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

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

**(Stock code: 3378)**

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**FINANCIAL HIGHLIGHTS**

- Revenues amounted to approximately RMB8,483,998,000 representing an increase of approximately 22.7% over approximately RMB6,915,686,000 (restated) in 2015. Excluding the revenue from the segment of trading of merchandise, the Group's revenue from other segments amounted to approximately RMB3,266,643,000 representing an increase of approximately 1.5% over approximately RMB3,217,484,000 (restated) in 2015.
- Profit attributable to owners of the Company amounted to approximately RMB319,342,000 representing a decrease of approximately 0.05% over approximately RMB319,495,000 (restated) in 2015.
- Earnings per share for profit attributable to owners of the Company (basic and diluted) amounted to approximately RMB11.71 cents representing a decrease of approximately 0.09% over approximately RMB11.72 (restated) cents in 2015.
- Proposed final dividend of RMB4.0 cents per share (tax inclusive) (2015: RMB4.0 cents).

**FINANCIAL RESULTS**

The board of directors (the "Board") of Xiamen International Port Co., Ltd (the "Company" or "Xiamen Port") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 (the "Year"), together with the comparative figures for the year ended 31 December 2015.

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated)
Revenues	4	8,483,998	6,915,686
Cost of sales		<u>(7,356,283)</u>	<u>(5,875,839)</u>
<b>Gross profit</b>		<b>1,127,715</b>	<b>1,039,847</b>
Other income	4	118,191	125,386
Other gains — net		188,240	162,984
Selling and marketing expenses		(52,393)	(44,330)
General and administrative expenses		<u>(330,704)</u>	<u>(288,098)</u>
<b>Operating profit</b>	5	<b>1,051,049</b>	<b>995,789</b>
Finance income	6	40,373	53,897
Finance costs	6	<u>(106,095)</u>	<u>(135,537)</u>
		<b>985,327</b>	<b>914,149</b>
Share of profits less losses of joint ventures		36,348	25,262
Share of profits less losses of associates		<u>(338)</u>	<u>4,374</u>
<b>Profit before income tax expense</b>		<b>1,021,337</b>	<b>943,785</b>
Income tax expense	7	<u>(216,421)</u>	<u>(205,032)</u>
<b>Profit for the year</b>		<b><u>804,916</u></b>	<b><u>738,753</u></b>
<b>Attributable to:</b>			
Owners of the Company		319,342	319,495
Non-controlling interests		<u>485,574</u>	<u>419,258</u>
		<b><u>804,916</u></b>	<b><u>738,753</u></b>
<b>Earnings per share for profit attributable to owners of the Company during the year</b>			
— Basic and diluted (in RMB cents)	9	<u>11.71</u>	<u>11.72</u>
<b>Dividends</b>			
— Final dividend proposed	8	<u>109,048</u>	<u>109,048</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
<b>Profit for the year</b>	<b>804,916</b>	738,753
<b>Other comprehensive income, net of tax</b>		
Items that may be reclassified subsequently to profit or loss		
— Fair value gains on available-for-sale financial assets, net of tax	<u>27,382</u>	<u>3,280</u>
<b>Total comprehensive income for the year</b>	<u><b>832,298</b></u>	<u>742,033</u>
<b>Total comprehensive income for the year attributable to:</b>		
— Owners of the Company	<b>346,724</b>	322,775
— Non-controlling interests	<u><b>485,574</b></u>	<u>419,258</u>
	<u><b>832,298</b></u>	<u>742,033</u>

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

	<i>Note</i>	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		135,171	118,901
Property, plant and equipment		8,448,360	7,500,727
Land use rights		2,802,592	2,533,756
Intangible assets		310,519	271,847
Interests in joint ventures		895,839	1,178,344
Interests in associates		58,864	59,923
Available-for-sale financial assets		112,417	76,233
Long-term receivables and prepayments		201,466	321,607
Deferred income tax assets		266,649	270,681
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>13,231,877</b>	12,332,019
<b>Current assets</b>			
Available-for-sale financial assets		300,000	130,000
Inventories		541,034	332,986
Accounts and notes receivable	<i>10</i>	1,152,686	1,056,333
Other receivables and prepayments		1,090,656	943,088
Term deposits with initial term over three months		22,931	6,615
Restricted cash		34,487	44,511
Cash and cash equivalents		1,140,956	861,733
		<hr/>	<hr/>
<b>Total current assets</b>		<b>4,282,750</b>	3,375,266
		<hr/>	<hr/>
<b>Total assets</b>		<b>17,514,627</b>	15,707,285
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		2,726,200	2,726,200
Reserves		2,176,661	2,390,380
		<hr/>	<hr/>
		4,902,861	5,116,580
<b>Non-controlling interests</b>		<b>5,409,112</b>	5,075,350
		<hr/>	<hr/>
<b>Total equity</b>		<b>10,311,973</b>	10,191,930
		<hr/>	<hr/>

	<i>Note</i>	<b>2016</b> <b>RMB'000</b>	2015 RMB'000 (Restated)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>1,323,592</b>	1,103,111
Deferred government grants and income		<b>143,390</b>	151,658
Long-term payables and advances		<b>1,849</b>	1,880
Early retirement benefit obligations		<b>—</b>	195
Deferred income tax liabilities		<b>383,243</b>	347,582
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>1,852,074</b>	1,604,426
		<hr/>	<hr/>
<b>Current liabilities</b>			
Accounts and notes payable	<i>11</i>	<b>1,047,631</b>	1,085,553
Other payables and accruals		<b>2,008,614</b>	1,028,187
Borrowings		<b>2,217,375</b>	1,724,853
Taxes payable		<b>76,960</b>	72,336
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>5,350,580</b>	3,910,929
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>7,202,654</b>	5,515,355
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>17,514,627</b>	15,707,285
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# NOTE:

## 1. General information

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

The Company and its subsidiaries (together the “Group”) are principally engaged in container, bulk and general cargo loading and unloading businesses at Dongdu port area and Haicang port area in Xiamen, and Qingzhou port 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 directors of the Company (the “Directors”) regard Xiamen Port Holding Group Co., Ltd. (“Xiamen Port Holding”) as the parent company of the Company.

These consolidated financial statements were approved for issue by the board of directors of the Company (the “Board”) on 24 March 2017.

## 2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”). 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.

On 21 November 2016, Xiamen Port Development Co., Ltd, (“XPD”), a subsidiary of the Company, acquired a 51% equity interest of Xiamen Port Group Shihushan Terminal Company Limited (“Shihushan”), which are under common control of Xiamen Port Holding.

The Company has applied merger accounting as prescribed in in Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA to account for the business combinations under common control. Shihushan has been under control of XPHG from its start of operation in 2002. Therefore, the financial information of Shihushan has been combined in the consolidated financial statements of the Company as if the combination had occurred since then. The comparative amounts in the consolidated financial statements are restated accordingly.

## 3. Accounting policies

### (a) New and amended standards adopted by the Group

The following new and amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

		<b>Effective for annual periods beginning on or after</b>
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
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments from annual improvements 2014	Amendments to HKFRS 5, HKFRS 7, HKAS 19 and HKAS 34	1 January 2016
Amendments to HKAS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016

The adoption of the above new standards and amendments starting from 1 January 2016 did not give rise to any significant impact on the Group’s results of operations and financial position for the year ended 31 December 2016.

