



青島港國際股份有限公司

QINGDAO PORT INTERNATIONAL CO., LTD.*

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

Stock Code: 06198



2016 ANNUAL REPORT



* For identification purpose only

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Unless the context otherwise requires, the following expressions shall have the following meanings:

“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of directors of Qingdao Port International Co., Ltd. (青島港國際股份有限公司)
“CFS”	container freight station, of which, container freight station at loading ports refers to the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier, while container freight station at discharge or destination ports refer to the location designated by carriers for de-vanning of containerized cargo
“Changing bulk to container”	A method to complete the transportation of bulk cargoes through containers by road, waterway, and railway
“Company”	Qingdao Port International Co., Ltd. (青島港國際股份有限公司), a joint stock company established in the PRC with limited liability on 15 November 2013
“Consolidated Group Companies”	the Company (including its branches) and its subsidiaries which are consolidated into the consolidated financial statements of the Company
“Dagang Branch”	Dagang Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司大港分公司), a branch of the Company, which is mainly engaged in the business of domestic container, break bulk, grains and other cargo handling and ancillary services
“Datang Port”	Datang Qingdao Port Co., Ltd. (大唐青島港務有限公司), a subsidiary acquired by the Company in 2014, in which the Company holds 51% equity interest, which is mainly engaged in construction and management of terminals and its ancillary facilities; procurement, consulting and invitation of tender for the equipment and materials needed by terminals; leasing, maintenance and management of terminals and their ancillary facilities; cargo loading and unloading, warehousing services (excluding dangerous goods) and international freight forwarding
“Director(s)”	the director(s) of the Company
“Dongjiakou Branch”	Dongjiakou Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司董家口分公司), a branch of the Company, which was established in July 2015 and mainly engaged in the business of break bulk cargo handling and ancillary services
“Group”	the Company and its branches and subsidiaries; when references are made to operational data such as throughput, including joint ventures and associates of the Company
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaneng Qingdao”	Huaneng Qingdao Port Operation Co., Ltd. (華能青島港務有限公司), a joint venture in which the Company holds 49% equity interest, which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Mercuria Logistics”	Qingdao Haiye Mercuria Logistics Co., Ltd. (青島海業摩科瑞物流有限公司), a subsidiary acquired by the Company in 2014, in which the Company holds 51% equity interest, which is mainly engaged in freight forwarding, importing and exporting cargo warehousing, transshipment and distribution, construction of warehousing and logistics facilities, etc.
“Mercuria Oil Terminal”	Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (青島海業摩科瑞倉儲有限公司), a subsidiary acquired by the Company in 2014, in which the Company holds 65% equity interest, which is mainly engaged in construction and management of warehouse as well as wholesale of machinery and equipment and construction materials
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“One Belt and One Road”	the Silk Road Economic Belt and 21st Century Maritime Silk Road
“PRC”	the People’s Republic of China, and for the purpose of this report, excluding Hong Kong, Macau and Taiwan
“Proposed New H Share Issue”	subject to fulfilment of certain conditions stated in the circular of the Company dated 14 February 2017, the issue of the 243,000,000 new H shares of the Company by way of placing pursuant to the specific mandate granted by the shareholders on the 2017 first extraordinary general meeting, 2017 first domestic shareholders’ class meeting and 2017 first H shareholders’ class meeting of the Company held on 10 March 2017
“Proposed Subscription”	the proposed subscription of the 1,015,520,000 domestic shares of the Company by Shanghai China Shipping Terminal pursuant to the Transaction Agreement
“Prospectus”	the listing document of the Company in relation to the global offering dated 26 May 2014
“QDOT”	Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (青島港董家口礦石碼頭有限公司), a joint venture in which the Company holds 30% equity interest, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services
“QDP”	Qingdao Port (Group) Co., Ltd. (青島港(集團)有限公司), the controlling shareholder of the Company, which holds a proximately 73.8% equity interest in the Company as at the date of this report
“QDP Investment”	Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司), a wholly-owned subsidiary of QDP
“Qiangang Branch”	Qiangang Branch of Qingdao Port International Co., Ltd. (青島港國際股份有限公司前港分公司), a branch of the Company, which is mainly engaged in the business of providing ore, coal and other cargo handling and ancillary services

“Qingdao Finance”	Qingdao Port Finance Co., Ltd. (青島港財務有限責任公司), a subsidiary jointly established by the Company (holding 70% equity interest) and QDP (holding 30% equity interest), which is mainly engaged in the provision of depository services, credit granting services, financial and financing advisory services, credit assurance services and relevant consulting and agency services; trade receivables collection and payment services; internal fund transfer and settlement services formulation of proposals for the corresponding settlement and clearing services and other financial services to QDP and its group companies
“Qingdao Financial Leasing”	Qingdao Port International Financial Leasing Co., Ltd. (青島港國際融資租賃有限公司), a wholly-owned subsidiary established by the Company in July 2015
“Qingdao Gangsheng”	Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd. (青島港盛國際物流冷藏有限公司), a connected person of the Company
“Qingdao OST”	Qingdao Ocean Shipping Tally Co., Ltd. (青島外輪理貨有限公司), a subsidiary in which the Company holds 84% equity interest, which is mainly engaged in the business of providing tallying services
“Qingdao Port Logistics”	Qingdao Port International Cargo Logistics Co., Ltd. (青島港國際貨運物流有限公司), a wholly-owned subsidiary of the Company, which is mainly engaged in the business of providing logistics value-added services, such as transportation and agency service
“Qingdao Shihua”	Qingdao Shihua Crude Oil Terminal Co., Ltd. (青島實華原油碼頭有限公司), a joint venture in which the Company holds 50% equity interest, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“Qingwei Container”	Weihai Qingwei Container Terminal Co., Ltd. (威海青威集裝箱碼頭有限公司), a joint venture in which the Company holds 49% equity interest, which is mainly engaged in the business of providing container handling and ancillary services
“QPIS”	Qingdao Port Investment Shipping Co., Ltd. (青島港投船務有限公司), a wholly-owned subsidiary of QDP Investment
“QQCT”	Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司), a joint venture in which the Company holds 31% equity interest, which is mainly engaged in the business of providing container handling and ancillary services
“QQCTU”	Qingdao Qianwan United Container Terminal Co., Ltd. (青島前灣聯合集裝箱碼頭有限責任公司), a joint venture in which QQCT indirectly holds 40% equity interest, which is mainly engaged in the business of providing container handling and ancillary services
“Riqing Container”	Rizhao Riqing Container Terminal Co., Ltd. (日照日青集裝箱碼頭有限公司), a former joint venture of the Company in which the Company held 50% equity interest, whose 50% equity interest held by the Company was disposed of and transferred by the Company to Rizhao Port Group Co., Ltd. (日照港集團有限公司) in February 2015
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai China Shipping Terminal”	Shanghai China Shipping Terminal Development Co., Ltd. (上海中海碼頭發展有限公司), a company established in China and a wholly-owned subsidiary of COSCO SHIPPING Ports Limited (中遠海運港口有限公司)

DEFINITIONS

“Supervisor(s)”	the supervisor(s) of the Company
“SVITZER Tug”	Qingdao Port SVITZER Tug Co., Ltd.* (青島港施維策拖輪有限公司), a non-wholly-owned subsidiary of the Company in which the Company holds 55% equity interests
“Transaction Agreement”	the agreement entered into between the Company and Shanghai China Shipping Terminal dated 20 January 2017 in relation to the Proposed Subscription and the Proposed New H Share Issue
“Valemax”	the largest dry bulk carrier in the world with a capacity of up to 400,000 DWTs, which is mainly used to transport, among other things, ore and ore sand exploited from mines in Brazil
“Vopak Logistics”	Vopak Logistics (Qingdao) Co., Ltd. (孚寶港務(青島)有限公司), in which the Company holds 50% equity interest as at the date of this annual report, which is mainly engaged in the business of providing liquid bulk handling and ancillary services
“West United”	Qingdao Qianwan West Port United Terminal Co., Ltd. (青島前灣西港聯合碼頭有限責任公司), a joint venture in which the Company holds 51% equity interest (but is not consolidated into consolidated financial statements of the Company as the Company does not have control over it), and which is mainly engaged in the business of providing dry bulk cargo and break bulk cargo handling and ancillary services

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

CHINESE NAME OF THE COMPANY

青島港國際股份有限公司

ENGLISH NAME OF THE COMPANY

Qingdao Port International Co., Ltd.

LEGAL REPRESENTATIVE

Mr. ZHENG Minghui

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**(1) Headquarters in the PRC:**

7 Ganghua Road
City North District, Qingdao
Shandong Province, PRC

(2) Principal Place of Business in Hong Kong:

36th Floor
Tower Two, Times Square
1 Matheson Street Causeway Bay
Hong Kong

DATE OF LISTING

6 June 2014

PLACE OF LISTING

Main Board of The Stock Exchange of Hong Kong Limited

ABBREVIATED CHINESE STOCK NAME

青島港

ABBREVIATED ENGLISH STOCK NAME

Qingdao Port

STOCK CODE

06198

TELEPHONE

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BOARD OF DIRECTORS**(1) Executive Directors**

Mr. ZHENG Minghui (Chairman)
Mr. JIAO Guangjun (President)
Ms. JIANG Chunfeng

(2) Non-executive Directors

Mr. CHENG Xinnong (Vice Chairman)
Mr. MA Baoliang
Mr. ZHANG Qingcai

(3) Independent Non-executive Directors

Mr. WANG Yaping
Mr. CHAU Kwok Keung
Mr. YANG Qiulin

SUPERVISORY COMMITTEE

Mr. FU Xinmin (Chairman)
Mr. CHI Dianmou
Ms. XUE Qingxia
Ms. LIU Yuping
Mr. LI Xuxiu
Mr. LIU Dengqing

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Mr. CHEN Fuxiang
Ms. LAI Siu Kuen

AUTHORISED REPRESENTATIVES

Mr. ZHENG Minghui
Ms. LAI Siu Kuen

SPECIAL COMMITTEES OF BOARD OF DIRECTORS

(1) Strategy and Development Committee

Mr. ZHENG Minghui (Chairman)
Mr. CHENG Xinnong
Mr. JIAO Guangjun
Mr. MA Baoliang
Mr. ZHANG Qingcai
Ms. JIANG Chunfeng

(2) Audit Committee

Mr. CHAU Kwok Keung (Chairman)
Mr. ZHANG Qingcai
Mr. YANG Qiulin

(3) Remuneration Committee

Mr. WANG Yaping (Chairman)
Mr. CHENG Xinnong
Mr. YANG Qiulin

(4) Nomination Committee

Mr. ZHENG Minghui (Chairman)
Mr. WANG Yaping
Mr. YANG Qiulin

H SHARE REGISTRAR

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

LEGAL ADVISERS

(1) As to Hong Kong law:

Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
Central, Hong Kong

(2) As to PRC law:

Jia Yuan Law Offices
F408 Ocean Plaza
158 Fuxing Men Nei Avenue
Xicheng District
Beijing, PRC

AUDITOR

PricewaterhouseCoopers Zhong Tian LLP
11th Floor, PricewaterhouseCoopers Center,
2 Corporate Avenue, 202 Hu Bin Road,
Huangpu District, Shanghai, PRC

PRINCIPAL BANKERS

Bank of Qingdao Co., Ltd.
Bank of Communications Co., Ltd.



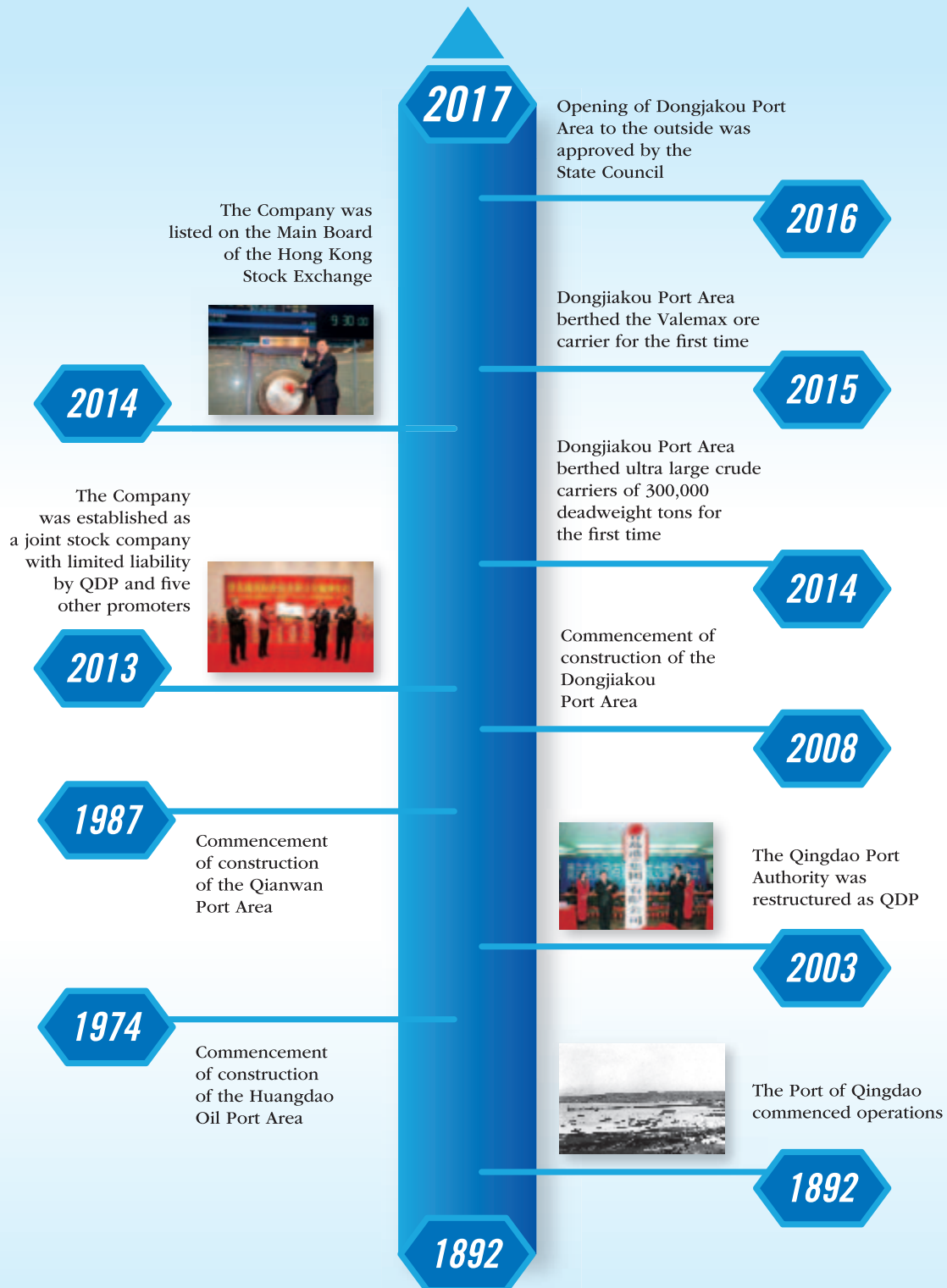
The Port of Qingdao commenced operations in 1892 and is one of the largest comprehensive ports in the world. It occupies a central position among ports in Northeast Asia and is an important hub of international trade in the West Pacific.

The Company was established on 15 November 2013, and was listed on the Main Board of the Hong Kong Stock Exchange on 6 June 2014.

The Group is the primary operator of the Port of Qingdao and operates four port areas in Qingdao, including Qingdao Qianwan Port Area, Huangdao Oil Port Area, Dongjiakou Port Area and Dagang Port Area. It is mainly engaged in the handling of different types of cargoes such as container, metal ore, coal and crude oil and the provision of ancillary services, logistics and port value-added services, port ancillary services and financial services.

As of 31 December 2016, the Group operated 81 berths at the Port of Qingdao, which included 51 berths dedicated to handling a single type of cargo and 30 berths capable of handling metal ore, coal and other general cargo.

Leveraging on the natural deep-water capacity and industry-leading facilities and equipment, the Group can accommodate the world's largest container vessels, iron ore vessels and oil tankers. It also possesses world-leading stevedoring efficiency. During the year, the Group continued to rank first in the world in terms of Maersk berth efficiency, with a single-machine unloading rate of 2,856 tons per hour for iron ores and 1,606 tons per hour for pulps.



DISTRIBUTION OF PORT AREAS

1 Qianwan Port Area

- Principal operating companies: QQCT, QQCTU, Qiangang Branch, West United, and Qingdao Port Logistics
- Principal cargo types: container and dry bulk
- Number of berths: 36
- Maximum water depth: -21 meters



2 Huangdao Oil Port Area

- Principal operating company: Qingdao Shihua
- Principal cargo type: liquid bulk
- Number of berths: 11
- Maximum water depth: -24 meters



3 Dongjiakou Port Area

- Principal operating companies: Dongjiakou Branch, QDOT, Huaneng Qingdao, Qingdao Shihua, Mercuria Oil Terminal, Mercuria Logistics and Datang Port
- Principal cargo type: dry bulk, liquid bulk and break bulk cargo
- Number of berths: 16
- Maximum water depth: -25 meters



4 Dagang Port Area

- Principal operating company: Dagang Branch
- Principal cargo type: container, break bulk and liquid bulk
- Number of berths: 18
- Maximum water depth: -15 meters



Note: For details of above operating entities, please refer to the Note 8 to the financial statement.

2016 MAJOR EVENTS



2016 MAJOR EVENTS

1



The North Third Jetty Grain Terminal in Dongjiakou Port Area with the highest throughput and the most advanced loading and unloading process in China's coastal ports achieved the first vessel berthing operations, boosting the rapid development of grain in Dongjiakou Port Area.

1

The first foreign trade refrigerator train in China's coastal port area departed from Huangdao Port station of Qingdao Port on time, which filled up the blank of the domestic port in this business.

January

1



Chairman Mr. ZHENG Minghui visited more than 20 dry bulk cargo, break bulk cargo and container customers in Shandong, Beijing and other places, to implement headquarters marketing, promote "door to door" whole-process logistics and other personalized service programs, and plan for win-win development.

1



Professional container transport vessel "Tongbao 1" officially set sail for the first time, marking the shipping business of Qingdao Port was officially launched.

April



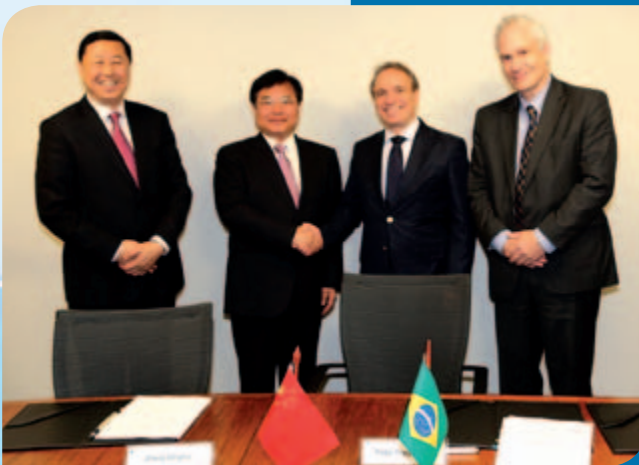
Chairman Mr. ZHENG Minghui visited the London Metal Exchange and the Baltic Exchange to reach a consensus on the related cooperation.

February



The Company held the preparatory personnel training for the first phase in 2016 to consolidate the talent support for sustainable and healthy development.

May



Chairman Mr. ZHENG Minghui visited the headquarters of Vale of Brazil and signed a memorandum of strategic cooperation with Vale of Brazil to boost the rapid development of iron ore.

March

Qingdao Port Lianrong International Logistics Co., Ltd. was jointly established by Qingdao Port Logistics and Wan Hai Lines Ltd. officially commenced operation and the Company's whole-process logistics service chain was further improved.

2016 MAJOR EVENTS

July

The first set of high-voltage vessel shore power equipment successfully connected power to “APLJAPAN” container vessel, marking the Qingdao Port has the capacity of high-voltage vessel shore power supply, taking a solid step towards green low-carbon port construction.

7

Dongjiakou Port opening to the outside was approved by the State Council to accelerate the transformation and upgrading of Qingdao Port and drive the building of the Northeast Asia international hub port.

August

The Company invited more than 200 coal and coking coal customers to hold the forum to promote the whole-process logistics services and make the coal and coking coal business bigger and stronger.

June

The multimodal transport demonstration project of Qingdao “One Belt and One Road” cross-border container sea-rail-road led by the Company was selected as the first batch of multimodal transport demonstration projects by the Ministry of Transport of the PRC and the National Development and Reform Commission, and the multimodal transport of the port led the development of the industry.

6



The Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline Construction Project (Phase I) was approved by the Development and Reform Commission of Shandong Province and the project of railway connected to the port in Dongjiakou Port was jointly approved by China Railway Corporation and the Shandong Provincial Government. The “Great Artery” for pipeline and railway transport at Dongjiakou Port was officially launched.

October

Chairman Mr. ZHENG Minghui visited the port of Makasa, Indonesia, Laem Charbang Port, Thailand, and Sihanoukville Port, Cambodia to promote the multi-field cooperation and expand the international development space.

10

The Company entered into an Equity Sale and Purchase Agreement with APM Terminal B.V. to purchase 16.5% of the issued share capital of Vado Investment B.V. in Italy from APM Terminal to achieve the implementation of the first overseas capital export project.

10

Chairman Mr. ZHENG Minghui visited the headquarters of Maersk Group and exchanged views with the CEO of Maersk Group Soren Skou to deepen the comprehensive strategic cooperation and promote Maersk Group to build container hub in the Port of Qingdao.

September

Qingdao Port Logistics was approved as the designated delivery warehouse of Shanghai Futures Exchange Natural Rubber Futures, becoming the first bulk rubber futures delivery warehouse of Qingdao Port.

9

Vice Chairman Mr. CHENG Xinnong visited the headquarters of the European container vessel companies to promote the Northeast Asia hub port positioning of shipping companies in Qingdao Port

9



The oil tank of 2.46 million m³ in Mercuria tank area of Dongjiakou Port Area was put into operation, to effectively enhance the core competitiveness of development of crude oil cargo and boost the construction of energy reserves, trade, and transshipment base in Dongjiakou Port Area.

December



Chairman Mr. ZHENG Minghui convened and chaired the “2017 imported oil customer forum” to collaborate with 40 traders and refining customers for win-win the development.

November



Chairman Mr. ZHENG Minghui visited major customers in Shandong, Hebei, Henan, and Beijing and Vice Chairman Mr. CHENG Xinnong visited Baosteel Resources, B.M. Holding, Jiangsu Yonggang, Shagang and other customers for the development of innovative market in 2017.

11



The Company held the signing ceremony of “Bank-port Connect” commodity trade financing system to sign the regulatory business cooperation agreement with 21 banks to build Qingdao bulk commodity trade financing model for demonstration effect and support for the development of the real economy.

I. REVENUE

Unit: RMB'000

	2016	2015 (Restated)	2014 (Restated)	2013 (Restated)
Revenue	8,684,190	7,369,238	6,907,937	6,526,264
Gross profit	2,631,426	2,074,947	2,015,282	2,212,355
Period expenses	526,120	344,580	592,043	772,051
Investment income	803,944	843,129	618,567	514,342
Profit before income tax, depreciation and amortization	3,561,257	2,995,801	2,504,874	2,558,358
Total Profit	2,864,614	2,450,195	2,022,173	1,931,642
Net profit	2,299,092	1,979,137	1,626,671	1,513,482
Including: amounts attributable to shareholders of the Company	2,186,154	1,911,916	1,591,162	1,492,180

II. ASSETS

Unit: RMB'000

	2016	2015 (Restated)	2014 (Restated)	2013 (Restated)
Total assets	38,282,574	31,681,833	28,569,335	19,753,322
Total liabilities	22,800,015	18,133,938	15,905,874	10,923,186
Including: borrowings and bonds payable	3,923,668	492,296	188,261	—
Total equity	15,482,559	13,547,895	12,663,461	8,830,136
Including: share capital	4,778,204	4,778,204	4,778,204	4,000,000
Equity attributable to the shareholders of the Company	14,235,724	12,664,440	11,862,055	8,781,188
Equity per share attributable to the shareholders of the Company (RMB/share)	2.98	2.65	2.48	2.20
Asset-liability ratio	59.6%	57.2%	55.7%	55.3%

III. FINANCIAL INDICATORS

Unit: RMB

	2016	2015 (Restated)	2014 (Restated)	2013 (Restated)
Earnings per share	0.46	0.40	0.36	0.41
Dividend payments per 1,000 shares	130.46/164.82	139.08	61.91	—
Special dividends per 1,000 shares paid to promoters prior listing	—	—	162.60	—
Return on total assets	6.57%	6.57%	6.73%	6.58%
Return on net assets	15.84%	15.10%	15.14%	12.72%

Note: The final dividend for the year 2016 was RMB164.82 per thousand shares (tax inclusive) based on the current total issued share capital. Based on the total issued share capital of the Company upon completion of the Proposed Subscription and the Proposed New H Share Issue, the final dividend was RMB130.46 per thousand shares (tax inclusive).

CHAIRMAN'S STATEMENT

20



TO SHAREHOLDERS:

On behalf of the Board of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2016 to each of the shareholders.

In 2016, the world economy was still under the deep adjustment after the crisis with a weak overall growth, while the domestic economic downward pressure was still severe. However, with the gradual emergence of policy effects, foreign trade development showed a steady and positive trend and the port throughput rebounded slightly with a steady growth in the container throughput.

Confronting the new normal state of the economic development speed adjustment and shift as well as the new situation of increasing competition in the industry, the Group adhered to focusing on the economic benefits and driving by innovation, proactively developed modern logistics, carried out in-depth implementation of “Three Strategies” of finance, internationalization and Internet to seize new opportunities, cultivate new business, enhance the new advantages, and achieved steady development.

