income arising from assets leased out under operating lease is recognised in accordance with the Group's income recognition policy as set out in Note 2.26(g) above.

#### 2.28 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain event not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements, when an inflow of economic benefits is probable. When the inflow is virtually certain, an asset is recognised.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 2. Summary of significant accounting policies (continued)

#### 2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 3. Financial risk management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### (a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. However, foreign currencies are required to settle the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Details of the Group's term deposits, restricted cash, cash and bank balances, accounts receivable, accounts payable and borrowings as at 31 December 2015 which are denominated in currencies other than RMB (primarily with respect to United States Dollars ("USD"), European Dollars ("EUR") and Hong Kong Dollars ("HKD"))(collectively the "Non-functional Currency Financial Assets/Liabilities"), are disclosed in Notes 15, 17, 18, 19, 20 and 23 respectively.

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Foreign exchange risk (continued)

At 31 December 2015, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB12,980,997 lower/higher (2014: RMB14,591,269 lower/higher); if RMB had weakened/strengthened by 5% against the EUR with all other variables held constant, the Group's pre-tax profit for the year would have been RMB5,571 higher/lower (2014: RMB5,815 higher/lower); if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB5,685,330 lower/higher (2014: RMB54,264 higher/lower), mainly as a result of foreign exchange losses/gains on translation of the Non-functional Currency Financial Assets/Liabilities.

##### (b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets (other than term deposits, cash and bank balances). The Group's exposure to changes in interest rates is mainly attributable to its borrowings.

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2015, approximately 33% (2014: 28%) of the Group's borrowings are fixed interest rates borrowings. The effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 23.

At 31 December 2015, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's pre-tax profit for the year would have been RMB8,797,000 (2014: RMB7,334,000) lower/higher, mainly as a result of higher/lower finance costs on bank borrowings.

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### **(c) Price risk**

The Group is exposed to equity securities price risk because the Group holds certain investments which are classified on the consolidated balance sheet as available-for-sale financial assets (Note 12). The Group currently does not have a policy in respect of investment portfolio diversification. Management closely monitors the price risk exposure and will make appropriate investment decisions by reference to the movement trend of recent market prices, expected future returns and all other relevant factors.

As at 31 December 2015, if market price of the listed equity securities had been 10% higher/lower with all other variables held constant, the carrying amounts of available-for-sale financial assets and the Group's total equity would have been increased/decreased by the same amount of RMB7,327,000 (2014: RMB7,026,000), excluding the tax effect.

##### **(d) Credit risk**

The Group's maximum exposure to credit risk in respect of financial assets is the carrying amounts of term deposits, cash and cash equivalents, restricted cash, accounts and other receivables as at the balance sheet date. Management has credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

For term deposits, cash and cash equivalents and restricted cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (d) Credit risk (continued)

In respect of accounts receivable, the Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and asks for collateral when proper and necessary. Customers are assessed and rated based on their credit quality, taking into account its financial position, past experience and other factors. Individual risk limits are set by management and utilisation of these credit limits is regularly monitored. Generally, accounts receivable are due within 60 days from the date of billing.

Further quantitative disclosure in respect of the Group's exposure to credit risk from accounts and other receivables are set out in Note 15 and Note 16.

No other financial assets carry a significant exposure to credit risk.

##### (e) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements — for example, currency restrictions.

The Group's demand for cash is due to the port construction, purchase of cargo loading machines and debt repayment. The operating cash flow needed is satisfied by cash received from business operation and bank debt financing.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (e) *Liquidity risk* (continued)

As at 31 December 2015, the retained earnings of the Group amounted to RMB2,189 million, and the current liabilities exceed the current assets by RMB25 million, the cash and cash equivalent of the Group increases by RMB128 million. Based on the operating and financing cash inflows of the Group, the board of directors has fully assessed the Group's ability to repay the debt when preparing the consolidated financial statements.

As at 31 December 2015, the available unused bank facilities of the Group amounted to RMB5,105 million. The board of directors of the Company believes that the credit period of these bank facilities can be extended if needed.

Based on the cash inflows from operating activities and the bank facilities available to the Group, the board of directors believes that the Group would continue to receive enough finance to support the operation and debt repayment and capital expenditure. As a result of this, the board of directors confirms that the going-concern basis is appropriate for preparing this year financial statements, and there is no need to include any adjustment which is not based on going-concern basis for the Group.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3. Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (e) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
<b>Group</b>				
<b>At 31 December 2015</b>				
Bank borrowings	1,714,818	352,268	605,163	248,655
Long-term payables and advances	—	139	209	1,532
Accounts and notes payable	795,036	—	—	—
Other payables and accruals	723,658	—	—	—
	<b>3,233,512</b>	<b>352,407</b>	<b>605,372</b>	<b>250,187</b>

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
<b>Group</b>				
<b>At 31 December 2014</b>				
Bank borrowings	1,630,225	446,019	482,373	83,627
Long-term payables and advances	—	556	875	2,106
Accounts and notes payable	844,105	—	—	—
Other payables and accruals	1,132,889	—	—	—
	<b>3,607,219</b>	<b>446,575</b>	<b>483,248</b>	<b>85,733</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3. Financial risk management (continued)

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain a low gearing ratio. The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 RMB'000	2014 RMB'000
Total borrowings (Note 23)	2,644,364	2,419,374
Less: Cash and cash equivalents (Note 19)	(776,370)	(648,058)
Net debt	1,867,994	1,771,316
Total equity	9,402,939	9,103,240
Total capital	11,270,933	10,874,556
Gearing ratio (%)	16.57%	16.29%

The increase in the gearing ratio during 2015 resulted primarily from the increase in bank borrowings during the year (Note 23).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3. Financial risk management (continued)

#### 3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Available-for-sale financial assets				
— Equity investments	<b>73,268</b>	—	<b>2,965</b>	<b>76,233</b>
— Wealth management products	—	—	<b>130,000</b>	<b>130,000</b>

The following table presents the Group's assets that are measured at fair value at 31 December 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Available-for-sale financial assets				
— Equity investments	68,894	—	4,456	73,350
— Wealth management products	—	—	72,200	72,200

There were no transfers between levels 1 and 2 during the year.

### 3. Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### **(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available for sale (Note 12).

##### **(b) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 3. Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### **(b) Financial instruments in level 2** (continued)

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

##### **(c) Financial instruments in level 3**

As at 31 December 2015, the Group classified the wealth management products as financial instruments in level 3. The fair value of wealth management products is approximately equal to their carrying amount due to short maturity.

### 4. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### 4. Critical accounting estimates and assumptions (continued)

#### 4.1 Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its 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. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

If the useful lives of property, plant and equipment differ by 10% from management's estimates, the Group would need to:

- increase the carrying amounts of property, plant and equipment and decrease the depreciation charge by RMB24,687,984, if favourable; or
- decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB24,687,984, if unfavourable.

#### 4.2 Purchase price allocation for business combination

The Group uses the acquisition method of accounting to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Accounting for business combination under acquisition method require the Group to identify all assets and liabilities acquired, assess the fair value of all these assets and liabilities, allocate the cost of the acquisition to the identified assets acquired (including any identified intangible assets where appropriate), liabilities and contingent liabilities assumed based on their estimated fair values. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as assets useful lives, may materially impact the Group's financial position and results of operation. In determining the fair values of the identifiable assets acquired and liabilities assumed, a valuation was conducted by an independent valuer and estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 4. Critical accounting estimates and assumptions (continued)

#### 4.3 Taxation

The Group is subject to various kinds of taxes in daily operation. Influenced by effective or substantively effective tax laws and relevant interpretations from tax authorities, there exists the uncertainty in the tax treatment on many transactions and events where requires the estimation from the Group. The management makes the best estimation and records the tax results based on the effective or substantively effective tax laws, relative interpretations and the actual situation of the transactions in the Group. At each balance sheet date, the management reevaluates the estimations according to the updates of the transactions and changes in laws and regulations. Because of the uncertainty aforementioned, the final tax result could be different from management's estimation, such differences will impact the tax recorded in the periods when the final tax results are determined.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group's management determines the deferred income tax assets based on the enacted or substantively enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred income tax assets are expected to be recovered. Management will revise the assumptions and profit projections by each balance sheet date.

### 4. Critical accounting estimates and assumption (continued)

#### 4.4 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations by each balance sheet date.

Were the actual selling price of inventories different by 10% from management's estimates, the Group would need to decrease the carrying amounts of inventories and increase the provision for impairment of inventories by RMB11,431,161 (2014: RMB13,608,979), if unfavourable.

#### 4.5 Provision for impairment of receivables

The Group's management determines the provision for impairment of receivables (including the long-term receivables, accounts receivable and other receivables (Notes 15 and 16)). This estimate is based on the credit history and financial position of the debtors and all other relevant factors. Management will reassess the provision by each balance sheet date.

#### 4.6 The progress and cost of construction in progress

The terminal project experiences a long construction period and the Group transfers the construction in progress to fixed assets upon the completion of the project. Because that the whole construction involves various projects, the completion settlement also takes a long time to accomplish. Consequently, the Group makes the best estimation on the completion status of the project, the time to transfer the construction in progress to fixed asset and the total cost to be transferred. These judgment and estimation may differ with the final completion settlement result which will have impact on the cost of the fix assets initially estimated and corresponding depreciation.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 4. Critical accounting estimates and assumption (continued)

#### 4.7 Government grants

Government grants should be recognised in the income statement to match them with the expenditure towards which they are intended to compensate. Management will recognise the grants as grants to asset or income according to terms. Sometimes there will be some conditions attached to the grants, management will carefully assess whether the Group will comply with the conditions and grants will be only recognised when the Group is certain to comply with the conditions even if the grants has already been received.

#### 4.8 Impairments of non-current assets

The Group tests at least annually whether goodwill has suffered any impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management's judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

Specific assumptions and estimates involved in the cash flow projections for goodwill are set out in Note 8.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 5. Investment properties

	Group	
	2015 RMB'000	2014 RMB'000
Opening net book amount	<b>121,866</b>	134,519
Additions	<b>1,378</b>	60
Disposal	—	(7,455)
Depreciation	<b>(4,343)</b>	(5,258)
Closing net book amount	<b>118,901</b>	121,866
Cost	<b>152,548</b>	151,170
Accumulated depreciation	<b>(33,647)</b>	(29,304)
Net book amount	<b>118,901</b>	121,866

No independent valuation was carried out for the investment properties. The fair value of the Group's investment properties as at 31 December 2015 amounted to approximately RMB123,230,000 (2014: RMB125,520,000) as estimated by the management by making reference to the current market prices for similar properties in the similar location and condition and subject to similar leasing arrangement.

The depreciation charges recognised as expense of the Group amounted to RMB4,343,000 for the year ended 31 December 2015 (2014: RMB5,258,000) (Note 29).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 6. Property, plant and equipment

	Buildings	Port infrastructure	Storage infrastructure	Loading machineries	Other machineries	Vehicles	Vessels	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2014</b>										
Cost	326,538	3,389,854	328,023	2,286,137	444,724	213,734	459,164	190,888	455,346	8,094,408
Accumulated depreciation	(92,354)	(488,101)	(99,869)	(769,678)	(246,156)	(123,602)	(187,056)	(132,250)	—	(2,139,066)
Accumulated impairment losses	—	(1,849)	(394)	—	(6,878)	—	—	(4)	(3,170)	(12,295)
<b>Net book amount</b>	<b>234,184</b>	<b>2,899,904</b>	<b>227,760</b>	<b>1,516,459</b>	<b>191,690</b>	<b>90,132</b>	<b>272,108</b>	<b>58,634</b>	<b>452,176</b>	<b>5,943,047</b>
<b>Year ended 31 December 2014</b>										
Opening net book amount	234,184	2,899,904	227,760	1,516,459	191,690	90,132	272,108	58,634	452,176	5,943,047
Additions	15,303	718	5,331	2,314	25,786	18,503	560	14,025	487,081	569,621
Transfer	63,058	19,193	20,353	3,076	32,141	292	97,012	2,309	(237,434)	—
Transfer to intangible assets (Note 8)	—	—	—	—	—	—	—	—	(257)	(257)
Disposals (Note 27(a))	(5,888)	(61,924)	(1,340)	(41,018)	(9,888)	(1,236)	—	(10,164)	—	(131,458)
Depreciation	(12,640)	(82,426)	(10,688)	(100,831)	(26,441)	(17,824)	(26,430)	(18,355)	—	(295,635)
Reclassification	(2,435)	(26,428)	28,731	(2,603)	(1,873)	896	(13)	3,725	—	—
Impairment reversal	—	—	45	—	—	—	—	—	—	45
<b>Closing net book amount</b>	<b>291,582</b>	<b>2,749,037</b>	<b>270,192</b>	<b>1,377,397</b>	<b>211,415</b>	<b>90,763</b>	<b>343,237</b>	<b>50,174</b>	<b>701,566</b>	<b>6,085,363</b>
<b>At 31 December 2014</b>										
Cost	407,573	3,176,810	388,724	2,226,088	483,854	221,968	556,815	188,711	704,736	8,355,279
Accumulated depreciation	(115,991)	(425,924)	(118,183)	(848,691)	(265,561)	(131,205)	(213,578)	(138,533)	—	(2,257,666)
Accumulated impairment losses	—	(1,849)	(349)	—	(6,878)	—	—	(4)	(3,170)	(12,250)
<b>Net book amount</b>	<b>291,582</b>	<b>2,749,037</b>	<b>270,192</b>	<b>1,377,397</b>	<b>211,415</b>	<b>90,763</b>	<b>343,237</b>	<b>50,174</b>	<b>701,566</b>	<b>6,085,363</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 6. Property, plant and equipment (continued)