#### 4. Revenues and segment information

##### (a) Revenues and other income

The Group's revenues and other income are analysed as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i> (Restated)
Revenues	<u>8,483,998</u>	<u>6,915,686</u>
Other income		
Government subsidies	47,675	43,848
Dividend income	1,161	4,332
Rental income	47,687	59,793
Others	<u>21,668</u>	<u>17,413</u>
	<u>118,191</u>	<u>125,386</u>
Total	<u><u>8,602,189</u></u>	<u><u>7,041,072</u></u>

##### (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.

The segment operating results provided to management for the reportable segments for the year ended 31 December 2016 and 2015 are as follows:

	For the year ended 31 December 2016					
	Container loading and unloading and storage business <i>RMB'000</i>	Bulk/general cargo loading and unloading business <i>RMB'000</i>	Ancillary value-added port services <i>RMB'000</i>	Manufacturing and selling of building materials <i>RMB'000</i>	Trading business of merchandise <i>RMB'000</i>	Total <i>RMB'000</i>
Total segment revenues	1,588,778	594,863	1,027,974	329,959	5,217,355	8,758,929
Inter-segment revenues	—	—	(274,931)	—	—	(274,931)
Revenues	<u>1,588,778</u>	<u>594,863</u>	<u>753,043</u>	<u>329,959</u>	<u>5,217,355</u>	<u>8,483,998</u>
Operating profit	632,077	223,984	117,038	35,908	42,042	1,051,049
Finance income						40,373
Finance costs						(106,095)
						<u>985,327</u>
Share of profits less losses of joint ventures	41,289	—	(4,941)	—	—	36,348
Share of profits less losses of associates	(3,296)	—	691	2,267	—	(338)
<b>Profit before income tax expense</b>						<b>1,021,337</b>
Income tax expense						(216,421)
<b>Profit for the year</b>						<b><u>804,916</u></b>
<b>Other information</b>						
Depreciation	194,300	75,451	69,327	5,387	5,752	350,217
Amortisation	53,958	16,844	6,907	78	3,822	81,609
Net provision for/(reversal of) impairment of						
— inventories	57	(418)	16	—	(4,122)	(4,467)
— receivables and advances to suppliers	3,520	3,766	15,968	1,010	20,665	44,929



## For the year ended 31 December 2015 (Restated)

	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
Total segment revenues	1,389,036	609,192	1,099,012	341,174	3,698,202	7,136,616
Inter-segment revenues	—	—	(220,930)	—	—	(220,930)
<b>Revenues</b>	<u>1,389,036</u>	<u>609,192</u>	<u>878,082</u>	<u>341,174</u>	<u>3,698,202</u>	<u>6,915,686</u>
Operating profit	465,883	316,318	156,353	40,421	16,814	995,789
Finance income						53,897
Finance costs						(135,537)
						914,149
Share 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>						943,785
Income tax expense						(205,032)
<b>Profit for the year</b>						<u><u>738,753</u></u>
<b>Other information</b>						
Depreciation	190,793	55,220	65,587	4,998	5,457	322,055
Amortisation	53,000	9,102	8,921	108	2,918	74,049
Net provision for/(reversal of) impairment of						
— inventories	644	—	—	532	196	1,372
— receivables and advances to suppliers	(148)	(28)	7,618	(927)	16,083	22,598

The segment information provided to management for the reportable segments as at 31 December 2016 and 31 December 2015 are as follows:

	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 2016</b>						
Segment assets	9,465,334	2,964,632	2,732,170	213,472	1,459,953	16,835,561
Include:						
Interests in joint ventures	822,339	—	73,500	—	—	895,839
Interests in associates	10,706	—	40,741	7,417	—	58,864
Additions to non-current assets	<u>197,848</u>	<u>225,854</u>	<u>219,577</u>	<u>4,302</u>	<u>5,675</u>	<u>653,256</u>
Segment liabilities	<u>491,189</u>	<u>877,056</u>	<u>1,058,559</u>	<u>121,582</u>	<u>653,098</u>	<u>3,201,484</u>
<b>As at 31 December 2015 (Restated)</b>						
Segment assets	8,523,801	2,937,445	2,342,320	242,071	1,184,734	15,230,371
Include:						
Interests 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	<u>89,714</u>	<u>778,602</u>	<u>179,022</u>	<u>6,677</u>	<u>2,129</u>	<u>1,056,144</u>
Segment liabilities	<u>314,637</u>	<u>871,437</u>	<u>322,356</u>	<u>100,970</u>	<u>658,073</u>	<u>2,267,473</u>

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 management. Other information provided, except as noted below, to management 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.

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.

## 5. Operating profit

Operating profit is stated after crediting and charging the followings:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
<b>Crediting</b>		
Dividend income	1,161	4,332
Gain on disposal of property, plant and equipment	98,985	156,125
Reversal of impairment of		
— inventories	6,999	8,843
— receivables and advances to suppliers	11,454	4,844
	<u>11,454</u>	<u>4,844</u>

## Charging

Cost of inventories sold/consumed	5,464,572	4,041,075
Depreciation of		
— investment property	5,133	4,343
— property, plant and equipment	345,084	317,712
Amortisation of		
— land use rights	72,863	65,415
— intangible assets	8,746	8,634
Provision for impairment of		
— inventories	2,532	10,215
— receivables and advances to suppliers	56,383	27,442
	<u>56,383</u>	<u>27,442</u>

## 6. Finance income and costs

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Interest income	60,139	69,103
Foreign exchange loss, net	(19,766)	(15,206)
	<u>40,373</u>	<u>53,897</u>
Interests on bank borrowings	(122,001)	(159,892)
Less: amounts capitalised	15,906	24,355
	<u>(106,095)</u>	<u>(135,537)</u>
Finance cost — net	<u>(65,722)</u>	<u>(81,640)</u>

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 2016 was 4.90% (2015: 6.20%) per annum.

## 7. Income tax expense

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

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 2016 is 12.5% (2015: 12.5%).

Approved by State Administration of Taxation Xiamen Branch, Xiamen Haiyu Terminal Co.,Ltd (“Haiyu”) is entitled to a three-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years, commencing from 2014. The income tax rate for the year ended 31 December 2016 is 0% (2015: 0%).

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% (2015: 16.5%). Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

Except for Songyu Terminal, Haiyu, 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 2016 (2015: 25%).

The amount of income tax expense charged to the consolidated income statement represents:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
PRC corporate income tax	<b>215,099</b>	196,089
Deferred income tax charge	<b>1,322</b>	8,943
	<b>216,421</b>	205,032

## 8. Dividends

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Proposed final dividends		
— Domestic share	<b>69,580</b>	69,580
— H share	<b>39,468</b>	39,468
	<b>109,048</b>	109,048

At a Board meeting held on 24 March 2017, the directors of the Company proposed a final dividend of RMB4.0 cents per share (tax inclusive) for the year ended 31 December 2016. 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 16 June 2017, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

## 9. 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 2016 of RMB319,342,000 (2015: RMB319,495,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2015: 2,726,200,000) shares.

Diluted earnings per share is equal to basic earnings per share as the Company has no potential dilutive shares.

## 10. Accounts and notes receivable

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Accounts receivable	<b>1,070,781</b>	957,346
Less: provision for impairment	<b>(90,201)</b>	(40,326)
	<b>980,580</b>	917,020
Due from parent company	<b>110</b>	523
Due from fellow subsidiaries	<b>14,142</b>	15,607
Due from joint ventures	<b>57,368</b>	27,806
Due from associates	<b>543</b>	274
Due from other related parties	<b>16,450</b>	16,480
Notes receivable	<b>83,493</b>	78,623
	<b>1,152,686</b>	1,056,333

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

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 accounts and notes receivable at respective balance sheet dates are as follows:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Less than 6 months	<b>927,024</b>	855,099
6 months to 1 year	<b>84,774</b>	157,784
1 year to 2 years	<b>171,630</b>	62,680
2 years to 3 years	<b>43,708</b>	8,137
Over 3 years	<b>15,751</b>	12,959
	<b>1,242,887</b>	1,096,659
Less: provision for impairment	<b>(90,201)</b>	(40,326)
	<b>1,152,686</b>	1,056,333

Notes receivable have an average maturity date of within 6 months.