The terminal business sustained steady growth. The Group seized the policy opportunities, strengthened the headquarters strategy, and made innovation in grid marketing to achieve incremental efficiency. In respect of the container business, 20 new shipping lines were opened while the international transshipped containers volume increased sharply by 50%. In respect of the iron and ore business, the port-rail linkage was further promoted and the sea-river intermodal transportation was expanded. The Valemax ore carriers berthed at the port of Qingdao accounted for 70% of the total number of carriers entering China; mix ore business ranked the first among China's coastal ports. In respect of the crude oil business, we seized the opportunity of imported crude oil policy to deepen the potential of transport and improve the discharge ability, and the annual throughput maintained double-digit growth. In respect of the bulk cargo business, we vigorously promoted the operation mode of "changing bulk to container" to further expand the hinterland market. Container stevedoring efficiency and iron ore discharge efficiency continued to rank top of the world.

Modern logistics further strengthened its driving effect on the main business of stevedoring. The Group exerted the hub and core role of port in the whole-process logistics, changed business model, integrated the resources inside and outside the port and upstream and downstream industry chain, and constantly optimized the grid layout of regional marketing center, and promoted the new business of whole-process logistics consisting of port, CFS, agency, transport fleets and shipping to initially form a development model of comprehensive integrated logistics service provider. Sea-rail intermodal transportation routes increased to 31 and the container volume being transported increased by 60% on year-on-year basis, which continued to maintain top among the PRC coastal ports. Container liner agency business makes us the only agent covering the world's top five carrier companies in Qingdao Port.

"Three Strategies" further enhanced the leadership of the port transformation. The Group took the initiative to implement the national, provincial and municipal development strategy, deepen the implementation of finance, internationalization, and the Internet as "Three Strategies" to enhance the industrial level, collect development momentum, and expand the development space, leading the port to achieve higher level of transformation and development with great quality. It exerted the role of financial company, strengthened the centralized management of funds and internal financing to promote the integration of industry and financing and provided service for the development of core business. While continuing to provide management and technology to Burma Kyaukpyu Port successfully, the Company jointly operated the Italy Vado Ligure Port with Maersk Group and COSCO Group through joint ventures to realize the successful implementation of the first overseas capital export project. The internet strategy promoted the construction of intelligent port; the world's most advanced Qianwan container automation terminal fulfilled the conditions for trial running. We also conducted the strategic cooperation with global Internet giant Alibaba to create the first special cloud in domestic port.

The hard power of port infrastructure further enhanced. The Group seized market opportunities, accelerated the construction of infrastructure such as terminals and pipelines, and continuously strengthened the development potential of the ports. The official opening of Dongjiakou Port Area was approved by the State Council. The oil tank of 2.46 million m³ in Mercuria tank area of Dongjiakou Port Area was put into operation. The first phase of Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline Construction Project is about to be completed, and the second phase of the project was approved by the competent authorities.

The soft power of enterprise management was further enhanced. The Group has continuously improved the modern enterprise system and corporate governance structure, optimized the key performance index system of the Group, incorporated all the funds expenditure into the online control, and further enhanced the rigidity of the implementation of the system. In the market environment where the upstream and downstream customers had operating difficulties to the port, the Group strictly regulated the asset leasing, accounts receivable, port charge and outsourcing business management to prevent business risks. It strengthened the human resources management, optimized the institutional setting and team structure, and carried out training for all staff; the labor productivity increased by 21% on year-on-year basis.

In 2016, the cargo throughput of the Group together with its joint ventures and an associate was 443 million tons, representing an increase of 3.1% over the same period of last year, of which the foreign trade throughput was 329 million tons, representing an increase of 4.5% over the same period of last year. As of 31 December 2016, the Group achieved a net profit attributable to shareholders of the Company of RMB2,186 million, representing an increase of 14.3% over the same period of last year, and earnings per share was RMB0.46. The Board of the Company recommended the payment of a final dividend of approximately RMB787.54 million or RMB164.82 per thousand shares (tax inclusive) based on the current total issued share capital of the Company. Based on the total issued share capital of the Company upon completion of the Proposed Subscription and the Proposed New H Share Issue, the final dividend was RMB130.46 per thousand shares (tax inclusive), and payout ratio of distributable net profit was 40%.

In 2017, the “new normal” characteristics of economic development will be more obvious and the port industry will face a tough development situation. The Group will adhere to innovative, coordinative, green, open and shared development principle, deeply implement national, provincial and municipal development strategy, focus on economic efficiency, adopt the overall thinking concept of internally strengthening management, externally expanding market, making innovation as driving force, and steady growth. It will consolidate the core business of stevedoring, expand the scale and speed of modern logistics, release the new energy of “three strategies”, accelerate the construction of integrated trade service center, and comprehensively promote the reform of port supply side to achieve higher quality, more efficient and more sustainable development and create greater value for shareholders.

Last but not least, I would like to take this opportunity to thank, on behalf of the Board, all staff of their hard work in the past year, and extend my sincere gratitude to our shareholders and business partners for their confidence and strong support.

ZHENG Minghui
Chairman

17 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS



I. MACRO SITUATION AND INDUSTRY OVERVIEW

In 2016, the macro economy of China confronted more difficulties and harsh challenges. The downward pressure of economy continued to increase. The growth rate of the gross domestic product (“GDP”) of China for 2016 decreased by 0.2 percentage point to 6.7% as compared to the same period in the prior year (Sources: statistics from National Bureau of Statistics of the PRC). The growth rate of demand for export and import of goods further slowed down. The total export and import trade value of China for 2016 decreased by 7.7% and 5.5% respectively as compared to the same period in the prior year (Sources: statistics from General Administration of Customs of the PRC).

In 2016, the growth of throughput among ports in China remained slow. The total amount of cargo throughput of the above-scale coastal ports increased by 3.1% as compared to the same period in the prior year, and the throughput of foreign trade cargo rose by 3.9% as compared to the same period in the prior year (Sources: statistics from Ministry of Transport of the PRC). The increasingly intensive competition among port operators prompted the port industry to develop in depth. Those operators who are equipped with superior docking capacity, integrated logistics system and port industry chain and diversified profit model will stand out from the competitors.

In 2016, the Group positively coped with the changes of the macro economy and vigorously transformed and upgraded its business model. The Company remained as a leading first-class domestic port operator by relying on its terminal business as the foundation, and its logistics, finance, internet and other emerging businesses as the drivers. In the “New Normal” economic environment, the Company achieved sustainable steady growth, and provided satisfactory returns to the shareholders.

II. REVIEW OF BUSINESS AND FINANCIAL CONDITION

In the aspect of terminal business, the Group accurately grasped business opportunities in industry trend, such as the alliance in the container shipping business, large-size vessels, an increase amount of Valemax ore carriers entering into China, an increase in quota of crude oil processing and importing for regional refineries in Shandong Province. Relying on our professional and efficient deep water terminals, developed distribution network system, continuously increasing storage capacity of the storage yard and improving industry chains for ancillary processing and value-added service, the Group designed a comprehensive “door-to-door” logistics services solution which turned its advanced infrastructure into its competitiveness and laid the foundation for a sustainable development.

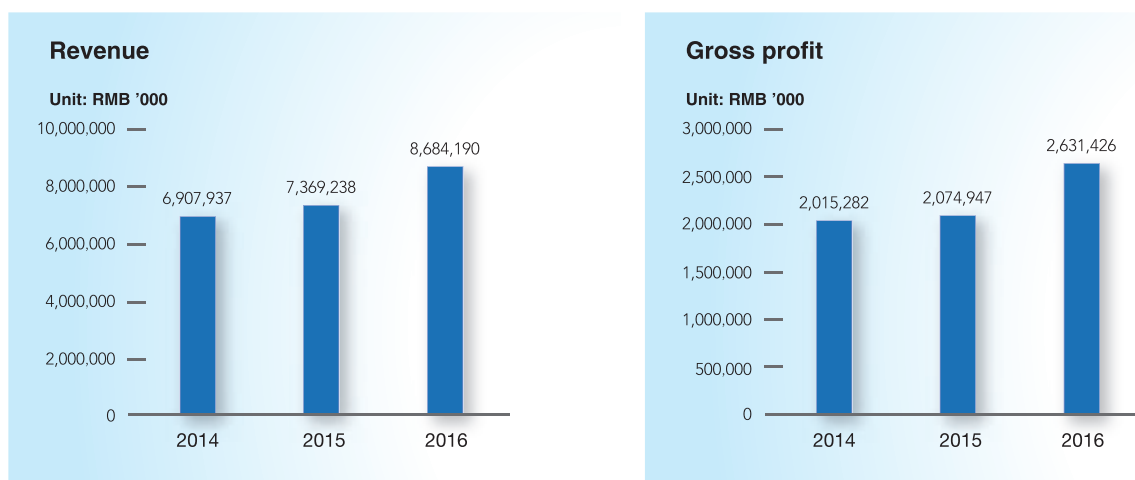
In the aspect of new businesses, the Group scientifically planned its investment portfolio to take full advantage of the port’s ability in terms of cargo source control and supply chain resource allocation, integrated various social resources through light-assets joint venture and cooperation model, and improved the operating efficiency of social logistics resources through information technology, to provide the clients a whole industry chain integrated logistics services including agency, stevedoring, CFS storage, transportation and other services. Meanwhile, by efficiently integrating and matching the financial resources and funding needs of port-related entities and providing financial services such as deposits, loan, electronic banking notes and letter of guarantee, the Group has established a diversified profit increasing model.

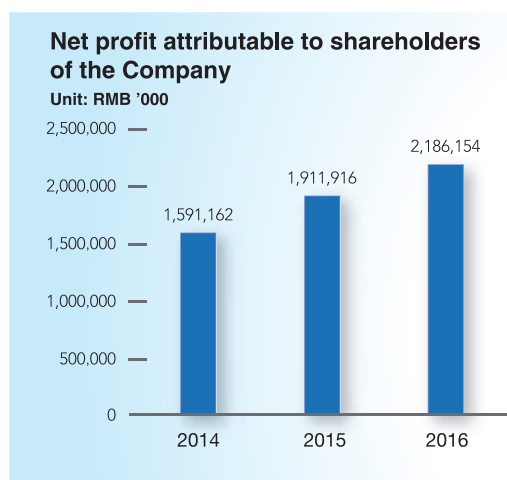
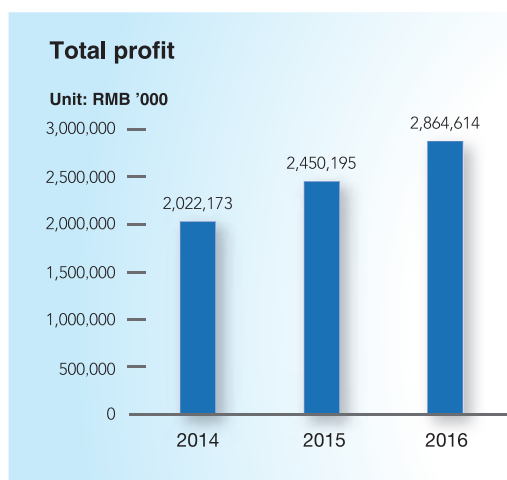
1. Review of Overall Business and Results

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

For the year ended 31 December 2016, the cargo throughput of the Group together with its joint ventures and an associate (without taking into account the respective shareholding percentage the Company has in those joint ventures and an associate) amounted to 443 million tons in total, representing an increase of 3.1% as compared to the same period in the prior year, among which, the foreign trading cargo throughput amounted to 329 million tons, representing an increase of 4.5% as compared to the same period in the prior year.

Comparison of Major Operating Indicators





The total revenue of the Group amounted to RMB8,684 million for the year ended 31 December 2016, representing an increase of RMB1,315 million or 17.8% as compared to the same period in the prior year. Such increase was mainly due to the increases in revenue from logistics and port value-added services and port ancillary services, making up the decrease in revenue from the metal ore, coal and other cargo handling and ancillary services.

The gross profit of the Group was RMB2,631 million for the year ended 31 December 2016, representing an increase of RMB556 million or 26.8% as compared to the same period in the prior year. Such increase was mainly due to the increases in gross profit of logistics and port value-added services and port ancillary services.

The sales and administration expenses of the Group was RMB651 million for the year ended 31 December 2016, representing an increase of RMB204 million or 45.6% as compared to the same period in the prior year. Such increase was mainly due to the provisions of RMB200 million for supplemental retirement benefits and the additional early retirement benefits, which will be dispensed in later years.

The investment income of the Group from joint ventures and associated companies amounted to RMB793 million for the year ended 31 December 2016, representing an increase of RMB118 million or 17.5% as compared to the same period in the prior year. Such increase was mainly due to the increases in profit from the container handling and ancillary services and liquid bulk handling and ancillary services of the joint ventures.

The total profit of the Group amounted to RMB2,865 million for the year ended 31 December 2016, representing an increase of RMB415 million or 16.9% as compared to the same period in the prior year. The total profit of the Group represented an increase of RMB568 million or 24.7% as compared to the same period in the prior year if eliminating the impact of the gains from the disposal of the equity interests in Riqing Container.

The net profit attributable to shareholders of the Company amounted to RMB2,186 million for the year ended 31 December 2016, representing an increase of RMB274 million or 14.3% as compared to the same period in the prior year. The net profit attributable to shareholders of the Company represented an increase of RMB389 million or 21.6% as compared to the same period in the prior year if eliminating the impact of the gains from the disposal of the equity interests in Riqing Container.

2. Segment Review and Business Review

Segment Results

Unit: RMB'000

Business Segments	2016		2015		Change
	Results	Percentage of the total	Results	Percentage of the total	
Container handling and ancillary services	626,914	20.7%	697,932	27.2%	-10.2%
Metal ore, coal and other cargo handling and ancillary services	365,280	12.1%	453,080	17.6%	-19.4%
Liquid bulk handling and ancillary services	287,487	9.5%	250,895	9.8%	14.6%
Logistics and port value-added services	1,149,686	38.0%	758,034	29.5%	51.7%
Port ancillary services	328,250	10.8%	251,476	9.8%	30.5%
Financial services	268,995	8.9%	158,558	6.1%	69.7%
Total results before inter-segment elimination	3,026,612	100.0%	2,569,975	100.0%	17.8%

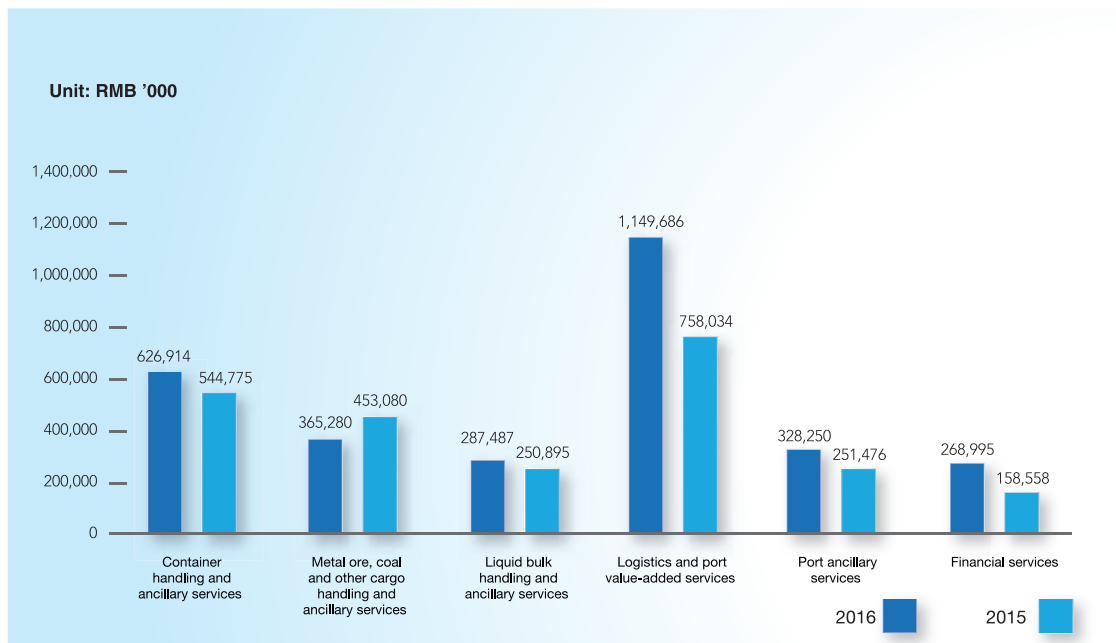
Segment Results

(Eliminated the gains from the disposal of the equity interests in Riqing Container in 2015)

Unit: RMB'000

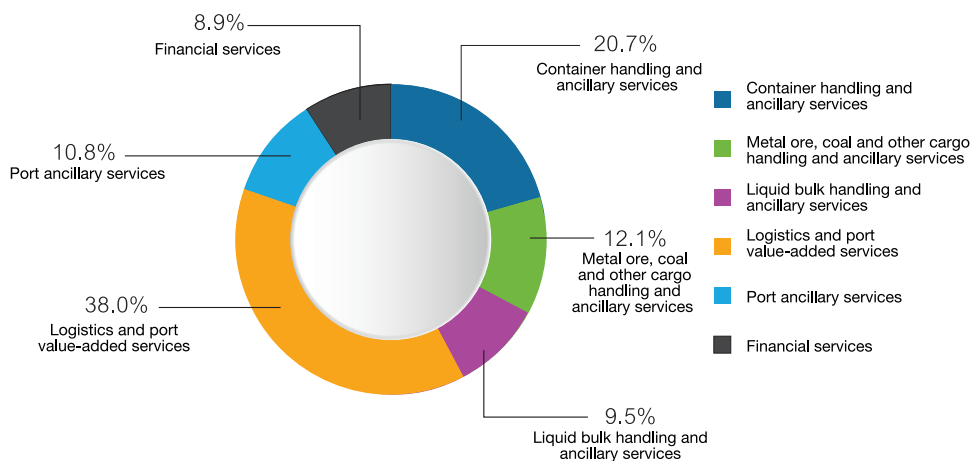
Business Segments	2016		2015		Change
	Results	Percentage of the total	Results	Percentage of the total	
Container handling and ancillary services	626,914	20.7%	544,775	22.5%	15.1%
Metal ore, coal and other cargo handling and ancillary services	365,280	12.1%	453,080	18.7%	-19.4%
Liquid bulk handling and ancillary services	287,487	9.5%	250,895	10.4%	14.6%
Logistics and port value-added services	1,149,686	38.0%	758,034	31.4%	51.7%
Port ancillary services	328,250	10.8%	251,476	10.4%	30.5%
Financial services	268,995	8.9%	158,558	6.6%	69.7%
Total results before inter-segment elimination	3,026,612	100.0%	2,416,818	100.0%	25.2%

Comparison of Segment Results



Note: The table above has eliminated the gains from the disposal of the equity interest in Riqing Container in 2015.

Breakdown of Segment Results for 2016



On the basis of further expanding and improving the basic port business of stevedoring by consolidating its advantages, the Group maintained a sustainable and healthy growth of the operation results by taking full advantages of its port resources, further implementing the construction of modern logistics together with “The Three Strategies”, namely, the Financial Strategy, the Internationalization Strategy, and the Internet Strategy, and creating a diversified comprehensive port ecosystem.

The details are set out as below:

(1) CONTAINER HANDLING AND ANCILLARY SERVICES



Unit: RMB'000

Item	2016	2015	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	192,632	190,343	2,289	1.2%
Cost of sales	65,817	60,800	5,017	8.3%
Gross profit	126,815	129,543	-2,728	-2.1%
Profit of Consolidated Group Companies	118,351	115,969	2,382	2.1%
Joint ventures				
Revenue	3,369,157	3,035,206	333,951	11.0%
Cost of sales	1,136,009	1,120,446	15,563	1.4%
Share of post-tax profit of joint ventures	508,563	428,806	79,757	18.6%
Disposal of equity interest in Riqing Container	—	153,157	-153,157	-100.0%
Segment results	626,914	697,932	-71,018	-10.2%

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

MANAGEMENT DISCUSSION AND ANALYSIS

In 2016, focusing on the goal of constructing the “International Hub Port in Northeastern Asia”, the Group innovated its marketing model and developed the international transshipment business, and continued to improve its development advantage of container businesses. The main breakthroughs achieved in 2016 were as follows:

- (1) The Group further implemented the headquarter strategy for shipping companies and innovated the grid marketing model, attracting shipping companies opening additional 20 shipping lines, including 16 lines linked to the Middle East, India and Southeast Asia areas covered by the “One Belt and One Road”, which further optimized the layout of shipping lines of the Group. By optimizing its commercial policies and prompting the opening of transshipment channels, the international transshipment container volume increased by more than 50% as compared to the same period in the prior year;
- (2) The Group seized the opportunities brought by national strategies, expanded the scope of sea-rail intermodal transportation system and established the presence of inland ports. The Group further increased its sea-rail intermodal transport routes to 31 lines and achieved an increase of 60% in the container volume of the sea-rail intermodal transport as compared to the same period in the prior year, further strengthening its radiating capacity over the inland hinterland market; and
- (3) The Group established a large customer service system based on key export and import cargo types and consolidated the port cargo sources. The operation volume of foreign trade loaded containers increased fast.

In the year 2016, the segment results of container handling and ancillary services amounted to RMB627 million, representing a decrease of 10.2% as compared to the same period in the prior year. After eliminating the impact of the gains from the disposal of the equity interests of Riqing Container, the segment results represented an increase of RMB82 million or 15.1% as compared to the same period in the prior year.

(2) METAL ORE, COAL AND OTHER CARGO HANDLING AND ANCILLARY SERVICES



Unit: RMB'000

Item	2016	2015	Changed amount	Change percentage
Consolidated Group Companies				
Revenue	2,838,491	2,942,473	-103,982	-3.5%
Cost of sales	2,158,172	2,273,654	-115,482	-5.1%
Gross profit	680,319	668,819	11,500	1.7%
Profit of Consolidated Group Companies	345,209	435,656	-90,447	-20.8%
Joint ventures				
Revenue	1,289,231	1,220,429	68,802	5.6%
Cost of sales	955,486	906,373	49,113	5.4%
Share of post-tax profit of joint ventures	20,071	17,424	2,647	15.2%
Segment results	365,280	453,080	-87,800	-19.4%

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

In 2016, the Group seized the market opportunity of “Age of Large-Sized Vessel” led by Valemax and established a new developing model of “integration of stevedoring, whole-process logistics and trading finance” to promote the integration of cargo source. The main breakthroughs achieved in 2016 were as follows:

- (1) The Group implemented headquarters strategy to expand multimodal transportation between river and sea. Meanwhile, the size of ancillary value-added services such as mixing ore, matching ore and bonded service realized expansion, among which, mixing ore business ranked the first among the coastal ports in China. Valemax ore vessels berthed 41 times at Dongjiakou Port, and the operational volume of the iron ore contributed by which exceeded 13 million tons, representing an increase of nearly nine percentage points in contribution rate of cargo source; and
- (2) The Group scientifically planned the routes of transportation for the clients, and provided them with the solution of whole-process logistics and value-added services to strengthen the client dependency and to improve the market competitiveness.

For the year 2016, the revenue of metal ore, coal and other cargo handling and ancillary services was RMB2,838 million, representing a decrease of 3.5% as compared to the same period in the prior year. Such decrease was mainly due to the adjustment to the mix of the cargo types and business policies, resulting in a decrease in the revenue of subcontract business of the Consolidated Group Companies (the cost of subcontract business of the Consolidated Group Companies decreased correspondingly) together with the provision of “volume and price guarantee” policy to clients in order to respond to the market competition, which resulting in a decrease of average rates. The gross profit amounted to RMB680 million, representing an increase of 1.7% as compared to the same period in the prior year, which was mainly attributed to the enhancing cost control in labor cost, material cost and energy consumption. The segment results of the metal ore, coal and other cargo handling and ancillary services was RMB365 million, representing a decrease by RMB88 million as compared to the same period in the prior year, which was mainly due to the increase in the provision of supplemental retirement benefits and the additional early retirement benefits of RMB105 million, which will be dispensed in later years.

(3) LIQUID BULK HANDLING AND ANCILLARY SERVICES

Unit: RMB'000

Item	2016	2015	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	127,833	99,149	28,684	28.9%
Cost of sales	29,614	17,448	12,166	69.7%
Gross profit	98,219	81,701	16,518	20.2%
Profit of Consolidated Group Companies	89,153	81,299	7,854	9.7%
Joint ventures				
Revenue	1,027,887	834,365	193,522	23.2%
Cost of sales	432,187	326,490	105,697	32.4%
Share of post-tax profit of joint ventures	198,334	169,596	28,738	16.9%
Segment results	287,487	250,895	36,592	14.6%

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

In 2016, the Group seized the opportunity of the increase in import and process of crude oil quota of local refineries in Shandong province, maximizing the terminal capacity through improving the efficiency of railway, pipeline, highway and waterway. The main breakthroughs achieved in 2016 were as follows:

- (1) The Group enhanced its cooperation with local refineries and trading companies and provided them with customized service plans, achieving a fast growth in the import amount of crude oil. The Group also innovated production organization to upgrade the technology of loading for trains, to improve the capacity of delivery for pipeline, to develop and operate the platform of highway transport for oil. As a result, the transportation volume and berth utilization ratio increased significantly by 17% and 21%, respectively, as compared to the same period of the prior year; and
- (2) The oil tank with a capacity of 2.46 million cubic meters in Dongjiakou Port Area was put into operation, which further released the terminal throughput capacity of the port and drove the increase of crude oil storage business.

In 2016, the segment result of liquid bulk handling and ancillary services was RMB287 million, representing an increase of 14.6% as compared to the same period of last year. Such increase was mainly due to an increase of throughput and storage for the liquid bulk and the optimization and adjustment of business policy.