	Buildings	Port infrastructure	Storage infrastructure	Loading machineries	Other machineries	Vehicles	Vessels	Furniture, fittings and equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2015</b>										
Opening net book amount	291,582	2,749,037	270,192	1,377,397	211,415	90,763	343,237	50,174	701,566	6,085,363
Additions	4,238	2,485	968	8,769	9,910	14,834	1,577	7,010	746,572	796,363
Transfer from CIP	25,926	6,294	20,001	—	1,504	2,067	—	7,969	(63,761)	—
Transfer to CIP	—	—	—	(47,671)	—	—	—	—	47,671	—
Transfer to intangible assets (Note 8)	—	—	—	—	—	—	—	—	(467)	(467)
Disposals (Note 27(a))	(649)	(1,400)	—	(3,041)	(314)	(1,378)	—	(1,804)	(3,310)	(11,896)
Depreciation	(18,683)	(65,920)	(15,739)	(85,947)	(20,381)	(18,306)	(25,719)	(16,529)	—	(267,224)
Disposal of a subsidiary	—	—	—	—	—	—	—	(135)	(842)	(977)
Closing net book amount	302,414	2,690,496	275,422	1,249,507	202,134	87,980	319,095	46,685	1,427,429	6,601,162
<b>At 31 December 2015</b>										
Cost	436,719	3,184,290	409,693	2,148,559	458,710	200,878	558,392	190,350	1,430,599	9,018,190
Accumulated depreciation	(134,305)	(491,945)	(133,922)	(899,052)	(249,698)	(112,898)	(239,297)	(143,661)	—	(2,404,778)
Accumulated impairment losses	—	(1,849)	(349)	—	(6,878)	—	—	(4)	(3,170)	(12,250)
Net book amount	302,414	2,690,496	275,422	1,249,507	202,134	87,980	319,095	46,685	1,427,429	6,601,162

The depreciation charges recognised as expense and include in cost of sales and operating expenses of the Group amounted to RMB267,224,000 (2014: RMB295,635,000) (Note 29).

During the year ended 31 December 2015, the Group has capitalised borrowing costs amounting to RMB24,355,000 (2014: RMB10,675,000) on qualifying assets (Note 30).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 7. Land use rights

	RMB'000
<b>At 1 January 2014</b>	
Cost	2,372,551
Accumulated amortisation	(248,330)
Net book amount	2,124,221
<b>Year ended 31 December 2014</b>	
Opening net book amount	2,124,221
Additions (a)	246,241
Disposals (b)	(38,712)
Amortisation	(56,220)
Closing net book amount	2,275,530
<b>At 31 December 2014</b>	
Cost	2,557,839
Accumulated amortisation	(282,309)
Net book amount	2,275,530
<b>Year ended 31 December 2015</b>	
Opening net book amount	<b>2,275,530</b>
Additions (c)	<b>8,978</b>
Disposal of a subsidiary (a)	<b>(107,517)</b>
Disposals (d)	<b>(44,839)</b>
Amortisation	<b>(60,051)</b>
Closing net book amount	<b>2,072,101</b>
<b>At 31 December 2015</b>	
Cost	<b>2,400,274</b>
Accumulated amortisation	<b>(328,173)</b>
Net book amount	<b>2,072,101</b>

The Group's interests in land use rights represent operating lease prepayments for the use of land in the PRC which are held on leases between 26 and 50 years (2014: between 26 and 50 years).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 7. Land use rights (continued)

The amortisation charges recognised as expense and include in cost of sales and operating expenses of the Group amounted to RMB60,051,000 (2014: RMB56,220,000) (Note 29).

- (a) In 2014, the additions of the Group mainly represented the land use rights procurement of Xiamen Hailong Terminal Co., Ltd. and SPC. The land use rights of SPC was disposed by the Group in 2015 (Note 39). As at 31 December 2015, the transfers of Xiamen Hailong Terminal Co., Ltd.'s land use right certificates are still in process. The Directors of the Group are of the opinion that the use of and the conduct of operating activities in these lands are not affected and this issue does not have any material impact on the financial position of the Group.
- (b) In 2014, the disposals represented the Dongdu Ferry Berth land use rights resumed by the government.
- (c) In 2015, the addition represent the land use rights procurement of SPD. As at 31 December 2015, the transfers of SPD's land use right certificates are still in process. The Directors of the Group are of the opinion that the use of and the conduct of operating activities in these lands are not affected and this issue does not have any material impact on the financial position of the Group.
- (d) In 2015, the disposal of the group represent the land use right of Berth No.2 of Dongdu Port and the land use right of Sanming Port Development Co., Ltd..

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 8. Intangible assets

Movement in intangible assets is set out as follows:

	Goodwill (Note (i)) RMB'000	Port line use rights RMB'000	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
<b>At 1 January 2014</b>					
Cost	129,261	120,922	13,004	47,173	310,360
Accumulated amortisation	—	(16,407)	(2,032)	(20,525)	(38,964)
Net book amount	129,261	104,515	10,972	26,648	271,396
<b>Year ended 31 December 2014</b>					
Opening net book amount	129,261	104,515	10,972	26,648	271,396
Additions	—	—	—	10,328	10,328
Transfer in from property, plant and equipment (Note 6)	—	—	—	257	257
Reclassification	—	(829)	—	829	—
Amortisation	—	(2,529)	(271)	(10,722)	(13,522)
Closing net book amount	129,261	101,157	10,701	27,340	268,459
<b>At 31 December 2014</b>					
Cost	129,261	119,593	13,004	58,314	320,172
Accumulated amortisation	—	(18,436)	(2,303)	(30,974)	(51,713)
Net book amount	129,261	101,157	10,701	27,340	268,459

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 8. Intangible assets (continued)

	Goodwill (Note (i)) RMB'000	Port line use rights RMB'000	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
<b>Year ended 31 December 2015</b>					
Opening net book amount	<b>129,261</b>	<b>101,157</b>	<b>10,701</b>	<b>27,340</b>	<b>268,459</b>
Additions	—	—	—	<b>6,643</b>	<b>6,643</b>
Transfer in from property, plant and equipment (Note 6)	—	—	—	<b>467</b>	<b>467</b>
Disposal	—	—	—	<b>(146)</b>	<b>(146)</b>
Amortisation	—	<b>(2,529)</b>	<b>(271)</b>	<b>(5,720)</b>	<b>(8,520)</b>
Closing net book amount	<b>129,261</b>	<b>98,628</b>	<b>10,430</b>	<b>28,584</b>	<b>266,903</b>
<b>At 31 December 2015</b>					
Cost	<b>129,261</b>	<b>119,594</b>	<b>13,004</b>	<b>65,261</b>	<b>327,120</b>
Accumulated amortisation	—	<b>(20,966)</b>	<b>(2,574)</b>	<b>(36,677)</b>	<b>(60,217)</b>
Net book amount	<b>129,261</b>	<b>98,628</b>	<b>10,430</b>	<b>28,584</b>	<b>266,903</b>

Goodwill of RMB129,261,000 was resulted from the merger of ITG Terminal and NWXY Terminal through the formation of Xiamen Terminal Group, and the goodwill is allocated to the container loading and unloading and storage business segment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 8. Intangible assets (continued)

#### (i) Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating unit for impairment testing:

Cash-generating unit	Segment	Carrying amount of goodwill	
		2015 RMB'000	2014 RMB'000
Xiamen Terminal Group	container loading and unloading and storage business	<b>129,261</b>	129,261

The recoverable amount of the above cash-generating unit has been determined based on their value in use. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

For Xiamen Terminal Group CGU, the key assumptions in 2015 and 2014 are as follows.

	2015	2014
Sales volume (% annual growth rate)	<b>6%</b>	6%
Sales price (% annual growth rate)	<b>1%</b>	1%
Gross margin (% of revenue)	<b>43%</b>	41%
Growth rate used to extrapolate cash flows beyond five-year period	<b>2%</b>	2%
Discount rate applied to the container loading, unloading and storage cash flow projections	<b>14%</b>	14%
Gross Margin	<b>42%</b>	42%

### 8. Intangible assets (continued)

#### (i) Impairment testing of goodwill (continued)

Sales volume is the average annual growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.

Sales price is the average annual growth rate over the five-year forecast period. It is based on current industry trends and includes long term inflation forecasts for each territory.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and sales mix.

Assumptions were used in the value in use calculations of the above cash-generating units for 31 December 2015 and 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

**Budgeted gross margins** — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

**Discount rate** — The discount rate used reflects specific risks relating to the relevant units.

The amortisation charges recognised as expense and include in general and administrative expense amounted to RMB8,520,000 (2014: RMB13,522,000) (Note 29).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 9. Subsidiaries

#### (a) Material non-controlling interests

The total non-controlling interests as at 31 December 2015 is RMB4,512,021,000 of which RMB1,493,400,000 is for XPD and RMB3,018,621,000 is attributed to Xiamen Terminal Group.

The total comprehensive income for non-controlling interests as at 31 December 2015 is RMB319,345,000 of which RMB153,733,000 is for XPD and RMB165,612,000 is attributed to Xiamen Terminal Group.

The total dividend for non-controlling interests as at 31 December 2015 is RMB116,454,000 of which 39,196,000 is for XPD and RMB77,258,000 is attributed to Xiamen Terminal Group.

Set out below are the summarised financial information for XPD and Xiamen Terminal Group that has non-controlling interests that are material to the Group.

#### Summarised balance sheet

	Xiamen Terminal Group	
	2015 RMB'000	2014 RMB'000
Current assets	681,967	514,860
Current liabilities	(890,076)	(1,121,464)
<b>Total current net liabilities</b>	<b>(208,109)</b>	<b>(606,604)</b>
Non-current assets	7,631,585	7,771,841
Non-current liabilities	(649,740)	(560,617)
<b>Total non-current net assets</b>	<b>6,981,845</b>	<b>7,211,224</b>
<b>Net assets</b>	<b>6,773,736</b>	<b>6,604,620</b>
<b>Equity attributable to owners of the Xiamen Terminal Group</b>	<b>6,298,209</b>	<b>6,149,545</b>
<b>Non-controlling interests</b>	<b>475,527</b>	<b>455,075</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 9. Subsidiaries (continued)

#### (a) Material non-controlling interests (continued)

##### Summarised statement of comprehensive income

	Xiamen Terminal Group	
	2015 RMB'000	2014 RMB'000
Revenue	1,380,835	1,225,562
Profit before income tax	454,447	408,719
Income tax expense	(93,803)	(84,986)
Profit after income tax	360,644	323,733
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>360,644</b>	<b>323,733</b>
<b>Total comprehensive income allocated to non-controlling interests of the Xiamen Terminal Group</b>	<b>20,452</b>	<b>18,891</b>
<b>Dividend paid to non-controlling interests</b>	<b>—</b>	<b>—</b>

##### Summarised cash flows

	Xiamen Terminal Group	
	2015 RMB'000	2014 RMB'000
Cash generated from operations	677,384	650,012
Interest paid	(48,548)	(60,570)
Income tax paid	(105,642)	(58,009)
Net cash generated from operating activities	523,194	531,433
Net cash used in investing activities	(308,917)	(499,449)
Net cash used in financing activities	(145,322)	(132,222)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>68,955</b>	<b>(100,238)</b>
Cash and cash equivalents at beginning of year	141,761	241,998
Exchange gains on cash and cash equivalents	4	1
<b>Cash and cash equivalents at end of year</b>	<b>210,720</b>	<b>141,761</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 9. Subsidiaries (continued)

#### (a) Material non-controlling interests (continued)

##### Summarised balance sheet

	XPD	
	2015 RMB'000	2014 RMB'000
Current assets	2,154,110	2,438,885
Current liabilities	(1,328,820)	(1,782,744)
<b>Total current net assets</b>	<b>825,290</b>	656,140
Non-current assets	2,912,146	2,557,294
Non-current liabilities	(786,669)	(492,130)
<b>Total non-current net assets</b>	<b>2,125,477</b>	2,065,164
<b>Net assets</b>	<b>2,950,767</b>	2,721,304
<b>Equity attributable to owners of XPD</b>	<b>2,670,375</b>	2,443,490
<b>Non-controlling interests</b>	<b>280,392</b>	277,814

##### Summarised statement of comprehensive income

	XPD	
	2015 RMB'000	2014 RMB'000
Revenue	5,199,683	4,898,305
Profit before income tax	383,495	543,236
Income tax expense	(97,118)	(137,314)
Profit after income tax	286,377	405,922
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>286,377</b>	405,922
<b>Total comprehensive income allocated to non-controlling interests of XPD</b>	<b>29,753</b>	35,628
<b>Dividend paid to non-controlling interests</b>	<b>31,830</b>	31,763

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 9. Subsidiaries (continued)

#### (a) Material non-controlling interests (continued)

##### Summarised cash flows

	XPD	
	2015 RMB'000	2014 RMB'000
Net cash generated from operating activities		
Cash generated from operations	<b>351,644</b>	249,121
Interest paid	<b>(50,780)</b>	(40,996)
Income tax paid	<b>(85,797)</b>	(80,997)
Net cash generated from operating activities	<b>215,067</b>	127,128
Net cash generated from/(used in) investing activities	<b>47,792</b>	(503,804)
Net cash (used in)/generated from financing activities	<b>(232,023)</b>	274,059
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>30,836</b>	(102,617)
Cash and cash equivalents at beginning of year	<b>452,867</b>	554,589
Exchange gains on cash and cash equivalents	<b>49</b>	895
<b>Cash and cash equivalents at end of year</b>	<b>483,752</b>	452,867

The information above is the amount before inter-company eliminations.