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

## 11. Accounts and notes payable

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Accounts payable	<b>713,760</b>	745,277
Due to parent company	<b>110,011</b>	120,616
Due to fellow subsidiaries	<b>50,813</b>	15,802
Due to joint ventures	<b>65,448</b>	21,582
Due to associates	<b>436</b>	408
Due to other related parties	<b>—</b>	10
Notes payable	<b>107,163</b>	181,858
	<b><u>1,047,631</u></b>	<u>1,085,553</u>

Ageing analysis of accounts and notes payable at respective balance sheet dates is as follows:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Within 1 year	<b>985,349</b>	1,000,146
1 year to 2 years	<b>58,025</b>	80,528
2 years to 3 years	<b>500</b>	344
Over 3 years	<b>3,757</b>	4,535
	<b><u>1,047,631</u></b>	<u>1,085,553</u>

Notes payable have an average maturity date 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

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

In 2016, the global economy remained in the stage of deep adjustment. As the economic growth of the developed economies significantly slowed down, the global economic growth rate was slightly slower than that in 2015, and the momentum of major economies, such as the European countries, the United States and Japan, to drive the global economic growth was weakening significantly. In addition, coupled with the continued postponed global economic growth rate, the increasingly depressed investment in international trade and the increasingly overt anti-globalization trend, the global economy has been confronted with more risks and challenges. According to the relevant information released by the National Bureau of Statistics of the PRC, the gross national product of the PRC in 2016 was approximately RMB74.4127 trillion, representing an increase of approximately 6.7% over the same period of 2015 (same as below) with a slowdown in growth; the total import and export volume of goods of the PRC was approximately RMB24.3386 trillion, representing a decrease of approximately 0.9% over the previous year, and the decrease in export volume was slower than that in the previous year, among which, the export of goods decreased by approximately 1.9% to approximately RMB13.8455 trillion and the import of goods increased by approximately 0.6% to approximately RMB10.4932 trillion in the full year; after the offset of the import and export volume of goods, the foreign trade surplus was approximately RMB3.3523 trillion. For the port operation business, China's port cargo throughput was approximately 11.83 billion tonnes in 2016, representing a year-on-year increase of approximately 3.2%, while the port container throughput achieved was approximately 217.98 million twenty-foot equivalent units ("TEUs"), representing a year-on-year growth of approximately 3.6%.

### *Foreign Trade in Fujian and Ports in Xiamen*

In 2016, the economic operation in Fujian Province maintained a steady growth taken as whole with its economic structure further optimized and its economic growth anchored above the national overall level. However, due to the decreasing demand of its major exporters and the diversion of orders from some traditional industries to Southeast Asian countries as a result of continued depression in the international market, the exports in Fujian Province continued to decline. Pursuant to the data issued by the government of Fujian Province, the gross domestic product of Fujian Province in 2016 amounted to approximately RMB2.8519 trillion, representing a year-on-year growth of approximately 8.4%; the total export and import of foreign trade was approximately RMB1.0352 trillion, representing a year-on-year decrease of approximately 1.2%, and the port cargo throughput amounted to approximately 508 million tonnes, representing a year-on-year increase of approximately 1.0%, while the container throughput achieved was approximately 14.4 million TEUs, representing a year-on-year increase of approximately 5.6%.

In 2016, the “One Belt, One Road” strategy of China has been proactively implemented in Xiamen City to facilitate the investments and trade. The “Single Window” for international trade has been awarded as the best practical precedent in the pilot free trade zones in China and the customs clearance efficiency has been improved by over 50%, speeding up the development of the first class international business environment; Xiamen City has been established as one of the four major international shipping centers in China and has been approved as the national pilot modern logistics innovation and development city and smart logistics city. The business of Xiamen port has maintained a steady growth on the whole. Based on the comprehensive assessments of Shanghai International Shipping Research Center, Xiamen port ranked fourth in Mainland China in terms of the comprehensive services of domestic coastal container ports. In 2016, the total value of import and export of foreign trade of Xiamen was approximately RMB509,160 million, representing a year-on-year decrease of approximately 1.4%, the total container throughput achieved by Xiamen port was approximately 9.614 million TEUs, representing an increase of approximately 4.7% over the year of 2015, and ranked seventh in terms of container throughput among the ports in Mainland China, accounting for approximately 66.8% of the total container throughput in Fujian Province.

## **BUSINESS REVIEW**

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

### *Business Scale*

For the Year, the Group owned and operated a total of 30 berths designed for containers and bulk/general cargos in both international and domestic trade, with a water depth of wharf apron ranging from 9.9 meters to 17.5 meters for accommodating vessels up to 200,000 dead-weight tonnage (DWT) with a maximum carrying capacity of around 19,000 TEUs. The Group has also reserved sizeable space for storage facilities (depots/warehouses) and relevant auxiliary facilities both inside and outside the terminal areas.

The Group operated the container loading and unloading business at its six terminals, namely, (1) Haitian Terminal in Dongdu port area (Dongdu berths No. 5 to No. 16); and (2) Songyu Terminal (Songyu berths No. 1 to No. 3), XHICT (Haicang berth No. 1) and XICT (Haicang berths No. 2 to No. 3, Haicang berths No. 1 to No. 3 were 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) in Haicang port area.

In addition, the Group also operated ITG Terminal (Dongdu berths No. 20 and No. 21), Haiyi Terminal (Dongdu berth No. 18) and Shihushan Terminal (Dongdu berth No. 19) in in Dongdu port area, and Haiyu Terminal (Haicang berth No. 7) and Hailong Terminal (Haicang berths No. 20 and No. 21) in Haicang port area for bulk/general cargo loading and unloading of international and domestic trade.



Apart from the aforesaid 30 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) and Songyu berths No. 4 to No. 6 (Haitong Terminal) from Xiamen Port Haitong Terminal Limited. (“Haitong Terminal”) during the Year; in addition, the Group has also leased and operated berth No. 8 in Qingzhou Operating Area, Fuzhou (“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 since 20 November 2012.

### Container Port Business

During the Year, the Group achieved a container throughput of 8,356,452 TEUs and details of the container throughput achieved by each terminal were as follows:

	<b>Container throughput</b>		
	<b>2016</b>	2015	Increase/
	(TEUs)	(TEUs)	(decrease)
Haitian Terminal and Hairun Terminal of the Group <sup>#</sup>	<b>4,490,845</b>	3,858,619	16.38%
XICT and XHICT <sup>*</sup>	<b>1,229,199</b>	1,165,998	5.42%
Songyu Terminal <sup>⊕</sup>	<b>1,178,300</b>	1,257,778	(6.32%)
Xinhaida Terminal <sup>⊕</sup>	<b>1,205,259</b>	1,507,450	(20.05%)
	<hr/>	<hr/>	
Total throughput in Xiamen	<b>8,103,603</b>	7,789,845	4.03%
	<hr/>	<hr/>	
Fuzhou Zhongying Terminal <sup>△</sup>	<b>252,849</b>	240,352	5.20%
	<hr/>	<hr/>	
Total throughput	<b>8,356,452</b>	8,030,197	4.06%
	<hr/> <hr/>	<hr/> <hr/>	

<sup>#</sup> Since 1 January 2016, Xiamen Container Terminal Group Co., Ltd. (“Xiamen Terminal Group”) and Xiamen Hairun Container Terminals Co., Ltd. (“Hairun Terminal Company”) have successively leased and operated Haitong Terminal (Songyu berths No. 4 to No. 6) from Haitong Terminal Company respectively, a non-wholly owned subsidiary of Xiamen Port Holding, due to its business development requirements. Therefore, for the purpose of operating information set out herein, the related operating figures of Haitian Terminal and Hairun Terminal included the figures relating to the container business of Dongdu berths No. 5 to No. 16, Haitong Terminal and berths No. 4, No. 5 and No. 6 in Haicang port area of Xiamen port.

<sup>\*</sup> Xiamen International Container Terminals Ltd. (“XICT”) and Xiamen Haicang International Container Terminals Ltd. (“XHICT”) are the joint ventures established by Xiamen Terminal Group with Hutchison Ports Xiamen Limited and Hutchison Ports Haicang Limited, respectively. Since 1 September 2008, as a result of the commencement of unified operation between XICT and XHICT, the relevant operating information of XICT also included the figures of XHICT, which were consolidated in the calculation and 100% included in the 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 with the interest accounted for using equity method; pursuant to the relevant agreement and arrangement entered into on 28 November 2016, XHICT has been deemed as a subsidiary of the Group.