(4) LOGISTICS AND PORT VALUE-ADDED SERVICES



Unit: RMB'000

Item	2016	2015	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	3,385,348	2,417,114	968,234	40.1%
Cost of sales	2,183,585	1,597,701	585,884	36.7%
Gross profit	1,201,763	819,413	382,350	46.7%
Profit of Consolidated Group Companies				
	1,083,538	699,270	384,268	55.0%
Joint ventures and an associate				
Revenue	829,619	674,409	155,210	23.0%
Cost of sales	589,393	457,779	131,614	28.8%
Share of post-tax profit of joint ventures and an associate				
	66,148	58,764	7,384	12.6%
Segment results				
	1,149,686	758,034	391,652	51.7%

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

The Group leveraged the port as the hub and center for the whole process of the port logistics, integrated the resources from upstream and downstream industry and developed a new mode of whole-process logistics consisting of port, CFS, agency, transport fleets and shipping. A developing mode of comprehensive whole-process logistics vendor has been preliminarily established. The main breakthroughs achieved in 2016 were as follows:

- (1) The strong alliance in CFS and storage business created synergic effect. We have formed a CFS bunch covering northern and southern shore of Qianwan Port Area and stretching to Dongjiakou Port Area. The handling container volume represented a growth rate of 112% as compared to the same period of last year, ranking the first among CFSs in the Port of Qingdao;
- (2) Agency service reinforced the whole-process marketing and brand marketing. There was an increase of 11 shipping companies and 20 shipping lines in shipping agency business of the Consolidated Group Companies with an increase of 57% in the amount of ship shifts as compared to the same period of last year, and the volume of freight forwarding of the Consolidated Group Companies increased by 405% as compared to the same period of last year;
- (3) The logistics business constructed an e-commerce port logistics services system. The main function of the e-commerce logistics services system commenced operation with registered companies and trucks amounted over 100 and 20,000, respectively, effectively drove the integration of logistics resources in the Port of Qingdao; and
- (4) While maintaining the traditional increment, the tugging and tallying business actively sought cooperation opportunities to explore new businesses, such as shipping, inspection and supervision of loading.

In 2016, the revenue of logistics and port value-added services was RMB3,385 million, representing an increase of 40.1% as compared to the same period of last year. Such increase was mainly due to a sustainable increase of business volume. The segment results accounted to RMB1,150 million, representing an increase of 51.7% as compared to the same period of last year. Such increase was mainly due to the increase in profit of CFS and agency businesses.

(5) PORT ANCILLARY SERVICES



Unit: RMB'000

Item	2016	2015	Changed amount	Changed percentage
Consolidated Group Companies				
Revenue	2,119,962	1,714,323	405,639	23.7%
Cost of sales	1,619,547	1,343,083	276,464	20.6%
Gross profit	500,415	371,240	129,175	34.8%
Profit of Consolidated Group Companies	328,250	251,476	76,774	30.5%
Segment results	328,250	251,476	76,774	30.5%

In 2016, the segment results of port ancillary services amounted to RMB328 million, representing an increase of 30.5% as compared to the same period in the prior year, mainly due to the enhancement of increasing profit in engineer construction and supplying electricity power in the port.

(6) FINANCIAL SERVICES

Unit: RMB'000

Item	2016	2015	Changed amount	Change percentage
Consolidated Group Companies				
Revenue	326,347	251,911	74,436	29.5%
Cost of sales	49,367	32,937	16,430	49.9%
Gross profit	276,980	218,974	58,006	26.5%
Profit of Consolidated Group Companies	268,995	158,558	110,437	69.7%
Segment results	268,995	158,558	110,437	69.7%

The Group thoroughly implemented finance strategy with the integrative development of “Industry with Finance” as the main line, focusing on innovating business model by diversifying financial businesses and establishing an integrated and clustered financial ecosystem of the port. The main breakthroughs achieved in 2016 were as follows:

- (1) Qingdao Finance enhanced the delicacy management of funds to not only meet the financing demand of its members but also create benefits from funds. Qingdao Finance successfully got the approval to operate these businesses, including the spot foreign exchange business, the securities investment, the equity investment by financial institution, the buyer’s credit and other business, basically achieved the operation with full licenses;
- (2) The Group further diversified and fostered new financial business, making equity investment in Qingdao Qingyin Financial Leasing Company Limited as to 9% of its equity interests, making the layout of financial business more extensive; and

- (3) The Group accelerated to promote the integration of industry and finance, creating a sharing platform of industry and finance. The Group also innovated a new model of pledging supervision, promoted the application of bulk commodities trade financing system “Bank-Port Connect”, and entered into cooperation agreements with 21 banks to achieve cooperation on pledging supervision, which not only provided support to the clients’ financing activities but also effectively promoted the development of terminal business. The Group promoted the establishment of an online payment platform and explored the development of internet finance.

In 2016, the segment result of financial services amounted to RMB269 million, representing an increase of 69.7% as compared to the same period of last year. Such increase was mainly attributed to an increase of profit in loan and financial leasing business.

3. Financial Position Analysis

Unit: RMB'000

Item	As at 31 December 2016	As at 31 December 2015	Changed Amount	Changed Percentage
Cash at bank and on hand	8,100,294	7,558,190	542,104	7.2%
Long-term receivables	3,484,534	1,679,671	1,804,863	107.5%
Long-term equity investments	5,139,040	4,698,040	441,000	9.4%
Fixed assets	11,684,983	8,479,171	3,205,812	37.8%
Construction in progress	2,172,757	3,490,376	-1,317,619	-37.8%
Other payables	9,895,856	8,241,744	1,654,112	20.1%
Bonds payable	3,500,000	—	3,500,000	N/A

As at 31 December 2016, the Group’s cash at bank and on hand increased by RMB542 million or 7.2% as compared to the previous year, mainly due to the increase of cash from operating activities amounted to RMB959 million, the decrease of cash from investing activities amounted to RMB7,069 million, the increase of cash from financing activities amounted to RMB4,084 million, and the increase of cash in restricted funds including term deposits with initial term of over three months amounted to RMB2,557 million as compared to the previous year.

As at 31 December 2016, the Group’s long-term receivables increased by RMB1,805 million or 107.5% as compared to the previous year, the increase consisting of the loans offered by the Group to its joint ventures.

As at 31 December 2016, the Group’s long-term equity investments increased by RMB441 million or 9.4% as compared to the previous year, mainly due to the investment income as recognized by the Group under the equity method exceeded the dividends as declared by joint ventures and an associate.

As at 31 December 2016, the Group's fixed assets increased by RMB3,206 million as compared to the previous year, mainly due to an increase of RMB3,465 million converted from construction in progress projects, including the crude oil tank project in Dongjiakou Port Area, the break-bulk cargo berth project in Dongjiakou Port Area and the deepening and dredging harbor basin in Qianwan Port Area, and an decrease of RMB484 million in the provision for depreciation of fixed assets.

As at 31 December 2016, the Group's construction in progress decreased by RMB1,318 million as compared to the previous year, consisting of an increase of RMB2,220 million from the break-bulk cargo berth project and the crude oil tank project in Dongjiakou Port Area and the Dongjiakou Port-Weifang-Central and Northern Shandong oil pipeline construction project; and a decrease of RMB3,465 million transferred to fixed assets from the projects reaching prescribed utilizable status.

As at 31 December 2016, the Group's other payables increased by RMB1,654 million or 20.1% as compared to the previous year, mainly due to an increase of RMB691 million in deposits of members of the Group from Qingdao Finance and an increase of RMB779 million payables for facilities of construction.

As at 31 December 2016, the Group's bonds payable increased by RMB3,500 million as compared to the previous year, due to the corporate bonds of RMB3,500 million issued by the Group.

4. Cash Flow Analysis

For the year ended 31 December 2016, the Group's net cash outflow amounted to RMB2,015 million. Among which:

- (1) net cash inflow from operating activities amounted to RMB959 million, mainly derived from the operating profit of Consolidated Group Companies;
- (2) net cash outflow from investing activities amounted to RMB7,069 million, mainly comprising cash inflow of RMB334 million through the receipt of dividends from joint ventures and an associate, cash inflow of RMB357 million arising from receipt of loans and interest of fixed term deposit with an initial term over three months, net cash outflow of RMB1,867 million for loans advanced to members, net cash outflow of RMB3,010 million for purchasing wealth management products and fixed term deposits with an initial term over three months, cash outflow of RMB2,500 million for purchasing and construction of port assets, cash outflow of RMB351 million arising from the increase of mandatory reserve deposit by Qingdao Finance; and
- (3) net cash inflow from financing activities amounted to RMB4,084 million, mainly due to cash inflow of RMB3,500 million from issuing the corporate bonds, and cash inflow of RMB469 million from discounts of traded acceptance notes before their maturity, cash inflow of RMB691 million in absorbing deposits for Qingdao Finance, cash inflow of RMB274 million from equity investment by the minority shareholders of Consolidated Group Companies, cash outflow of RMB689 million for paying the dividends to the shareholders of the Company and minority shareholders of the holding companies, cash outflow of RMB100 million for paying the debt principals and interests.

In order to facilitate the understanding of shareholders and investors, after eliminating the impact of Qingdao Finance's and the Group's purchasing of the wealth management products and fixed term deposits over three months on the cash flow, the net cash inflow of the Group amounted to RMB2,844 million.

5. Liquidity and Financial Resources

As at 31 December 2016, the Group's cash at bank and on hand amounted to RMB8,100 million and wealth management products amounted to RMB890 million, mainly denominated in RMB. After eliminating the impact of Qingdao Finance, the self-owned fund and the wealth management products of the Group amounted to RMB3,567 million, among which, the cash of the Company amounted to RMB2,475 million. After eliminating impact of Qingdao Finance, the Group's total interest-bearing bank indebtedness amounted to RMB3,924 million, among which indebtedness at fixed rates amounted to RMB3,763 million and indebtedness at floating rates amounted to RMB161 million.

As at 31 December 2016, the gearing ratio of the Company was 34%, details of which are set out in Note 15 to the financial statements. After eliminating the impact of Qingdao Finance, the gearing ratio of the Company was approximately 9%.

6. Capital Structure

As at 31 December 2016, the total equity of the Group amounted to RMB15,483 million, representing an increase of RMB1,935 million as compared the previous year, due to an increase of RMB2,186 million in the total equity attributable to shareholders of the Company as a result of the increase in operating profit, a decrease of RMB665 million in the total equity attributable to shareholders of the Company due to the declaration of final dividend of the year 2015 by the Company, a decrease of RMB198 million in the total equity attributable to shareholders of the Company due to a payment for acquisition of assets group among companies under common control, an increase of RMB238 million in the total equity attributable to shareholders of the Company due to supplemental retirement benefits through actuarial gains and an increase of RMB363 million in the interest of minority shareholders.

As at 31 December 2016, the Company issued 4,778,204,000 shares, among which 856,025,000 shares are H shares. The total market capitalization and H share market capitalization of the Company was approximately HK\$17,632 million and HK\$3,159 million, respectively (calculated based on the closing price of HK\$3.69 of the Company on 30 December 2016).

7. Interest Rate and Exchange Rate Risks

As at 31 December 2016, cash at bank and on hand, receivables, payables and external bank borrowings subject to floating rate amounted to RMB5,901 million, RMB2,380 million, RMB5,982 million and RMB161 million, respectively. The Group has assessed the interest rate risk and anticipated that interest rate risk would have no material impact on the Group.

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

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

8. Risk in Relation to the Dependence on the Economic Development of the Hinterland

Our Group is principally engaged in the cargo handling as well as ancillary services including logistics and financial service. Our business operation closely relates to the economic development of the hinterland. Factors such as the economic growth of the hinterland, the development of the export-oriented economic, the industrial structure and the transport and logistics of the hinterland will have a direct or indirect impact on the Group's operation.

The main economic hinterland of the Group is the Bohai Rim Region, which is one of the developed economic areas of the PRC. Based on the consolidation of the traditional hinterland, the Group continues to strengthen the construction of the transportation system and inland network and provide its customers with an "one-stop" comprehensive logistics service utilizing the "door-to-door" method to expand its service area into the areas along the "One Belt and One Road" and the Yangtze river basin, avoiding the risk in relation to the dependence on the economic development of the hinterland to the largest extent.

9. Financial Indicators

Financial indicators	2016	2015	Change
Return on total assets	6.57%	6.57%	—
Return on net assets	15.84%	15.10%	0.74 percentage point
Interest coverage ratio	18.35	45.33	decrease 26.98 times
Dividend yield ratio	4.99%	4.80%	0.19 percentage point

In 2016, return on total assets of the Group was 6.57%, remaining unchanged as compared to the same period of last year, and return on net assets of the Group was 15.84%, representing an increase of 0.74 percentage point over the same period in the prior year. Such increase was mainly due to that the growth rate of net profit was higher than that of average net assets.

10. Summarized Financial Information of Joint Ventures

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

Unit: RMB'000

	QQCT		Qingdao Shihua	
	2016	2015	2016	2015
Revenue	3,227,270	2,896,493	1,021,996	834,365
Cost of sales	(1,056,042)	(1,040,786)	(422,187)	(326,487)
Profit before income tax	2,111,582	1,756,483	546,251	460,560
Income tax expenses	(526,949)	(442,490)	(136,062)	(115,136)
Net Profit for the period	1,584,633	1,313,993	410,189	345,424
Attributable to non-controlling interests	7,157	(2,046)	—	—
Net Profit attributable to				
the owners of joint ventures	1,577,476	1,316,039	410,189	345,424
Other distribution	(957)	(1,246)	—	—
Equity interest held by the Group	31%	31%	50%	50%
Share of profit by				
the Group before elimination	488,721	407,586	205,095	172,712
Unrealized profit	—	—	(2,156)	(2,848)
Share of post-tax profit by				
the Group accounted for using				
the equity method	488,721	407,586	202,939	169,864

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

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

Unit: RMB'000

Balance sheet	31 December 2016	31 December 2015
Cash at bank and on hand	4,623,578	4,986,899
Interests receivable	23,852	11,389
Other receivables	239,398	241,127
Other current assets	800,000	—
Current portion of non-current assets	264,586	26,972
Long-term receivables	1,568,400	1,481,175
Other payables	6,981,474	6,274,574
Interests payable	30,626	6,430
General reserve	134,122	77,670

Unit: RMB'000

Income statement	2016	2015
Finance expenses – interest income	306,423	246,076
Finance expenses – interest expenses	(53,339)	(31,332)

III. SIGNIFICANT CAPITAL INVESTMENT

In 2016, the Group had significant capital investment of RMB2,659 million, mainly consisting of the investment in the dry-bulk berth projects in the Dongjiakou Port Area, crude oil tank projects in the Dongjiakou Port Area, project of the Dongjiakou Port-Weifang-Central and Northern Shandong Oil Pipeline and other projects investment and payment for purchasing tug boats asset.

IV. SIGNIFICANT ACQUISITION AND DISPOSAL OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

On 19 December 2016, the Company and Qingdao Port International Development (Hong Kong) Co., Ltd., one of the subsidiaries of the Company, contributed RMB13.12 million and RMB12.13 million, respectively, and acquired 77% equity interests in Qingdao QWG Port Logistics Co., Ltd.. Upon the completion of the transaction, Qingdao QWG Port Logistics Co., Ltd., the previous joint venture of the Company, has become a wholly-owned subsidiary of the Company.

V. EMPLOYEES

As at 31 December 2016, the Company engaged 6,566 employees while its subsidiaries and principal joint ventures had 5,580 employees. Employees' remunerations of the Group include basic salaries, wages and performance-based bonuses. The growth of employees' remunerations are determined by their working performance, economic environment, and supply and demand conditions of human resource market, under the "two matches" principle to match the employees' income growth with the growth of the Company's results and the raise of production rate. The Group's remuneration policy is reviewed on a regular basis. Remaining committed to its "people-focused" approach and safeguarding the legitimate rights and interests of employees, the Group contributes social insurances as required by the relevant regulations of the PRC and also sets up enterprise annuity to provide extra welfare scheme to its employees.

VI. PLEDGE OF ASSETS

As at 31 December 2016, bank acceptance bills of the Group with a value of approximately RMB66.2443 million have been pledged as the security for new issuance of bank acceptance notes.

VII. CORPORATE SOCIAL RESPONSIBILITY

1. Environment Protection

The Group assumes social responsibility actively by insisting on implementing "blue sky, green land and clean water" (藍天、綠地、碧水) projects and pushing forward the construction of green low-carbon emission port.

The Group has proactively promoted the application of low-carbon emission technology. The Group promoted the application of vessel shore power technology, and completed installation of high-voltage vessel shore power equipment of four berths, realizing the access of shore power for tugboats operated within our ports.

The Group has laid emphasis on the building of an environment-friendly port by requiring that all goods stacks must be covered, that all stacking yards must undergo spraying, and that all tires of handling vehicles must be washed (貨垛全部苫蓋、堆場全部噴淋、搬倒市提車輛全部沖洗車輪) in the port areas to minimize dust in the air, sand on the land and floating debris in the water. The Group has made efforts to build a green ecological environment. In the year 2016, the Group planted 428,140 sprouts and trees of various species with new afforestation area of 135,099 square meters.

The Group continued to enhance health and epidemic prevention management, and organized people to exterminate pest and virus vectors among all port areas. The epidemic prevention area amounted 351,400 square meters.

2. Employee Care

The Group attached great importance to the development of management team. The Group engaged external experts to hold six high-end training classes for the management team and communicated exchanged view on the Company's development strategy, including topics such as port industry situation, leadership skills, safety culture, financial management, information technology and corporate management, aiming to improve the decision-making ability of its management team.

The Group proactively carried out trainings to all employees for constant enhancement of employees' ability by successively holding 26 specialized training courses on finance, human resources, logistics, equipment technology and safety quality management. The Group also cooperated with The Open University of China and China University of Petroleum to provide credential education to improve its employees' quality. To develop employees' mind regarding the frontier field, the Group also arranged key staff in 12 batches to attend specialized training courses held by China Ports & Harbours Association on port marketing and customer service, commercial charge collection and business transaction, production coordination, freight quality management and safety management.

The Group cared the employees' physical and mental health. It had formed scientific, comprehensive and optimized physical examination standards and provided funds to its employees for physical examination once a year, and followed up therapies of illness.

The Group intensified intrinsic safety construction in key points. The Group advanced to a full extent "the construction and implementation plan of its safety culture system", actively mitigating safety risks by means of video surveillance for site safety, being enclosed and isolated for high-risk work areas, and man-machine separation. In the year 2016, the Group compiled 37 practical points on emergency of dangerous cargo operation and carried out 59 emergency drills under script-free and night-time circumstances, comprehensively strengthening the management of and control over safety key points.

3. Community Care

The Group actively participated in public welfare activities including helping the elderly, the poor and the young. It has organized its employees to donate blood on a regular basis and donated more than 40,000 milliliter of blood in the year 2016. The Group also organized its employees to participate in voluntary tree-planting activities, to care the elderly in community nursing home, to donate clothes to pupils in poverty-stricken areas, to pick up garbage in residential areas, to promote environmental protection concept, and to examine electric circuits and repair electric appliances for community residents on a regular basis, and to condole the elderly who live alone.

Please refer to the "2016 Sustainability Report" of the Company simultaneously published with this report for detailed information on our corporate social responsibility.

VIII. OUTLOOK FOR 2017

In 2017, the new normal characteristics of China's domestic economy will be more obvious and the "supply-side structural reforms" will be further deepened, but the keynote will still remain stable. The net increase of port throughput and average growth of the year will keep slowing down with a momentum of slow progress. Generally speaking, the port industry will face both opportunities and challenges.

The Company will pay close attention to the updated economic situation and the latest development of port and shipping industry, seize opportunities, take positive actions, focus on internal management, develop external market, innovate engine as well as grow steadily, in order to step up to develop into a organizing leader in comprehensive modern logistic service and to build up an international shipping center in Northeast Asia. As such, the Group will concentrate on the following six aspects:

Firstly, the Group will continue to steadily develop the stevedoring business as its core business. With respect to the container business, the Group will expand the international transshipment business and create a transshipment center influencing Northern China, facing Japan and South Korea, and extend to Middle Asia areas with the goal to build up an "international hub port in the Northeast Asia". With respect to the dry bulk business, the Group will make full use of its 400,000-ton terminal resources, expand such businesses as ore mixing and matching and futures settlement to build up a "ore supermarket" in China. With respect to the liquid bulk business, the Group will take advantage of the newly-built oil storage tanks and transportation network of oil pipelines in Dongjiakou Port Area to further increase its market share and maintain its leading position as the foreign trade oil port in China.

Secondly, the Group will scale up and speed up the modern logistics business. Centered on the three service systems of terminal process service, agency service and extended logistics service, the Group will set up platforms, build brands, and make its modern logistics bigger and stronger. Supported by the logistics e-commerce platform, the Group will accelerate the integrative development of stevedoring, transportation logistics, whole-process agency, terminal storage and container freight station businesses, continuously integrate the upstream and downstream industry chain, and create new mode of upgraded whole-process logistic service, in order to provide more customers with one-stop comprehensive logistic service, and improve its market control.

Thirdly, the Group will deeply implement the financial strategy. The Group will focus on the target of deepening the financial strategy and facilitating the integration of the industry and finance, rely on the port logistic industry, consolidate the internal and external financial resources, give play to the platform of "bank-port connection", accelerate the penetration in the upstream and downstream of the industry chain and integrated development of "modern logistics, stevedoring business, trading services and industry finance". The Group will establish one-stop comprehensive and integrated industry chain finance service platform and improve the Company's integrated financial service ability to achieve multi-win development of the business, finance and clients.

Fourthly, the Group will deeply implement internationalization strategy. The Group will rely on the national strategy of "One Belt and One Road" to extend cooperation fields and scope and expand development space. The Group will actively make preparation for the terminal operation of the Vado Ligure Port in Italy, accelerate the cooperation of terminal project in Abu Dhabi, the United Arab Emirates. The Group will proactively seek multi-field cooperation in overseas terminal and logistics businesses and advance the completion of key projects. The Group will effectively advance international talent training and reserve and enhance the human resource support for internationalized development.

Fifthly, the Group will deeply implement internet strategy. The automated container terminal located in the Qianwan port area will be formally put into operation. The platform of logistic e-commerce will accelerate to provide whole-process online logistic service. The intelligent platform for dry bulk and liquid bulk, oil transportation road and container collection and distribution will collect and distribute resources and expand businesses. The interconnected mobile intelligent office platform will realize business synergy among OA system and other specialized management platforms. As a result, the Group will achieve comprehensive improvement in the efficiency of production, service and management.

Sixthly, the Group will speed up the construction of comprehensive trade service center. Relying on the policy advantages in core cargo types and bonded warehousing, the Group will enlarge new businesses in ore mixing and matching and oil draining and mixing, and build a distribution center for ore and oil trade. The Group will accelerate development of the cross-border e-commerce business, further improve service functions and supporting policies, attract e-commerce enterprises to gather and form a distribution center for import and export trade. The Group will take advantage of finance, carry out deep-level trade financing service, lay a solid foundation for business cooperation, and foster new support to lead port development.

IX. PROPOSED FINAL DIVIDEND FOR THE YEAR AND CLOSURE OF REGISTER

The Board has proposed the distribution of a final dividend of approximately RMB787.54 million on 10 August 2017 for the year ended 31 December 2016 to the shareholders whose names appear on the register of members of the Company on 10 July 2017. Based on the total issued share capital of the Company as at the date of this report, the final dividend was RMB164.82 per thousand shares (tax inclusive). Based on the total issued share capital of the Company upon completion of the Proposed Subscription and the Proposed New H Share Issue, the final dividend was RMB130.46 per thousand shares (tax inclusive). The payment of the final dividend shall be subject to approval by the Company's shareholders at the forthcoming annual general meeting.

In order to determine the eligibility of being entitled to the proposed final dividend, the share register of the Company will be closed from Wednesday, 5 July 2017 to Monday, 10 July 2017 (both days inclusive), during which no share transfer will be registered. The shareholders whose names appear on the register of members of the Company on Monday, 10 July 2017 are entitled to the proposed final dividend. Holders of the Company's shares who wish to receive the proposed final dividend are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or at the Company's registered office in the PRC, at 7 Ganghua Road, City North District, Qingdao, Shandong Province, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Tuesday, 4 July 2017 for registration.

X. DISTRIBUTION OF FINAL DIVIDEND AND WITHHOLDING OF CORPORATE INCOME TAX AND INDIVIDUAL INCOME TAX

(1) Overseas enterprise shareholders

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

(2) Individual shareholders

Pursuant to the Notice of the PRC State Administration of Taxation Concerning the Collection and Management of Individual Income Tax after the Abolition of the Circular SAT No. [1993] 045 (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the PRC State Administration of Taxation on 4 January 2011, dividends paid by a PRC non-foreign-funded company listed in Hong Kong are generally subject to a 10% individual income tax. For residents in a country where a tax treaty is signed, if the applicable tax rate is lower than 10%, the Company may apply for treaty benefits on their behalf and claim a refund of the excessively withheld tax subject to approval by the competent tax authorities. However, if the tax rate applicable to the dividends to be distributed to the residents of a country where a tax treaty is signed is between 10% and 20%, the Company will withhold such residents' individual income tax at the tax rate stipulated under the tax treaty. For residents of a country which has not entered into a tax treaty with the PRC or in other cases, the Company will withhold individual income tax at the tax rate of 20%.

XI. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2016.

XII. COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct for securities transactions by directors and supervisors of the Company. Specific enquiries have been made to all the directors and supervisors of the Company and each of the directors and supervisors of the Company has confirmed that he/she has complied with the Model Code for the year ended 31 December 2016.

XIII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

No purchase, sale and redemption of any listed securities of the Company was made by the Company or any of its subsidiaries for the year ended 31 December 2016.

XIV. AUDIT COMMITTEE

The Audit Committee has reviewed, with management, the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2016.