Particulars of the subsidiaries are set out in Note 38(a)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 10. Interests in joint ventures

	2015 RMB'000	2014 RMB'000
<b>As at 1 January</b>	<b>1,146,467</b>	1,123,055
Dividends received	(32,331)	(659)
Additions	38,946	18,390
Share of results	25,262	5,681
<b>As at 31 December</b>	<b>1,178,344</b>	1,146,467

As at 31 December 2015, the Group had interests in eight joint ventures, which are Xiamen International Container Terminals Limited (“XICT”), Xiamen Haicang International Container Terminals Limited (“XHICT”), Xiamen Port YCH Logistics Co., Ltd. (“XPYCH”), Xiamen Port Container Co., Ltd. (“XPC”), Xiamen Port Baohe Logistics Co., Ltd. (“XPBL”), Xiamen Haicang XinHaiDa Container Terminals Co., Ltd. (“XinHaiDa”), Fuzhou Mawei Shipping Co. Ltd. (“FMS”), and Xiamen Agency All-trans.

All of the joint ventures are established in China and the significant financial and operating decisions shall be agreed by all the owners of the joint ventures. The Group’s equity interests in XICT, XHICT, XPYCH, XPC, XPBL, XinHaiDa, FMS, and Xiamen Agency All-trans is 51%, 51%, 60%, 51%, 35%, 46%, 51%, and 49% respectively as at 31 December 2015 (2014: 51%, 51%, 60%, 51%, 35%, 46%, 51%, 0%)

As at 31 December 2015, there are no significant commitments and contingent liabilities relating to the Group’s interests in the joint ventures and the joint ventures did not have significant contingent liabilities (2014: Nil).

All the joint ventures are private companies and there are no quoted market prices available for their shares.

Particulars of the Group’s joint ventures are set out in Note 38(b).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 10. Interests in joint ventures (continued)

Set out below are the summarised financial information for material joint ventures which are accounted for using the equity method.

#### Summarised balance sheet

	XICT		XHICT		XinHaiDa	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>Current</b>						
Cash and cash equivalents	205,527	150,727	6,404	15,666	17,601	17,483
Other current assets	94,889	77,450	9,224	6,045	46,306	64,977
<b>Total current assets</b>	<b>300,416</b>	<b>228,177</b>	<b>15,628</b>	<b>21,711</b>	<b>63,907</b>	<b>82,460</b>
Financial liabilities	(70,109)	(26,039)	(6,411)	(9,562)	(496,271)	(316,076)
Other current liabilities	(28,169)	(12,508)	(180,376)	(179,781)	(9,277)	(10,977)
<b>Total current liabilities</b>	<b>(98,278)</b>	<b>(38,547)</b>	<b>(186,787)</b>	<b>(189,343)</b>	<b>(505,548)</b>	<b>(327,053)</b>
<b>Non-current</b>						
Assets	771,407	780,168	876,207	897,852	2,275,991	2,288,339
Financial liabilities	—	—	(154,000)	(208,000)	(1,142,320)	(1,322,120)
<b>Total non-current liabilities</b>	<b>—</b>	<b>—</b>	<b>(154,000)</b>	<b>(208,000)</b>	<b>(1,142,320)</b>	<b>(1,322,120)</b>
<b>Net assets</b>	<b>973,545</b>	<b>969,798</b>	<b>551,048</b>	<b>522,220</b>	<b>692,030</b>	<b>721,626</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 10. Interests in joint ventures (continued)

#### Summarised statement of comprehensive income

	XICT		XHICT		XinHaiDa	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>Revenue</b>	<b>156,336</b>	129,010	<b>162,258</b>	134,766	—	—
Depreciation and amortisation	(49,067)	(46,730)	(26,015)	(24,776)	(12,234)	(15,446)
Interest income	3,360	2,852	142	228	—	147
Interest expense	—	—	(9,856)	(14,506)	—	—
<b>Profit before income tax</b>	<b>56,401</b>	38,685	<b>64,203</b>	40,834	<b>(29,596)</b>	(28,111)
Income tax expense	(12,654)	(7,685)	(15,594)	(9,950)	—	—
<b>Profit/(loss) after income tax</b>	<b>43,747</b>	31,000	<b>48,609</b>	30,884	<b>(29,596)</b>	(28,111)
<b>Other comprehensive income</b>	<b>—</b>	—	<b>—</b>	—	<b>—</b>	—
<b>Total comprehensive income/(loss)</b>	<b>43,747</b>	31,000	<b>48,609</b>	30,884	<b>(29,596)</b>	(28,111)
<b>Dividends received from joint venture</b>	<b>20,400</b>	—	<b>10,088</b>	—	<b>—</b>	—

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 10. Interests in joint ventures (continued)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint ventures.

#### Reconciliation of summarised financial information

	XICT		XHICT		XinHaiDa	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>Opening net assets</b>	<b>969,798</b>	938,798	<b>522,220</b>	491,335	<b>721,626</b>	749,737
Profit/(loss) for the year	<b>43,747</b>	31,000	<b>48,609</b>	30,885	<b>(29,596)</b>	(28,111)
Other comprehensive income	—	—	—	—	—	—
Dividends payable	<b>(40,000)</b>	—	<b>(19,781)</b>	—	—	—
<b>Closing net assets</b>	<b>973,545</b>	969,798	<b>551,048</b>	522,220	<b>692,030</b>	721,626
Interest in joint ventures	<b>51%</b>	51%	<b>51%</b>	51%	<b>46%</b>	46%
<b>Carrying amount</b>	<b>496,508</b>	494,597	<b>281,035</b>	266,332	<b>318,334</b>	331,948

The profit/(loss), asset (including goodwill) and liabilities of immaterial joint ventures belong to the Group is shown as following:

	2015 RMB'000	2014 RMB'000
Revenue	<b>38,360</b>	40,517
Loss for the year	<b>(8,226)</b>	(12,949)

	2015 RMB'000	2014 RMB'000
Total assets	<b>227,293</b>	202,778
Total liabilities	<b>144,825</b>	149,188

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 11. Interests in associates

	2015 RMB'000	2014 RMB'000
Share of net assets	59,923	41,260
Unlisted investments, at cost	40,530	23,030

Movement in investments in associates is set out as follows:

	2015 RMB'000	2014 RMB'000
<b>At 1 January</b>	<b>41,260</b>	39,875
Disposal of a subsidiary which became an associate(Note 39)	2,283	—
Addition	14,000	—
Dividends received	(1,994)	(1,998)
Share of results before income tax expense	5,832	4,508
Share of income tax expense	(1,458)	(1,125)
	4,374	3,383
<b>At 31 December</b>	<b>59,923</b>	41,260

The profit, asset (including goodwill) and liabilities belong to the Group is shown as following:

	2015 RMB'000	2014 RMB'000
Revenue	26,645	29,699
Profit for the year	4,374	3,383

	2015 RMB'000	2014 RMB'000
Total assets	115,479	45,344
Total liabilities	55,556	4,084

Particulars of the Group's associates are set out in Note 38(c).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 11. Interests in associates (continued)

All the associates are private companies and there are no quoted market prices available for their shares.

There are no contingent liabilities relating to the Group's interest in the associates.

There is no single associate that is individually significant to the Group.

### 12. Available-for-sale financial assets

	2015 RMB'000	2014 RMB'000
<b>At 1 January</b>	<b>145,550</b>	50,643
Net fair value gains transferred to equity	<b>4,374</b>	22,707
Disposal of unlisted equity investments	<b>(1,491)</b>	—
Increase of Wealth management product-net (c)	<b>57,800</b>	72,200
<b>At 31 December</b>	<b>206,233</b>	145,550

Available-for-sale financial assets include the following:

	2015 RMB'000	2014 RMB'000
Equity investments listed in the PRC, at fair value (a)	<b>73,268</b>	68,894
Unlisted equity investments (b)	<b>7,965</b>	9,456
Wealth management products (c)	<b>130,000</b>	72,200
Less: provision for impairment (b)	<b>(5,000)</b>	(5,000)
	<b>206,233</b>	145,550

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 12. Available-for-sale financial assets (continued)

- (a) The Group holds 6,436,350 (2014: 6,436,350) shares of Fujian Sansteel MinGuang Co., Ltd. (the “Sansteel Shares”) and 4,301,000 (2014: 4,301,000) shares of Bank of Communications Co., Ltd. (the “BOCOMM Shares”), which are listed in the Shenzhen Stock Exchange and the Shanghai Stock Exchange respectively. The fair values of these investments are determined based on the quoted market prices of respective shares as at the balance sheet dates.

The aggregated costs of investments in the Sansteel Shares and BOCOMM Shares amounted to RMB18,134,000 (2014: RMB18,134,000).

- (b) As at 31 December 2015 and 2014, impairment provision amounted to RMB5,000,000 for certain of the unlisted investments.
- (c) In 2015, the Group subscribed for wealth management products for an aggregated amount of RMB130,000,000 (2014: RMB72,200,000), with floating annual return amounted to 4.6% (2014: 4.4%–5.4%). The maturity of the wealth management products are within one year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 13. Deferred income tax

Movements in deferred income tax assets and liabilities during the year are as follows:

	2015 RMB'000	2014 RMB'000
<b>Deferred income tax assets</b>	<b>256,401</b>	272,114
<b>At 1 January</b>		
Credited/(charged) to:		
— consolidated income statement (Note 31)	<b>792</b>	(15,713)
— equity	<b>7,549</b>	—
<b>At 31 December</b>	<b>264,742</b>	256,401
To be recovered:		
Within 12 months	<b>8,566</b>	8,880
After more than 12 months	<b>256,176</b>	247,521
	<b>264,742</b>	256,401
<b>Deferred income tax liabilities</b>	<b>332,332</b>	298,642
<b>At 1 January</b>		
Charged to:		
— consolidated income statement (Note 31)	<b>14,156</b>	28,013
— other comprehensive income (Note 25)	<b>1,094</b>	5,677
<b>At 31 December</b>	<b>347,582</b>	332,332
To be settled:		
Within 12 months	<b>137,443</b>	7,824
After more than 12 months	<b>210,139</b>	324,508
	<b>347,582</b>	332,332

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 13. Deferred income tax (continued)

The principal components of deferred income tax assets and liabilities provided for are as follows:

#### Deferred tax assets

	Revaluation in connection with businesses contributed to subsidiary (a) RMB'000	Deferred income RMB'000	Unrealized profit RMB'000	Impairment of assets and provisions RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets at 1 January 2015	214,457	12,273	11,005	16,472	2,194	256,401
Credited/(charged) to consolidated income statement (Note 31)	(6,927)	1,970	(330)	2,710	3,369	792
Credited/(charged) to equity	—	—	—	—	7,549	7,549
<b>Deferred tax assets at 31 December 2015</b>	<b>207,530</b>	<b>14,243</b>	<b>10,675</b>	<b>19,182</b>	<b>13,112</b>	<b>264,742</b>

	Revaluation in connection with businesses contributed to subsidiary (a) RMB'000	Deferred income RMB'000	Unrealized profit RMB'000	Impairment of assets and provisions RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets at 1 January 2014	246,553	1,050	11,177	13,334	—	272,114
Credited/(charged) to consolidated income statement (Note 31)	(32,096)	11,223	(172)	3,138	2,194	(15,713)
Credited/(charged) to equity	—	—	—	—	—	—
<b>Deferred tax assets at 31 December 2014</b>	<b>214,457</b>	<b>12,273</b>	<b>11,005</b>	<b>16,472</b>	<b>2,194</b>	<b>256,401</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 13. Deferred income tax (continued)

- (a) The balance represents the deferred income tax assets of RMB46,240,000 (2014: RMB47,783,000) arising from the Berth No.6 of Haicang Port injected by XPHG into Xiamen Terminal Group as part of its capital contributions and the deferred income tax assets of RMB161,290,000 (2014: RMB166,674,000) arising from the Berth No 4–5 of Haicang Port and Berth No.5–11 of Dongdu Port injected by the Company into Xiamen Terminal Group as part of its capital contributions. The valuation amounts form the base for calculating the future taxable profits, while the accounting base of these assets have not been adjusted for such surplus in the consolidated financial statements.
- (b) The balance mainly represents the deferred income tax assets of RMB10,000,000 arising from the government grant received by the Group.
- (c) The balance represents the deferred income tax assets relating to the unrealised gain resulting from the transfer of certain property, plant and equipment, and land use rights to joint ventures in prior years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 13. Deferred income tax (continued)

#### Deferred tax liabilities

	Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd. ("Haitian Terminal")		Gain on land and asset resumption (d)	Revaluation in connection with businesses contributed to a subsidiary (e)	Others	Total
	Fair value gain on available-for-sale financial assets	RMB'000				
Deferred income tax liabilities at 1 January 2015	1,965	12,690	105,482	208,977	3,218	332,332
Credited/(charged) to consolidated income statement (Note 31)	(379)	—	24,667	(6,914)	(3,218)	14,156
Credited/(charged) to equity	—	1,094	—	—	—	1,094
Deferred income tax liabilities at 31 December 2015	1,586	13,784	130,149	202,063	—	347,582

	Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd. ("Haitian Terminal")		Gain on land and asset resumption (d)	Revaluation in connection with businesses contributed to a subsidiary (e)	Others	Total
	Fair value gain on available-for-sale financial assets	RMB'000				
Deferred income tax liabilities at 1 January 2014	2,345	7,013	70,406	216,334	2,544	298,642
Credited/(charged) to consolidated income statement (Note 31)	(380)	—	35,076	(7,357)	674	28,013
Credited/(charged) to equity	—	5,677	—	—	—	5,677
Deferred income tax liabilities at 31 December 2014	1,965	12,690	105,482	208,977	3,218	332,332

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 13. Deferred income tax (continued)

- (d) The balance represents the deferred tax liability relating to the gain resulted from the disposal of land and certain assets situated thereon (such as infrastructure) of Dongdu Berth No. 1, No. 2, No. 3 and No. 4 (Note 27).
- (e) The balance represents the deferred tax liability of RMB202,063,000 (2014: RMB208,977,000) resulting from Xiamen ITG and Xiangyu Logistics injecting their equity interests of ITG Terminal and NWCY Terminal respectively into Xiamen Terminal Group.