<sup>⊕</sup> Songyu Terminal and Xinhaida Terminal are terminals controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group, and the related operating figures of these two terminals were 100% included in the port business.

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

In 2016, as a result of proactively responding to the changing and complicated economic conditions at home and abroad, taking various countermeasures and deeply propelling the extensive operations, the Group continued to maintain steady development with an overall growth of approximately 4.06% in its container business throughput over the previous year. This was mainly attributable to the following measures: firstly, the Group has fully leveraged its overall supply chain strengths, comprehensively implemented its overall marketing and proactively attracted the inflow of cargo sources. Secondly, the Group has fully and reasonably allocated resources in light of its actual situations to improve the terminal operation efficiency and successfully obtained the approval for the normal berthing capacity of container ships up to 200,000 DWT. The Group has also endeavored to provide key customers with more comprehensive meticulous services and attract them to increase new shipping routes and voyages at its berths. For example, four major shipping companies have, in aggregate, achieved a container throughput of approximately 4.52 million TEUs in Xiamen port in the full year, representing a year-on-year increase of approximately 19%, thus effectively boosting the continued growth of the Group's container business. Thirdly, the Group has implemented the differentiation marketing strategy and endeavored to develop its incremental businesses, including international transshipment, vessel transloading and domestic feeder line transshipment. For instance, the vessel transloading throughput of containers, international container transshipment and domestic feeder line container transshipment of the Group increased by approximately 156%, 16% and 21%, respectively, compared to that in the previous year. Fourthly, the Group has focused on the development of its domestic trade container business against the characteristics of the faster development of domestic demands in China and introduced new domestic trade container transshipment projects, and thus the container throughput newly increased by approximately 200,000 TEUs.

#### *Bulk/General Cargo Port Business*

In 2016, the total annual bulk/general cargo throughput achieved by the Group was 10,507,121 tonnes, details of which were as follows:

	<b>Bulk/general cargo throughput</b>		
	<b>2016</b> <i>(Tonnes)</i>	2015 <i>(Tonnes)</i>	Increase/ (decrease)
Dongdu Terminal and ITG Terminal <sup>#</sup> XICT and XHICT*	<b>8,344,145</b>	8,315,336	0.35%
Songyu Terminal <sup>⊕</sup>	<b>37,581</b>	44,893	(16.3%)
Hailong Terminal <sup>*</sup>	<b>493,062</b>	—	100%
Shihushan Terminal, Haiyi Terminal and Haiyu Terminal <sup>*</sup>	<b>1,599,579</b>	—	100%
Total throughput in Xiamen	<b>10,474,367</b>	8,988,842	16.5%
Fuzhou Zhongying Terminal <sup>△</sup>	<b>32,754</b>	60,708	(46.0%)
Total throughput	<b>10,507,121</b>	9,049,550	16.1%

- # Due to the implementation of the relevant land and assets resumption in Dongdu Terminal, the bulk/general cargo business has been gradually transferred to ITG Terminal since 1 April 2014, except for the related bulk cargo business, such as grain bulk cargo business, being still operated at berth No. 2 in 2015; ITG Terminal has been correspondingly leased to Xiamen Port Development since 1 April 2014 for operation of its bulk/general cargo business only; and the related bulk cargo business at berth No. 2 of Dongdu Terminal, including grain bulk cargo business, has been transferred to Hailong Terminal since August 2016 for operation. 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; and XICT has transferred its underlying assets to Xiamen Port Development since 1 July 2015 for operation of its bulk/general cargo business. Therefore, for the purpose of the operating information set out herein, the related operating figures of bulk/general cargo of Dongdu Terminal in 2015 included the figures of berth No. 2 in Dongdu Terminal, ITG Terminal and Mingda Terminal, which were consolidated in the calculation, while the related operating figures in 2016 included the figures of berth No. 2 in Dongdu Terminal, ITG Terminal, Mingda Terminal and XICT, which were consolidated in the calculation
- \* Since 1 September 2008, due to the commencement of unified operation between XICT and XHICT, the relevant operating information of XICT also included the figures of XHICT, which were consolidated in the calculation and 100% included in the port business. In addition, due to the fulfillment of the arrangement of non-competition undertaking made by the Company to Xiamen Port Development and, XICT has leased its underlying assets to Xiamen Port Development since 1 July 2015 for operation of its bulk/general cargo business; XICT and XHICT has ceased the operation of its bulk/general cargo business since 1 July 2015.
- ⊕ Since Songyu Terminal was a terminal controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group, its relevant operating figures were 100% included in the port business.
- ※ Hailong Terminal has been put into trial operation since August 2016.
- ☆ Shihushan Terminal, Haiyi Terminal and Haiyu Terminal have been incorporated into the Group at the end of November 2016. Therefore, the relevant operating figures of the above three terminals in December 2016 were included in the annual report.
- △ Since 20 November 2012, the Group has leased and operated Fuzhou Zhongying Terminal from Zhongying Gangwu for operation of its container and general cargo loading and unloading business, as well as its port-related comprehensive logistics business.

During the Year, the bulk/general cargo port business of the Group grew by approximately 16.1% over the previous year. Specifically, the throughput in Xiamen increased significantly by approximately 16.5% as compared with that in the previous year, mainly attributable to the fact that the Group completed the acquisition of 51% equity interest held by Xiamen Port Holding in Shihushan Terminal Company by the end of November 2016 and that Shihushan Terminal, Haiyi Terminal and Haiyu Terminal, both subsidiaries of Shihushan Terminal, were consolidated into the Group. Excluding this factor, the throughput of bulk/general cargo port business of the Group decreased slightly by approximately 1.3% as compared with that in the previous year, mainly attributable to the depressed macroeconomy and the limited number of depots for some varieties of cargos. The trial operation of Hailong Terminal and the further improvement of its relevant auxiliary equipment and facilities would be conducive to the increases in throughput of major traditional sources of cargos, such as grains and steel. The sharp drop in the throughput of bulk/general cargo port business of Fuzhou Zhongying Terminal was mainly attributable to the fact that general cargo vessels were affected by the growth of the berthing voyages of container vessels and it was difficult for some general cargo vessels to obtain the timely availability of windows. Given the above situation, the Group has further strengthened its communication with relevant customers, proactively and reasonably coordinated its internal production and organization, enhanced the production efficiency of its terminals and endeavored to meet the requirement of the development of its port business.

### *Ancillary Value-added Port Services*

During the Year, the Group has continuously implemented its overall marketing strategy, fully leveraged the overall supply chain strengths of its port businesses, and proactively developed its auxiliary value-added port services, such as shipping agency, tallying, tugboat berthing and unberthing as well as port-related logistics services. By leveraging its overall marketing platform, the Group has effectively coordinated its port loading and unloading business and auxiliary value-added port services through its overall marketing platform to achieve cooperative action and interactive development, which had achieved a certain effect. However, due to the fierce market competition under the downturn trend of the macro-market, the auxiliary value-added port services have experienced a fluctuant development. During the year under review, although the expansion of the tugboat-assisted berthing and unberthing business of the Group in some markets outside Xiamen port has been increasingly depressed by the impact of industry competition, its business development within Xiamen port was relatively stable with the operation volume increased moderately; although the tallying business has been battered severely by the significant adjustments to industry policies, its overall performance has been steadily positive due to its promotion of smart tallying, expansion and extension of the tallying business and staffing optimization. On the other hand, affected by the intense market completion, lower rates and other factors, the performance of the Group's shipping agency business declined, but it still maintained stable market share for this business segment through its overall marketing platform collaboration; with the proactive transformation and upgrading of its port-related logistics services implemented, staged progress has been made in the relevant projects of the Group in Xiamen area of China (Fujian) Pilot Free Trade Zone (中國(福建)自由貿易試驗區廈門片區) ("Xiamen Free Trade Zone").