XV. AMENDMENTS OF CONSTITUTIONAL DOCUMENT

The Company made amendments to the Articles of Association at the annual general meeting held on 6 June 2016. The revised version came into effect upon approval by the shareholders at the aforesaid annual general meeting. The current effective Articles of Association have been published on the websites of the Company and the Hong Kong Stock Exchange.

XVI. CLOSURE OF REGISTER

In order to determine the eligibility of shareholders who are entitled to attend the annual general meeting of the Company, the share register of the Company will be closed from Monday, 29 May 2017 to Wednesday, 28 June 2017 (both days inclusive), during which no share transfer will be registered. The shareholders whose names appear on the register of members of the Company on Wednesday, 28 June 2017 are entitled to attend and vote at the annual general meeting. Holders of the Company's shares who wish to attend the annual general meeting but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or at the Company's registered office in the PRC, at 7 Ganghua Road, City North District, Qingdao, Shandong Province, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Friday, 26 May 2017 for registration.

XVII. MATERIAL LITIGATIONS

Other than the No.794 case which the Company was involved in as disclosed in the announcements of the Company published on 28 July 2014, 15 August 2014, 5 September 2014 and 27 October 2016, the Group was not involved in any material litigation or arbitration for the year ended 31 December 2016.

The Company does not expect the aforesaid litigation and relevant judgments and orders to have a material adverse impact on the Group's business and operations.

XVIII. SUBSEQUENT EVENTS

1. Proposed Subscription and Proposed New H Share Issue

The Company and Shanghai China Shipping Terminal entered into the Transaction Agreement on 20 January 2017, pursuant to which the Company has conditionally agreed to issue and allot, and Shanghai China Shipping Terminal has conditionally agreed to subscribe for, an aggregate of 1,015,520,000 domestic shares of the Company at the subscription price of RMB5.71 (equivalent to approximately HK\$6.46 according to the middle foreign exchange rate published by the State Administration of Foreign Exchange on 18 January 2017) per share. The total consideration is RMB5,798,619,200, among which, RMB2,599,968,360 will be paid by cash and RMB3,198,650,840 will be paid by the 20% equity interests of QQCT currently held by Shanghai China Shipping Terminal. The Company also resolved to seek approval from the shareholders of the Company to grant a specific mandate to the Board to issue 243,000,000 new H shares.

Resolutions in relation to the above Proposed Subscription and the Proposed New H Share Issue have been passed at the 2017 first extraordinary general meeting, the 2017 first domestic shareholders' class meeting and the 2017 first H shareholders' class meeting held on 10 March 2017. Please refer to the announcement of the Company dated 20 January 2017, the circular dated 14 February 2017 and the announcement dated 10 March 2017 for detailed information.

The completion of the Proposed Subscription and the Proposed New H Share Issue are expected to take place on or before 30 June 2017.

2. Acquisition of Equity Interests in Vopak Logistics

On 18 January 2017, the Company signed an equity transfer agreement with Vopak Terminal DJK B.V., pursuant to which Vopak Terminal DJK B.V. transferred the 50% equity interests of Vopak Logistics held by it to the Company at a consideration of RMB152,027,521. After the equity transfer, Vopak Logistics, a previous joint venture of the Company, will become a wholly-owned subsidiary of the Company. As at the date of this report, the equity transfer has not been completed.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY

1. Executive Directors



Mr. ZHENG Minghui (鄭明輝), aged 60, is a postgraduate of Nankai University (南開大學) and a senior economist. He has joined the QDP since April 2013, and has joined the Company since November 2013. He currently serves as the Chairman and an executive Director, chairman of Strategy and Development Committee, chairman of Nomination Committee of the Company, chairman of QDP, a director of Qingdao Port International Development (Hong Kong) Co., Limited (青島港國際發展(香港)有限公司), a wholly-owned subsidiary of the Company, and chairman of Qingdao Finance. He has served as a senior economist, general manager and chairman of Qingdao Machinery Industry Corporation (青島市機械工業總公司), deputy director of the Qingdao Municipal Development and Reform Commission (青島市發展和改革委員會), director of Qingdao Municipal Commission of Transportation (青島市交通運輸委員會), secretary of Jimo Municipal Party Committee (即墨市委) and principal of Party School of the Municipal Party Committee (市委黨校), head of the Municipal Port and Shipping Administration Authority (青島市港航管理局) and president of QDP, a director of Qingdao Port Investment Development (Hong Kong) Co., Limited (青島港投資發展(香港)有限公司), and chairman of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司), a wholly-owned subsidiary of QDP. Mr. ZHENG has over 30 years of experience in leadership and management of state authorities and large-scale state-owned enterprises.



Mr. JIAO Guangjun (焦廣軍), aged 50, is a bachelor of Wuhan Water Transportation Engineering College (武漢水運工程學院) (now known as Wuhan University of Technology (武漢理工大學)) and a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1988, and has joined the Company since November 2013. He currently serves as the president, an executive Director, member of Strategy and Development Committee and the chief safety officer of the Company, chairman of Qingdao Port Technology Co., Ltd. (青島港科技有限公司) as well as chairman of Qingdao Port Tongze Trading Co., Ltd. (青島港通澤商貿有限公司). He has served as manager of Yougang Company (油港公司) of Qingdao Port Authority, news center officer, head of safety and technology department, assistant to the president and vice president of QDP and vice president of the Company. Mr. JIAO has over 28 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



Ms. JIANG Chunfeng (姜春鳳), aged 41, is a master in management studies of Shandong Economics University (山東經濟學院) (now known as Shandong University of Finance and Economics (山東財經大學)) and a senior accountant. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 2002, and has joined the Company since November 2013. She currently serves as the executive Director, member of Strategy and Development Committee, the vice president, the chief financial officer and the head of the finance department of the Company, as well as vice chairman and director of several subsidiaries of the Company. She has served as deputy director of finance department and deputy director of capital markets office of QDP, and the head of the Overseas Business Department of the Company. Ms. JIANG has over 14 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management and finance.

Note: Information stated in this section is up to 17 March 2017.

2. Non-Executive Directors



Mr. CHENG Xinnong (成新農), aged 49, was graduated from Jimei Navigation Institute (集美航海專科學校) (now known as Jimei University (集美大學)) and is a senior engineer. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in August 1988, and has joined the Company since November 2013. He currently serves as the Vice Chairman, a non-executive Director, member of Strategy and Development Committee, member of Remuneration Committee of the Company, president, vice chairman and chief safety officer of QDP, as well as chairman, vice chairman and director of several subsidiaries, joint ventures and associates of the Company. He has served as deputy factory director of the Port Machinery Factory (港機廠) of QDP and manager of the Tugboat and Barge Branch (輪駁分公司) of QDP, head of business department, vice president and executive vice president of QDP, director and general manager of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司) as well as an executive director, the president and the chief safety officer of the Company. Mr. CHENG has over 28 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



Mr. MA Baoliang (馬寶亮), aged 59, was graduated from Shandong University (山東大學) with a college degree. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in October 1993, and has joined the Company since November 2013. He currently serves as a non-executive Director, member of Strategy and Development Committee and head of labour union of the Company, head of labour union of QDP and chairman of Qingdao Port Culture & Media Co., Ltd. (青島港文化傳媒有限公司). He has served as deputy general manager of Hongyu Company (宏宇公司) of, head of labour union of Communications Branch (通信分公司) of, deputy director of publicity and education department of Qingdao Port Authority, as well as deputy director and director of the political affairs department of QDP. Mr. MA has over 20 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.



Mr. Zhang Qingcai (張慶財), aged 56, is a bachelor of engineering of Dalian Maritime Institute (大連海運學院) (now known as Dalian Maritime University (大連海事大學)) and a researcher of engineering technology application. He joined Qingdao Port Authority (青島港務局), which is now the QDP, in September 1983, and has joined the Company since November 2013. He currently serves as a non-executive Director, member of Strategy and Development Committee, member of Audit Committee of the Company, chief engineer of QDP and general manager of QQCT. He has served as deputy manager of Container Company of, director of Technology Management Bureau of, and factory director of the Manufacturing Factory (港機廠) of Qingdao Port Authority, director of the Safety and Technology Department and director of the general office department of QDP. Mr. Zhang has over 33 years of working experience in the port industry, and is experienced in managing large-scale port enterprises.

3. Independent Non-Executive Directors



Mr. WANG Yaping (王亞平), aged 53, is a bachelor in law of East China College of Political Science and Law (華東政法學院) (now known as East China University of Political Science and Law (華東政法大學)) and a second-grade lawyer. He has joined the Company since May 2014. He currently serves as an independent non-executive Director, chairman of Remuneration Committee, member of Nomination Committee of the Company, and executive director and a senior partner of Shandong Qindao Law Office (山東琴島律師事務所), president of Qingdao Lawyers Association (青島市律師協會) and a supervisor of Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock code 00168 and 600600 respectively).



Mr. CHAU Kwok Keung (鄒國強), aged 40, was graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration. He is a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst of CFA Institute. He has joined the Company since May 2014. He currently serves as an independent non-executive Director and chairman of Audit Committee of the Company, an executive director, chief financial officer and company secretary of Comtec Solar Systems Group Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 712), as well as an independent non-executive Director of The9 Limited, a NASDAQ-listed company (Stock Code: NCTY). He has served as a deputy group financial controller of China South City Holdings Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 1668), a qualified accountant, a chief financial officer, company secretary and authorized representative of China.com Inc. (now known as Sino Splendid Holdings Limited), a company listed on the Hong Kong Stock Exchange (Stock Code: 8006) and a member of the supervisory committee of RIB Software AG, a German software company listed on the Frankfurt Stock Exchange (Stock Code: RSTAG). Mr. CHAU is experienced in financial management and corporate management.



Mr. YANG Qiulin (楊秋林), aged 50, is a master of science in applied accounting and finance of Hong Kong Baptist University, a certified public accountant, a certified public assets appraiser in China and the Excellent Certified Public Accountant in Shandong province. He has joined the Company since September 2014. He currently serves as an independent non-executive Director, member of Audit Committee, member of Nomination Committee, member of Remuneration Committee of the Company and deputy general manager of Qingdao Branch of Reanda Certified Public Accountants Co., Ltd. (利安達會計師事務所) (special general partnership). He has served as the deputy head of Shandong Dongfang Junhe Certified Public Accountants Co., Ltd. (山東東方君和會計師事務所), the financial general manager of Shandong Zhongyuan Investment Group Co., Ltd. (山東中苑投資集團) and the deputy general manager of Shandong Reanda Dongxin Certified Public Accountants Co., Ltd. (山東利安達東信會計師事務所有限公司). Mr. YANG has extensive knowledge and practical experience in financial management and capital management.

BIOGRAPHICAL DETAILS OF MEMBERS OF THE SUPERVISORY COMMITTEE OF THE COMPANY

1. Shareholder Representative Supervisors



Mr. FU Xinmin (付新民), aged 59, joined the Qingdao Port Authority (青島港務局), which is now the QDP, in November 1975, and has joined the Company since November 2013. He currently serves as the Chairman of the Supervisory Committee and secretary of the Disciplinary Committee of the Company, secretary of the Disciplinary Committee of QDP and chairman of the supervisory committee of Qingdao Shihua. He has served as captain of the criminal investigation brigade, director of general office and head of labour union of the public security bureau of Qingdao Port Authority, head of the surveillance office of the Qingdao Port Authority, head of the supervision department, chief economist and head of the human resources department of QDP and supervisor of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司).



Mr. CHI Dianmou (遲殿謀), aged 59, is a postgraduate of Harbin Institute of Technology (哈爾濱工業大學) and a researcher of engineering technology application. He has joined the QDP since June 2012, and has joined the Company since November 2013. He currently serves as a Supervisor of the Company and a vice president of QDP. He has served as manager of City Construction and Investment Center of Qingdao Municipal (青島市城市建設投資中心), deputy general manager of Qingdao City Construction and Investment Group Limited Company (青島城市建設投資(集團)有限責任公司), deputy director of the Qingdao Municipal Construction Commission (青島市建設委員會) and vice chairman and general manager of Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司) and a director of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司).

2. Employee Representative Supervisors



Ms. XUE Qingxia (薛清霞), aged 53, is an accountant and was certified by China Institute of Internal Audit (中國內部審計協會) to be qualified for internal audit. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1985, and has joined the Company since November 2013. She currently serves as a Supervisor, deputy secretary of the Party Disciplinary Committee, head of the supervision department of the Company, the deputy secretary of the Party Disciplinary Committee of QDP, as well as supervising chairperson and supervisor of several subsidiaries and associates of the Company. She has served as deputy manager of the finance department of Minggang Company (明港公司), deputy manager of the accounting and finance department and deputy head of the supervision department of Xigang Company (西港公司), and deputy director of the materials and equipment tender and procurement center (物資設備招標採購中心) of QDP.



Ms. LIU Yuping (劉玉萍), aged 51, is a senior political engineer. She joined the Qingdao Port Authority (青島港務局), which is now the QDP, in December 1983, and has joined the Company since November 2013. She currently serves as a Supervisor of the Company, secretary of the Party Disciplinary Committee as well as the chairperson of the Labour Union of Qiangang Branch (前港分公司). She has served as chairperson of the labour union of Processing Plant (加工廠) of Qingdao Port Authority, deputy manager of Qingdao Port Tongda Industrial Co., Ltd. (青島港通達實業有限公司) and vice chairperson of the labour union of Qingdao Port Authority, deputy chairperson of the labour union of the Company as well as the vice chairperson of the labour union of QDP.

3. Independent Supervisors



Mr. LI Xuxiu (李旭修), aged 49, is a bachelor of Southwest China University of Political Science and Law (西南政法大學), a postgraduate of Chinese Academy of Social Sciences (中國社會科學院), the Excellent Lawyer in China and an arbitrator of the China International Economic and Trade Arbitration Commission. He has joined the Company since September 2014. He currently serves as an independent Supervisor of the Company, senior partner and director of Shandong Deheng Law Firm (山東德衡律師事務所), a deputy director of the Qingdao Lawyers Association (青島市律師協會), a vice chairman of the litigation and arbitration committee of the Lawyers Association of Shandong Province (山東省律師協會) and a member of the civil cases professional committee of the All-China Lawyers Association (中華全國律師協會). He has been a teacher at the Ocean University of China (中國海洋大學), a lawyer, partner, senior partner and director of Shandong Deheng Law Firm (山東德衡律師事務所律師).



Mr. LIU Dengqing (劉登清), aged 46, is a doctorate in management studies of Tsinghua University. He has joined the Company since September 2014. He currently serves as an independent Supervisor of the Company, the president and chief executive officer of China Enterprise Appraisals Company, Inc. (北京中企華資產評估有限責任公司), an independent director of Harbin Electric Company Limited (哈爾濱電氣股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 01133), an independent director of China Spacesat Co. Ltd. (中國東方紅衛星股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600118), an independent director of Hengxin Mobile Business Co., Ltd. (恒信移動商務股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300081), an independent director of Hebei Baoshuo Co., Ltd. (河北寶碩股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600155), an executive director of China Assets Appraisal Association (中國資產評估協會), a project appraisal expert of financial institution state assets appraisal project of the Ministry of Finance (財政部) and a member of the Project Appraisal Expert Group of State-Owned Assets Supervision and Administration Commission of the State Council (SASAC). He used to be a member of the 10th National Youth Federation, a special member of the 10th and 11th Issuance Examination Committee of China Securities Regulatory Commission (CSRC), a member of the 4th and 5th Merger and Reorganization Committee of CSRC. Mr. LIU has extensive experience in assets appraisal and is a certified real estate appraiser of China, an asset appraiser and a mining rights appraiser. He is one of the first Top 10 Youth Appraisers in China.

BIOGRAPHICAL DETAILS OF THE SENIOR MANAGEMENT OF THE COMPANY



Mr. JIAO Guangjun (焦廣軍), the president of the Company, is one of the senior management. For his biographical details, please refer to “Executive Directors” section.



Ms. JIANG Chunfeng (姜春鳳), the vice president, chief financial officer and the head of the finance department of the Company, is one of the senior management. For her biographical details, please refer to “Executive Directors” section.



Mr. SU Jianguang (蘇建光), aged 47, is a master of engineering in Ocean University of China (中國海洋大學) and a researcher of engineering technology application. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1989, and has joined the Company since November 2013. He currently serves as vice president of the Company, manager of Port Construction Branch (港建分公司), director of Qingdao Yongli Insurance Agent Co., Ltd. (青島永利保險代理有限公司), a member of the Communist Party of Qingdao International Cruise Port Authority (青島國際郵輪港管理局), head of the headquarters of Qingdao Port Construction (青島建港指揮部), and director of Qingdao International Cruise Co., Ltd (青島國際郵輪有限公司). He used to serve as a deputy manager of Port Engineering Company of Qingdao Port Authority(青島港務局港務工程公司), deputy general manager of Qingdao Passenger Liner Home Port Co., Ltd. (青島郵輪母港有限公司) and general manager of Qingdao Port Investment and Construction (Group) Co., Ltd. (青島港口投資建設(集團)有限責任公司). Mr. SU has over 27 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.



Mr. CHEN Fuxiang (陳福香), aged 50, is a bachelor in law of Renmin University of China (中國人民大學), a master in law of Dalian Maritime University (大連海事大學), and a senior political engineer, and has been admitted as a lawyer of the People’s Republic of China. He joined the Qingdao Port Authority (青島港務局), which is now the QDP, in July 1988, and has joined the Company since November 2013. He currently serves as joint company secretary, board secretary and director of the general office of the Board of the Company. He has served as deputy director of the general office and director of the Research Office of the Qingdao Port Authority, deputy director of the general office of QDP, secretary of the Party Committee of the Dagang Branch, secretary of the Party Committee and political commissar of Qingdao Port Public Security Bureau and director of the general office of QDP. Mr. CHEN has over 28 years of working experience in the port industry, and has extensive experience in large-scale port enterprise management.

The Board is pleased to present the annual report and the audited financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group operates the following businesses through its branches, subsidiaries, joint ventures and associates: (i) container handling and ancillary services, (ii) metal ore, coal and other cargo handling and ancillary services, (iii) liquid bulk handling and ancillary services, (iv) logistics and port value-added services, (v) port ancillary services, and (vi) financial services.

More details regarding the subsidiaries, joint ventures and associates of the Company are set out in Note 8 to the financial statements. The performance of the Group's business segments for the year is set out in Note 9 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided on Management Discussion and Analysis and the Chairman's Statement of this annual report. Description of possible risks and uncertainties that the Group may be facing is set out on pages 38 and 39 of this annual report. Particulars of important events affecting the Group that have occurred since the end of the financial year are set out in Note 12 to the financial statements and "XVIII. Subsequent Events" in the Management Discussion and Analysis of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is provided on pages 24 to 41 of this annual report. Details of the capital structure of the Company is provided on page 38 of this annual report. Details of the significant capital investment of the Group is provided on page 41 of this annual report.

In addition, information of the Company's environmental policies and performance can be found in "VII. Corporate Social Responsibility" in the Management Discussion and Analysis of this annual report. Our Company's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the section headed "compliance with laws and regulations" of this directors' report. An account of the Company's relationship with its employees, customers, and suppliers is disclosed in the section headed "relationship with stakeholders" of this directors' report.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year are set out in the consolidated income statement of this annual report.

The Board has proposed the payment of a final dividend of approximately RMB787.54 million or RMB164.82 per thousand shares (tax inclusive) based on the current total issued share capital of the Company. Based on the total issued share capital of the Company upon completion of the Proposed Subscription and the Proposed New H Share Issue, the final dividend was RMB130.46 per thousand shares (tax inclusive), which represents 40% of distributable profits attributable to shareholders of the Company for the year ended 31 December 2016. Such distribution plan will be implemented subject to approval at the 2016 annual general meeting.

SHARE CAPITAL

As at 31 December 2016, the Company had a total of 4,778,204,000 issued shares with a nominal value of RMB1.00 each, and the structure of its share capital is as follows:

Class	Number of shares	Percentage in the issued shares of the Company
Domestic shares	3,922,179,000	82.08%
H shares	856,025,000	17.92%
Total	4,778,204,000	100.00%

Changes in share capital of the Company during the year are set out in Note 1 to the financial statements.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Company's annual results and the financial statements of the Company for the year ended 31 December 2016.

RESERVES

Details of changes in reserves of the Group and the Company for the year are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the amount of reserves available for distribution of the Company was approximately RMB3,409 million, including a dividend of approximately RMB788 million, which is to be proposed at the annual general meeting on 28 June 2017.

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2016 are set out in Note 6 (18) and Note 6 (25) to the financial statements.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering was approximately RMB2,198 million.

Considering the actual business development and operation of the Group, the Company has changed the investment projects which the rest of the net proceeds were originally proposed to fund. Please refer to the announcement of the Company dated 28 December 2016 for detailed information.

As at 31 December 2016, RMB1,514 million had been utilized towards the investment projects and RMB270 million had been used to supplement our general working capital as disclosed in the Prospectus and the announcement of the Company dated 28 December 2016 of the Company.

The Company used the net proceeds in the way exactly as disclosed in the Prospectus and the announcement dated 28 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's major customers and suppliers accounted for the following percentages in the Group's revenue from sales of goods or rendering of services and purchases:

The largest customer as a percentage of the Group's revenue from sales of goods or rendering of services	Less than 10%
The top five customers as a percentage of the Group's revenue from sales of goods or rendering of services	Less than 25%
The largest supplier as a percentage of the Group's purchases amount	Less than 10%
The top five suppliers as a percentage of the Group's purchases amount	Less than 20%

None of the directors, supervisors, their respective associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in the above top five customers or suppliers.

SIGNIFICANT INVESTMENT

Details of the Group's significant investments and their performance during the year are set out in Note 6(10) and Note 8(2) to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Group are set out in Note 6 (12) and Note 6 (13) to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties of the Group for the year are set out in Note 6 (11) to the financial statements.

DIRECTORS, SUPERVISORS AND THEIR CHANGES

As announced by the Company on 6 June 2016, as Mr. SUN Yafei (孫亞非), the former non-executive Director of the Company, has resigned as a non-executive Director and a member of the Strategy and Development Committee and Audit Committee under the Board as he has reached the retirement age, Mr. ZHANG Qingcai (張慶財) has been appointed as a non-executive Director to fill such vacancy upon approval at the annual general meeting of 2015 of the Company.

Save for the above, there was no other change in the Directors and Supervisors during the reporting period.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Information about the list and backgrounds of the Directors, Supervisors and senior management of the Company is set out in the section headed "Directors, Supervisors and Senior Management".

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and Supervisors for a term of three years up to the date of 2018 annual general meeting or which shall be terminated pursuant to relevant terms of respective contracts.

None of the Directors and Supervisors has entered into any service contract with the Company or any of its subsidiaries which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for service contracts, there were no other transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which none of the Directors and Supervisors of the Company or its connected entities had a material interest, whether directly or indirectly, as at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

The Company has received confirmation letters from the Directors, confirming that other than business of the Group, none of the Directors holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group.

REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Remuneration of Directors and Supervisors of the Company is determined based on their roles and duties and with reference to the market conditions, the Company's remuneration policy and the prevailing market conditions, subject to the approval of the shareholders general meeting. Details of remuneration of Directors, Supervisors and the five highest paid individuals of the Company during the year are set out in Note 10 (8) and Note 10 (9) to the financial statements.

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

So far as the Directors are aware, as at 31 December 2016, none of the Directors, Supervisors or chief executives and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which will be required, pursuant to Section 352 of the SFO, to be recorded in the register kept by the Company, or (ii) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

MATERIAL CONTRACT

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any material contract with the controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor had any material contract been entered into for the services provided by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2016, the following person (other than the Directors, Supervisors and chief executives) had interest or short positions in the shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name	Class of Shares	Capacity/ Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %
QDP	Domestic shares	Beneficial owner ⁽²⁾	3,522,179,000 (L)	73.71%	89.80%	—
Value Partners Group Limited	H shares	Interest in a controlled corporation ⁽³⁾	94,138,000 (L)	1.97%	—	11.00%
Value Partners High-Dividend Stock Fund	H shares	Beneficial owner ⁽⁴⁾	83,994,000 (L)	1.76%	—	9.81%

Notes:

- (1) The letter "L" denotes long position in such securities.
- (2) QDP is wholly owned by the State-owned Assets Supervision and Administration Commission of Qingdao. The Company was informed that as at 31 December 2016, QDP held 5,890,000 H shares of the Company, representing approximately 0.69% of the total number of issued H shares of the Company. According to the SFO, the shareholders of the Company only need to submit the disclosure of interests form when certain conditions are reached. Since the date of holding the H shares of the Company by QDP and as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Listing Rules.
- (3) Such shares of the Company are directly held by Value Partners Limited, which is wholly owned by Value Partner Hong Kong Limited; and Value Partners Hong Kong Limited is wholly owned by Value Partners Group Limited.
- (4) Such shares of the Company are directly held by Value Partners High-Dividend Stocks Fund, as a controlled corporation of BNP Paribas Jersey Trust Corporation Limited as trustee of The C H Cheah Family Trust.

Save as disclosed above, as at 31 December 2016, there was no other persons who had interest or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company.

DIRECTORS' REPORT

DEBENTURES IN ISSUE

In order to meet its operation demands, optimize and adjust its debt structure and lower its financing costs, the Company issued the first tranche of domestic corporate bonds on 16 March 2016 and the second tranche of domestic corporate bonds on 6 June 2016, details of which are set out on page 163 of this annual report.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any directors or supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate for the year ended 31 December 2016.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement for the year ended 31 December 2016.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance for its directors, supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling Shareholder did not pledge any of its shares in the Company to secure the Company's debts or to secure guarantees or other support of the Company's obligations for the year ended 31 December 2016.

SHARE OPTION SCHEME

As of 31 December 2016, the Company did not implement any share option scheme.