Deferred tax assets have not been recognised for tax losses as it is not considered probable that taxable profits will be available for utilising the tax losses arising from the Company and subsidiaries.

Unrecognised deferred tax assets due from the annual deductible loss:

	2015 RMB'000	2014 RMB'000
2015	—	1,744
2016	934	1,605
2017	1,256	9,141
2018	3,386	5,290
2019	3,245	3,245
2020	91,540	—
	<b>100,361</b>	<b>21,025</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 14. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	40,666	23,484
Finished goods and merchandise	284,138	414,211
Spare parts and consumables	11,839	26,635
	<b>336,643</b>	464,330
Less: provision for impairment	(8,999)	(20,335)
	<b>327,644</b>	443,995

The raw materials primarily comprise fuel and oil. Finished goods and merchandise primarily represent food, steel and building materials for the Group's business of trading of merchandise and building materials. The spare parts and consumables are mainly for repair and maintenance of port facilities and other equipments.

The cost of inventories recognised as expense and included in cost of sales and operating expenses of the Group amounted to RMB4,010,540,000 (2014: RMB3,594,757,000) (Note 29).

### 15. Accounts and notes receivable

	2015 RMB'000	2014 RMB'000
Accounts receivable	944,476	1,031,771
Less: provision for impairment	(39,942)	(22,740)
	<b>904,534</b>	1,009,031
Due from parent company (Note 37(b))	523	—
Due from fellow subsidiaries (Note 37(b))	16,395	13,647
Due from joint ventures (Note 37(b))	27,806	28,477
Due from associates (Note 37(b))	274	—
Due from other related parties (Note 37(b))	16,480	400
Notes receivable	61,883	40,740
	<b>1,027,895</b>	1,092,295

There is no concentration of credit risk with respect to accounts receivable as the Group has a large number of customers.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 15. Accounts and notes receivable (continued)

Majority of the Group's revenues is on open account terms and in accordance with the terms specified in the contracts governing the relevant transactions. A credit period, which may be extended for up to six months, may be granted to large or long-established customers with good repayment histories. Revenues from small, new or short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

Ageing analysis of the gross accounts and notes receivable (including amounts due from fellow subsidiaries, joint ventures, and other related parties) at respective balance sheet dates are as follows:

	2015 RMB'000	2014 RMB'000
Less than 6 months	826,713	1,004,033
6 months to 1 year	157,348	76,313
1 year to 2 years	62,680	20,540
2 years to 3 years	8,137	6,178
Over 3 years	12,959	7,971
	<b>1,067,837</b>	<b>1,115,035</b>
Less: provision for impairment	(39,942)	(22,740)
	<b>1,027,895</b>	<b>1,092,295</b>

Notes receivable have an average maturity date of within 6 months. The carrying amounts of accounts and notes receivable approximate their fair values.

The amounts due from fellow subsidiaries, joint ventures and other related parties are unsecured, interest free and subject to agreed credit terms.

As at 31 December 2015, the Group's trade receivables of RMB753,373,000 (2014: RMB958,686,000) were fully performing.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 15. Accounts and notes receivable (continued)

Generally, trade receivables that are past due less than 6 months are not considered as impaired. As at 31 December 2015, the Group's accounts receivable of RMB117,356,000 (2014: RMB75,395,000) were past due but not impaired.

As at the balance sheet date, the ageing of these receivables is as follows:

	2015 RMB'000	2014 RMB'000
Less than 6 months	117,356	75,395
More than 6 months	—	—
	<b>117,356</b>	<b>75,395</b>

The remaining impaired accounts receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

As at the balance sheet date, the ageing of these impaired receivables is as follows:

	2015 RMB'000	2014 RMB'000
Less than 6 months	11,457	4,606
More than 6 months	39,992	918
1 year to 2 years	62,680	20,540
2 years to 3 years	8,137	6,178
Over 3 years	12,959	7,971
	<b>135,225</b>	<b>40,213</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 15. Accounts and notes receivable (continued)

The carrying amounts of accounts and notes receivable are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	943,370	1,011,199
USD	84,525	81,196
	<b>1,027,895</b>	<b>1,092,295</b>

Movements on the provision for impairment of accounts receivable are as follows:

	2015 RMB'000	2014 RMB'000
<b>At 1 January</b>	<b>22,740</b>	20,004
Provision for impairment	17,608	2,736
Uncollectible receivables written off during the year	(406)	—
<b>At 31 December</b>	<b>39,942</b>	22,740

The creation and release of provision for impaired receivables have been included in “general and administrative expenses” in the consolidated income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 16. Other receivables and prepayments

	2015 RMB'000	2014 RMB'000
Other receivables (a)	<b>633,292</b>	562,086
Advances to suppliers	<b>250,225</b>	298,846
Less: provision for impairment	<b>(14,215)</b>	(9,006)
	<b>869,302</b>	851,926
Due from parent company (Note 37(b))	<b>734</b>	12,931
Due from fellow subsidiaries (Note 37(b))	<b>8,752</b>	5,984
Due from joint ventures (Note 37(b))(e)	<b>238,631</b>	150,038
Due from associates (Note 37(b))	<b>10</b>	146
Due from other related parties (Note 37(b))	<b>864</b>	—
Prepayments and deposits	<b>69,007</b>	236,435
Interest receivable	<b>312</b>	6,057
	<b>1,187,612</b>	1,263,517
Less: long-term receivables and prepayments		
— Payments made to Build and Transfer project (b)	<b>(264,641)</b>	(283,003)
— Prepayment for acquisition of land use rights	—	(6,580)
— Prepayment for operating lease in the Qingzhou operating area (c)	<b>(55,731)</b>	(55,825)
— Prepayment for acquisition of property, plant and equipment (d)	—	(67,316)
— Prepayment for long-term investments	—	(19,811)
	<b>(320,372)</b>	(432,535)
Current portion	<b>867,240</b>	830,982

- (a) The other receivables balance as at 31 December 2015 of the Group includes a receivable amount of RMB398,846,000 for Build-Transfer (“BT”) project (Note 16(b)), a receivable amount of RMB97,435,000 relating to the land and assets resumption in Dongdu area, and deductible VAT-in amounted to RMB48,907,000.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 16. Other receivables and prepayments (continued)

(b) In July 2012, XPD, CCCC Third Harbor Engineering Co., Ltd. (“Third Harbor Engineering”) entered into a BT agreement with Zhangzhou Gulei Port Road Construction Co., Ltd.. The total investment amount of the BT Project was estimated to be approximately RMB523 million with an investment return which will be calculated at an annual interest rate of 8.63% to 10.70%. As at 31 December 2015, payment made by XPD together with the associated interests amounted to RMB533,286,000 (2014: RMB417,443,000), among which RMB134,440,000 (2014: RMB134,440,000) was recorded in other receivables which was fully collected in February 2016 and RMB264,641,000 (2014: RMB283,003,000) was recorded in long-term receivables.

As at 31 December 2015, the total investment commitment for the BT project is estimated to be approximately RMB35,953,000.

(c) The Company and its subsidiary, Fuzhou Haiying Port Co., Ltd., entered into a ten-year operating lease with Fuzhou Zhongying Gangwu Co., Ltd.. RMB1,000,000 and RMB89,000,000 was paid by the Company in 2012 and 2013 respectively as the rental deposits, which will be refunded at the end of lease term. The difference at any point in time between cash paid and annual charge is recognised as a prepayment or accrual on the balance sheet. As at 31 December 2015, the prepayment for the coming year of approximately RMB33,269,000 was recorded in short-term prepayment, and the rest of approximately RMB55,731,000 was recorded as long term prepayments.

(d) As at 31 December 2014, the prepayment for acquisition of property, plant and equipment of the Group mainly composed of the prepayment of RMB44,124,000 made by Xiamen Hailong Terminal Co., Ltd, a subsidiary of the Group and the prepayment of RMB23,192,000 made by Xiamen Chaozhou port Co., Ltd, a subsidiary of the Group. In the year of 2015, these prepayments have been transferred into construction in progress (Note 6).

(e) As at 31 December 2015, an entrusted loan to XinHaiDa with an amount of RMB145,000,000 (2014: RMB60,000,000) was recorded in other receivables. The weighted average interest rate of the entrusted loan is 6.80% (2014: 6.78%), whose maturity is within one year.

The Group’s other receivables and prepayments are denominated in RMB and the carrying amounts of which approximate their fair values.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 16. Other receivables and prepayments (continued)

Except for the entrusted loan to XinHaiDa and Xiamen Agency All-Trans, the amounts due from the parent company, fellow subsidiaries, joint ventures, associates and other related parties are unsecured, interest free and have no fixed terms of repayment.

Movements on the provision for impairment of the Group's other receivables and prepayments are as follows:

	2015 RMB'000	2014 RMB'000
<b>At 1 January</b>	<b>9,006</b>	8,122
Provision for impairment	<b>5,209</b>	884
<b>At 31 December</b>	<b>14,215</b>	9,006

The net effect of the creation and release of provision for impaired receivables have been included in "general and administrative expenses" in the consolidated income statement (Note 29). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The Group's maximum exposure to credit risk in respect of other receivables and prepayments at 31 December 2015 is the carrying amount of each class of receivables and prepayments mentioned above. The Group did not hold any collateral as security for other receivables and prepayments as at 31 December 2015.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 17. Term deposits with initial term over three months

	2015 RMB'000	2014 RMB'000
Term deposits denominated in RMB	<b>6,615</b>	4,500

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, is 2.10% (2014: 3.12%) per annum.

The maximum exposure to credit risk in respect of term deposits with initial term over three months at the balance sheet date is the carrying amounts of the related deposits.

### 18. Restricted cash

The restricted cash was held in designated bank accounts as for the maintenance of staff quarters and as guarantee deposits for letters of credit and letters of guarantee.

The maximum exposure to credit risk in respect of restricted cash at the balance sheet date is the carrying amount of the restricted cash balances.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 19. Cash and cash equivalents

	2015 RMB'000	2014 RMB'000
Cash at bank and in hand	<b>782,985</b>	652,558
Less: term deposits with initial term over three months (Note 17)	<b>(6,615)</b>	(4,500)
Cash and cash equivalents	<b>776,370</b>	648,058
Maximum exposure to credit risk (net of cash in hand)	<b>776,370</b>	648,058
Denominated in:		
RMB	<b>747,175</b>	606,200
USD	<b>28,370</b>	40,656
HKD	<b>713</b>	1,085
EUR	<b>112</b>	117
	<b>776,370</b>	648,058

The conversion of the Group's cash and cash equivalents denominated in RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

### 20. Accounts and notes payable

	2015 RMB'000	2014 RMB'000
Accounts payable	<b>574,413</b>	560,121
Due to parent company (Note 37(b))	<b>7,897</b>	29,257
Due to fellow subsidiaries (Note 37(b))	<b>8,868</b>	10,635
Due to joint ventures (Note 37(b))	<b>21,582</b>	19,583
Due to associates (Note 37(b))	<b>408</b>	—
Due to other related parties (Note 37(b))	<b>10</b>	—
Notes payable	<b>181,858</b>	224,509
	<b>795,036</b>	844,105

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 20. Accounts and notes payable (continued)

Ageing analysis of accounts and notes payable (including amounts due to the parent company, joint ventures, associates and fellow subsidiaries) at respective balance sheet dates is as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	772,896	811,972
1 year to 2 years	17,282	25,620
2 years to 3 years	323	3,279
Over 3 years	4,535	3,234
	<b>795,036</b>	<b>844,105</b>

Notes payable are with average maturity dates of within 6 months.