### *Merchandise Trading Business*

The Group has adhered to the operation philosophy of "boosting the port economy with trade and promoting the trade business through port operation". In 2016, by leveraging upon the port business platform and through the strategic cooperation with key state-owned enterprises, the Group has maximized its efforts to develop the portside supply chain businesses, such as coal, steel, chemical raw materials, white sugar and imported wastepaper, which made contributions to the growth of the port throughput business and increased the operating income and economic benefits of the Group. Meanwhile, the Group has proactively promoted the risk control of its trading business, advanced the informationization and systematization construction of its risk control, intensified its implementation and endeavored to promote stable operation of the enterprise.

## **FINANCIAL REVIEW**

### *Revenue*

Revenues of the Group increased by approximately 22.7% from approximately RMB6,915,686,000 for the year ended 31 December 2015 (as restated) to approximately RMB8,483,998,000 for the year ended 31 December 2016. 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 the consolidation of XHICT.

*Revenue by business sector*

<b>Business</b>	<b>For the year ended 31 December</b>		<b>Increase/ (Decrease)</b>
	<b>2016 (RMB'000)</b>	<b>2015 (RMB'000) (Restated)</b>	
Container loading and unloading and storage business	<b>1,588,778</b>	1,389,036	14.4%
Bulk/general cargo loading and unloading business	<b>594,863</b>	609,192	(2.4%)
Ancillary value-added port services	<b>753,043</b>	878,082	(14.2%)
Manufacturing and selling of building materials	<b>329,959</b>	341,174	(3.3%)
Trading business of merchandise	<b>5,217,355</b>	3,698,202	41.1%
<b>Total</b>	<b><u>8,483,998</u></b>	<b><u>6,915,686</u></b>	<b><u>22.7%</u></b>

The reasons for the changes in the revenue of each business sector for the year ended 31 December 2016 compared with 2015 are as follows:

1. The increase of the container throughput of the Group for the year ended 31 December 2016 as compared with 2015 and the consolidation of XHICT resulted in a significant increase in the revenue of the container loading and unloading and storage business.
2. The decrease in the Group's total bulk/general cargo revenue was mainly due to a reduction of bulk/general cargo throughput compared with 2015 excluding the impact on the figures for the two years from business combination of Shihushan Terminal, Haiyi Terminal and Haiyu Terminal.
3. The decrease in the Group's ancillary value-added port services revenue was due to the influences of the growing trend of mega-vessels, shipping companies alliances and fierce competition of the market.
4. The decrease in the Group's manufacturing and sales of building material's revenue was due to the influence of the government market guidance price and the real estate market.
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 25.2% from approximately RMB5,875,839,000 for the year ended 31 December 2015 (as restated) to approximately RMB7,356,283,000 for the year ended 31 December 2016. 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 35.3% from approximately RMB4,039,405,000 for the year ended 31 December 2015 (as restated) to approximately RMB5,463,767,000 for the year ended 31 December 2016. 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 4.1% from approximately RMB657,417,000 for the year ended 31 December 2015 (as restated) to approximately RMB684,445,000 for the year ended 31 December 2016. The increase was mainly due to the increase in the overall business volume of the Group, which led to the corresponding increase in average remuneration and bonus expenditure.

### *Gross profit*

Due to the increases in the container port business volume and trading business of scale of the Group, the Group's gross profit increased by approximately 8.5% from approximately RMB1,039,847,000 for the year ended 31 December 2015 (as restated) to approximately RMB1,127,715,000 for the year ended 31 December 2016. Gross profit margin of the Group decreased from approximately 15.0% for the year ended 31 December 2015 (as restated) to approximately 13.3% for the year ended 31 December 2016. The decrease in gross profit margin was mainly due to the significant increase in revenues of the Group's trading business of merchandise which have a lower gross profit rate.

### *Other gains*

Other gains of the Group increased by approximately 15.5% from approximately RMB162,984,000 for year ended 31 December 2015 (as restated) to approximately RMB188,240,000 for the year ended 31 December 2016. The increase was mainly due to the investment gains from the consolidation of XHICT in 2016.

### *Operating expenses*

The Group's operating expenses increased by approximately 15.2% from approximately RMB332,428,000 for the year ended 31 December 2015 (as restated) to approximately RMB383,097,000 for the year ended 31 December 2016. The increase was primarily due to the rise in the Group's revenues this year, along with rising operating expenses.

### *Operating profit*

The Group's operating profit increased by approximately 5.5% from approximately RMB995,789,000 for the year ended 31 December 2015 (as restated) to approximately RMB1,051,049,000 for the year ended 31 December 2016. The Group's operating profit margin decreased from approximately 14.4% for the year ended 31 December 2015 (as restated) to approximately 12.4% for the year ended 31 December 2016, which was mainly due to the significant increase in revenue of the Group's trading business of merchandise which have a lower profit margin.

### *Income tax expense*

The Group's income tax expense increased by approximately 5.6% from approximately RMB205,032,000 for the year ended 31 December 2015 (as restated) to approximately RMB216,421,000 for the year ended 31 December 2016. The increase was mainly due to the increase in the Group's operating profit. The Group's applicable corporate income tax rate (except for Trend Wood, Songyu Terminal, Hong Kong Ocean Shipping Agency and Haiyu Terminal), was 25%, same as that of last year.

### *Profit for the Year*

The Group's profit for the Year increased by approximately 9.0% from approximately RMB738,753,000 for the year ended 31 December 2015 (as restated) to approximately RMB804,916,000 for the year ended 31 December 2016. The Group's profit margin was approximately 10.7% for the year ended 31 December 2015 and approximately 9.5% for the year ended 31 December 2016. The decrease in profit margin was mainly due to the decrease in operating profit margin mentioned above.

### *Total comprehensive income for the Year*

Total comprehensive income for the Year increased by approximately 12.2% from approximately RMB742,033,000 for the year ended 31 December 2015 (as restated) to approximately RMB832,298,000 for the year ended 31 December 2016. Due to the market value of available-for-sale financial assets held reflected a higher 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 increased by approximately RMB24,102,000 for the year ended 31 December 2016 compared with the year ended 31 December 2015.

### *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 15.8% from approximately RMB419,258,000 for the year ended 31 December 2015 (as restated) to approximately RMB485,574,000 for the year ended 31 December 2016, 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 increased by approximately 7.4% from approximately RMB322,775,000 for the year ended 31 December 2015 (as restated) to approximately RMB346,724,000 for the year ended 31 December 2016. This was mainly due to the facts that the market value of available-for-sale financial assets held reflected a higher 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 increased for the year ended 31 December 2016 compared with the year ended 31 December 2015.

### *Accounts and notes receivable*

The Group's net accounts and notes receivable increased by approximately 9.1% from approximately RMB1,056,333,000 as at 31 December 2015 (as restated) to approximately RMB1,152,686,000 as at 31 December 2016. The increase was mainly due to the increase in total revenue.

As at 31 December 2016, the Group's gross accounts and notes receivable were approximately RMB1,242,887,000, of which approximately RMB927,024,000 accounts and notes receivable were aged within six months, accounting for approximately 74.6% of the total accounts and notes receivable, approximately RMB84,774,000 were aged between six months to one year, approximately RMB171,630,000 were aged between one year to two years, approximately RMB43,708,000 were aged between two years to three years and approximately RMB15,751,000 were aged over three years.

### *Accounts and notes payable*

The Group's accounts and notes payable decreased by approximately 3.5% from approximately RMB1,085,553,000 as at 31 December 2015 (as restated) to approximately RMB1,047,631,000 as at 31 December 2016. This was primarily due to normal fluctuation.

As at 31 December 2016, the Group's accounts and notes payable within one year were approximately RMB985,349,000, accounting for approximately 94.1% and due over one year were approximately RMB62,282,000, accounting for approximately 5.9%.