SUFFICIENCY OF PUBLIC FLOAT

The Hong Kong Stock Exchange has granted the Company a waiver from compliance with the minimum public float requirement under Rule 8.08(1) (a), and the minimum percentage of the Company's H shares from time to time held by the public was reduced to 16.62%. Based on publicly available information and so far as the Directors are aware, as at the date of this report, the Company had sufficient public float and the issued shares of the Company held by the public is no less than 16.62%, and is therefore in compliance with the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the listing securities of the Company.

PRE-EMPTIVE RIGHTS

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

EMPLOYEES, REMUNERATION AND PENSION SCHEME

Details of employees, remuneration policy and pension scheme of the Group are set out in Notes 6 (21) and Notes 6 (27) to the financial statements.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities for the year 2016.

NON-COMPETITION AGREEMENT AND UNDERTAKING

The Company has received a confirmation letter issued by QDP which confirms that it has complied with the Non-Competition Agreement and Undertaking entered into with the Group during the reporting period.

CONFIRMATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the implementation of sound corporate governance and has continued to improve and optimise its internal control system during the reporting period to safeguard shareholders' interests and enhance the value of the Company. The Company has adopted and complied with all applicable provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and the Model Code. For details of compliance with the Corporate Governance Code, please refer to the "Corporate Governance Report".

AUDITORS

This financial statements have been audited by PricewaterhouseCoopers Zhong Tian LLP who will retire at the conclusion of the forthcoming annual general meeting. The Company will propose a resolution to re-appoint PricewaterhouseCoopers Zhong Tian LLP as the Company's auditor at the forthcoming annual general meeting.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Summary of the Company's connected persons

Connected Person	Connected Relationship
QDP	The controlling shareholder of the Company, currently holding 73.8% of the Company's total issued share capital.
Qingdao Finance	A connected subsidiary of the Company which is held as to 70% equity interest by the Company and the remaining 30% equity interest by QDP.
Qingdao Gangsheng	An associate of QDP, which was held as to 30% equity interest by QDP.

CONNECTED TRANSACTIONS

The Group has conducted certain non-exempt connected transactions during the year. Unless otherwise defined, capitalized terms used herein shall have the same meaning ascribed to them in the relevant announcements.

(A) The North Third Jetty Asset Transfer Agreement

On 16 March 2016, DMT (as the purchaser), a non-wholly-owned subsidiary of the Company, and QDP Investment (as the vendor), a wholly-owned subsidiary of QDP, entered into the North Third Jetty Asset Transfer Agreement, pursuant to which, DMT has agreed to purchase, and QDP Investment has agreed to sell the North Third Jetty Asset at a consideration of RMB59,787,000. The transaction in respect of the transfer of the North Third Jetty Asset contemplated under the North Third Jetty Asset Transfer Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The North Third Jetty Asset Transfer Agreement and the transaction contemplated thereunder were resolved and approved by the Board. Details of the connected transaction are set out in the announcement dated 16 March 2016 of the Company.

(B) Tugboats Asset Transfer Agreement

On 16 March 2016, SVITZER Tug (as the purchaser), a non-wholly-owned subsidiary of the Company, and QPIS (as the vendor), a wholly-owned subsidiary of QDP Investment, entered into the Tugboats Asset Transfer Agreement, pursuant to which, SVITZER Tug has agreed to purchase, and QPIS has agreed to sell the Tugboats Asset at a consideration of RMB206,934,000. The transaction in respect of the transfer of the Tugboats Asset contemplated under the Tugboats Asset Transfer Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Tugboats Asset Transfer Agreement and the transaction contemplated thereunder were resolved and approved by the Board. Details of the connected transaction are set out in the announcement dated 16 March 2016 of the Company.

CONTINUING CONNECTED TRANSACTIONS

(A) CONTINUING CONNECTED TRANSACTIONS WITH QDP

i Lease Framework Agreement

The Company entered into a lease framework agreement (the "Lease Framework Agreement") on 9 May 2014 in respect of the lease of certain assets which include, among other things, land, buildings, tugboats and structures from QDP and/or its subsidiaries to the Group. The Lease Framework Agreement is valid for a term commencing from its signing date and ended on 31 December 2016. For details of the Lease Framework Agreement, please refer to the Prospectus.

With the approval of the Board of the Company, the annual caps for Lease Framework Agreement for this year have been adjusted. Please refer to the announcement of the Company dated 6 June 2015 titled Supplemental Agreement To The Original Asset Lease Agreement Entered Into Between The Company And QDP And Adjustments To Annual Caps For The Two Years Ended 2015 And 2016 Of Continuing Connected Transactions Under The Original Asset Lease Agreement.

ii General Framework Agreement

The Company entered into a general framework agreement with QDP and Qingdao Gangsheng on 9 May 2014, respectively. Pursuant to which, QDP and/or its subsidiaries provide a series of goods and services ("QDP General Services I"), and the Group provides a series of services to QDP and/or its subsidiaries ("QDP General Services II"). Qingdao Gangsheng provides certain goods and services ("Gangsheng General Services I"), and the Group provides certain goods and services to Qingdao Gangsheng ("Gangsheng General Services II"). The agreement is valid for a term commencing from its signing dates and ended on 31 December 2016. For details of the said agreement, please refer to the Prospectus.

As Qingdao Gangsheng is an associate of QDP, and QDP General Services I is of the same nature as that of Gangsheng General Services I ("General Services I"), and QDP General Services II is of the same nature as that of Gangsheng General Services II ("General Services II"), QDP General Services I and Gangsheng General Services I shall be aggregated and QDP General Services II and Gangsheng General Services II shall be aggregated under the Listing Rules.

With the approval of the Board of the Company, the annual caps for QDP General Services I, Gangsheng General Services I, QDP General Services II, Gangsheng General Services II for this year have been adjusted, respectively. Please refer to the announcement of the Company dated 29 December 2014 titled Adjustment to Annual Caps for Continuing Connected Transactions under QDP General Framework Agreement and Qingdao Gangsheng General Framework Agreement.

iii. Financial Lease Framework

Qingdao Financial Leasing, a subsidiary of the Company, and QDP entered into the Financial Lease Framework Agreement on 21 August 2015. Qingdao Financial Leasing has agreed to provide financial services to QDP and/or its subsidiaries. The Financial Lease Framework Agreement is valid for a term commencing from its signing date and ending on 31 December 2022. Please refer to the announcement made by the Company dated 21 August 2015 titled Financial Lease Framework Agreement for details of the said agreement.

iv. General Goods and Services Framework Agreements and Asset Lease Framework Agreement

On 18 March 2016, the Company and QDP have entered into (i) the General Goods and Services Framework Agreement I in relation to the provision of goods and services by the Group to QDP Group* for three years ending 31 December 2019; (ii) the General Goods and Services Framework Agreement II in relation to the provision of goods and services by QDP Group* to the Group for three years ending 31 December 2019; and (iii) the Asset Lease Framework Agreement in relation to the lease of certain assets from QDP Group* to the Group for three years ending 31 December 2019. For details, please refer to the announcement of the Company dated 18 March 2016.

The General Goods and Services Framework Agreement I, General Goods and Services Framework Agreement II and Asset Lease Framework Agreement are valid for a term commencing from 1 January 2017 and ended on 31 December 2019. The Company will disclose details of the continuing connected transactions contemplated thereunder according to the Listing Rules.

* "QDP Group" refers to QDP and its subsidiaries, and for the purpose of the General Goods and Services Framework Agreement I, General Goods and Services Framework Agreement II and the Asset Lease Framework Agreement, also includes joint venture with more than 30% equity interest held by QDP and commonly held entities of QDP.

(B) CONTINUING CONNECTED TRANSACTIONS WITH QINGDAO FINANCE

On 31 July 2014, Qingdao Finance entered into the Financial Services Framework Agreement with QDP and the Company, respectively, in relation to provision of deposit services, credit services and intermediary services from Qingdao Finance to QDP and/or its associates and the Group. The agreement is valid for a term commencing from its signing date and ended on 31 December 2016. For details of the agreement, please refer to the circular of the second extraordinary general meeting of 2014 of the Company dated 5 September 2014 and the poll results of the second extraordinary general meeting of 2014 dated 29 September 2014.

Annual caps and amounts for the continuing connected transactions of the Company for the year 2016 are as follows:

Unit: RMB'000

	Annual cap for 2016	Amount incurred in 2016
A. Continuing connected transactions with QDP		
i Lease Framework Agreement	100,000	79,444
ii General Services Agreement		
General Services I		
Of which: QDP General Services I	80,000	13,552
Gangsheng General Services I	2,000	— *
Subtotal	82,000	13,552
General Services II		
Of which: QDP General Services II	320,000	305,612
Gangsheng General Services II	3,000	—
Subtotal	323,000	305,612
iii Financial Lease Framework	400,000	47,207
B. Continuing connected transactions with Qingdao Finance		
i Daily maximum balance deposited by the Group in		
Qingdao Finance (including accrued interest and commission fee)	5,000,000	4,386,038
ii Daily maximum outstanding balance of the loans provided by		
Qingdao Finance to QDP and/or its associates		
(including accrued interest and commission fee)	1,000,000	190,702

* Qingdao Gangsheng has transferred its main business to the Group since September 2015, so there is not actual business in 2016.

On 18 March 2016, the Company entered into the Financial Services Framework Agreement I with Qingdao Finance in relation to the financial services provided by Qingdao Finance to the Group, including deposit services, credit services and intermediary services and the annual caps for the transactions contemplated thereunder for three years ending 31 December 2019. For details, please refer to the announcement dated 18 March 2016 and the circular dated 11 April 2016 of the Company.

DIRECTORS' REPORT

On 18 March 2016, QDP entered into the Financial Services Framework Agreement II with Qingdao Finance in relation to the financial services provided by Qingdao Finance to QDP Group, including deposit services, credit services and intermediary services and the annual caps for the transactions contemplated thereunder for three years ending 31 December 2019. For details, please refer to the announcement dated 18 March 2016 and the circular dated 11 April 2016 of the Company.

The Financial Services Framework Agreement I and Financial Services Framework Agreement II are valid for a term commencing from 1 January 2017 and ended on 31 December 2019. The Company will disclose details of the continuing connected transactions contemplated thereunder according to the Listing Rules.

* "QDP Group" refers to QDP and its subsidiaries, and for the purpose of Financial Services Framework Agreement I, the Financial Services Framework Agreement II, also includes joint venture with more than 30% equity interest held by QDP and commonly held entities of QDP.

(C) CONFIRMATION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company's independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these transactions:

- (1) were entered into in the ordinary and usual course of business of the Group;
- (2) were either on normal commercial terms, or, in the absence of similar transactions to judge whether the terms are normal commercial terms, on terms no less favourable to those adopted for transactions between the Group and independent third parties; and
- (3) were in accordance with the terms of such transaction agreements, which are in the interest of the Group and our Shareholders as a whole, and fair and reasonable; and
- (4) did not exceed the annual cap amounts.

(D) CONFIRMATION FROM THE AUDITOR

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company as set out on pages 64 to 66 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified assurance report containing their conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a copy of the auditor's assurance report to the Hong Kong Stock Exchange.

(E) OTHERS

Except for the above, the Group did not enter into any other continuing connected transactions which should comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For certain material related party transactions disclosed in Note 10 to the financial statements which were also continuing connected transactions under Chapter 14A of the Listing Rules of the Company, the Company had made disclosure as required under the Listing Rules.

Pursuant to the relevant rules under Chapter 14A of the Listing Rule, since Qingdao OST is an “insignificant subsidiary” (i.e. the total assets, profits and revenue of Qingdao OST accounted for less than 10% under the percentage ratios of that of the Group for each year during 2013 to 2015) of the Company under Rule 14A.09 of the Listing Rules currently in force, China OST, a substantial shareholder of Qingdao OST, and its associates, have no longer been the connected persons of the Company since 1 January 2016.

DESCRIPTION OF OTHER MATTERS

1. Business relocation

According to the municipal plan to transform and upgrade into a port for international cruise liners, the operations of Dagang Port Area will gradually be relocated to Dongjiakou Port Area and Qianwan Port Area. In 2016, the construction of the port for cruise liners had no effect on the operation of Dagang Branch.

As of the date of this report, we have not yet received any relocation plan or related of Huangdao Oil Port Area was not affected.

2. Litigations

Other than the No.794 case which the Company was involved in as disclosed in the announcements of the Company published on 28 July 2014, 15 August 2014, 5 September 2014 and 27 October 2016, the Group was not involved in any material litigation or arbitration for the year ended 31 December 2016.

The Company does not expect the aforesaid litigation and relevant judgments and orders to have a material adverse impact on the Group's business and operations.

3. Change of accounting standard

According to the *Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong* (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Hong Kong Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong are allowed to prepare their financial statements using Mainland accounting standards, and Mainland audit firms approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission are allowed to serve these issuers using Mainland auditing standards.

In order to improve efficiency and to reduce the cost of disclosure and audit expenses, on 18 May 2016, the Board resolved to change the accounting standard of the international financial statements of the Company from the International Financial Reporting Standards to the China Accounting Standards for Business Enterprises. For details, please refer to the announcement of the Company dated 18 May 2016. Starting from the year 2016, the financial statements of the Company have been prepared in accordance with the China Accounting Standards for Business Enterprises and the relevant regulations.

PricewaterhouseCoopers Zhong Tian LLP was appointed as the Company's auditor at the annual general meeting of the Company held on 6 June 2016 to audit the financial statements which are prepared in accordance with the China Accounting Standards for Business Enterprises for the year ended 31 December 2016. PricewaterhouseCoopers has ceased to act as the international auditor of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has allocated system and staff resources to ensure ongoing compliance with rules and regulations and to maintain well relationships with regulators effectively through effective communications. During the year 2016, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognizes that our employees, customers and business associates are keys to our sustainability journey. We strive to achieve corporate sustainability through coordinating with our employees closely, providing quality services for our customers, collaborating with business partners and supporting our community.

The Company places significant emphasis on human resources. The Company provides a fair workplace and develop a non-discrimination and diversified environment. We also provide competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits performance. The Company ensures that all businesses of the Group were conducted in accordance with the principles under the health and safety management system. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

To increase customer satisfaction and promote a customer-oriented culture within the Company, we take 'Customer First' as one of our core values. We value the feedback from customers through daily communication, regular inspections, etc. We have also established the mechanism about customer service, support and complaints. When dealing with the customer complaint, we treat it as an opportunity to improve our relationship with the customer, addressing the concern in a timely manner and in accordance with international standards.

We believe that our suppliers are equally important in developing high-quality projects. We proactively collaborate with our business partners (including suppliers and contractors) to deliver quality sustainable products and services. We have formulated and included certain requirements in our standard tender documents. These requirements include regulatory compliance, labour practices, anti-corruption and other business ethics. We assure the performance of our suppliers through supplier approval process and by conducting factory audits/site visits and spot checks on the delivered goods at site during the contractual periods.

By order of the Board

Zheng Minghui
Chairman

Qingdao, China
17 March 2017

In 2016, the Supervisory Committee of the Company maintained the interests of the Company and its shareholders by seriously undertaking its responsibilities and supervising the compliant operation, connected transactions and material investment projects of the Company in accordance with the Company Law of the PRC, the Articles of Association, and the Procedural Rules of the Supervisory Committee.

I. MEETINGS HELD BY THE SUPERVISORY COMMITTEE

During the year, the Supervisory Committee held three meetings, the details of which were as follow:

- (i) On 18 March 2016, the Supervisory Committee held the eighth meeting of the first session of the Supervisory Committee to consider and approve six resolutions including Resolution on the annual report for 2015 of Qingdao Port International Co., Ltd., Resolution on the audited financial statements of Qingdao Port International Co, Ltd. for the year of 2015, Resolution on the profit distribution plan of Qingdao Port International Co, Ltd. for the year of 2015, Resolution on the work report of the supervisory committee of the Company for the year of 2015, Resolution on nominating candidates of non-employee representative supervisors for the Supervisory Committee in the second session of Qingdao Port International Co, Ltd., and Resolution on the approval of the 2016 remuneration plan for supervisors of Qingdao Port International Co, Ltd.
- (ii) On 6 June 2016, the Supervisory Committee held the first meeting of the second session of the Supervisory Committee to consider and approve one resolution including Resolution on the election of the Chairman for the Supervisory Committee in the second session of Qingdao Port International Co, Ltd.
- (iii) On 19 August 2016, the Supervisory Committee held the second meeting of the second session of the Supervisory Committee to consider and approve two resolutions including Resolution on the 2016 Interim Report of Qingdao Port International Co, Ltd. and Resolution on the 2016 Corporate Bond Interim Report of Qingdao Port International Co, Ltd.

II. INDEPENDENT ADVICES OF BOARD OF SUPERVISORS ON RELEVANT ISSUES

(i) Compliance Operation

During the reporting period, the Board held Board meetings and considered resolutions as well as convened and organized the general meeting and attended relevant meetings through undertaking their responsibilities and operating legally in accordance with laws and regulations as well as the Articles of Association. The Directors and senior management maintained the interests of the Company and its shareholders by acting diligently and responsibly in the management and operation of the Company.

(ii) The Inspection of Financial Conditions of the Company

The Supervisory Committee has supervised the financial condition of the Company for the year of 2016 effectively and is of the view that the Company has a sound financial system and a good financial condition. PricewaterhouseCoopers, the auditor of the Company, has audited the financial statements of the Company and issued an unqualified audit report. The Supervisory Committee has reviewed the audited financial reports for the year of 2016 and believes that these financial reports has fairly and truly reflected the financial and operating conditions of the Company.

SUPERVISORS' REPORT

(iii) Use of Proceeds Raised from the Global Offering

Other than those disclosed in the Announcement on 28 December 2016, the proceeds from the Global Offering have been used strictly following the requirements set out in the Prospectus with standard procedures and without misusing the proceeds during the reporting period.

(iv) Connected Transactions

Connected transactions entered into during the reporting period have been complying with the requirements of the relevant connected transaction agreements, and are fair and reasonable to the Company and its shareholders without harming their interests.

(v) Major External Investments

Major investments made during the reporting period have been complying with the Articles of Association and the Management Rules on External Investment without harming the interests of the Company and its shareholders.

III. OUTLOOK AND PROSPECT FOR 2017

In 2017, the Supervisory Committee of the Company will continue to seriously fulfill their responsibilities as supervisors in accordance with laws and regulations, the Articles of Association and the regulatory rules to further enhance the compliant operation of the Company, ensure the sustainable and healthy development of the Company and maintain the legal interests of the Company, public shareholders and investors.

By Order of the Supervisory Committee
FU Xinmin
Chairman of the Supervisory Committee

Qingdao, China
17 March 2017

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2016 (the “Reporting Period”).

The Board is committed to upholding a high standard of corporate governance practices in the belief that they are essential for maintaining and promoting investors’ confidence and maximizing shareholders’ returns. The Board reviews its corporate governance practices from time to time in order to ensure high standards of corporate governance of the Company and meet the expectations of shareholders and other stakeholders.

The Company has been in compliance with the code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules during the Reporting Period.

II. THE BOARD

1. Composition of the Board

The Board currently comprises nine directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Members of the Board of the Company are listed below:

Member of the Board	Position	Date of appointment
Mr. ZHENG Minghui (鄭明輝)	Chairman, executive Director	6 June 2016
Mr. CHENG Xinnong (成新農)	Vice Chairman, non-executive Director	6 June 2016
Mr. JIAO Guangjun (焦廣軍)	Executive Director, President	6 June 2016
Mr. MA Baoliang (馬寶亮)	Non-executive Director	6 June 2016
Mr. ZHANG Qingcai (張慶財)	Non-executive Director	6 June 2016
Ms. JIANG Chunfeng (姜春鳳)	Executive Director, Vice President	6 June 2016
Mr. WANG Yaping (王亞平)	Independent non-executive Director	6 June 2016
Mr. CHAU Kwok Keung (鄒國強)	Independent non-executive Director	6 June 2016
Mr. YANG Qiulin (楊秋林)	Independent non-executive Director	6 June 2016
Mr. SUN Yafei (孫亞非) (Note)	Non-executive Director	15 November 2013

Note: Mr. SUN Yafei (孫亞非) was appointed on 15 November 2013 and resigned on 6 June 2016.

The Directors are elected by the general meetings and will hold offices until the annual general meeting for the year 2018 to be held in 2019. The Directors are subject to re-election for successive re-appointment when their directorships expire.

Biography of each director is set out in the section headed “Directors, Supervisors and Senior Management”. In addition, the list setting out the name, roles and function of each Director has been published on (the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.qingdao-port.com).

The Directors have no financial, business, family or other material/relevant relationships with each other.

Chairman and President

The positions of Chairman and President of the Company are segregated and held by different persons to ensure their respective independence of responsibility and accountability and the balance and restriction of power and authority between them. The Chairman, Mr. ZHENG Minghui, plays a critical role in leading the Board, ensuring that the Board is functioning properly and with well-formulated corporate governance practices and procedures, whilst Mr. JIAO Guangjun, the President, is mainly responsible for the day-to-day management of the Company's operations, including being in charge of the production and operation management of the Company, organizing the enforcement of resolutions of the Board and coordinating overall business operations.

Responsibilities of the Board and Management

The Board is responsible to all shareholders and mainly responsible for determining the operating plans and investment projects of the Company, managing the disclosure of the Company's information, attending to the regular or irregular work report of the President and review the work of the President, and determining such matters as the external investments, asset purchase and sale and pledge of assets within the scope authorized by the general meetings.

Under the leadership of the President (who is also an executive Director), the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management. In order to ensure the effective operation of the Company, the management submits an operation report of the Company to the Board each month, which enables the Board to monitor the operation situation of the Company in time and to assess and supervise the management. Meanwhile, the management also communicates with the Board in formal and informal manners in respect of the issues related to the operation and business of the Company and provides sufficient information at appropriate time to allow the Board to make decisions with sufficient background information, which enhance the decision-making efficiency and quality of the Board.

Independent Non-executive Directors

During the Reporting Period, the Company has three independent non-executive Directors in compliance with the Rules 3.10(1) and (2) of the Listing Rules, two of whom own accounting and financial management expertise and the other one owns expertise in law. The number of independent non-executive Directors accounts for one-third of the number of the Board members.

According to the Rule 3.13 of Listing Rules, the independent non-executive Directors of the Company have made confirmations to the Company regarding their independence during the Reporting Period. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during the Reporting Period.

Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct for the Directors and Supervisors to conduct securities transactions. After making specific enquiry to all Directors and Supervisors, all directors and supervisors confirmed that they have fully complied with the required standard set out in the Model Code during the period from 1 January 2016/their respective appointment date to 31 December 2016.

Training and Continuous Professional Development of Directors

On 6 June 2016, the newly appointed Director Mr. ZHANG Qingcai (張慶財) received trainings provided by Freshfields Bruckhaus Deringer, our legal adviser for Hong Kong law in relation to the “the continuing obligations and responsibilities of Directors of H Shares listed companies”.

The Joint Company Secretaries provide Directors with information such as the latest amendments to the Listing Rules and other applicable regulatory requirements, cases of Hong Kong listed companies, industry news, production and operation situations of the Company from time to time to allow them to learn the updates of regulatory rules, industry information and the Company’s information in time and fulfill their responsibilities.

The Directors (including Mr. ZHENG Minghui (鄭明輝), Mr. CHENG Xinnong (成新農), Mr. JIAO Guangjun (焦廣軍), Mr. MA Baoliang (馬寶亮), Mr. ZHANG Qingcai (張慶財), Ms. JIANG Chunfeng (姜春鳳), Mr. WANG Yaping (王亞平), Mr. CHAU Kwok Keung (鄒國強) and Mr. YANG Qiulin (楊秋林)) get continuing professional development through participating in specific trainings, seminars, forums and reading publications on economy and securities to update their knowledge and technique, which will enable them to make continuous contributions to the Company with comprehensive knowledge and technique.

Liability Insurance of Directors, Supervisors and Members of Senior Management

The Company has been placing most great emphasis on risk prevention of the Directors’ liability, thus the Company has purchased insurances for all Directors, Supervisors and members of senior management to minimize risks that may be incurred in their normal performance of responsibilities.

Directors’ Responsibility on Financial Statements

The Directors are responsible for the preparation of the financial statements for the year ended 31 December 2016 that give a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.

2. Board Meetings and General Meeting

During the year, the Company held four Board meetings and one general meeting in total. The attendance of the above meetings by each Director is as follows:

Name of Directors	No. of Board Meetings Attended		No. of General Meetings Attended	
	During the Tenure	Attendance Rate	During the Tenure	Attendance Rate
Mr. ZHENG Minghui (鄭明輝)	4/4	100%	1/1	100%
Mr. CHENG Xinnong (成新農)	4/4	100%	1/1	100%
Mr. SUN Yafei (孫亞非) (Note 1)	1/1	100%	1/1	100%
Mr. JIAO Guangjun (焦廣軍)	4/4	100%	1/1	100%
Mr. MA Baoliang (馬寶亮)	4/4	100%	1/1	100%
Mr. ZHANG Qingcai (張慶財) (Note 2)	3/3	100%	N/A	N/A
Ms. JIANG Chunfeng (姜春鳳)	4/4	100%	1/1	100%
Mr. WANG Yaping (王亞平)	4/4	100%	1/1	100%
Mr. CHAU Kwok Keung (鄒國強)	4/4	100%	1/1	100%
Mr. YANG Qiulin (楊秋林)	4/4	100%	1/1	100%

Note 1: Mr. SUN Yafei (孫亞非) resigned on 6 June 2016. The Company held one Board meeting and one general meeting from 1 January 2016 to the date before his resignation.

Note 2: Mr. Zhang Qingcai (張慶財) was appointed on 6 June 2016. The Company held three Board meetings and did not hold any general meeting from the date of his appointment up to 31 December 2016.

Notices for all regular Board meeting and the agenda and accompanying Board paper will be given to all Directors at least fourteen days before the meetings in order that they have sufficient time to review the papers. Minutes of each Board meeting are circulated to all Directors for perusal. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.