The amounts due to the parent company, joint ventures, associates and fellow subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The carrying amounts of the Group's accounts and notes payable are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	669,885	698,833
USD	125,151	145,272
	<b>795,036</b>	<b>844,105</b>

The carrying amounts of the Group's accounts and notes payable approximate their fair values.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 21. Other payables and accruals

	2015 RMB'000	2014 RMB'000
Due to parent company (a)(Note 37(b))	30	359,149
Due to fellow subsidiaries	45,719	49,829
Due to joint venture (Note 37(b))	144	—
Due to associates (Note 37(b))	3,235	5,666
Due to other related parties (Note 37(b))	7,801	8,583
Payables for purchases of property, plant and equipment and construction-in-progress	70,467	60,375
Salary and welfare payables	178,318	165,201
Customer deposits	248,357	240,650
Accrued expenses	1,815	3,907
Dividends payable to		
— shareholders of the Company	5,216	96,679
— non-controlling shareholders of subsidiaries (Note 37(b))	3,977	4,074
Interest payables	13,939	10,205
Other payables	146,520	132,108
	<b>725,538</b>	<b>1,136,426</b>
Less: long-term payables and advances		
— Others	<b>(1,880)</b>	<b>(3,537)</b>
Current portion	<b>723,658</b>	<b>1,132,889</b>

(a) The balance due to parent company as at 31 December 2014 mainly includes an unpaid consideration of RMB339,583,000 for acquiring 6.55% equity interests of Xiamen Terminal Group and an amount of RMB19,331,000 for the pre-acquisition profit attributable to the parent company relating to the business contributed by the parent company to the Xiamen Terminal Group pursuant to the JV Agreement. These amount was fully paid in the year of 2015.

As at 31 December 2015, the payables due to parent company, fellow subsidiaries, associates and other related parties are unsecured, free of interest and without fixed repayment term.

The carrying amount of other payables of the Group approximates their fair value.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 22. Deferred government grants and income

	2015 RMB'000	2014 RMB'000
Deferred income on tax credit related to purchases of domestic manufactured equipment (a)	<b>11,948</b>	14,150
Government grants on purchases of property, plant and equipment (b)	<b>139,710</b>	145,321
	<b>151,658</b>	159,471

- (a) Prior to 2008, the Group purchased certain domestic manufactured equipment. Pursuant to Cai Shui Zi [1999] Document No. 290 “The Notice concerning the Reduction in Corporate Income Tax for Purchases of Domestic Manufactured Equipment” issued by the Ministry of Finance and State Tax Bureau, part of such purchase costs could be utilised to reduce the income tax in future.

Such tax credit available was deferred and credited to the consolidated income statement using the straight-line method over the estimated useful lives of the related property, plant equipment.

- (b) The Group received certain government grants in connection with the purchases of property, plant and equipment, land use right and intangible asset for the further development of the ports in Xiamen. These grants are deferred and credited to the consolidated income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment, land use rights and intangible asset, or recognised in the consolidated income statement when the relevant assets associated with the government grants are disposed of.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 23. Borrowings

	2015 RMB'000	2014 RMB'000
<b>Non-current</b>		
Long-term bank borrowings	<b>1,029,511</b>	893,962
<b>Current</b>		
Short-term bank borrowings	<b>786,265</b>	545,391
Long-term bank borrowings — current portion	<b>228,588</b>	680,021
Debentured other loans (c)	<b>600,000</b>	300,000
	<b>1,614,853</b>	1,525,412
<b>Total borrowings</b>	<b>2,644,364</b>	2,419,374
Representing:		
— guaranteed (a)	<b>47,519</b>	196,048
— secured/pledged (b)	—	206,793
— unsecured	<b>2,596,845</b>	2,016,533
<b>Total borrowings</b>	<b>2,644,364</b>	2,419,374

(a) As at 31 December 2015, a bank borrowing of RMB47,519,000 (2014: RMB50,548,000) is guaranteed by CCB. A bank borrowing of RMB13,000,000 guaranteed by Xiamen Suntory Container Logistics Co., Ltd and a bank borrowing of RMB132,500,000 guaranteed by XPHG as at 31 December 2014 and were fully repaid in 2015.

(b) As at 31 December 2014, a bank borrowing of RMB5,722,000 secured by letters of credit, a bank borrowing of USD22,860,000, approximately equivalent to RMB140,102,000, secured by bank deposits of USD24,000,000, approximately equivalent to RMB146,856,000, and a bank borrowing of USD10,000,000, approximately equivalent to RMB60,969,000, secured by bank deposits of RMB66,000,000 were fully repaid in 2015.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 23. Borrowings (continued)

- (c) On 27 May 2015, XPD issued the second tranche of the short-term notes with a term of one year from the date of issuance with an aggregate principal amount of RMB100 million at a fixed interest rate of 4.40% per annum (the “Second Tranche Short-Term Notes of XPD”) to certain domestic institutional investors in the PRC. On 10 September 2015, the first tranche of the short-term notes with a term of one year from the date of issuance with an aggregate principal amount of RMB300 million at a fixed interest rate of 5.26% per annum (the “First Tranche Short-Term Notes of XPD”) to certain domestic institutional investors in the PRC issued by XPD on 11 September 2014 was repaid.

On 15 September 2015, the Company issued the first tranche of the short-term notes with a term of one year from the date of issuance with an aggregate principal amount of RMB500 million at a fixed interest rate of 3.42% per annum (the “First Tranche Short-Term Notes of XIP”) to certain domestic institutional investors in the PRC.

Total borrowings at respective balance sheet dates are repayable as follows:

	2015 RMB'000	2014 RMB'000
Bank borrowings repayable:		
— within 1 year	1,614,853	1,525,412
— between 1 and 2 years	218,314	396,305
— between 2 and 5 years	461,237	419,541
— over 5 years	349,960	78,116
	<b>2,644,364</b>	<b>2,419,374</b>

The Group’s borrowings as at the respective balance sheet date are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	2,282,580	1,991,113
USD	247,364	428,261
HKD	114,420	—
Total borrowings	<b>2,644,364</b>	<b>2,419,374</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 23. Borrowings (continued)

The weighted average effective interest rates at the respective balance sheet dates were as follows:

	Group	
	2015	2014
Bank borrowings		
— RMB	4.55%	5.63%
— USD	1.98%	3.62%
— HKD	1.92%	—

The carrying amounts of short-term bank borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts and fair values of long-term bank borrowings are as follows:

	2015	2014
	RMB'000	RMB'000
Carrying amounts	1,029,511	893,962
Fair values	1,029,511	882,081

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates, and are within level 2 of the fair value hierarchy.

### 24. Share capital

	Domestic shares of RMB1 each RMB'000	H-shares of RMB1 each RMB'000	Total RMB'000
At 31 December of 2015 and 2014	1,739,500	986,700	2,726,200

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 24. Share capital (continued)

The Company was established in the PRC on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC. On 3 March 2005, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital of RMB500,000,000 and reserves of RMB1,256,000,000 as at 30 September 2004 into 1,756,000,000 shares of RMB1 each.

On 2 June 2005, the registered share capital was further increased from 1,756,000,000 to 1,829,200,000 shares of RMB1 each which were issued to several owners at RMB1.23 each for cash.

The Company's H-shares were listed on the Main Board on 19 December 2005 and 858,000,000 H-shares, consisting of 780,000,000 new shares and 78,000,000 shares converted from domestic shares, with a nominal value of RMB1 each were issued to the public by the way of global offering at offer price of HKD1.38 each.

On 3 January 2006, the Company allotted and issued 117,000,000 additional H-shares at the offer price of HKD1.38 per H-share as a result of the exercise of the over-allotment option granted on 29 December 2005 as part of global offering of the Company's H-shares. In addition, Xiamen Port Holding transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the "NCSSF"), which in turn entrusted the Company to convert these shares into H-shares and sold them together with the additional H-shares immediately after the share transfer.

The domestic shares and H-shares rank *pari passu* in all material respects except that the dividends in respect of H-shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. In addition, the transfer of domestic shares is subject to certain restriction imposed by PRC law from time to time.

During the year ended 31 December 2015, there was no movement in the share capital of the Company (2014: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 25. Reserves

	Note	Other reserves			Total RMB'000	Retained earnings RMB'000	Total RMB'000
		Capital surplus RMB'000' (ii)	Statutory surplus reserve RMB'000'	Investment revaluation reserve RMB'000'			
<b>Balance at 1 January 2014</b>		(295,768)	276,782	21,040	2,054	1,807,252	1,809,306
Fair value gain on available-for-sale financial assets		—	—	17,030	17,030	—	17,030
— Gross		—	—	22,707	22,707	—	22,707
— Related deferred income tax		—	—	(5,677)	(5,677)	—	(5,677)
Profit for the year		—	—	—	—	429,911	429,911
2013 final dividends		—	—	—	—	(149,941)	(149,941)
Profit appropriation	(i)	—	5,015	—	5,015	(5,015)	—
Others	(iii)	—	—	(33,741)	(33,741)	—	(33,741)
<b>Balance at 31 December 2014</b>		(295,768)	281,797	4,329	(9,642)	2,082,207	2,072,565
Representing:							
— 2014 proposed final dividends		—	—	—	—	163,572	163,572
— Others		(295,768)	281,797	4,329	(9,642)	1,918,635	1,908,993
		(295,768)	281,797	4,329	(9,642)	2,082,207	2,072,565
Fair value gain on available-for-sale financial assets		—	—	3,280	3,280	—	3,280
— Gross		—	—	4,374	4,374	—	4,374
— Related deferred income tax		—	—	(1,094)	(1,094)	—	(1,094)
Profit for the year		—	—	—	—	275,091	275,091
2014 final dividends		—	—	—	—	(163,572)	(163,572)
Profit appropriation	(i)	—	4,706	—	4,706	(4,706)	—
Others	(iv)	(22,646)	—	—	(22,646)	—	(22,646)
<b>Balance at 31 December 2015</b>		(318,414)	286,503	7,609	(24,302)	2,189,020	2,164,718
Representing:							
— 2015 proposed final dividends		—	—	—	—	109,048	109,048
— Others		(318,414)	286,503	7,609	(24,302)	2,079,972	2,055,670
		(318,414)	286,503	7,609	(24,302)	2,189,020	2,164,718

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 25. Reserves (continued)

- (i) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under Accounting Standards for Business Enterprises issued by Ministry of Finance on 15 February 2006 (the "PRC GAAP") to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the company's issued capital after such issuance. The current year profit appropriation represented the Company's profit appropriation to statutory surplus.
- (ii) The opening balance as at 1 January 2013 was mainly resulted from the re-organisation in 2005, when the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its net assets reported under PRC accounting regulations as at 30 September 2004 into 1,756,000,000 shares of RMB1 each, while the net assets reported under HKFRSs as at 30 September 2004 were lower than the transferred amounts; and the establishment of Xiamen Terminal Group in 2013, when the XPHG injected certain port assets into the Group.
- (iii) The deduction in 2014 represents the pre-acquisition profits related to the establishment of Xiamen Terminal Group. Upon the establishment of Xiamen Terminal Group, an estimation of the pre-acquisition profits has been taken into account for the transaction. In 2014, the pre-acquisition profits were finally determined and agreed by the JV parties by reference to the audited financial statements. Certain adjustments on the pre-acquisition profits attributable to XPHG were made as a result and were debited to equity in the consolidated financial statements of the Group in 2014.
- (iv) The deduction in 2015 represents the transaction cost incurred for the injection of the ports assets by the Company, as a part of capital injection, into Xiamen Terminal Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 26. Revenues and segment information

#### (a) Revenues and other income

The Group's revenues (representing turnover) and other income are analysed as follows:

	2015 RMB'000	2014 RMB'000
Revenues	6,506,115	6,092,000
Other income		
Government subsidies	43,523	46,527
Dividend income	4,332	2,701
Rental income	59,793	39,462
Others	10,257	19,528
	117,905	108,218
Total	6,624,020	6,200,218

#### (b) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the chairman and the chief executive officer that makes strategic decisions.