### *Borrowings*

The Group's borrowings increased from approximately RMB2,827,964,000 as at 31 December 2015 (as restated) to approximately RMB3,540,967,000 as at 31 December 2016, which was primarily due to the issue of corporate bonds and short-term notes for expansion of the operating businesses.

As at 31 December 2016, borrowings due within one year were approximately RMB2,217,375,000, due within one to two years were approximately RMB40,503,000, due within two to five years were approximately RMB1,210,511,000 and due over five years were approximately RMB72,578,000.

As at 31 December 2016, a bank borrowing of approximately RMB44,217,000 of the Group was guaranteed by China Construction Bank; a bank borrowing of approximately RMB73,600,000 was guaranteed by Xiamen Port Holding; and a bank borrowing of approximately RMB31,715,000 was guaranteed by a non-controlling shareholder of a subsidiary. The group had no secured loan as at 31 December 2016.



### *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 2015 and 2016 respectively:

	<b>2016</b> <b>RMB'000</b>	2015 <b>RMB'000</b> (Restated)
Net cash generated from operating activities	<b>803,920</b>	861,978
Net cash (used in)/generated from investing activities	<b>(991,360)</b>	253,629
Net cash generated from/(used in) financing activities	<b>463,560</b>	(1,004,484)
Net increase in cash and cash equivalents	<b>276,120</b>	111,123
Cash and cash equivalents at beginning of year	<b>861,733</b>	748,690
Exchange gains on cash and cash equivalents	<b>3,103</b>	1,920
Cash and cash equivalents at end of year	<b>1,140,956</b>	861,733

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

#### *Operating activities*

The Group's net cash generated from operating activities decreased by approximately 6.7% from approximately RMB861,978,000 in 2015 (as restated) to approximately RMB803,920,000 in 2016. The main reasons for the decrease in net cash from operating activities included the decrease in net cash generated from operations of approximately RMB114,160,000 and the increase in income tax expense paid of approximately RMB6,528,000 in 2016, which was partially offset by the decrease in interest paid of approximately RMB62,630,000.

#### *Investing activities*

The Group's net cash from investing activities decreased from inflow of approximately RMB253,629,000 in 2015 to outflow of approximately RMB991,360,000 in 2016. The cash outflow in investment activities in 2016 was mainly due to the interest bearing loan to a related party, consideration paid for acquisition of Shihushan Terminal, purchase of wealth management products and purchase of property, plant and equipment.

### *Financing activities*

The Group's net cash generated from financing activities increased from outflow of approximately RMB1,004,484,000 in 2015 (as restated) to inflow of approximately RMB463,560,000 in 2016. The net cash generated from financing activities inflow in 2016 was primarily due to the cash inflow of approximately RMB4,207,347,000 from the newly borrowed loans, and the cash injection of approximately RMB11,250,000 by the non-controlling shareholders of the subsidiaries of the Company, partially offset by the cash outflow of borrowings repayment of approximately RMB3,485,634,000 and dividends paid during the Year of approximately RMB269,403,000.

### *Capital expenditure*

The Group's capital expenditures in 2015 and 2016 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 2015 and 2016:

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Total capital expenditure	<u><b>653,256</b></u>	<u>1,056,144</u>

### *Capital expenditure commitments*

As at 31 December 2016, the Group's capital expenditure commitments were approximately RMB272,767,000, mainly consisting of expenditure on constructing and improving port and storage infrastructure, acquisition of new loading machineries and other machineries and building renovation.

On 16 December 2016, Xiamen Terminal Group (a non-wholly owned subsidiary of the Company) has entered into an acquisition agreement with Initial Sun Limited ("Initial Sun"), pursuant to which Xiamen Terminal Group has agreed to acquire and Initial Sun has agreed to sell its 20% equity interest in Xiamen Haicang Xinhaida Container Terminals Co., Ltd. ("Xinhaida") for a consideration of RMB138,337,000. The acquisition has been completed in February 2017.

### *Exchange rate and interest rate risk*

The Group's bank borrowings are denominated in RMB, US dollars. To the extent that RMB appreciates (or depreciates) against US 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 2016.

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.

### *Gearing ratio*

The Group's net gearing ratio is calculated as net debt divided by total capital. Net debt is the total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is the "equity" as shown in the consolidated balance sheet plus net debt. The Group's net gearing ratio changed from approximately 16.2% as at 31 December 2015 (as restated) to approximately 18.9% as at 31 December 2016, 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 2016, the Group had no significant contingent liabilities.

## **EMPLOYMENT, TRAINING AND DEVELOPMENT**

As at 31 December 2016, the Group had a total of 7,057 employees, representing an increase of 776 employees as compared to 31 December 2015. The increase was mainly due to the completion of the acquisition of the 51% equity interest in Shihushan Terminal Company, held by Xiamen Port Holding, by the Group during the Year, upon completion of the acquisition, Shihushan Terminal Company became a subsidiary of the Group and its 772 employees were included in the statistical scope of the Group. During the Year, the total staff cost accounted for approximately 10.4% 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 15 March 2016, Xiamen Port Development and China United Tally Co., Ltd. (中聯理貨有限公司) ("China Tally") jointly established Xiamen China United Tally Co., Ltd. Xiamen Branch (廈門中聯理貨有限公司) ("China Tally Xiamen") as a joint venture, which is principally engaged in businesses, such as vessel cargo tallying for international and domestic shipping routes, international and domestic containers tallying as well as tallying for container packing and devanning, cargo measuring, vessel draft measuring, cargo loading and unloading inspection, survey and inspection for cargo damage and container damage, etc. The registered capital of China Tally Xiamen is RMB3.0 million, which is owned as to 40% by Xiamen Port Development and 60% by China Tally, and the relevant industrial and commercial registration formalities have been completed.

On 30 April 2016, Xiamen Terminal Group exclusively injected funds to establish Xiamen Hairun Container Terminal Co., Ltd. (廈門海潤集裝箱碼頭有限公司) (“Hairun Company”) in Xiamen Free Trade Zone, which is principally engaged in port cargo loading and unloading and storage services, terminal and other port facilities services and vessel port services, etc. The registered capital of Hairun Company is RMB10.0 million, and the relevant industrial and commercial registration formalities have been completed.

On 1 July 2016, Xiamen Penavico International Freight and Forwarding Co., Ltd. (廈門外代國際貨運有限公司) (“Xiamen Penavico International”), an indirect subsidiary of the Company, injected funds to establish Xiamen Penavico International Freight and Forwarding Co., Ltd. Bajing Branch (廈門外代國際貨運有限公司八景分公司) in Bajing town, Gao’an, Yichun, Jiangxi Province, which is principally engaged in road transportation of goods (excluding dangerous goods transport), domestic vessel agency, coastal and inland river transportation of goods and customs declaration, international freight agency and warehousing, etc., and the relevant industrial and commercial registration formalities have been completed.

On 27 September 2016, Xiamen Port Shipping Co., Ltd. (廈門港務船務有限公司) (“Xiamen Port Shipping”), an indirect subsidiary of the Company, injected funds to establish Xiamen Port Shipping Co., Ltd. Shenzhen-Shantou Special Cooperation Zone Branch (廈門港務船務有限公司深汕特別合作區分公司) in Shenzhen-Shantou Special Cooperation Zone, Guangdong Province, which is principally engaged in the port tugboat-assisted berthing and unberthing services, and the relevant industrial and commercial registration formalities have been completed.

On 25 November 2016, Sanming Port Customs Declaration Co., Ltd. (三明港務報關有限公司), an indirect subsidiary of the Company, injected funds to establish Sanming Port Customs Declaration Co., Ltd. Sha County Branch (三明港務報關有限公司沙縣分公司) in Sanming North Station, Sha County, Fujian Province, which is principally engaged in sales of pre-packaged food, and the relevant industrial and commercial registration formalities have been completed.