II. SPECIAL COMMITTEES OF BOARD

The Board established four special committees, namely Strategy and Development Committee, Audit Committee, Remuneration Committee and Nomination Committee.

1. Strategy and Development Committee

The Strategy and Development Committee consists of six Directors, namely Mr. ZHENG Minghui (鄭明輝), Mr. CHENG Xinnong (成新農), Mr. JIAO Guangjun (焦廣軍), Mr. MA Baoliang (馬寶亮), Mr. ZHANG Qingcai (張慶財) and Ms. JIANG Chunfeng (姜春鳳). Mr. ZHENG Minghui (鄭明輝) serves as the chairman of the Strategy and Development Committee.

The primary responsibility of the Strategy and Development Committee is to review the overall development and strategic plans of the Company, the major investment and financing proposals of the Company and other issues that are material to the development of the Company, and to make recommendations to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Strategy and Development Committee held three meetings, in which general mandate to issue shares and general mandate to issue the debt financing instruments of the Company, the investment budget plan of the Company for 2016, the “13th Five-Year” development plan of the Company and the Company’s operation plan for 2017 were approved respectively and recommendations were made to the Board.

The attendance of the meetings by each member is as follows:

Name of Members	No. of Meetings Attended	Attendance Rate
Mr. ZHENG Minghui (鄭明輝) (Chairman)	3/3	100%
Mr. CHENG Xinnong (成新農)	3/3	100%
Mr. SUN Yafei (孫亞非) (Note 1)	1/1	100%
Mr. JIAO Guangjun (焦廣軍)	3/3	100%
Mr. MA Baoliang (馬寶亮)	3/3	100%
Mr. ZHANG Qingcai (張慶財) (Note 2)	2/2	100%
Ms. JIANG Chunfeng (姜春鳳)	3/3	100%

Note 1: Mr. SUN Yafei (孫亞非) resigned on 6 June 2016. The Company held one Strategy and Development Committee of the Board meeting from 1 January 2016 to the date of his resignation.

Note 2: Mr. ZHANG Qingcai (張慶財) was appointed on 6 June 2016. The Company held two Strategy and Development Committee meetings of the Board from the date of his appointment up to 31 December 2016.

2. Audit Committee

The Audit Committee consists of three Directors, namely Mr. CHAU Kwok Keung (鄒國強), Mr. YANG Qiulin (楊秋林) and Mr. ZHANG Qingcai (張慶財), of which Mr. CHAU Kwok Keung (鄒國強) and Mr. YANG Qiulin (楊秋林) are both independent non-executive Directors. Mr. CHAU Kwok Keung (鄒國強), who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The primary responsibility of the Audit Committee is to review the financial information of the Company and its disclosure, oversee the financial operation status, risk management and internal control procedures of the Company, propose the appointment of external auditors and monitor their relationship with the Company and maintain close communication between the Company and its management with external auditors. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held three meetings, in which the Company's annual results announcement, annual report, and audited financial statements for 2015, the investment budget plan of the Company for 2016, interim results announcement and interim report for 2016, corporate bonds interim report for 2016, appointing the accounting firm of the Company for 2016 and determining its remuneration were approved and recommendations were made to the Board. In addition, the Audit Committee discussed with the external auditors in respect of the Company's annual audit plan for 2016.

The attendance of the meetings by each member is as follows:

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. CHAU Kwok Keung (鄒國強) (Chairman)	3/3	100%
Mr. SUN Yafei (孫亞非) (Note 1)	1/1	100%
Mr. YANG Qiulin (楊秋林)	3/3	100%
Mr. ZHANG Qingcai (張慶財) (Note 2)	2/2	100%

Note 1: Mr. SUN Yafei (孫亞非) resigned on 6 June 2016. The Company held one Audit Committee meeting of the Board from 1 January 2016 to the date of his resignation.

Note 2: Mr. ZHANG Qingcai (張慶財) was appointed on 6 June 2016. The Company held two Audit Committee meetings of the Board from the date of his appointment up to 31 December 2016.

Representatives of the external auditors attended all the Audit Committee meetings held in 2016.

3. Remuneration Committee

The Remuneration Committee consists of three Directors, namely Mr. WANG Yaping (王亞平), CHENG Xinnong (成新農) and Mr. YANG Qiulin (楊秋林), of which Mr. WANG Yaping (王亞平) and Mr. YANG Qiulin (楊秋林) are both independent non-executive Directors. Mr. WANG Yaping (王亞平) serves as the chairman of the Remuneration Committee.

The primary responsibility of the Remuneration Committee is to consider the remuneration structures and policies for all Directors and senior management of the Company, establish formal and transparent procedures to devise such remuneration policies and formulate the remuneration packages of Directors and members of senior management, as well as make recommendations to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held one meeting, in which the remuneration plan of the Directors and senior management for 2016 was approved.

The attendance of the meetings by each member is as follows:

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. WANG Yaping (王亞平) (Chairman)	1/1	100%
Mr. CHENG Xinnong (成新農)	1/1	100%
Mr. YANG Qiulin (楊秋林)	1/1	100%

Pursuant to the code B.1.5 of the Corporate Governance Code under in Appendix 14 of the Listing Rules, the following table sets forth the remuneration of the Directors, Supervisors and members of senior management categorized by remuneration group for the year ended 31 December 2016:

Group (Note)	Remuneration (RMB)	Number of Individuals
1	0-500,000	15
2	500,000-1,000,000	3

Note:

Group 1 includes 9 Directors, 5 Supervisors and 1 senior management of the Company.

Group 2 includes 1 Director, 1 Supervisor and 1 senior management of the Company.

Further details of the Directors' emoluments and the top five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules are set out in Notes 10 (8) and Notes 10 (9) to the financial statements for the year.

4. Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. ZHENG Minghui (鄭明輝), Mr. WANG Yaping (王亞平) and Mr. YANG Qiulin (楊秋林), of which Mr. WANG Yaping (王亞平) and Mr. YANG Qiulin (楊秋林) are both independent non-executive Directors. Mr. ZHENG Minghui (鄭明輝) serves as the chairman of the Nomination Committee.

The primary responsibility of the nomination Committee is to develop standards and procedures for the election of the Board members and members of the senior management, and make recommendations to the Board; review the structure, number, composition and membership diversity of the Board and its committees, and make appropriate recommendations for adjustments made to the Board in line with the corporate strategies of the Company; and propose to the Board candidates for Directors, president, vice President, chief financial officer and secretary to the Board. Its terms of reference can be referred to on the websites of the Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee held one meeting, in which the nomination of candidates for the second session of the Board of non-employee representatives, candidates for the chairman of the Board and candidates for vice-chairman and senior management, were approved and recommendations were made to the Board.

The attendance of the meeting by each member is as follow:

Name of Members	No. of Meetings Attended During the Tenure	Attendance Rate
Mr. ZHENG Minghui (鄭明輝) (Chairman)	1/1	100%
Mr. WANG Yaping (王亞平)	1/1	100%
Mr. YANG Qiulin (楊秋林)	1/1	100%

The Board formulated and adopted the Board Diversity Policy. In designing the Board's composition, the Nomination Committee has considered Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

III. SUPERVISORY COMMITTEE

The supervisory committee consists of six Supervisors, including two shareholder representative Supervisors, two employee representative Supervisors and two independent Supervisors. The members of the Supervisory Committee of the Company are listed below:

Member of the Supervisory Committee	Position	Date of appointment
Mr. FU Xinmin (付新民)	Chairman of the Supervisory Committee, shareholder representative Supervisor	6 June 2016
Mr. CHI Dianmou (遲殿謀)	Shareholder representative Supervisor	6 June 2016
Ms. XUE Qingxia (薛清霞)	Employee representative Supervisor	6 June 2016
Ms. LIU Yuping (劉玉萍)	Employee representative Supervisor	6 June 2016
Mr. LI Xuxiu (李旭修)	Independent Supervisor	6 June 2016
Mr. LIU Dengqing (劉登清)	Independent Supervisor	6 June 2016

Shareholder representative Supervisors and independent Supervisors are elected and removed at the general meeting, while employee representative supervisors are democratically elected or replaced at the staff representative assembly. Each supervisor will hold offices until the annual general meeting for the year 2018 to be held in 2019, and is subject to re-election for successive re-appointment when his/her tenure expires.

Biography of each supervisor is set out in the section headed “Directors, Supervisors and Senior Management”.

During the Reporting Period, the supervisory committee held three meetings in total. The attendance of the meetings by each supervisor is as follows:

Name of Supervisors	No. of Meetings of the Supervisory Committee Attended During the Tenure	Attendance Rate	No. of General Meetings Attended During the Tenure	Attendance Rate
Mr. FU Xinmin (付新民) (chairman of the Supervisory Committee)	3/3	100%	1/1	100%
Mr. CHI Dianmou (遲殿謀)	3/3	100%	1/1	100%
Ms. XUE Qingxia (薛清霞)	3/3	100%	1/1	100%
Ms. LIU Yuping (劉玉萍)	3/3	100%	1/1	100%
Mr. LI Xuxiu (李旭修)	3/3	100%	1/1	100%
Mr. LIU Dengqing (劉登清)	3/3	100%	1/1	100%

The performance of responsibilities by the Supervisory Committee is set out under the section headed “Supervisors’ Report”.

CORPORATE GOVERNANCE REPORT

IV. CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Audit Committee which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board of Directors;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, 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 Listing Rules and disclosure in the Corporate Governance Report.

V. JOINT COMPANY SECRETARIES

During the Reporting Period, the Joint Company Secretaries of the Company, Mr. CHEN Fuxiang and Ms. LAI Siu Kuen, a senior manager of KCS Hong Kong Limited (a company secretarial service provider), had complied with the requirements on taking no less than 15 hours of relevant professional training as set out in Rule 3.29 of the Listing Rules. Mr. CHEN and Ms. LAI also actively participate in studies and update their professional knowledge related to the Listing Rules and corporate governance to continuously improve their professional skills as the Company Secretaries. The primary contact person at the Company is Mr. Chen Fuxiang, one of the Joint Company Secretaries of the Company.

VI. AUDITOR

Financial statements contained in this report have been audited by PricewaterhouseCoopers Zhong Tian LLP. Service fees which shall be paid by the Company to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers for the year amount to RMB6.516 million (value added tax and other related tax included).

Services rendered	Fees Payable (RMB)
Audit service	6,426,000
Scrutinizing vote-taking service at the general meeting and attestation service related to tugboat assets	90,000
Total	6,516,000

VII. RISK MANAGEMENT AND INTERNAL CONTROL

The Company is committed to establishing high level risk management and internal control systems to safeguard the Company's assets and shareholders' investment. Systems and procedures in relation to risk management are set up to identify, measure, manage and control risks that include but are not limited to strategic, market, financial, operational and legal risk that may have an impact on the Company. The Company has defined the overall business structure of the Company and its subsidiaries, which details lines of authority and controls responsibilities in each business unit of the Company, to allow segregation of duties as well as to increase accountability, and has set up a procedure manual to regulate business processes and activities. The Company has established relevant measures to cope with the material internal control defects identified. The Board will carefully evaluate the possibility and potential impacts of the internal control defects, the management will assist the Board to formulate corrective measures and implement them to ensure these control defects are properly resolved in a timely manner.

The Board is responsible for assessing and determining the nature and extent of the risks willing to be accepted for achieving strategic objectives on an annual basis and continuously oversees the design, implementation and monitoring of the risk management and internal control system by the management to ensure its safe and effective operation. The Audit Committee established by the Board makes recommendations to the Board on the construction and implementation of risk management and internal control systems within their terms of reference, reviews the effectiveness of the company's risk management and internal control systems and assists the Board to oversee the Company's risk management and internal control systems on an ongoing basis.

The Company has adopted the following measures in order to establish effective risk management and internal control:

1. Compliance Control

The Company has established a set of Corporate Governance Mechanism to promote compliance operation of the general meetings, the Supervisory Committee and the Board. The Company is also complied with the requirements of the Listing Rules, SFO and the Guidelines on Disclosure of Inside Information that it regulates information disclosure matters. The Company continues to strengthen connected transaction management, increase frequency of regular review for continuing connected transactions and perform related approval and disclosure obligations according to the requirements of the Listing Rules.

2. Operation Control

The Company adjusts development initiatives timely by observing and evaluating the macroeconomic policies and operating conditions, the national industrial policies, and the industrial supply-demand conditions, in order to reduce market risk. The Company has established hierarchy control and approval mechanism for rate and impawning supervision to strengthen control through the whole process. The Company implements centralized procurement management, strictly inspects the procurement process of large-scale equipment and bulk goods and services to prevent procurement risk. The Company formulates a set of system on authorization management, contract management and seal management to strengthen contract risk control. The Company has also established safety accountability system and safety management system to safeguard the safety in production and operation of ports.

3. Investment Control

The Company has implemented centralized procedures of examination and approval on external investments of the Company itself and its subsidiaries, and established a set of management process, ranging from project screening, decision and approval and risk control to disposal of investment. In the view that the Company has many joint venture companies, the Company has also set up specialized management system for joint venture companies.

4. Finance Control

The Company has established a series of financial management measures, including business outsourcing, fixed assets leasing, insurance services, receivables, financing management and notes management, etc. to effectively prevent and reduce finance risk. The Company has implemented comprehensive budget management and promoted budget's process control, which provide quantitative index of finance and operation for the Board and management. The Company implemented a centralized appointment and regular rotation system for financial personnel management, and the Company implemented material matters real time reporting system for delegated units and strengthened centralized control. The audit committee communicates with auditors regularly to review the interim report and annual report, as well as supervise the financial operation. The Company also pays high attention to the job qualifications and professional integrity of accounting and financial personnel, and the Company takes full consideration of resources and budget of continuous trainings. The Board has also reviewed and satisfied with the Group's resources, staff qualification and experience on accounting and financial ability, and the training programs received by staffs and such budget are sufficient.

5. Internal Audit Control

The Company establishes a supervision department with corresponding supervision and audit responsibility, and the Company provides qualified designated personnel to assist the audit committee and supervisory committee to review and supervise the factuality, legitimacy and efficiency for the Group's financial revenues, financial budget, asset quality, operation performance, construction projects and related economic activities, so as to strengthen internal control and risk management.

In 2016, the Company conducted an annual evaluation of its risk management and internal control system. The method, findings, analysis and results of the evaluation have been reported to the audit committee and the Board. The Board discussed and considered the risk management and internal control system of the Company and its subsidiaries and was of the opinion that the risk management and internal control system of the Company was adequate and effective. The Board was of the opinion that the risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

VIII. INVESTOR RELATIONS

1. General Meetings and Shareholder's Rights

The Company is committed to maintaining communication with shareholders. Shareholders are encouraged to attend general meetings held by the Company and are invited to express their views and raise questions thereat. The general meetings of the Company are divided into annual general meetings and extraordinary general meeting; and general meetings of the shareholders and class shareholder's meetings.

The annual general meeting is convened once a year within six months after the end of last fiscal year. The extraordinary general meeting is convened irregularly. In accordance with the Articles of Association, an extraordinary general meeting shall be convened on the requisition of two or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Board Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. The Board of the Company shall as soon as possible proceed to convene the extraordinary general meeting or a class shareholder's meeting after receiving the above written requisition.

The Company shall publish an announcement and issue the written notice of convening a general meeting 45 days prior to the general meeting, which specifies the matters to be considered and date and venue of the meeting. Shareholders who individually or jointly hold more than 3% of the shares of the Company are entitled to submit a temporary proposal to the Board in writing 10 days before the general meeting; the Board shall issue a supplemental notice of the general meeting within 2 days upon receiving the proposal and publish an announcement for the extraordinary proposals. The proposals shall be within the scope of authority of the shareholders' meeting, and shall have clear object and detailed agenda items, and shall comply with laws, administrative regulations and the Articles of Association.

Directors, Supervisors and the Board Secretary of the Company are present at the general meetings, while President, vice President, Chief Financial Officer and external auditor of the Company attend general meetings as non-voting attendees to respond to shareholders' questions in relation to proposed resolutions seeking approval at the meetings. The circular containing information relating to the general meetings will be dispatched to all the shareholders before the convening of the shareholders' general meeting as required.

Minutes of meetings of the general meetings are kept in the Company. A shareholder shall be entitled to inspect copies of minutes of meetings free of charge during office hours of the Company or pay reasonable fees to the Company in order to obtain copies of minutes of meetings.

On the shareholders' annual general meeting of the Company held on 6 June 2016, the chairman of the meeting demanded that all resolutions to be passed by poll and had explained the procedures for voting at the meeting. At the meeting, the resolutions regarding amendments to the Articles of Association, the annual report for 2015, election of non-employee representative Directors and Supervisors for the second session as well as connected transactions in connection with the financial services framework agreement and annual caps for the next three years were considered and approved. For the details, please refer to the announcement of the Company on the poll results dated 6 June 2016.

2. Amendments of Constitutional Document

The Company made amendments to Articles of Association at the annual general meeting held on 6 June 2016, the revised version subsisting at the date of this report. The prevailing Articles of Association has been published on the websites of the Company and the Hong Kong Stock Exchange.

3. Information Disclosure

The Company insists the principles of sufficiency, compliance, equality of opportunity, honest and trustworthy, focusing on efficiency and interactive communication, and discloses the Company's information in a timely and precise manner according to the requirements of the Listing Rules.

To promote effective communication, the Company also publishes information such as latest announcement and business development of the Group in a timely manner on the Company's website, through which shareholders and investors can grasp the latest business condition and dynamic condition of the Company at the first time.

4. Investor Relations Management

The Company pays much attention to the management work of investor relations, and regards investor relations as an important aspect of corporate governance. The Company has established Investor Relations Management System, with secretary of the Board being responsible for the overall coordination and arrangement of the management work of investor relations, and general office of the Board being responsible for specific implementation. The Company is committed to setting up an efficient communication bridge between management and investors.

During this year, in order to allow investors fully understand the results performance, operation strategy and development prospect of the Company, the Company has held various activities, including results conference, results road show, analysts on-site meeting, site visit and teleconference etc., through which the Company has deep communication with investors and related persons.

Furthermore, the office of the Board reports investors' perception of the Company and relevant development to the management regularly, so that the management can understand the concerns of investors and the changes of relevant policies and requirements in time, thus improving its work on investor relations.

The Company considers the management of investor relations as a long-term systematic project. Looking forward, the Company will continuously review and improve its investor relations at appropriate time in accordance with the regulatory requirements of the Hong Kong Stock Exchange, the development trend of the capital market and investors' expectation, keep contact with domestic and oversea investors and maintain a good image in the capital market.

Shareholders and investors of the Company may send their enquiries and concerns to the Company by addressing them to the office of the Board. The contact details are as follows:

Office of the Board

Tel: 86-532-82982011

E-mail: qggj@qdport.com

Address: 58 Ganghuan Road, City North District, Qingdao, Shandong Province, the People's Republic of China



普華永道

To the Shareholders of Qingdao Port International Co., Ltd.,

OPINION

What we have audited

We have audited the accompanying financial statements of Qingdao Port International Co., Ltd. (hereinafter “Qingdao Port International”), which comprise:

- the consolidated and company balance sheets as at 31 December 2016;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Qingdao Port International as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises (“CASs”).

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Qingdao Port International in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

普華永道中天會計師事務所(特殊普通合夥)青島分所
PricewaterhouseCoopers Zhong Tian LLP, Qingdao Branch
37/F Tower One, HNA IMC Center, 234 Yanan Third Road, Shinan District, Qingdao 266071, PRC
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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Provision for early retirement benefits and supplemental retirement benefits obligations
- Estimates on the bad debt provision for accounts receivable

Key Audit Matter

Provision for early retirement benefits and supplemental retirement benefits obligations

As stated in Note 4 “*Significant accounting policies and accounting estimates*” (20) (b) and Note 6(27), Qingdao Port International has provided early retirement benefits to employees who have accepted voluntary redundancy and has also provided supplemental retirement benefits to its employees. As at the balance sheet date, Qingdao Port International has recognised liabilities in connection with the provisions for early retirement benefits and supplemental retirement benefits of approximately RMB134.54 million and RMB2,734.21 million, respectively.

The liabilities in connection with the early retirement benefits and supplemental retirement benefits are determined on an actuarial basis based on different assumptions. Management has engaged a third-party actuary to conduct actuarial valuation on the aforesaid early retirement benefits and supplemental retirement benefits obligations. Changes in the key actuarial assumptions (including discount rates, benefits growth rates and mortality etc.) can have a material impact on the provision for the related retirement benefits obligations. The selection of those actuarial assumptions requires significant judgements and estimates.

We focused on this area because the provision for early retirement benefits and supplemental retirement benefits obligations requires significant judgements and estimates and also the amounts involved are significant.

How our audit addressed the Key Audit Matter

We evaluated and validated Qingdao Port International's internal controls over the provision for early retirement benefits and supplemental retirement benefits obligations.

We evaluated the capability, professionalism and objectivity of the third-party actuary.

We involved our internal actuarial experts to assist us in evaluating the reasonableness of the key assumptions as adopted by the third-party actuary. The evaluation works include assessing the bases for any changes in the actuarial assumptions, comparing the discount rates as adopted with the spot rate of treasury bonds as of the balance sheet date, checking the mortality used to the China Life Insurance Mortality Table, comparing the growth rates of various benefits with Qingdao Port International's benefits policies and historical information, the historical price indexes as announced by The National Bureau of Statistics of the People's Republic of China or the local social average wage growth rates, as well as considering the potential impact if these assumptions are to be changed within a reasonable range.

We verified the source data (e.g. basic information of employees, benefits payments for the current period etc.) as used by the actuary against the relevant records and financial data as maintained by management.

We found that the management's judgements and estimates on the assumptions as adopted for the provisions for early retirement benefits and supplemental retirement benefits obligations are within an acceptable extent.

KEY AUDIT MATTERS (Continued)**Key Audit Matter**

Estimates on the bad debt provision for accounts receivable

As stated in Note 4 "Significant accounting policies and accounting estimates" (30) (d) and Note 6(4) (a), the gross carrying amount of accounts receivable amounted to RMB1,394.22 million and a provision for impairment of RMB86.61 million has been recognised as of the balance sheet date.

The management's assessment on the recoverability of receivables requires significant judgements and estimates. In the assessment, management has to consider various factors like the aging of receivables, the historical experience with the debtors and their financial position, and also the current situations and prospects of the industries in which the debtors are engaged.

We focused on this area because the aforesaid judgments and estimates are relating to uncertain future events and the amounts involved are significant.

How our audit addressed the Key Audit Matter

We evaluated and validated Qingdao Port International's internal controls over the recoverability of accounts receivable.

We evaluated the reasonableness of Qingdao Port International's bad debt provision policies for accounts receivable by comparing with other listed port operating companies in China.

We conducted external confirmation procedures for significant accounts receivable balances as at 31 December 2016 and agreed the confirmed balances to the amounts as recorded by Qingdao Port International. On sample basis, we checked the accuracy of the aging of accounts receivable by inspecting the related supporting documents (such as operation records and invoices etc.) and focused on those accounts receivable with credit periods being expired.

We interviewed management to understand the information of those major debtors which are engaged in high-risk industries (e.g. steel manufacturing companies) or which are with overdue balances and obtained management's explanations on the recoverability of the related accounts receivable balances. We assessed and verified the management's explanations on the recoverability of the related accounts receivable by performing the following procedures:

- Checked the historical settlement records on sample basis;
- Checked the status of subsequent settlements on sample basis;
- Interviewed major debtors on sample basis to understand their business relationships with Qingdao Port International, the status of their settlements and their current financial position;
- Regarding those debtors with relatively large receivable balances or with delays in their settlements, we searched the website of the court on sample basis to understand whether there is any significant litigation or bankruptcy information publicly published which have implications on the financial positions of the related debtors.

We found that there was evidence to support the management's judgements and estimates on the recoverability of accounts receivable.