The chief operating decision-maker considers the business from service/product perspective and assesses the performance of the following segments: (1) container loading and unloading and storage business; (2) bulk/general cargo loading and unloading business; (3) ancillary value-added port services; (4) manufacturing and selling of building materials; and (5) trading business of merchandise. As all of the Group's activities are conducted in the PRC, virtually all of the Group's revenues and operating profits are earned within the PRC and all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns. As such, management did not evaluate segment on geographical basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 26. Revenues and segment information (continued)

#### (b) Segment information (continued)

The segment results provided to management for the reportable segments for the year ended 31 December 2015 and 2014 are as follows:

	For the year ended 31 December 2015					
	Container loading and unloading and storage business	Bulk/general cargo loading and unloading business	Ancillary value-added port services	Manufacturing and selling of building materials	Trading business of merchandise	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total segment revenues	1,389,036	176,985	1,099,012	341,174	3,698,202	6,704,409
Inter-segment revenues	—	—	(198,294)	—	—	(198,294)
Revenues	1,389,036	176,985	900,718	341,174	3,698,202	6,506,115
Operating profit	465,883	153,384	156,353	40,421	16,814	832,855
Finance income						50,375
Finance costs						(111,715)
						771,515
Shares of profits less losses of joint ventures	34,268	—	(9,006)	—	—	25,262
Share of profits less losses of associates	63	—	1,944	2,367	—	4,374
<b>Profit before income tax expense</b>						801,151
Income tax expense						(206,715)
<b>Profit for the year</b>						594,436
<b>Other information</b>						
Depreciation	190,793	4,732	65,587	4,998	5,457	271,567
Amortisation	53,000	3,624	8,921	108	2,918	68,571
Net provision for/(reversal of) impairment of						
— inventories	644	—	—	532	196	1,372
— receivables and advances to suppliers	(148)	191	7,618	(927)	16,083	22,817

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 26. Revenues and segment information (continued)

#### (b) Segment information (continued)

The segment results provided to management for the reportable segments for the year ended 31 December 2015 and 2014 are as follows: (continued)

	For the year ended 31 December 2014						Total RMB'000
	Container loading and unloading and storage business	Bulk/general cargo loading and unloading business	Ancillary value-added port services	Manufacturing and selling of building materials	Trading business of merchandise		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Total segment revenues	1,262,003	181,330	1,264,469	369,388	3,202,585	6,279,775	
Inter-segment revenues	—	—	(187,775)	—	—	(187,775)	
Revenues	1,262,003	181,330	1,076,694	369,388	3,202,585	6,092,000	
Operating profit	454,658	323,380	190,930	39,702	18,300	1,026,970	
Finance income						59,025	
Finance costs						(127,124)	
						958,871	
Shares of profits less losses of joint ventures	17,286	—	(11,605)	—	—	5,681	
Share of profits less losses of associates	571	—	1,742	1,070	—	3,383	
<b>Profit before income tax expense</b>						967,935	
Income tax expense						(226,786)	
<b>Profit for the year</b>						741,149	
<b>Other information</b>							
Depreciation	205,806	16,853	67,963	5,025	5,246	300,893	
Amortisation	60,463	1,109	186	5,093	2,891	69,742	
Net provision for/(reversal of) impairment of							
— inventories	48	3,660	(1)	143	6,069	9,919	
— receivables and advances to suppliers	346	162	884	(1,943)	4,171	3,620	
— property, plant and equipment	—	—	—	(45)	—	(45)	

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 26. Revenues and segment information (continued)

#### (b) Segment information (continued)

The segment information provided to management for the reportable segments as at 31 December 2015 and 31 December 2014 is as follows: (continued)

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading business of merchandise RMB'000	Total RMB'000
<b>As at 31 December 2015</b>						
Segment assets	8,523,801	1,375,055	2,342,320	242,071	1,184,734	13,667,981
Include:						
Interest in joint ventures	1,099,902	—	78,442	—	—	1,178,344
Interests in associates	14,003	—	38,850	7,070	—	59,923
Additions to non-current assets	89,714	535,820	179,022	6,677	2,129	813,362
<b>Segment liabilities</b>	<b>314,637</b>	<b>276,392</b>	<b>322,355</b>	<b>100,970</b>	<b>658,073</b>	<b>1,672,427</b>
<b>As at 31 December 2014</b>						
Segment assets	9,385,130	235,283	2,440,528	237,863	1,374,374	13,673,178
Include:						
Interest in joint ventures	1,096,123	—	50,344	—	—	1,146,467
Interests in associates	14,453	—	22,104	4,703	—	41,260
Additions to non-current assets	564,760	2,385	249,769	7,657	1,679	826,250
<b>Segment liabilities</b>	<b>951,697</b>	<b>46,316</b>	<b>410,754</b>	<b>94,927</b>	<b>636,722</b>	<b>2,140,416</b>

The chief operating decision-maker assesses the performance of the operating segments based on operating profit. Finance income and costs are not included in the result for each operating segment that is reviewed by the chief operating decision-maker. Other information provided, except as noted below, to the chief operating decision-maker is measured in a manner consistent with that in the financial statements.

Segment assets mainly exclude deferred income tax assets and available-for-sale financial assets. These are part of the reconciliation to total balance sheet assets.

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable and borrowings. These are part of the reconciliation to total balance sheet liabilities.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 26. Revenues and segment information (continued)

#### (b) Segment information (continued)

Sales between segments are carried out on terms agreed by the parties involved. The revenue from external parties reported to the management meeting is measured in a manner consistent with that in the consolidated income statement.

Reportable segments' assets are reconciled to total assets as follows:

	2015 RMB'000	2014 RMB'000
Total segment assets	<b>13,667,981</b>	13,673,178
Add: Deferred income tax assets	<b>264,742</b>	256,401
Available-for-sale financial assets	<b>206,233</b>	145,550
<b>Total assets per consolidated balance sheet</b>	<b>14,138,956</b>	14,075,129

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2015 RMB'000	2014 RMB'000
Total segment liabilities	<b>1,672,427</b>	2,140,416
Add: Deferred income tax liabilities	<b>347,582</b>	332,332
Taxes payable	<b>71,644</b>	79,767
Borrowings	<b>2,644,364</b>	2,419,374
<b>Total liabilities per consolidated balance sheet</b>	<b>4,736,017</b>	4,971,889

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 27. Other gains — net

	2015 RMB'000	2014 RMB'000
Gain on disposal of property, plant and equipment and land use rights (a)	<b>170,498</b>	397,828
Gain on disposal of a subsidiary (Note 39)	<b>2,338</b>	—
Others	<b>(2,066)</b>	(201)
	<b>170,770</b>	397,627

- (a) The Company, together with its subsidiaries, XPD, Xiamen Port Power Supply Service Co., Ltd. and Xiamen Port Domestic Shipping Agent Co., Ltd. entered into agreements (“Land Resumption Agreements”) with Xiamen Land Development Centre regarding the resumption of land and certain assets situated thereon in Dongdu port area (“Land and Assets Resumption”), which took effect on 1 November 2012. Pursuant to the Land Resumption Agreements, the total compensation for the Land and Assets Resumption amounts to RMB1,086,614,353, which will be paid by Xiamen Land Development Centre by instalments.

In the year ended 31 December 2015, XPD surrendered certain land and assets located on Dongdu Ferry Berth and Berth No.1–4 amounted to RMB35,492,000. Disposal gain of RMB172,763,000 (including a compensation for early relocation) was recorded in the consolidated income statement. All compensation attributable to those surrendered assets have been collected, except that a remaining compensation of RMB73,262,000 has been recorded as other receivables.

### 28. Employee benefit expenses

	2015 RMB'000	2014 RMB'000
Salaries, wages and bonuses	<b>573,905</b>	558,170
Welfare, medical and other expenses	<b>78,619</b>	65,100
Contributions to pension plans	<b>89,290</b>	98,489
Contributions to supplementary pension scheme	<b>15,259</b>	12,033
	<b>757,073</b>	733,792

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 28. Employee benefit expenses (continued)

#### (a) Pensions — defined contribution plans

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on 16.0% to 24.8% (2014: 15.9% to 24.1%) of the employees' monthly salaries and wages, depending on the applicable social security regulations. In addition, from 2008, the Group has also participated in a supplementary pension scheme under which the Group is required to make monthly payments to insurance companies for its existing qualifying employees. The Group has no further obligation for payments of retirement and other postretirement benefits beyond the above contributions. Contributions to these pension plans or scheme are expensed as incurred.

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including three (2014: three) directors and one supervisor (2014: One) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2014: one) individual (the "Individual") during the year are as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	285	273
Contributions to pension plans	72	69
Discretionary bonuses	478	448
	<b>835</b>	<b>790</b>

During the year, no emoluments were paid by the Company to the Individual as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the Individual fall within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
Nil to HK\$1,000,000 (equivalent to RMB837,780)	1	1

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 29. Expenses by nature

	2015 RMB'000	2014 RMB'000
Cost of inventories sold/consumed (Note 14)	<b>4,010,540</b>	3,594,757
Employee benefit expenses (Note 28)	<b>757,073</b>	733,792
Depreciation of		
— investment properties (Note 5)	<b>4,343</b>	5,258
— property, plant and equipment (Note 6)	<b>267,224</b>	295,635
Distribution, transportation and labour outsourcing	<b>488,125</b>	578,391
Business tax, stamp duty and real estate tax	<b>46,515</b>	38,621
Advertising and marketing expenses	<b>24,507</b>	28,087
Amortisation of		
— land use rights (Note 7)	<b>60,051</b>	56,220
— intangible assets (Note 8)	<b>8,520</b>	13,522
Operating lease rental in respect of property, plant and equipment	<b>129,105</b>	100,891
General office expenses	<b>30,001</b>	23,124
Repairs and maintenance	<b>55,652</b>	43,230
Insurance expenses	<b>15,964</b>	20,228
Net provision for/(reversal of) impairment of		
— inventories	<b>1,372</b>	9,919
— receivables and advances to suppliers	<b>22,817</b>	3,620
— property, plant and equipment	—	(45)
Auditors' remuneration		
— Audit services	<b>5,045</b>	4,525
— Non-audit services	—	—
Others	<b>35,081</b>	21,100
<b>Total cost of sales, selling and marketing expenses and general and administrative expenses</b>	<b>5,961,935</b>	5,570,875

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 30. Finance income and costs

	2015 RMB'000	2014 RMB'000
Interest income	65,581	58,698
Net foreign exchange (loss)/gain	(15,206)	327
	50,375	59,025
Interests on bank borrowings	(136,070)	(137,799)
Less: amounts capitalised	24,355	10,675
	(111,715)	(127,124)
Finance costs — net	(61,340)	(68,099)

Borrowing costs capitalised are related to the construction of property, plant and equipment. The weighted average interest rate on such capitalised borrowings for the year ended 31 December 2015 was 6.20% (2014: 6.59%) per annum.

### 31. Taxation

#### (a) Income tax expense

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the year ended 31 December 2015 (2014: Nil).

Approved by Xiamen Guo Shui Zhi Han [2008] No.1 issued by State Administration of Taxation Xiamen Branch, Xiamen Songyu Container Terminal Co., Ltd (“Songyu Terminal”) is entitled to a five-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent five years, commencing from 2008. The income tax rate for the year ended 31 December 2015 is 12.5% (2014: 12.5%).

Trend Wood Investments Limited (“Trend Wood”) and Xiamen Ocean Shipping Agency Hongkong Limited (“Hong Kong Ocean Shipping Agency”), both being subsidiaries of the Company, are incorporated in Hong Kong, thus their applicable income tax rate is 16.5%.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 31. Taxation (continued)

#### (a) Income tax expense (continued)

Except for Songyu Terminal, Trend Wood and Hong Kong Ocean Shipping Agency, the Company and other subsidiaries of the Company are subjected to income tax rate of 25% for the year ended 31 December 2015 (2014: 25%).

The amount of income tax expense charged to the consolidated income statement represents:

	2015 RMB'000	2014 RMB'000
PRC corporate income tax	193,351	183,060
Deferred income tax charge (Note 13)	13,364	43,726
	<b>206,715</b>	<b>226,786</b>

The difference between the actual income tax charge in the consolidated income statement and the amounts which would result from applying the enacted tax rate to profit before income tax expense can be reconciled as follows:

	2015 RMB'000	2014 RMB'000
Profit before income tax expense	801,151	967,935
Less: share of profits less losses of joint ventures	(25,262)	(5,681)
Less: share of profits less losses of associates	(4,374)	(3,383)
	<b>771,515</b>	<b>958,871</b>
Tax calculated at the applicable tax rate of 25% (2014: 25%)	192,879	239,718
Effect of preferential tax rate of:		
— the Company	—	(2,384)
— Songyu Terminal	(11,674)	(9,946)
Income not subject to income tax	(1,520)	(676)
Expenses not deductible for income tax purposes	549	1,104
Tax losses which no deferred tax assets were recognised	22,885	811
Others	3,596	(1,841)
	<b>206,715</b>	<b>226,786</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 32. Dividends

	2015 RMB'000	2014 RMB'000
Proposed final dividends		
— Domestic share	69,580	104,370
— H share	39,468	59,202
	<b>109,048</b>	<b>163,572</b>

The dividends declared in 2015 and 2014 were RMB163,572,000 (RMB6 cents per share) and RMB RMB149,941,000 (RMB5.5 cents per share) respectively.

At a Board meeting held on 24 March 2016, the directors of the Company proposed a final dividend of RMB4 cents per share (tax inclusive) for the year ended 31 December 2015. This proposed dividend is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting to be held on 15 June 2016, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2016.

### 33. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the year ended 31 December 2015 of RMB275,091,000 (2014: RMB429,911,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2014: 2,726,200,000) shares.