On 1 December 2016, Xiamen Penavico International injected funds to establish Xiamen Penavico International Freight and Forwarding Co., Ltd. Ningde Branch (廈門外代國際貨運有限公司寧德分公司) in Jiaocheng District, Ningde, Fujian Province, which is principally engaged in road transportation of goods (excluding dangerous goods transport), domestic vessel agency, coastal and inland river transportation of goods and customs declaration, international freight agency and warehousing, etc., and the relevant industrial and commercial registration formalities have been completed.

## OTHER MAJOR EVENTS IN 2016

On 25 April 2016, the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) accepted the registration of super short-term notes with an aggregate maximum principal amount of RMB3,000,000,000 to be issued on a rolling basis by the Company to certain domestic institutional investors with an effective period from 25 April 2016 to 24 April 2018. The Company may issue the short-term notes in multiple tranches within the effective period of registration. In this regard, the Company has, (i) on 15 June 2016, completed the issue of the first tranche of the super short-term notes with a term of 270 days from the date of issue with a total principal amount of RMB450,000,000 at a fixed interest rate of 3.01% per annum; (ii) on 8 September 2016, completed the issue of the second tranche of the super short-term notes with a term of 270 days from the date of issue with a total principal amount of RMB730,000,000 at a fixed interest rate of 2.88% per annum; (iii) on 22 November 2016, completed the issue of the third tranche of the super short-term notes with a term of 270 days from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.31% per annum. The abovementioned net proceeds from the issue of the super short-term notes were principally used for supplementing the Group's liquidity and repayment of the Group's bank loans.

On 15 June 2016, the annual general meeting of the Company resolved the issue of corporate bonds with a term from 1 year up to 10 years for each tranche (either of single term or a combination of multiple terms) with an aggregate maximum principal amount of RMB2,600,000,000 in either one or multiple tranches at a fixed interest rate per annum to qualified investors who satisfy the conditions for the subscription of corporate bonds. The Company will apply for listing of the corporate bonds on the relevant stock exchanges upon completion of the abovementioned issue of every tranche of corporate bonds. The abovementioned net proceeds from the issue of corporate bonds were used principally for satisfying working capital needs and adjusting its debt structure (including, without limitation, repayment of bank loans) or other purposes not in violation of the relevant law and regulations. On 5 January 2017, the Securities Regulatory Commission of the PRC has approved such approval with an effective period from 5 January 2017 to 4 January 2019.

On 27 June 2016, the Company completed the issue 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 RMB300,000,000 at a fixed interest rate of 3.04% per annum (the "Second Tranche Short-Term Notes") to certain domestic institutional investors. The net proceeds from such issue of the Second Tranche Short-Term Notes were used principally for supplementing the Group's liquidity and repayment of the Group's bank loans.

On 29 June 2016, Xiamen Port Development completed the issue of the first tranche of the corporate bonds with a term of five years from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 3.25% per annum (the "XPD First Tranche Corporate Bonds"). Pursuant to the principal terms of the XPD First Tranche Corporate Bonds, at the end of the third year of the term, the issuer is entitled to increase the interest rate for the remaining term and the holders of the XPD First Tranche Corporate Bonds may put back all or part of their bonds to the issuer at the principal amount. The net proceeds from the issue of the XPD First Tranche Corporate Bonds were used principally for satisfying working capital needs and adjusting its debt structure (including, without limitation, repayment of bank loans) or other purposes not in violation of the relevant law and regulations.

On 29 June 2016 and 12 August 2016, Xiamen Port Development entered into an equity interest transfer agreement and a supplemental agreement successively with Xiamen Port Holding. The above agreements have become effective upon the approval of the shareholders at the Company's extraordinary general meeting on 26 October 2016, pursuant to which Xiamen Port Development (i) has acquired from Xiamen Port Holding the 51% equity interest in Shihushan Terminal Company held by it for a consideration of RMB716,494,250.79; and (ii) is entitled to a first refusal right and a call option over the remaining 49% equity interest. The registration formalities of the change in the equity holder of the above 51% equity interest have been completed on 21 November 2016. Accordingly, Shihushan Terminal Company becomes a subsidiary of the Company. For details of the above acquisition, please refer to the Company's announcements dated 29 June 2016, 12 August 2016, 26 October 2016 and 22 November 2016 and Company's circular dated 30 August 2016.

On 8 July 2016, Xiamen Port Development completed the issue of the first tranche of the super short-term notes with a term of 90 days from the date of issue with a total principal amount of RMB100,000,000 at a fixed interest rate of 2.92% per annum (the "XPD First Tranche Super Short-Term Notes"). The net proceeds from the issue of the XPD First Tranche Super Short-Term Notes were principally used for supplementing liquidity, etc.

On 26 October 2016, Xiamen Port Development completed the issue of the second tranche of the corporate bonds with a term of five years from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.02% per annum (the "XPD Second Tranche Corporate Bonds"). Pursuant to the principal terms of the XPD Second Tranche Corporate Bonds, at the end of the third year of the term, the issuer is entitled to increase the interest rate for the remaining term and the holders of the XPD Second Tranche Corporate Bonds may put back all or part of their bonds to the issuer at the principal amount. The net proceeds from the issue of the XPD Second Tranche Corporate Bonds were principally used for satisfying working capital needs or other purposes not in violation of the relevant law and regulations.

On 28 November 2016, Xiamen Terminal Group entered into an agreement with Hutchison Ports Haicang Limited in relation to XHICT, pursuant to which Xiamen Terminal Group and Hutchison Ports Haicang Limited have agreed to act in accordance with the agreed mechanism with regard to the approval of certain corporate matters by the board of directors of XHICT for the period from the date of the agreement and ending on 31 December 2022, unless otherwise extended by the relevant parties prior to expiry. By virtue of and in view of the arrangements contemplated under the agreement, XHICT shall be accounted for as a subsidiary of the Group in accordance with the HKFRS. For more details of the abovementioned transactions, please refer to the announcement of the Company dated 28 November 2016.

## **SUBSEQUENT EVENTS**

On 24 March 2017, Zhangzhou City Gulei Port Development Co., Ltd. (漳州市古雷港口發展有限公司), (“Gulei Port Development”), an indirect subsidiary of the Company, entered into an construction contract with the contractor CCCC Third Navigational Engineering Bureau Co., Ltd. (中交第三航務工程局有限公司) in relation to the construction of berths North No. 1 and No. 2 in Gulei operation area of Zhangzhou City, Fujian Province at a total consideration of RMB637,530,000. The construction period for the above construction works is expected to be 30 months. The relevant consideration will be paid directly to the contractor by Gulei Port Development in accordance with the requirements of the contract. For details of the above transaction, please refer to the Company’s announcement dated 24 March 2017.

## **FUTURE PROSPECTS**

The year of 2017 plays an important role for the “Thirteen Five-year Plan” of the Chinese government. Looking forward to 2017, the recovery of global economic will face a more complicated environment. Internationally, according to the forecast from the International Monetary Fund in January 2017, the global economic growth is predicted to be 3.4% in 2017, representing a slight increase over 2016, however, there may be materially different in such economic forecast due to the uncertainty of the new government policy situation in the United States and corresponding global impact. Currently, in particularly, the increasing anti-globalization trend, international trade protectionism and geopolitical tensions would have a greater pressure on the foreign trade environment in China. From a domestic perspective, the Chinese government will continue to implement active financial policies and stable monetary policies, adhere to the promotion of supply-side structural reform, moderately expand aggregate demand and realize the consumer-oriented and service-oriented transformation. The Chinese government believes that the slower growth in the short term will lay a solid foundation for the long-term sustainable growth and the overall economy will perform in a reasonable range. In such regards, the Chinese government anticipates that the growth rate of its national economy will be approximately 6.5% in 2017, and the Fujian provincial government and Xiamen municipal government forecast that their local national economy will grow by approximately 8.5% and 8.6% respectively. The national economy will strive to realize sustained and steady growth, which will lay a foundation for the development of Xiamen port and port business.