AUDITOR'S REPORT

OTHER INFORMATION

Management is responsible for the other information. The other information comprises all of the information included in 2016 annual report of Qingdao Port International other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Qingdao Port International's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate Qingdao Port International or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Qingdao Port International's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgements and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Qingdao Port International's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Qingdao Port International's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Qingdao Port International to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Qingdao Port International to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
17 March 2017

Signing CPA
Jia Na (Engagement Partner)

Signing CPA
Hu Xianxia

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 6	31 December 2016	31 December 2015 (Restated)
Current assets			
Cash at bank and on hand	(1)	8,100,294,431	7,558,190,196
Financial assets at fair value through profit or loss	(2)	—	200,000,000
Notes receivable	(3)	665,419,919	725,738,882
Accounts receivable	(4) (a)	1,307,610,944	1,256,619,043
Advances to suppliers	(5)	59,043,938	48,105,441
Interests receivable		27,600,404	11,528,345
Dividends receivable		100,000,000	—
Other receivables	(4) (b)	861,340,269	872,117,750
Inventories	(6)	482,195,054	348,118,612
Current portion of non-current assets	(9) · (15)	313,729,688	60,265,805
Other current assets	(7)	1,197,414,942	65,250,902
Total current assets		13,114,649,589	11,145,934,976
Non-current assets			
Available-for-sale financial assets	(8)	92,207,877	72,207,877
Long-term receivables	(9)	3,484,533,992	1,679,671,476
Long-term equity investments	(10)	5,139,039,800	4,698,039,931
Investment properties	(11)	117,843,468	119,766,471
Fixed assets	(12)	11,684,982,980	8,479,170,853
Construction in progress	(13)	2,172,757,318	3,490,375,757
Construction materials		166,211,455	—
Intangible assets	(14)	931,416,765	856,189,232
Goodwill		18,836,008	18,836,008
Long-term prepaid expenses		14,874,061	13,862,067
Deferred tax assets	(17)	872,096,260	857,289,777
Other non-current assets	(15)	473,124,633	250,489,007
Total non-current assets		25,167,924,617	20,535,898,456
TOTAL ASSETS		38,282,574,206	31,681,833,432

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Note 6	31 December 2016	31 December 2015 (Restated)
Current liabilities			
Short-term borrowings	(18)	262,947,290	309,384,939
Notes payable	(19)	817,619,173	402,427,264
Accounts payable	(20)	1,125,837,022	1,339,560,176
Advances from customers		334,125,905	307,945,225
Employee benefits payable	(21)	227,056,983	212,483,668
Taxes payable	(22)	153,220,569	93,181,844
Interests payable	(23)	99,129,006	7,466,857
Other payables	(24)	9,895,856,196	8,241,743,938
Current portion of non-current liabilities		24,137,717	22,190,000
Total current liabilities		12,939,929,861	10,936,383,911
Non-current liabilities			
Long-term borrowings	(25)	137,390,687	160,720,687
Bonds payable	(26)	3,500,000,000	—
Long-term payables	(28)	58,101,909	545,083,235
Provisions		2,283,097	1,957,930
Deferred income	(29)	145,259,921	151,541,496
Long-term employee benefits payable	(27)	2,731,450,000	2,846,430,000
Other non-current liabilities	(30)	3,285,600,108	3,491,821,128
Total non-current liabilities		9,860,085,722	7,197,554,476
Total liabilities		22,800,015,583	18,133,938,387

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Note 6	31 December 2016	31 December 2015 (Restated)
Equity			
Share capital		4,778,204,000	4,778,204,000
Capital surplus	(31)	5,321,635,366	5,510,182,348
Other comprehensive income	(32)	(63,024,800)	(301,159,600)
Specific reserve		2,991,631	2,897,083
Surplus reserve	(33)	429,859,457	287,004,088
General reserve	(34)	134,121,910	77,670,166
Undistributed profits	(35)	<u>3,631,936,223</u>	<u>2,309,642,411</u>
Total equity attributable to shareholders of the Company		14,235,723,787	12,664,440,496
Non-controlling interests		<u>1,246,834,836</u>	<u>883,454,549</u>
Total equity		<u>15,482,558,623</u>	<u>13,547,895,045</u>
TOTAL LIABILITIES AND EQUITY		<u><u>38,282,574,206</u></u>	<u><u>31,681,833,432</u></u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY BALANCE SHEET

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AS at 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note 17 (Unless otherwise stated)	31 December 2016	31 December 2015
Current assets			
Cash at bank and on hand	(1)	2,253,873,559	1,461,647,671
Financial assets at fair value through profit or loss	6(2)	—	200,000,000
Notes receivable	(2)	384,780,521	629,308,388
Accounts receivable	(3) (a)	685,670,025	786,016,840
Advances to suppliers	(4)	6,375,257	10,502,192
Interests receivable		7,932,218	578,331
Dividends receivable		100,000,000	—
Other receivables	(3) (b)	779,586,706	664,629,708
Inventories	(5)	370,639,286	160,012,874
Current portion of non-current assets		11,613,049	11,294,229
Other current assets	(6)	51,518,077	21,846,332
Total current assets		4,651,988,698	3,945,836,565
Non-current assets			
Available-for-sale financial assets		71,421,487	71,421,487
Long-term receivables	(7)	2,995,000,000	160,000,000
Long-term equity investments	(8)	9,210,761,362	7,713,789,750
Investment properties	(9)	573,468,864	315,426,405
Fixed assets	(10)	8,757,681,495	8,222,001,208
Construction in progress	(11)	1,038,519,224	2,497,769,604
Intangible assets	(12)	2,313,610,734	2,623,258,528
Long-term prepaid expenses		7,764,816	11,706,720
Deferred tax assets	(15)	64,089,545	60,188,095
Other non-current assets	(13)	216,444,105	305,420,991
Total non-current assets		25,248,761,632	21,980,982,788
TOTAL ASSETS		29,900,750,330	25,926,819,353

COMPANY BALANCE SHEET (CONTINUED)

AS at 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND EQUITY	Note 17 (Unless otherwise stated)	31 December 2016	31 December 2015
Current liabilities			
Short-term borrowings	(16)	408,760,938	309,384,939
Notes payable	(17)	270,246,223	296,344,994
Accounts payable		790,245,295	943,747,139
Advances from customers		259,356,101	248,484,405
Employee benefits payable	(18)	197,049,152	188,292,591
Taxes payable	(19)	28,061,465	29,801,266
Interests payable		69,346,277	—
Other payables	(20)	1,722,699,187	1,421,360,856
Total current liabilities		3,745,764,638	3,437,416,190
Non-current liabilities			
Bonds payable	6(26)	3,500,000,000	—
Long-term payables	6(28)	52,016,078	545,083,235
Provisions		2,283,097	1,957,930
Deferred income	6(29)	139,190,364	143,104,808
Long-term employee benefits payable	(21)	2,524,620,000	2,656,210,000
Other non-current liabilities	6(30)	3,285,600,108	3,491,821,128
Total non-current liabilities		9,503,709,647	6,838,177,101
Total liabilities		13,249,474,285	10,275,593,291
Equity			
Share capital		4,778,204,000	4,778,204,000
Capital surplus	(22)	9,250,433,041	9,240,964,135
Other comprehensive income	(32)	(65,200,000)	(291,780,000)
Surplus reserve	6(33)	429,859,457	287,004,088
Undistributed profits	(23)	2,257,979,547	1,636,833,839
Total equity		16,651,276,045	15,651,226,062
TOTAL LIABILITIES AND EQUITY		29,900,750,330	25,926,819,353

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED INCOME STATEMENT

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Year ended 31 December 2016	Year ended 31 December 2015 (Restated)
Revenue	(36)	8,684,189,666	7,369,237,404
Less: Cost of sales	(36), (39)	(6,052,764,155)	(5,294,290,301)
Taxes and surcharges	(37)	(110,422,195)	(75,412,668)
Selling and distribution expenses	(39)	(16,514,031)	(18,609,797)
General and administrative expenses	(39)	(634,600,395)	(428,010,664)
Finance expenses - net	(38)	124,994,591	102,040,673
Asset impairment losses	(40)	(45,159,962)	(87,277,790)
Add: Investment income	(41)	803,944,446	843,128,778
Including: Share of profit of associates and joint ventures		793,115,582	674,589,027
Operating profit		2,753,667,965	2,410,805,635
Add: Non-operating income	(42) (a)	117,985,017	49,196,046
Including: Gains on disposal of non-current assets		47,853,808	15,923,537
Less: Non-operating expenses	(42) (b)	(7,038,719)	(9,806,220)
Including: Losses on disposal of non-current assets		(5,712,731)	(9,484,402)
Total profit		2,864,614,263	2,450,195,461
Less: Income tax expenses	(43)	(565,522,067)	(471,058,757)
Net profit		2,299,092,196	1,979,136,704
Including: Net profit of the acquired entity in a business combination involving enterprises under common control before the combination date		862,154	7,127,691
Attributable to shareholders of the Company		2,186,153,537	1,911,916,281
Attributable to minority interests		112,938,659	67,220,423
Other comprehensive income, net of tax	(32)	238,570,000	(129,360,000)
Attributable to shareholders of the Company			
Items that will not be subsequently reclassified to profit or loss			
Remeasurement of employee benefit obligations		238,134,800	(129,774,400)
Attributable to minority interests		435,200	414,400
Total comprehensive income		2,537,662,196	1,849,776,704
Attributable to shareholders of the Company		2,424,288,337	1,782,141,881
Attributable to minority interests		113,373,859	67,634,823
Earnings per share			
Basic earnings per share	(44) (a)	0.46	0.40
Diluted earnings per share	(44) (b)	0.46	0.40

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY INCOME STATEMENT

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Year ended 31 December 2016	Year ended 31 December 2015
Revenue	(24)	5,104,047,949	5,709,231,756
Less: Cost of sales	(24), (27)	(3,699,695,853)	(4,308,873,535)
Taxes and surcharges	(25)	(77,643,088)	(46,116,452)
Selling and distribution expenses	(27)	(15,624,161)	(18,249,433)
General and administrative expenses	(27)	(467,873,615)	(359,453,901)
Finance expenses - net	(26)	(60,274,059)	(78,011,346)
Asset impairment losses	(28)	(32,437,785)	(58,276,615)
Add: Investment income	(29)	899,419,487	887,683,148
Including: Share of profit of associates and joint ventures		777,385,037	659,176,491
Operating profit		1,649,918,875	1,727,933,622
Add: Non-operating income	(30) (a)	33,022,677	26,641,686
Including: Gains on disposal of non-current assets		6,368,543	2,475,400
Less: Non-operating expenses	(30) (b)	(1,505,985)	(2,624,465)
Including: Losses on disposal of non-current assets		(305,750)	(2,358,632)
Total profit		1,681,435,567	1,751,950,843
Less: Income tax expenses	(31)	(252,881,878)	(271,176,247)
Net profit		1,428,553,689	1,480,774,596
Other comprehensive income, net of tax	(32)	226,580,000	(123,950,000)
Items that will not be subsequently reclassified to profit or loss			
Remeasurement of employee benefit obligations		226,580,000	(123,950,000)
Total comprehensive income		1,655,133,689	1,356,824,596

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Year ended 31 December 2016	Year ended 31 December 2015 (Restated)
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		6,739,275,889	5,830,894,044
Cash received relating to other operating activities	(45) (f)	<u>316,823,721</u>	<u>248,499,755</u>
Sub-total of cash inflows		<u>7,056,099,610</u>	<u>6,079,393,799</u>
Cash paid for goods and services		<u>(3,160,454,252)</u>	(1,930,469,965)
Cash paid to and on behalf of employees		<u>(1,878,506,487)</u>	(1,799,804,374)
Payments of taxes and surcharges		<u>(850,470,042)</u>	(790,550,404)
Cash paid relating to other operating activities	(45) (g)	<u>(207,867,788)</u>	<u>(107,423,540)</u>
Sub-total of cash outflows		<u>(6,097,298,569)</u>	<u>(4,628,248,283)</u>
Net cash flows from operating activities	(45) (a)	<u>958,801,041</u>	<u>1,451,145,516</u>
Cash flows from investing activities			
Cash received from disposal of investments		2,672,826,884	2,468,087,293
Cash received from returns on investments		690,838,562	846,846,638
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		46,985,233	18,420,086
Cash received relating to other investing activities	(45) (h)	<u>1,258,907,146</u>	<u>883,264,115</u>
Sub-total of cash inflows		<u>4,669,557,825</u>	<u>4,216,618,132</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<u>(2,500,414,100)</u>	(2,081,141,900)
Cash paid to acquire investments		<u>(3,515,737,401)</u>	(2,444,850,000)
Net cash paid to acquire a subsidiary		—	(15,312,000)
Cash paid relating to other investing activities	(45) (i)	<u>(5,722,036,440)</u>	<u>(2,833,369,922)</u>
Sub-total of cash outflows		<u>(11,738,187,941)</u>	<u>(7,374,673,822)</u>
Net cash flows from investing activities		<u>(7,068,630,116)</u>	<u>(3,158,055,690)</u>

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Year ended 31 December 2016	Year ended 31 December 2015 (Restated)
Cash flows from financing activities			
Cash received from capital contributions		274,351,304	38,150,000
Including: Cash received by subsidiaries from capital contributions by minority shareholders		274,351,304	38,150,000
Cash received from borrowings		531,123,079	390,384,939
Cash received from issuing bonds		3,500,000,000	—
Cash received relating to other financing activities	(45) (j)	<u>691,018,370</u>	<u>2,397,358,622</u>
Sub-total of cash inflows		<u>4,996,492,753</u>	<u>2,825,893,561</u>
Cash repayments of borrowings		(40,000,000)	(10,350,000)
Cash payments for distribution of dividends, profits or interest expenses		(748,974,382)	(518,931,743)
Including: Cash payments for distribution of profits to minority shareholders of subsidiaries		(24,313,063)	(24,081,234)
Cash payments relating to other financing activities	(45) (k)	<u>(123,143,652)</u>	<u>(366,431,382)</u>
Sub-total of cash outflows		<u>(912,118,034)</u>	<u>(895,713,125)</u>
Net cash flows from financing activities		<u>4,084,374,719</u>	<u>1,930,180,436</u>
Exchange effect on cash		<u>10,474,645</u>	<u>4,375,606</u>
Net (decrease)/increase in cash	(45) (d)	<u>(2,014,979,711)</u>	227,645,868
Add: Cash at beginning of year		<u>4,762,467,699</u>	<u>4,534,821,831</u>
Cash at end of year	(45) (e)	<u><u>2,747,487,988</u></u>	<u><u>4,762,467,699</u></u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		3,506,288,687	4,193,231,785
Cash received relating to other operating activities	(33) (f)	<u>252,106,357</u>	<u>226,066,821</u>
Sub-total of cash inflows		<u>3,758,395,044</u>	<u>4,419,298,606</u>
Cash paid for goods and services		(1,532,172,794)	(1,204,658,082)
Cash paid to and on behalf of employees		(1,384,881,540)	(1,543,970,453)
Payments of taxes and surcharges		(446,980,900)	(569,661,483)
Cash paid relating to other operating activities	(33) (g)	<u>(148,266,823)</u>	<u>(76,138,453)</u>
Sub-total of cash outflows		<u>(3,512,302,057)</u>	<u>(3,394,428,471)</u>
Net cash flows from operating activities	(33) (a)	<u>246,092,987</u>	<u>1,024,870,135</u>
Cash flows from investing activities			
Cash received from disposal of investments		2,322,500,000	2,468,087,293
Cash received from returns on investments		548,468,641	699,150,872
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		650,181,323	8,232,549
Cash received relating to other investing activities	(33) (h)	<u>955,053,607</u>	<u>1,508,020,798</u>
Sub-total of cash inflows		<u>4,476,203,571</u>	<u>4,683,491,512</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(449,342,457)	(1,737,559,223)
Cash paid to acquire investments		(3,182,514,795)	(2,696,777,600)
Cash paid relating to other investing activities	(33) (i)	<u>(3,612,972,854)</u>	<u>(604,311,168)</u>
Sub-total of cash outflows		<u>(7,244,830,106)</u>	<u>(5,038,647,991)</u>
Net cash flows from investing activities		<u>(2,768,626,535)</u>	<u>(355,156,479)</u>

COMPANY CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from financing activities			
Cash received from borrowings		683,116,727	385,384,939
Cash received from issuing bonds		<u>3,500,000,000</u>	<u>—</u>
Sub-total of cash inflows		<u>4,183,116,727</u>	<u>385,384,939</u>
Cash repayments of amount borrowed		(55,000,000)	—
Cash payments for distribution of dividends, profits or interest expenses		(675,495,052)	(444,562,135)
Cash payments relating to other financing activities	(33) (j)	<u>(123,143,652)</u>	<u>(345,891,943)</u>
Sub-total of cash outflows		<u>(853,638,704)</u>	<u>(790,454,078)</u>
Net cash flows from financing activities		<u>3,329,478,023</u>	<u>(405,069,139)</u>
Exchange effect on cash		<u>1,775,934</u>	<u>1,864,571</u>
Net increase in cash	(33) (d)	<u>808,720,409</u>	266,509,088
Add: Cash at beginning of year		<u>1,374,435,149</u>	<u>1,107,926,061</u>
Cash at end of year	(33) (e)	<u><u>2,183,155,558</u></u>	<u><u>1,374,435,149</u></u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Attributable to shareholders of the Company								Total equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Specific reserve	Non-controlling interests	
Balance at 1 January 2015		4,778,204,000	5,317,013,465	(171,385,200)	138,926,628	33,107,152	1,533,486,237	2,730,806	801,405,361	12,433,488,449
Business combination involving enterprises under common control		—	226,888,786	—	—	—	3,083,315	—	—	229,972,101
Balance at 1 January 2015 (Restated)		4,778,204,000	5,543,902,251	(171,385,200)	138,926,628	33,107,152	1,536,569,552	2,730,806	801,405,361	12,663,460,550
Movement for the year ended 31 December 2015										
Total comprehensive income										
Net profit		—	—	—	—	—	1,911,916,281	—	67,220,423	1,979,136,704
Other comprehensive income	(32)	—	—	(129,774,400)	—	—	—	—	414,400	(129,360,000)
Total comprehensive income		—	—	(129,774,400)	—	—	1,911,916,281	—	67,634,823	1,849,776,704
Capital contribution and withdrawal by shareholders										
Capital reduction by owners of tugboat business	(31)	—	(20,724,914)	—	—	—	—	—	—	(20,724,914)
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	38,150,000	38,150,000
Business combination involving enterprises under common control	(31)	—	(15,312,000)	—	—	—	—	—	—	(15,312,000)
Profit distribution										
Appropriation to surplus reserves	(33)	—	—	—	148,077,460	—	(148,077,460)	—	—	—
Appropriation to general reserves	(34)	—	—	—	—	44,563,014	(44,563,014)	—	—	—
Profit distribution to the shareholders	(35)	—	—	—	—	—	(946,202,948)	—	(24,081,234)	(970,284,182)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	42,776,936	502,347	43,279,283
Utilisation of safety fund		—	—	—	—	—	—	(42,610,659)	(156,748)	(42,767,407)
Recognised share of changes in other reserves of associates and joint ventures	(31)	—	2,317,011	—	—	—	—	—	—	2,317,011
Balance at 31 December 2015 (Restated)		4,778,204,000	5,510,182,348	(301,159,600)	287,004,088	77,670,166	2,309,642,411	2,897,083	883,454,549	13,547,895,045

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 6	Attributable to shareholders of the Company							Non-controlling interests	Total equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Specific reserve		
Balance at 1 January 2016 (Restated)		<u>4,778,204,000</u>	<u>5,510,182,348</u>	<u>(301,159,600)</u>	<u>287,004,088</u>	<u>77,670,166</u>	<u>2,309,642,411</u>	<u>2,897,083</u>	<u>883,454,549</u>	<u>13,547,895,045</u>
Movement for the year ended 31 December 2016										
Total comprehensive income										
Net profit		—	—	—	—	—	2,186,153,537	—	112,938,659	2,299,092,196
Other comprehensive income	(32)	—	—	238,134,800	—	—	—	—	435,200	238,570,000
Total comprehensive income		—	—	238,134,800	—	—	2,186,153,537	—	113,373,859	2,537,662,196
Capital contribution and withdrawal by shareholders										
Capital contribution by minority shareholders in subsidiaries		—	—	—	—	—	—	—	274,351,304	274,351,304
Business combination involving enterprises under common control	(31)	—	(198,015,888)	—	—	—	—	—	—	(198,015,888)
Profit distribution										
Appropriation to surplus reserves	(33)	—	—	—	142,855,369	—	(142,855,369)	—	—	—
Appropriation to general reserves	(34)	—	—	—	—	56,451,744	(56,451,744)	—	—	—
Profit distribution to the shareholders	(35)	—	—	—	—	—	(664,552,612)	—	(24,313,063)	(688,865,675)
Specific reserve										
Appropriation to safety fund		—	—	—	—	—	—	45,082,884	340,342	45,423,226
Utilisation of safety fund		—	—	—	—	—	—	(44,988,336)	(372,155)	(45,360,491)
Recognised share of changes in other reserves of associates and joint ventures	(31)	—	9,468,906	—	—	—	—	—	—	9,468,906
Balance at 31 December 2016		<u>4,778,204,000</u>	<u>5,321,635,366</u>	<u>(63,024,800)</u>	<u>429,859,457</u>	<u>134,121,910</u>	<u>3,631,936,223</u>	<u>2,991,631</u>	<u>1,246,834,836</u>	<u>15,482,558,623</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Specific reserve	Total equity
Balance at 1 January 2015		4,778,204,000	9,238,647,124	(167,830,000)	138,926,628	1,250,339,651	—	15,238,287,403
Movement for the year ended 31 December 2015								
Total comprehensive income								
Net profit		—	—	—	—	1,480,774,596	—	1,480,774,596
Other comprehensive income	(32)	—	—	(123,950,000)	—	—	—	(123,950,000)
Total comprehensive income		—	—	(123,950,000)	—	1,480,774,596	—	1,356,824,596
Profit distribution								
Appropriation to surplus reserves	(23)	—	—	—	148,077,460	(148,077,460)	—	—
Profit distribution to the shareholders	(23)	—	—	—	—	(946,202,948)	—	(946,202,948)
Specific reserve								
Appropriation to safety fund		—	—	—	—	—	42,339,439	42,339,439
Utilisation of safety fund		—	—	—	—	—	(42,339,439)	(42,339,439)
Recognised share of changes in other reserves of associates and joint ventures	(22)	—	2,317,011	—	—	—	—	2,317,011
Balance at 31 December 2015		4,778,204,000	9,240,964,135	(291,780,000)	287,004,088	1,636,833,839	—	15,651,226,062

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

Item	Note 17	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Specific reserve	Total equity
Balance at 1 January 2016		<u>4,778,204,000</u>	<u>9,240,964,135</u>	<u>(291,780,000)</u>	<u>287,004,088</u>	<u>1,636,833,839</u>	—	<u>15,651,226,062</u>
Movement for the year ended 31 December 2016								
Total comprehensive income								
Net profit		—	—	—	—	1,428,553,689	—	1,428,553,689
Other comprehensive income	(32)	—	—	226,580,000	—	—	—	226,580,000
Total comprehensive income		—	—	226,580,000	—	1,428,553,689	—	1,655,133,689
Profit distribution								
Appropriation to surplus reserves	(23)	—	—	—	142,855,369	(142,855,369)	—	—
Profit distribution to the shareholders	(23)	—	—	—	—	(664,552,612)	—	(664,552,612)
Specific reserve								
Appropriation to safety fund		—	—	—	—	—	(39,695,734)	(39,695,734)
Utilisation of safety fund		—	—	—	—	—	39,695,734	39,695,734
Recognised share of other changes in equity of associates and joint ventures								
	(22)	—	9,468,906	—	—	—	—	9,468,906
Balance at 31 December 2016		<u>4,778,204,000</u>	<u>9,250,433,041</u>	<u>(65,200,000)</u>	<u>429,859,457</u>	<u>2,257,979,547</u>	—	<u>16,651,276,045</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

1 GENERAL INFORMATION

Qingdao Port International Co., Ltd. (“the Company”) is a stock limited company incorporated in Qingdao City of Shandong Province of the People’s Republic of China (“the PRC”) on 15 November 2013 (the Company’s “Date of Incorporation”) by Qingdao Port (Group) Co., Ltd. (“Qingdao Port Group”) (“the Leading Promoter”) together with “Other Promoters” including Shenzhen Malai Storage Co., Ltd., Qingdao Ocean Shipping Co., Ltd., China Shipping Terminal Development Co., Ltd., Everbright (Qingdao) Financial Leasing Co., Ltd. and Qingdao International Investment Co., Ltd., with its registered address at 7 Ganghua Road, Shibe District, Qingdao and legal representative being Zheng Minghui. The parent company and the ultimate parent company of the Company are Qingdao Port Group. The total share capital of the Company at incorporation is 4,000,000,000 shares (par value at RMB1). Qingdao Port Group and Other Promoters shareholding is 90.0%, 2.8%, 2.4%, 2.4%, 1.2% and 1.2%.

The Company issued 705,800,000 foreign-listed H-shares overseas at its Initial Public Offering at 6 June 2014 according to the “Official Reply on Approval of Overseas Issuance of Foreign Shares by Qingdao Port International Co., Ltd. (No. 434 Paper of China Securities Regulatory Commission)”. The offering price per share is HKD3.76 (equivalent to RMB2.98); and the share capital increased to RMB4,705,800,000 after the initial public offering.

The Company exercised over-allotment option on 2 July 2014 and increased issuance of 72,404,000 foreign-listed H shares overseas. The issuance price per share is HKD3.76 (equivalent to RMB2.99), and the share capital increased to RMB4,778,204,000 after the exercising of over-allotment option.

Moreover, 77,821,000 state-owned shares held by Qingdao Port Group (equivalent to 10% of issued H shares) are converted to H shares and transferred to the National Council for Social Security Fund of the PRC (“Social Security Fund”) as a portion of shares in the IPO and over-allotment for sale.

As at 31 December 2016, the total share capital of the Company is 4,778,204,000 shares with par value at 1, including 3,922,179,000 domestic shares and 856,025,000 H shares, accounting for 82.1% and 17.9% respectively of the total share capital. As at 31 December 2016, Qingdao Port Group holds 73.8% shares of the Company.

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

These financial statements have been approved for issue by the Company’s Board of Directors on 17 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

2 BASIS OF PREPARATION

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises”).

The financial statements are prepared on a going concern basis.

(1) Preparation basis of consolidated financial statements

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

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

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

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

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for year ended 31 December 2016 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the Consolidated and the Company's financial position as of 31 December 2016 and their financial performance, cash flows and other information for the year then ended.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Recording currency

The recording currency is Renminbi (RMB).

(3) Business combination

(a) Business combination involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combination involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(4) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive incomes attributed to minority interests and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealized profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Foreign currency translation

(a) Foreign currency transaction

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented in other comprehensive income. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments

(a) Financial assets

(i) *Classification of financial assets*

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

Receivables

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Note 4(8)).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) *Recognition and measurement*

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

(iii) *Impairment of financial assets*

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of financial assets, it will affect estimated future cash flows of financial assets, and its impact can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

Objective evidence of impairment of available-for-sale financial instruments includes a significant or prolonged decline in the fair value of an investment in equity instruments. The Group separately checks the available-for-sale equity instruments at each balance sheet date. If their fair value at the balance sheet date is lower than their initial investment costs for more than 50% (inclusive) or lower than their initial investment costs for the duration of more than 1 year (inclusive), therefore, the impairment loss has occurred. However, if their fair value at the balance sheet date is lower than their initial investment costs for more than 20% (inclusive) but less than 50%, the Group will take into account other factors, such as price volatility in the judgement of impairment loss. The Group calculates the initial investment cost of available-for-sale equity instruments by using weighted average method.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

When an impairment loss on available-for-sale financial assets measured at fair value occurs, the cumulative losses arising from the decline in fair value that has been recognised directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

When an impairment loss on an available-for-sale financial asset measured at cost occurs, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss for the current period. The previously recognised impairment loss will not be reversed in subsequent periods.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Financial instruments (Continued)

(a) Financial assets (Continued)

(iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group mainly comprise other financial liabilities, including payables, borrowings and bonds payable.