Diluted earnings per share is equal to basic earnings per share as the Company has no potential dilutive shares.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 34. Notes to consolidated statement of cash flows

(a) Reconciliation of profit before income tax expense to net cash generated from operations:

	2015 RMB'000	2014 RMB'000
Profit before income tax expense	801,151	967,935
Adjustments for:		
— Share of profits less losses of associates	(4,374)	(3,383)
— Share of profits less losses of joint ventures	(25,262)	(5,681)
— Depreciation of property, plant and equipment	267,224	295,635
— Depreciation of investment properties	4,343	5,258
— Amortisation of land use rights	60,051	56,220
— Amortisation of intangible assets	8,520	13,522
— Gain on disposal of property, plant and equipment	(170,498)	(397,828)
— Reversal of impairment of property, plant and equipment	—	(45)
— Provision for impairment of inventories	1,372	9,919
— Provision for impairment of receivables	22,817	3,620
— Dividend income	(4,332)	(2,701)
— Interest income	(65,581)	(58,698)
— Interest expenses	111,715	127,124
— Unrealised foreign exchange gain	1,920	135
	<b>1,009,066</b>	<b>1,011,032</b>
Changes in working capital:		
— Accounts and notes receivable	47,198	(316,830)
— Other receivables and prepayments	(22,585)	(89,908)
— Inventories	127,687	(94,395)
— Accounts and notes payable	(164,316)	210,465
— Other payables and accruals	54,948	110,069
	<b>1,051,998</b>	<b>830,433</b>
Net cash generated from operations		

For the year ended 31 December 2015, there are no other significant non-cash transactions.  
(2014: Nil)



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 35. Commitments

#### (a) Capital commitments

The Group's capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Purchases of property, plant and equipment	552,776	945,025

Committed capital expenditure as at 31 December 2015 mainly related to the construction and upgrade of port and storage infrastructure, acquisitions of new loading and other machineries, renovation of buildings and acquisition of land use rights.

#### (b) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases on property, plant and equipment are as follows:

	2015 RMB'000	2014 RMB'000
Not later than 1 year	94,204	81,195
Later than 1 year and not later than 5 years	206,802	159,602
Later than 5 years	53,763	68,350
	354,769	309,147

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 35. Commitments (continued)

#### (c) Commitment for deposit of BT project

As at 31 December 2015, the total investment commitment for BT project is estimated to be approximately RMB35,953,000. Details are set out in Note 16(b).

### 36. Contingent liabilities

As at 31 December 2015, the Group have no significant contingent liabilities (2014: Nil).

### 37. Significant related party transactions

The Company is controlled by XPHG, the parent company, which is in turn subject to the control of the PRC Government.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, during the year ended 31 December 2015 and balances arising from these significant related party transactions.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 37. Significant related party transactions (continued)

- (a) During the year, save as disclosed elsewhere in the notes in the consolidated financial statements, the Group had the following significant transactions with related parties:

	Note	2015 RMB'000	2014 RMB'000
<b>Transactions with parent company</b>			
<b>Revenue</b>			
Power supply and maintenance and electrical equipment maintenance	(i)	28,570	20,138
<b>Expenses</b>			
Operating lease rental in respect of land, port facilities and office premises	(i)	27,760	29,380
<b>Transactions with fellow subsidiaries</b>			
<b>Revenue</b>			
Port services	(i)	26,192	18,777
Trading sales	(i)	4,009	—
Transportation service	(i)	5,643	4,292
Tally Service	(i)	2,515	2,730
Operating lease rental in respect of land, port facilities and office premises	(i)	2,625	—
<b>Expenses</b>			
Office and property management	(i)	14,064	10,602
Operating lease rental in respect of land, port facilities and office premises	(i)	8,294	6,304
Comprehensive service fee	(i)	23,332	25,716
Labour service fee	(i)	36,797	32,850
Information Services	(i)	16,098	5,501
Project Management Services	(i)	7,302	18,388
<b>Others</b>			
Purchases of property, plant and equipment	(i)	52,289	7,015

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 37. Significant related party transactions (continued)

- (a) During the year, save as disclosed elsewhere in the notes in the consolidated financial statements, the Group had the following significant transactions with related parties (continued):

	Note	2015 RMB'000	2014 RMB'000
<b>Transaction with joint ventures</b>			
<b>Revenues</b>			
Power supply and maintenance and electrical equipment maintenance	(i)	9,980	8,485
Transportation	(i)	33,291	26,245
Operating lease rental in respect of land, port facilities and office premises	(i)	9,082	9,594
Loading and unloading services rendered	(i)	37,598	28,640
Inspection service	(i)	4,917	5,930
Tally service	(i)	845	1,042
<b>Expenses</b>			
Project management	(i)	106,871	40,860
<b>Transactions with other related parties</b>			
<b>Revenues</b>			
Loading and unloading services rendered	(i)	39,192	38,990
<b>Expenses</b>			
Purchases of commercial goods	(i)	38,761	10,630

- (i) Transactions rendered to the related parties were carried out on terms that were mutually agreed among the involved parties.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 37. Significant related party transactions (continued)

(b) The balances with related parties of the Group at the balance sheet dates are as follows:

	Note	2015 RMB'000	2014 RMB'000
<b>Balances with parent company</b>			
Accounts receivable		523	—
Other receivables and prepayments	(i)	734	12,931
Accounts payable	(i)	7,897	29,257
Other payables and accruals		30	359,149
<b>Balances with fellow subsidiaries</b>			
Accounts receivable	(i)	16,395	13,674
Other receivables and prepayments	(i)	8,752	5,984
Accounts payable	(i)	8,868	10,635
Other payables and accruals	(i)	45,719	49,829
<b>Balances with joint ventures</b>			
Accounts receivable	(i)	27,806	28,477
Other receivables and prepayments	(i)	238,631	150,038
Accounts payable	(i)	21,582	19,583
Other payables and accruals		144	—
<b>Balances with associates</b>			
Accounts receivable		274	—
Other receivables and prepayments	(i)	10	146
Accounts payable		408	—
Other payables and accruals	(ii)	3,235	5,666
<b>Balances with non-controlling shareholders of subsidiaries</b>			
Dividends payable	(i)	3,977	4,074
<b>Balances with other related parties</b>			
Accounts receivable	(ii)	16,480	400
Other receivables and prepayments		864	—
Accounts payable		10	—
Other payables and accruals	(iii)	7,801	8,583

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 37. Significant related party transactions (continued)

(b) The balances with related parties of the Group at the balance sheet dates are as follows:  
(continued)

(i) As at 31 December 2015, except for an entrusted loan amounted of RMB147,450,000 to a joint venture (Note 16(e)), the remaining balances with the parent company, associates, fellow subsidiaries, joint ventures and non-controlling shareholders of subsidiaries are unsecured, interest free and have no fixed terms of repayment or subject to agreed credit terms for trade receivables.

(ii) As at 31 December 2015, these balances arose from the ordinary course of the Group's business and are unsecured, interest free and are subject to agreed credit terms.

(iii) As at 31 December 2015, the balance referred to port construction fee collected on behalf of Xiamen Port Authority and the balance is unsecured, interest free and has no fixed terms of repayment.

(c) Key management compensation:

	2015 RMB'000	2014 RMB'000
Emoluments	1,924	1,772
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,036	1,265
Contributions to pension plans	547	376
Discretionary bonuses	2,974	2,130
	<b>7,481</b>	<b>5,543</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 38. Particulars of subsidiaries, joint ventures and associates

#### (a) Subsidiaries

As at 31 December 2015, the Company had direct and indirect interests in the following subsidiaries:

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2015 (RMB'000)	2014	2015 Directly held	2015 Indirectly held	2014 Directly held	2014 Indirectly held	
<b>Listed</b>								
XPD	Joint stock limited company	531,000	531,000	55.13%	—	55.13%	—	Container loading and unloading for domestic trade and bulk/general cargo loading and unloading for both domestic and international trade
<b>Unlisted</b>								
China Ocean Shipping Agency Xiamen Co., Ltd. ("Ocean Shipping Agency")#	Limited liability company	30,000	30,000	—	33.08%	—	33.08%	Shipping agency services for international vessels
Xiamen Waili Tally Co., Ltd. #	Limited liability company	17,000	17,000	—	47.41%	—	47.41%	Tallying of cargo and container services
Xiamen Port Shipping Co., Ltd.	Limited liability company	135,000	135,000	10%	49.62%	10%	49.62%	Tugboat berthing and unberthing
Xiamen Port Logistics Co., Ltd. ("XPL")	Limited liability company	65,000	65,000	—	55.26%	—	55.26%	Container deposit, land transport, international freight agency
Xiamen Port Domestic Shipping Agent Co., Ltd.#	Limited liability company	2,000	2,000	—	44.10%	—	44.10%	Shipping agency services for domestic trade
Xiamen Port Group Power Supply Service Co., Ltd.	Limited liability company	10,000	10,000	100%	—	100%	—	Operation and management of the equipment at the transformer substation
Xiamen Road and Bridge Building Materials Corporation Ltd.	Limited liability company	70,000	70,000	—	52.37%	—	52.37%	Manufacturing, processing and selling of building materials
Xiamen Penavico International Freight and Forwarding Co., Ltd.#	Limited liability company	12,000	12,000	—	33.08%	—	33.08%	Agency services for import and export of products/technology, international and domestic agency services

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 38. Particulars of subsidiaries, joint ventures and associates (continued)

#### (a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2015 (RMB'000)	2014	2015		2014		
				Directly held	Indirectly held	Directly held	Indirectly held	
<b>Unlisted</b> (continued)								
Xiamen Penavico Navigation Co., Ltd. <sup>#</sup>	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Domestic transportation agency and labour services
Xiamen Penavico Customs Broker Co., Ltd. <sup>#</sup>	Limited liability company	5,000	5,000	—	33.08%	—	33.08%	Agency services for customs declaration
Xiamen Penavico Logistics Co., Ltd. <sup>#</sup>	Limited liability company	3,800	3,800	—	33.08%	—	33.08%	Agency services for imports and exports of products and technology and operations of bonded warehouse
Xiamen Penavico Air Freight Co., Ltd. <sup>#</sup>	Limited liability company	8,000	8,000	—	33.08%	—	33.08%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd.	Limited liability company	35,000	35,000	—	55.25%	—	55.25%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Ganghua Container Service Co., Ltd.	Limited liability company	6,630	6,630	50%	27.63%	50%	27.63%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd.	Limited liability company	81,000	81,000	—	55.17%	—	55.17%	Container deposit, land transport
Xiamen Port Trading Co., Ltd.	Limited liability company	85,000	85,000	—	55.13%	—	55.13%	Commodity export agency and sales
Xiamen Port Hailuda Building Material., Ltd. <sup>#</sup>	Limited liability company	7,000	7,000	—	44.10%	—	44.10%	Manufacturing, processing and selling of building materials
Xiamen Waili Logistics Management Co., Ltd. <sup>#</sup>	Limited liability company	300	300	—	47.41%	—	47.41%	Container deposit, land transport and logistics management
Xiamen Port Haicang Container Inspection Services Co., Ltd. ("Haicang Container Inspection") <sup>#</sup>	Limited liability company	1,000	1,000	—	44.81%	—	44.81%	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 38. Particulars of subsidiaries, joint ventures and associates (continued)

#### (a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2015 (RMB'000)	2014	2015		2014		
				Directly held	Indirectly held	Directly held	Indirectly held	
<b>Unlisted</b> (continued)								
Sanming Port Development Co., Ltd. <sup>#</sup> (Changed from "Sanming Lugang Logistics Co., Ltd.")	Limited liability company	135,000	135,000	—	44.10%	—	44.10%	Freight forwarding and agency business, warehousing services, packing and processing, logistics and distribution and logistics information consulting services
Sanming Port Logistics Co., Ltd. <sup>#</sup>	Limited liability company	10,000	10,000	—	44.10%	—	44.10%	National and international freight agency, cargo storage, deposit and packing services
Sanming Port Construction Co., Ltd. <sup>#</sup>	Limited liability company	10,000	10,000	—	44.10%	—	44.10%	Construction and operation of the relevant projects of Sanming land-based port
Ji'an Port Development Co., Ltd. (Changed from "Ji'an Lugang Logistics Co., Ltd.")	Limited liability company	70,000	70,000	—	55.13%	—	55.13%	Freight forwarding and agency business, warehousing services and logistics information services
Fuzhou Haiying Port Co., Ltd.	Limited liability company	15,000	15,000	100.00%	—	100.00%	—	Container loading and unloading, stacking and storage management, container packing and unpacking
Zhangzhou City Gulei Port Development Co., Ltd. <sup>#</sup>	Limited liability company	100,000	100,000	—	38.59%	—	38.59%	Port supporting services, investment and development
Zhangzhou Gulei Harbour Highway Co., Ltd.	Limited liability company	40,000	40,000	—	55.13%	—	55.13%	Road construction, port supporting services, investment and development
Xiamen Hailong Terminal Co., Ltd.	Limited liability company	450,000	450,000	—	55.13%	—	55.13%	Terminal construction and development
Chaozhou Port Development Co., Ltd. <sup>#</sup>	Limited liability company	144,000	144,000	—	38.59%	—	38.59%	Port supporting services, investment and development
Xiamen Port Wine Co., Ltd. <sup>#</sup>	Limited liability company	8,000	8,000	—	38.59%	—	38.59%	Wholesale of pre-packaged food; import and export of merchandise and technology

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 38. Particulars of subsidiaries, joint ventures and associates (continued)