Based on the above forecast on economic and trading conditions in 2017, the Company expects that its port business will encounter a more complicated overall developmental environment in 2017. Therefore, the Company will continue to look for steady progress in 2017 and focus on the port core business, adopt effective measures, respond to new challenges positively, press forward amid the challenging climate, grasp market opportunities for the purpose of promoting the sustainable and stable development of the Group. In 2017, the Group intends to roll out each of the following measures:

- To promote the construction of the port platform ecosystem and the implementation of the strategic port-shipping cooperation, the Group will make effort to develop its container and bulk cargo businesses and focus on container incremental businesses such as domestic feeder-line container transshipment, international container transshipment, domestic trade container transshipment, vessel transloading and empty container reposition as well as shipping routes business under “One Belt, One Road” and stone, steel and grain importing businesses, and advance its extensive operation of port business.

- To deepen overall marketing and improve overall marketing platform, the Group will improve the efficiency in business coordination of all links of its port business supply chain. As supported by the efficient use of business unification functions of overall marketing platform, the Group would also be able to provide contractual services within wider customer scope, improve the comprehensive competition of its business as well as further advance the interactive development between the terminal business and the ancillary value-added services of the ports, which, in turn, could safeguard and expand the market share of its core business.
- To deepen the implementation of hinterland strategy and strive to explore port hinterlands, the Group will expand its high-density sub-route business, sea-land and sea-rail joint transportation business through its sub-route ports, land-based ports and sea-rail joint transportation network construction for the purpose of building the international container port service system, which will set the Xiamen port as the core extend to the economic zone of the western coast of Taiwan Straits as well as connect to the whole world.
- To improve the port hardware and software services capability. Firstly, the Group will improve its terminal services capability and perfect the supporting port equipment and facilities, to further comply with the growing trend of mega-vessels and shipping companies alliances, and focus on the reinforcement works and the extension works of turning basin of the berths No. 1 to No. 3 in Haicang port area and other related loading and unloading equipment supporting works of the Songyu Terminal and the sub-route terminal in Chaozhou. Secondly, the Group will intensify the information construction and improve its innovation and development capability. The Group will also focus on promoting the relevant terminal semi-automatic transformation, speeding up the construction works of the intelligent gate project (phase II) as well as developing both the container business management platform and the smart logistics platform project (phase II) so as to further achieve the full implementation of application of related platforms in all of the Group's terminal logistics enterprises, and then gradually extending to all the other logistics enterprises in Xiamen port. Thirdly, the Group will improve its port services capability and set up the index assessment system of port services to adapt to the port modernization construction and meet the customer's requirements and business development demand.
- To promote the transformation and upgrading of the Group's port business. Firstly, the Group, taking advantage of the policies in Xiamen Free Trade Zone, will utilize the port core business as the driving force of other new business and focus on the development of new format of the ports. Secondly, the Group will deeply explore the strategic opportunities brought by "One Belt, One Road", actively integrate within the "One Belt, One Road" construction works and develop shipping routes of "One Belt, One Road". Thirdly, the Group will play a full part in incremental electric power distribution business pilot reform, facilitate the technical modification, such as "Change from Oil to Electricity" and "Change from Oil to Gas", carry out the transformation of green lighting and the usage of shore-power supply for vessels and other projects, improve the port business environment, reduce electricity consumption cost and promote eco-development.



- To intensify the refined management and capital operation. The Group will focus on: improving the internal control and management system, reinforcing the budget enforcement, system construction and audit supervision, and carrying out safe production; taking full advantage of the platform as a listed company and issuing corporate bond, short-term notes and super short-term notes combined with the financial demand to reduce its financial cost, strengthen its capital management and improve the efficiency in capital utilization; continuing to promote resource recombination and integration, and improve its efficiency in resource allocation.
- 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 of Xiamen Port Holding, so as to facilitate the Board and general meeting to make appropriate decisions based on the management and operational circumstances at the time.

## OTHER INFORMATION

### Share Capital

The table below sets out the share capital structure of the Company as at 31 December 2016:

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

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

### Purchase, Sale and Redemption of Securities

During the year ended 31 December 2016, the Group had not purchased, sold or repurchased any of the securities of the Company.

### Closure of Register of Members and Eligibility for Attending the Annual General Meeting

Holders of H shares of the Company (“H Shares”) are advised that the register of members of the Company will be closed from 16 May 2017 (Tuesday) to 15 June 2017 (Thursday) (both days inclusive). Shareholders whose names appear on the register of members of the Company on 16 May 2017 (Tuesday) are entitled to attend the Company’s annual general meeting to be held on 15 June 2017 (the “AGM”). Holders of H Shares who wish to attend the AGM are required to lodge all transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 15 May 2017 (Monday).

## **Closure of Register of Members and Ascertaining of Eligibility for the Proposed Final Dividend**

The Board has recommended the payment of a final dividend of RMB4.0 cents per share (tax inclusive) for the year ended 31 December 2016 and, if such final dividend is approved by the shareholders at the AGM, is expected to be paid to those shareholders whose names appear on the register of members of the Company on 27 June 2016 (Tuesday), the final dividend is expected to be paid on or around 31 July 2017. The register of members of H Shares will be closed from 22 June 2017 (Thursday) to 27 June 2017 (Tuesday) (both days inclusive) for the purpose of ascertaining the Company's shareholders' entitlement to the proposed final dividend. In order to be qualified for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 21 June 2017 (Wednesday).

Pursuant to the Law on Corporate Income Tax of the PRC and its implementing regulations and other relevant rules which came into effect in 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing any dividend to non-resident enterprise (which has the meaning ascribed to it under the PRC Tax Law) shareholders of the Company whose names appear on the H-share register of members of the Company on 27 June 2017 (Tuesday).

## **Corporate Governance**

### *Compliance with the Corporate Governance Code*

The corporate governance framework of the Company aims to ensure that the Company has implemented and maintained high standards of corporate conduct. The Board firmly believes that good corporate governance is the core in managing an organization properly, which helps to fulfill the corporate targets, ensure higher transparency and better safeguard shareholders' interests. The Board maintains and promotes the corporate governance level of the Company with a responsible attitude in a timely, transparent and effective manner.

The Company has adopted all code provisions of the Corporate Governance Code (the "Corporate Governance Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the corporate governance code of the Company. The Company has complied with all code provisions and most of the recommended best practices set out in the Corporate Governance Code during the year ended 31 December 2016. Also, the Directors are not aware of any non-compliance thereof during the period.

### *The Review of the 2016 Annual Results*

The Company's audit committee has reviewed the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 December 2016.

The Company has 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 has 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 is now effective as the code of conduct for securities transactions by the Directors, supervisors and senior management of the Company. After the Company making specific enquiries of all Directors, supervisors and senior management and obtaining specific confirmations by them, the Company confirmed that they have at all times complied with the standards required in the Model Code and the Code during the Year, and the Company has not been aware of any violations thereof.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The electronic version of this announcement will be published on the websites of “HKExnews” (<http://www.hkexnews.hk>) of The Stock Exchange of Hong Kong Limited and of the Company (<http://www.xipc.com.cn>). The Company will dispatch the annual report for the year ended 31 December 2016, which contains all appropriate information required by Appendix 16 to the Listing Rules, to shareholders and publish it on the said websites in due course.

By order of the Board  
**Xiamen International Port Co., Ltd**  
**Cai Liqun**  
*Chairman*

Xiamen, the PRC, 24 March 2017

*As at the date of this announcement, the executive Directors of the Company are Mr. Cai Liqun, Mr. Fang Yao, Mr. Chen Zhaohui and Mr. Ke Dong; the non-executive Directors of the Company are Mr. Chen Dingyu, Mr. Chen Zhiping, Mr. Fu Chengjing, Mr. Huang Zirong and Ms. Bai Xueqing; and the independent non-executive Directors of the Company are Mr. Liu Feng, Mr. Lin Pengjiu, Mr. You Xianghua, Mr. Jin Tao and Mr. Ji Wenyuan.*

\* *For identification purpose only*