#### (a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2015 (RMB'000)	2014	2015		2014		
				Directly held	Indirectly held	Directly held	Indirectly held	
<b>Unlisted</b> (continued)								
Sanming Port Customs Declaration Co., Ltd. <sup>#</sup>	Limited liability company	1,500	1,500	—	44.10%	—	44.10%	Customs Declaration services
Shanghai Haiheng Industrial Co., Ltd.	Limited liability company	10,000	10,000	—	55.13%	—	55.13%	Trading
Xiamen Agency Cruise Agency Co., Ltd. <sup>#</sup>	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Belt tightening pulley agency services for domestic trade
Zhangzhou City Longchi Port Development Co., Ltd. <sup>#</sup>	Limited liability company	20,000	20,000	—	30.32%	—	30.32%	Port supporting services, investment and development
Xiamen Terminal Group	Limited liability company	2,436,604	2,436,604	59.45%	0.3%	59.45%	0.3%	Container loading and unloading services
Zhangzhou City Gulei Tugboat Co., Ltd.	Limited liability company	50,000	50,000	—	64.7%	—	64.7%	Port logistics
Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal") <sup>#</sup>	Limited liability company	1,680,000	1,680,000	—	44.81%	—	44.81%	Container loading and unloading services
Hainan Xiangang Tugboat Co., Ltd. <sup>Δ#</sup>	Limited liability company	72,000	72,000	—	49.62%	—	49.62%	Operation of port tugboat
Ji'an Port Logistics Co., Ltd. ("Jian Logistics") & ("Ji'an Port Logistics")	Limited liability company	10,000	10,000	—	55.13%	—	55.13%	National and domestic merchandise agency, keeping and warehousing service
Xiamen Port Jixing Transportation Co., Ltd. ("Jixing Transportation") & ("Xiamen Port Jixing")	Limited liability company	9,500	9,500	—	28.14%	—	28.14%	Container transport

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 38. Particulars of subsidiaries, joint ventures and associates (continued)

#### (a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests				Principal activities
		2015 (RMB'000)	2014	2015		2014		
				Directly held	Indirectly held	Directly held	Indirectly held	
<b>Unlisted and incorporated in Hong Kong</b>								
Trend Wood Investments Limited ("Trend Wood")	Limited liability company	HKD1	HKD1	—	59.75%	—	59.75%	Investment holding
Xiamen Ocean Shipping Agency (Hongkong) Limited ("Hong Kong Ocean Shipping Agency") <sup># &amp;</sup>	Limited liability company	HKD1,000,000	HKD1,000,000	—	33.08%	—	33.08%	Shipping agency services for international vessels

# The directors of the Company consider that the Group has control over these companies through its representatives on the board of directors and voting power in these companies.

& Established during the year ended 31 December 2014.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 38. Particulars of subsidiaries, joint ventures and associates (continued)

#### (b) Joint ventures

As at 31 December 2015, the Group had interests in the following joint ventures:

Name	Paid-in capital		Proportion of ownership held by the Group and profit sharing		Proportion of voting rights held by the Group		Principal activities
	2015	2014	2015	2014	2015	2014	
	(RMB'000)						
Xiamen International Container Terminals Ltd. ("XICT")	1,148,700	1,148,700	51%	51%	56%	56%	Container loading and unloading for international trade
Xiamen Haicang International Container Terminals Ltd. ("XHICT")	555,515	555,515	51%	51%	56%	56%	Container loading and unloading for international trade
Xiamen Port YCH Logistics Co., Ltd. ("XPYCH")	146,250	120,650	62%	60%	60%	60%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Port Container Co., Ltd. ("XPC")	5,000	5,000	51%	51%	60%	60%	Container loading and unloading for international trade
Xiamen Port Baohe Logistics Co., Ltd. ("XPBL")	6,000	6,000	35%	35%	43%	43%	Container deposit, land transport, international freight agency
Xiamen Haicang XinHaiDa Container Terminals Co., Ltd. ("XinHaiDa")	756,000	756,000	46%	46%	46%	46%	Terminal operation and rendering of relevant port services
Fuzhou Mawei Shipping Co., Ltd. ("FMS")	9,000	9,000	51%	51%	51%	51%	Container liner shipping
Xiamen Ocean Shipping Agency All-Trans Logistic Co., Ltd. ("Xiamen Agency All-Trans")*	37,882	37,882	49%	49%	49%	49%	Container deposit, land transport, international freight agency

\* Acquired during the year ended 31 December 2015.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 38. Particulars of subsidiaries, joint ventures and associates (continued)

#### (c) Associates

As at 31 December 2015, the Group had interests in the following associates:

Name	Type of legal entity	Issued share/paid-in capital		Attributable equity interests		Principal activities
		2015	2014	2015	2014	
(RMB'000)						
<b>Unlisted</b>						
Xiamen Penavico Tungya Logistics Co., Ltd.	Sino-foreign cooperative joint venture	18,000	18,000	50%	50%	Provision of storage services
Quanzhou Qing Meng Logistics Co., Ltd.	Limited liability company	10,000	10,000	40%	40%	Provision of container storage, traffic and maintenance services
Xiamen Suntory Container Logistics Co., Ltd.	Limited liability company	10,000	10,000	45%	45%	Provision of container transit, storage, cleaning and maintenance services; and import and export customs declaration services
Xiamen Jida Building Materials Technology Co., Ltd.	Limited liability company	1,500	1,500	40%	40%	Manufacturing, processing and selling of building materials
Sanming Port construction Co.,Ltd.	Limited liability company	5,000	1,000	35%	100%	Construction and operation of the relevant projects of Sanming land-based port

Except for Trend Wood and Hong Kong Ocean Shipping Agency is incorporated in Hong Kong, all other subsidiaries, joint ventures and associates are incorporated in the PRC.

The operations of all subsidiaries except for Trend Wood and Hong Kong Ocean Shipping Agency, joint ventures and associates are principally carried out in the PRC.

Except for XPD which is a listed company in the PRC, all subsidiaries, joint ventures and associates are private companies having substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, joint ventures and associates referred to in this report represent the English translation of the Chinese names of these companies for identification purpose only as no English names have been registered.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 39. Disposal of interests in a subsidiary

#### Partial disposal of a subsidiary with remaining interest retained as investment in an associated company

In 2015, the Group entered into an agreement with Xiamen Port Properties Co., Property (“Xiamen Port Properties”) (a fellow subsidiary of the Company) and Fujian Sanming Ecological Industrial and Trading Area Ecological New Town Group Co., Ltd, (“FSE”), to dispose its 65% equity interest in Sanming Port Construction Co., Ltd., a then subsidiary of the Group, at a cash consideration of RMB5,381,605 for 52% equity and RMB1,345,401 for 13% equity respectively. The transaction was completed on 31 July 2015 and since then, Sanming Port Construction Co., Ltd. became an associated company of the Group.

	RMB'000
Consideration received	6,727
Fair value of retained investment	2,873
Net assets disposed of	(7,262)
<b>Gain on disposal</b>	<b>2,338</b>

The assets and liabilities disposed and the net inflow of cash from the disposal are as below:

	RMB'000
Cash and cash equivalents	5,205
Trade and other receivables and prepayments	3,123
Property, plant and equipment	977
Land use right	107,517
Trade and other payables	(109,560)
<b>Net assets disposed of</b>	<b>7,262</b>
Cash received	6,727
Less: Cash and cash equivalents in the subsidiary disposed of	(5,205)
<b>Net inflow of cash from the disposal</b>	<b>1,522</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 40. Balance sheet and reserve movement of the Company

	Note	2015 RMB'000	2014 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property		31,151	—
Property, plant and equipment		178,983	211,927
Land use rights		50,773	51,945
Intangible assets		25	385
Investments in subsidiaries		5,313,592	5,313,592
Interests in joint ventures		4,285	4,285
Available-for-sale financial assets		73,268	68,894
Long-term receivables and prepayments		55,731	55,825
Deferred income tax assets		625	625
<b>Total non-current assets</b>		<b>5,708,433</b>	5,707,478
<b>Current assets</b>			
Accounts and notes receivable		4,476	—
Other receivables and prepayments		162,533	306,142
Restricted cash		80	80
Cash and cash equivalents		50,036	101,463
<b>Total current assets</b>		<b>217,125</b>	407,685
<b>Total assets</b>		<b>5,925,558</b>	6,115,163
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		2,726,200	2,726,200
Reserves	(a)	2,110,755	2,223,552
<b>Total equity</b>		<b>4,836,955</b>	4,949,752
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		78,391	313,821
Long-term payables and advances		386	386
Deferred income tax liabilities		13,783	12,690
<b>Total non-current liabilities</b>		<b>92,560</b>	326,897
<b>Current liabilities</b>			
Other payables and accruals		127,495	548,258
Borrowings		868,548	289,933
Taxes payable		—	323
<b>Total current liabilities</b>		<b>996,043</b>	838,514
<b>Total liabilities</b>		<b>1,088,603</b>	1,165,411
<b>Total equity and liabilities</b>		<b>5,925,558</b>	6,115,163

**Cai Liqun**  
Director

**Chen Zhaohui**  
Director

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 40. Balance sheet and reserve movement of the Company (continue)

#### (a) Reserve movement of the Company

	Other reserves			Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000			
<b>Balance at 1 January 2014</b>	(61,484)	276,812	21,040	236,368	2,070,334	2,306,702
Fair value gains on available-for-sale financial assets	—	—	17,030	17,030	—	17,030
— Gross	—	—	22,707	22,707	—	22,707
— Related deferred income tax	—	—	(5,677)	(5,677)	—	(5,677)
Profit for the year	—	—	—	—	49,761	49,761
2013 final dividends	—	—	—	—	(149,941)	(149,941)
Profit appropriation	—	5,015	—	5,015	(5,015)	—
<b>Balance at 31 December 2014</b>	(61,484)	281,827	38,070	258,413	1,965,139	2,223,552
Representing						
— 2014 proposed final dividends	—	—	—	—	163,572	163,572
— Others	(61,484)	281,827	38,070	258,413	1,801,567	2,059,980
	(61,484)	281,827	38,070	258,413	1,965,139	2,223,552
Fair value gain on available-for-sale financial assets	—	—	3,280	3,280	—	3,280
— Gross	—	—	4,374	4,374	—	4,374
— Related deferred income tax	—	—	(1,094)	(1,094)	—	(1,094)
Profit for the year	—	—	—	—	47,495	47,495
2014 final dividends	—	—	—	—	(163,572)	(163,572)
Profit appropriation	—	4,706	—	4,706	(4,706)	—
<b>Balance at 31 December 2015</b>	(61,484)	286,533	41,350	266,399	1,844,356	2,110,755
Representing:						
— 2015 proposed final dividends	—	—	—	—	109,048	109,048
— Others	(61,484)	286,533	41,350	266,399	1,735,308	2,001,707
	(61,484)	286,533	41,350	266,399	1,844,356	2,110,755



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 41. Emoluments of directors and supervisors

The emoluments received by individual directors and supervisors are as follows:

#### Year ended 31 December 2015

Name (*)	Basic salaries, housing allowances, other allowances and benefits-in-kind				Total RMB'000
	Emoluments RMB'000	RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	
<b>executive Directors:</b>					
Lin Kaibiao	—	285	72	478	835
Fang Yao	—	299	72	346	717
Ke Dong	—	415	74	397	886
Cai Liqun	—	379	65	345	789
Chen Zhaohui	—	275	70	370	715
<b>non-executive Directors:</b>					
Zheng Yongen	105	—	—	—	105
Chen Dingyu	105	—	—	—	105
Fu Chengjing	105	—	—	—	105
Huang Zirong	9	277	72	397	755
<b>independent non-executive Directors:</b>					
Liu Feng	105	—	—	—	105
Xu Hongquan	221	—	—	—	221
Lin Pengjiu	105	—	—	—	105
Huang Shumeng	105	—	—	—	105
Shao Zheping	105	—	—	—	105
<b>Supervisors:</b>					
Yu Mingfeng	66	—	—	—	66
Zhang Guixian	66	—	—	—	66
Liao Guosheng	359	51	55	370	835
Wu Weijian	336	55	67	271	729
Tang Jinmu	66	—	—	—	66
Xiao Zuoping	66	—	—	—	66
	<b>1,924</b>	<b>2,036</b>	<b>547</b>	<b>2,974</b>	<b>7,481</b>

\* Directors and supervisors are listed by their positions as at 31 December 2015.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### 41. Emoluments of directors and supervisors (continued)

Year ended 31 December 2014

Name (*)	Emoluments RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
<b>executive Directors:</b>					
Lin Kaibiao	—	273	69	448	790
Huang Zirong	—	296	69	415	780
Fang Yao	—	296	69	361	726
Ke Dong	—	256	34	—	290
<b>non-executive Directors:</b>					
Fu Chengjing	103	—	—	—	103
Zheng Yongen	103	—	—	—	103
Chen Dingyu	103	—	—	—	103
Miao Luping	88	42	11	404	545
<b>independent non-executive Directors:</b>					
Xu Hongquan	218	—	—	—	218
Liu Feng	103	—	—	—	103
Lin Pengjiu	103	—	—	—	103
Huang Shumeng	103	—	—	—	103
Shao Zheping	88	—	—	—	88
<b>Supervisors:</b>					
Wu Weijian	321	52	63	271	707
Liao Guosheng	199	50	61	231	541
Tang Jinmu	65	—	—	—	65
Xiao Zuoping	65	—	—	—	65
Zhang Guixian	55	—	—	—	55
Yu Mingfeng	55	—	—	—	55
	1,772	1,265	376	2,130	5,543

\* Directors and supervisors are listed by their positions as at 31 December 2014.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

### **41. Emoluments of directors and supervisors** (Continued)

During the year, no directors or supervisors of the Company have waived their emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

### **42. Subsequent events**

From 31 December 2015 to the date of this annual report, there were no important events affecting the Group.



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