Payables, including accounts payable and other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and bonds payable are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability (or a part of a financial liability) is derecognised when all or part of the obligation is extinguished. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. At valuation, the Group uses valuation techniques that are applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. The Group uses unobservable inputs when relevant observable inputs are not available or feasible.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(8) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sales of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(9) Inventories

(a) Classification

Inventories include commodities under real estate development, amounts due from customers for construction contract, materials and finished goods, spare parts, fuel, low value consumables, and are stated at the lower of cost and net realisable value.

(b) Costing of inventories

Cost of real estate development include construction cost and other direct and indirect development expenses. Cost of real estate development are brought forward to commodity under real estate development at the actual cost when completed. The actual cost shall be utilised when cost of commodities under real estate development is brought forward.

Cost of materials, finished goods, fuel and spare parts is determined using weighted average method when issued while low value consumables are charged to cost in full when issued for use.

Construction contract-in-progress is valued at the accumulative cost of the work done, plus accumulative profit (loss) of construction contract and less progress billings. Cost of construction is accounted for at actual cost, including expenses of direct materials, direct labour, subcontracting, and other direct and indirect expenses for construction. The amount of accumulative cost and confirmed accumulative gross profit (loss) of construction contracts exceeding the progress billing is shown as “amounts due from customers for construction contract” under inventories. The amount that the progress billing exceeding accumulative cost and confirmed accumulative gross profit (loss) of construction contracts is shown as “amounts due to customers for construction contract” under advances from customers.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(9) Inventories (Continued)

(c) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

In execution of construction contracts, in the case where the estimated total costs of contract exceed the estimated total revenue, provision for estimated loss of the contract shall be made and recorded in the profits and losses for the current period.

(d) The Group adopts the perpetual inventory system.

(10) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control; A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances; An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures and associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(10) Long-term equity investments (Continued)

(b) Subsequent measurement and recognition of related profit and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. The changes of the Group's share of the investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognised in the Group's capital surplus and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the transactions between the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, based on which the investment gain or losses are recognised. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control, jointly control or significant influence over investees

Control is the power to govern an investee, so as to obtain variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 4(17)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Land use rights are amortised on the straight-line basis over their approved use period of 35 - 50 years. Buildings are depreciated to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation rates of buildings and land use rights are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	30 years	4%	3.2%
Land use rights	35 - 50 years	—	2.0% - 2.5%

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer. When transferred, carrying amount before transfer shall be recorded as cost after transfer.

The investment property's estimated useful life, net residual value and depreciation method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4(17)).

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(12) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, terminal facilities, storage facilities, loading equipment, machinery and equipment, vessels, transportation equipment, communication facilities, office equipment and other equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. The fixed assets contributed by the State shareholders at the reorganisation of the Company into a corporation are recognised based on the evaluated amounts as approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	30 years	4%	3.2%
Terminal facilities	20 - 45 years	4%	2.1% - 4.8%
Storage facilities	20 - 45 years	4%	2.1% - 4.8%
Loading equipment	10 years	4%	9.6%
Machinery and equipment	5 - 18 years	4%	5.3% - 19.2%
Vessels	18 years	5%	5.3%
Transportation equipment	10 - 12 years	4%	8.0% - 9.6%
Communication facilities	5 - 8 years	4%	12.0% - 19.2%
Office equipment and other equipment	5 - 12 years	4%	8.0% - 19.2%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4(17)).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(12) Fixed assets (Continued)

(d) Basis for identification of fixed assets held under finance leases and related measurement

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge.

Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy adopted for fixed assets that are self-owned. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the leased asset is depreciated over the shorter period of the lease term and the period of expected use.

(e) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(13) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 4(17)).

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Intangible assets

Intangible assets include land use rights, sea area use rights, computer software, and are measured at cost. The intangible assets contributed by the State shareholders at the reorganisation of the Company into a corporation are recognised based on the appraisal amounts as approved by the state-owned assets administration department.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 35 - 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(b) Sea area use rights

Sea area use rights are initially recorded at their cost on acquisition and amortised on the straight-line basis over their useful lives of 50 years. The net book value of sea area use rights is allocated to land cost when the rights are used for reclamation.

(c) Computer software

Computer software is initially recorded at its cost on acquisition and amortised on the straight-line basis over its estimated useful life of 5 years.

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(e) Impairment of intangible assets

The carrying amount of intangible assets is reduced to its recoverable amount when its recoverable amount is lower than its carrying amount (Note 4(17)).

(15) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(16) Long-term prepaid expenses

Long-term prepaid expenses include the expenditures for improvements to fixed assets held under operating leases, and other expenditures like site rental that has been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditures net of accumulated amortisation.

(17) Impairment of long-term assets

Fixed assets, construction in progress, investment property, intangible assets with a finite useful life and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. Intangible assets which are not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are 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 the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(18) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a fixed asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

(19) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings of which the period is within one year (inclusive) are classified as the short-term borrowings, and the others are classified as long-term borrowings.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include basic pensions, unemployment insurance, corporate annuity and supplemental retirement benefits. The first three items are under defined contribution plans and the last one is under defined benefit plans.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Employee benefits (Continued)

(b) Post-employment benefits (Continued)

Corporate annuity

Employees who retire on and subsequent to 1 January 2016 enjoy the corporate annuity plan set up by the Group in accordance with State's corporate annuity regulations apart from basic pensions. The annuity is accrued by the Group in proportion to the payroll and the expenditure is included into profit or loss for the current period or relevant asset cost.

Supplemental retirement benefits

According to "the Minutes of the 29th Executive Meeting of the 15th People's Government of Qingdao City" issued by the General Office of Qingdao Municipal Government on 19 August 2013, the Group, besides the pension plan specified by the State, offers supplemental retirement benefits to employees retired or to be retired prior to 31 December 2015 and the surviving family members involved, which is under defined benefit plans. In addition, the Group passed the resolution that the Group will, besides the basic pensions and corporate annuity, offer part supplemental retirement benefits to employees retired on and after 1 January 2016. The above supplemental retirement benefits belong to defined benefit plan. The supplemental retirement benefits borne by the Group are recognised as liabilities, actuarially evaluated using projected unit credit method, and presented as the present value of expected future cash outflow. Actuarial gains and losses are included in other comprehensive income in the period when incurred, and past service cost is recognised in the period when incurred. The supplemental retirement benefits are discounted at the interest rate of government bonds that have terms to maturity approximating to the terms of the related supplemental retirement benefits.

The supplemental retirement benefits expected to be paid within one year since the balance sheet date are classified as current liabilities.

The supplemental retirement benefits borne by the Company for subsidiaries are deemed as investments in subsidiaries and are recorded into long-term equity investments and long-term payables.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(20) Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as liabilities and corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period when occurred.

The termination benefits expected to be paid within one year since the balance sheet date are classified as current liabilities.

The early retirement benefits borne by the Company for subsidiaries are deemed as investments in subsidiaries and are recorded into long-term equity investments and long-term payables.

(21) Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(22) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditures required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

(23) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) Rendering of services

- (i) Income from services is recognised when they are rendered, which include stevedoring and stacking of goods like metal ores, coal, crude oil, grains, break bulk cargo, containers, port management, logistics and transportation, tugboat and barging, ocean shipping tallying and other services.
- (ii) Income from storage of goods like metal ores, coal, crude oil, grains, break bulk cargo, containers is recognised on the straight-line basis over the service period.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(23) Revenue recognition (Continued)

(b) Construction contracts

If the outcome of a construction contract can be estimated reliably, contract revenue and cost should be recognised by reference to the percentage of completion method at the balance sheet date. The term “the outcome of a construction contract can be estimated reliably” refers to the fact where the total income of the contract can be estimated reliably, the economic benefits associated with the contract will flow to the Group, the actual contract cost can be differentiated apparently and measured reliably, and the progress of completion and the cost necessary to complete the contract can be determined reliably.

The stage of completion is measured by the proportion of contract costs actually incurred to the estimated total contract costs, based on the nature of construction. For a construction contract completed in the current period, the total contract revenue multiplied by progress of completion less the accumulated revenue recognised in previous year should be recognised as the revenue for the current period; meanwhile, the actual accumulated contract costs less accumulated costs recognised in the previous year are recognised as the costs for the current period.

When the outcome of a construction contract cannot be estimated reliably, if contract costs can be recovered, contract revenue shall be recognised only to the extent that the contract costs incurred are expected to be recovered, with the contract costs recognised as expenses in the period in which they are incurred. When contract costs cannot be recovered, these costs shall be recognised as expenses promptly when incurred and no contract revenue may be recognised.

In the case where the estimated total costs of contract exceed the estimated total revenue, the estimated losses of the contract shall be included into profit or loss for the current period.

(c) Sales of goods

Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Group and the relevant revenue and costs can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including relocation compensation, refund of taxes, financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

Government grants related to assets are grants that are acquired by an enterprise and used for construction or forming long-term assets in other ways. Government grants related to income refers to government grants other than those related to assets.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Government grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(25) Deferred tax assets and deferred tax liabilities (Continued)

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(26) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Lease income under an operating lease is recognised on a straight-line basis over the period of the lease.

(b) Finance leases

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Held for sale and discontinued operations

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has made a resolution and obtained appropriate approval for disposal of the non-current asset or the disposal group; (3) the Group has signed an irrevocable transfer agreement with the transferee; and (4) the transfer is to be completed within one year.

Non-current assets (except for financial assets, investment property measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less the costs to sell is recognised as asset impairment loss.

Such non-current assets and assets included in disposal groups as classified as held for sale are accounted for as current assets; while liabilities included in disposal groups classified as held for sale are accounted for as current liabilities. And they are presented separately in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

(28) Custodian business

Qingdao Port Finance Co., Ltd. (“Qingdao Finance”), a subsidiary of the Company, has custodian business mainly involving entrusted loan. Entrusted loan business refers to the business where under the entrusted loan agreement between Qingdao Finance and customer, Qingdao Finance offers loan (“entrusted loan”) to other party under instruction of customer from the fund (“entrusted loan fund”) provided by customer. As Qingdao Finance does not assume risk and reward incidental to the entrusted loan and associated entrusted loan fund, the entrusted loan and fund are recorded as off-balance sheet items by their capital, and no provision for impairment loss is made for such entrusted loan.

(29) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to generate revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group’s management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) Judgement on construction cost and completion timing of construction in progress

In practice, to judge whether terminal facilities is ready for intended use involves consideration of multiple important timing points, and as the duration of terminal facilities construction project is relatively long, the Group will transfer the portions of construction projects into fixed assets when they are ready for intended use; meanwhile, as the large number of projects involved in construction leading to longer time for completion settlement, completion settlement of projects ready for intended use may not be completed when brought forward to fixed assets. Therefore, the Group needs to judge and estimate completion progress, timing to reach its intended use and the cost of the construction-in-progress to be transferred to fixed assets where necessary. The estimates and judgements may cause difference between actual cost determined in completion settlement and the fixed asset cost estimated initially, hence impact the cost of fixed asset and the depreciation charge.

(b) Estimate on useful lives and residual values of fixed assets

The Group's management estimates the expected useful lives and residual values of fixed assets, and review them periodically. The estimates are based on the historical actual useful lives and industry practices of fixed assets with similar nature and function. In the processing of using fixed assets, the economic environment, technical environment and other environment may have a significant impact on the useful lives and expected net residual values of fixed assets; and also changes in the economic environment, technical environment and other environment may also lead significant changes in the expected realisation method of economic benefits related to fixed assets. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(30) Critical accounting estimates and judgements (Continued)

(c) Actuarial calculation of early retirement and supplemental retirement benefits

The liabilities recognised from early retirement and supplemental retirement benefits by the Group are calculated on an actuarial basis using a number of assumptions. The assumptions include discount rates, salaries and welfare growth rate, and mortality rates, etc. Any differences between the actual results and assumptions are accounted in the current period in accordance with relevant accounting policies. Although management considers their assumptions are reasonable, change of experience data and assumptions will affect the amounts of early retirement benefit and supplemental retirement benefits liabilities and other comprehensive income associated with supplemental retirement benefits of the Group.

(d) Estimate on provision for bad debts of receivables

The Group, based on current market conditions, estimates the historical experience of receivables ageing, customer financial conditions and collateral (if any). The Group regularly reviews the adequacy of provision for bad debts of receivables. If there is any change on assumption and estimate, revisions to the provisions of receivables would be required.

5 TAXATION

(1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax	25%, 20% and 15%	Taxable income
Value-added tax ("VAT")	(a) 6%, 11%, 13% and 17%	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)
Business tax	3% and 5%	Taxable revenue amount
City maintenance and construction tax	(b) 3% and 5%	Taxable turnover amount
Educational surcharge	7%	Value added tax and business tax paid
	3%	Value added tax and business tax paid

5 TAXATION (Continued)

(1) The main categories and rates of taxes applicable to the Group are set out below: (Continued)

(a) VAT

The Company and certain subsidiaries engage in sales of fuel, electromechanical equipment, concrete, electricity, water etc. and merchandise trade. And the Group also provides services like transportation, loading, port management, tugboat and ocean shipping tallying and leasing of tangible movable properties, etc. All of such services are subject to VAT. Within them, tax rate for sales of fuel, electromechanical equipment and electricity, merchandise trade as well as leasing of tangible movable properties is 17%, tax rate for sales of water is 13%, tax rate for sales of concrete, services like loading, port management, tugboat, ocean shipping tallying is 6%, tax rate for transport service is 11% and the “exempt, credit, refund” method applies to exported machinery with a refund rate of 17%.

Pursuant to *Comprehensively Promoting the Pilot Program of Replacing Business Tax with VAT* (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, as from 1 May 2016, revenue from construction and installation projects provided by the Group, transfer of real estate like terminal, stockyard and land use rights, leases of real estate and providing loan service is subject to VAT. Among such services, tax rate for revenues from services of construction and installation projects, transfer of real estate like terminal, stockyard and land use rights and leasing of real estate is 11%; tax for revenue from transfer or leasing of real estate acquired before 30 April 2016 is calculated by simple tax calculation method and the tax rate is 5%; tax for revenue from providing construction services of the old projects that started before 30 April 2016 and armor projects can be calculated by the simple tax calculation method and the tax rate is 3%; tax rate for providing loans is 6%; tax rate for revenue from other services is 6%.

Moreover, revenue from re-sales of movable property like loading equipment and machinery bought before 31 December 2008, whose input VAT has not been deducted is subject to 3% VAT rate but is actually levied at 2%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

5 TAXATION (Continued)

(1) The main categories and rates of taxes applicable to the Group are set out below: (Continued)

(b) Business tax

Before 30 April 2016, the Group's revenue from construction and installation projects is subject to a business tax rate of 3%, and revenue from other services is subject to a business tax rate of 5%. Revenue from re-sales of real estate like terminal and stockyard is subject to a business tax rate of 5% based on the re-sale price; in the case of re-sales of land use rights, total revenue less the original price of land acquisition or assignment is subject to a business tax rate of 5%. Revenue from leases of real estate is subject to a business tax rate of 5%. As from 1 May 2016, aforesaid services formerly subject to business tax are subject to VAT in lieu.

(2) Tax preference

In 2016 and 2015, the Company's subsidiary Qingdao Port Passenger Terminal Duty Free Merchandise Co., Ltd. ("Duty-free Merchandise") was qualified as a small low-profit enterprise with the annual taxable income less than RMB 200,000 (inclusive), and 50% of its income was recognised as taxable income and the enterprise income tax was paid at a rate of 20%.

In 2016, the Company's subsidiary Qingdao Port Technology Co., Ltd. ("Technology Company") received the Certificate of High-tech Enterprises (certificate No. GR201637100265) jointly issued by Qingdao Municipal Science and Technology Bureau, Qingdao Municipal Finance Bureau, Qingdao Provincial Office, SAT and Qingdao Local Taxation Bureau. The certificate is valid for 3 years. Under the relevant provisions of Article 28 of Law of the People's Republic of China on Enterprise Income Tax, the income tax rate applicable to Technology Company for the year ended 31 December 2016 is 15%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2016	31 December 2015
Cash on hand	18,004	185,104
Bank deposits	7,348,952,238	7,123,861,001
Other cash balances	751,324,189	434,144,091
	<u>8,100,294,431</u>	<u>7,558,190,196</u>

As at 31 December 2016, other cash balances include statutory deposit reserves in the People's Bank of China by Qingdao Finance amounted to RMB739,658,005 (31 December 2015: RMB388,171,923) according to relevant regulations, deposits for the issuance of bank acceptance notes amounted to RMB8,105,300 (31 December 2015: RMB45,972,168) and deposits for the issuance of letter of credit amounted to RMB3,560,884 (31 December 2015: Nil).

(2) Financial assets at fair value through profit or loss

	31 December 2016	31 December 2015
Wealth management products	<u>—</u>	<u>200,000,000</u>

As at 31 December 2015, financial assets at fair value through profit or loss are foreign exchange forward contract, which are matured in 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Notes receivable

	31 December 2016	31 December 2015
Bank acceptance notes	375,239,261	324,132,214
Trade acceptance notes	290,180,658	401,606,668
	<u>665,419,919</u>	<u>725,738,882</u>

As at 31 December 2016, the bank acceptance notes with carrying amount of RMB66,244,274 (31 December 2015: RMB62,731,590) was pledged to bank as collateral for the Group to apply for issuance of acceptance note with same amount (Note 6(19)).

As at 31 December 2016, notes receivable include unmatured trade acceptance notes with recourse of RMB178,580,938 (31 December 2015: RMB309,384,939) that have been discounted. The Company recognises the received discounted amount as short-term borrowings (Note 6(18)).

(4) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	1,394,218,334	1,324,319,048
Less: Provision for bad debts	(86,607,390)	(67,700,005)
	<u>1,307,610,944</u>	<u>1,256,619,043</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable and other receivables (Continued)

(a) Accounts receivable (Continued)

The Group's sales or services are partially made by cash, advances from customers, bank acceptance notes and trade acceptance notes. The remains are settled by providing credit terms from 30 to 90 days.

The ageing based on their recording dates of accounts receivable and related provision for bad debts are analysed below:

	31 December 2016			31 December 2015		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	1,341,049,189	96.18%	(63,670,000)	1,267,021,499	95.67%	(48,990,814)
1 to 2 years	26,373,584	1.89%	(3,741,964)	43,846,991	3.31%	(8,058,925)
2 to 3 years	17,645,193	1.27%	(10,133,713)	4,060,139	0.31%	(1,734,250)
3 to 4 years	—	—	—	541,707	0.04%	(164,804)
4 to 5 years	526,655	0.04%	(438,000)	175,000	0.01%	(87,500)
Over 5 years	8,623,713	0.62%	(8,623,713)	8,673,712	0.66%	(8,663,712)
	<u>1,394,218,334</u>	<u>100.00%</u>	<u>(86,607,390)</u>	<u>1,324,319,048</u>	<u>100.00%</u>	<u>(67,700,005)</u>

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

As at 31 December 2016, accounts receivable of RMB401,966,518 (31 December 2015: RMB318,480,957) were overdue, however, based on the analysis of the customers' financial status and credit record the Group expected that the overdue amounts can be recovered, and the accounts receivable are not impaired, thus no provisions for bad debts are individually provided. The ageing of these past due accounts receivables is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	356,307,373	261,183,408
1 to 2 years	26,373,584	43,846,991
2 to 3 years	10,135,193	4,060,139
3 to 4 years	—	541,707
4 to 5 years	526,655	175,000
Over 5 years	8,623,713	8,673,712
	<u>401,966,518</u>	<u>318,480,957</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable and other receivables (Continued)

(a) Accounts receivable (Continued)

Accounts receivable are analysed by customers categories as follows:

	31 December 2016			31 December 2015		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Related parties	253,771,770	18.20%	—	275,943,644	20.84%	—
Third parties	1,140,446,564	81.80%	(86,607,390)	1,048,375,404	79.16%	(67,700,005)
	<u>1,394,218,334</u>	<u>100.00%</u>	<u>(86,607,390)</u>	<u>1,324,319,048</u>	<u>100.00%</u>	<u>(67,700,005)</u>

(b) Other receivables

	31 December 2016	31 December 2015
Construction expenditures paid on behalf (i)	196,841,038	121,821,020
Loans provided to related parties (ii)	302,212,076	472,060,000
Goods payments on behalf (iii)	137,918,064	114,235,942
Payment for government bonds reverse repo agreements (iv)	80,410,517	—
Port construction fees receivable (v)	62,592,722	102,765,668
Deposit and guarantee	45,786,153	27,397,119
Assets transfer receivables	6,284,006	—
Others	42,479,345	46,662,698
	<u>874,523,921</u>	<u>884,942,447</u>
Less: Provision for bad debts	<u>(13,183,652)</u>	<u>(12,824,697)</u>
	<u>861,340,269</u>	<u>872,117,750</u>

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable and other receivables (Continued)

(b) Other receivables (Continued)

- (i) Construction expenditures paid on behalf are mainly amounts paid on behalf of related parties Qingdao New Qianwan Container Co., Ltd. (“QQCTN”), Qingdao Qianwan United Container Terminal Co., Ltd. (“QQCTU”) and Qingdao Shihua Crude Oil Terminal Co., Ltd. (“Qingdao Shihua”).
- (ii) As at 31 December 2016, loans provided to related parties comprise:
 - Loans of RMB130,760,674 provided by Qingdao Finance to related parties - Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (“QDOT”), Qingdao Qianwan West Port United Terminal Co., Ltd. (“West United”), QQCTN, Qingdao Port Yantai Logistics Co., Ltd. (“Yantai Logistics”) and Qingdao Haiwan Liquid Chemical Port Operation Co., Ltd. (“Haiwan Liquid Chemical”) respectively with maturity within one year and interest calculated based on bank loan benchmark interest rate with corresponding period; and bills discount for QDOT amounted to RMB111,451,402;
 - Entrusted loan of RMB60,000,000 provided by the Company to one related party - Huaneng Qingdao Port Operation Co., Ltd. (“Huaneng Qingdao”), with maturity within one year and interest calculated based on bank loan benchmark interest rate downwards by 3% with corresponding period.

As at 31 December 2015, loans provided to related parties comprise:

- Loans of RMB252,060,000 provided by Qingdao Finance to related parties - QDOT, West United, Huaneng Qingdao and Yantai Logistics respectively, with maturity within one year and interest calculated based on bank loan benchmark interest rate with corresponding period;
- Entrusted loan of RMB10,000,000 provided by Qingdao Port International Cargo Logistics Co., Ltd. (“QDP Cargo”), a subsidiary of the Company, to one related party - Yantai Logistics, with maturity within one year and interest calculated based on bank loan benchmark interest rate with corresponding period;
- Entrusted loan of RMB210,000,000 provided by the Company to its related party - Qingdao Shihua, with maturity within half a year and interest calculated based on bank loan benchmark interest rate with corresponding period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable and other receivables (Continued)

(b) Other receivables (Continued)

- (iii) Goods payments on behalf are paid by the Group on behalf of third parties and related parties for agent purchase of goods.
- (iv) Payment for government bonds reverse repo agreements is the government bonds reverse repo products purchased by Qingdao Port Assets Management Co., Ltd. (“Assets Management Company”) from The Shanghai Stock Exchange, which has not matured as at 31 December 2016.
- (v) Port construction fees receivable represents receivable from customers collected on behalf in accordance with the regulations of “the Administrative Measures for the Collection and Use of Port Construction Fees” jointly issued by the Ministry of Finance and the Ministry of Transport.

Ageing of other receivables and related provision for bad debts are analysed below:

	31 December 2016			31 December 2015		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	852,282,997	97.45%	(2,814,505)	843,659,539	95.34%	(11,055,097)
1 to 2 years	9,088,546	1.04%	(21,407)	40,303,727	4.55%	(1,769,600)
2 to 3 years	12,730,071	1.46%	(10,341,259)	694,768	0.08%	—
3 to 4 years	399,307	0.05%	(6,481)	8,500	0.00%	—
4 to 5 years	3,000	0.00%	—	254,413	0.03%	—
Over 5 years	20,000	0.00%	—	21,500	0.00%	—
	<u>874,523,921</u>	<u>100.00%</u>	<u>(13,183,652)</u>	<u>884,942,447</u>	<u>100.00%</u>	<u>(12,824,697)</u>

As at 31 December 2016, provision for bad debts includes provision of RMB2,814,505 (31 December 2015: RMB10,932,506) for loan losses made by Qingdao Finance based on customer credit rating according to the Order of China Banking Regulatory Commission ([2011] No.4).

As at 31 December 2016, other receivables with ageing over one year are RMB22,240,924 (31 December 2015: RMB41,282,908). Based on analysis on customer financial condition and past credit record, the Group makes provision for bad debts at RMB10,369,147 (31 December 2015: RMB1,769,600). The remaining receivable is considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Advances to suppliers

The ageing of advances to suppliers is analysed as follows:

	31 December 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	55,469,780	93.95%	46,312,114	96.27%
1 to 2 years	1,795,831	3.04%	15,000	0.03%
2 to 3 years	—	—	1,778,327	3.70%
3 to 4 years	1,778,327	3.01%	—	—
	59,043,938	100.00%	48,105,441	100.00%

(6) Inventories

(a) Inventories are listed as follows:

	31 December 2016			31 December 2015		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Commodities under real estate development (i)	9,422,302	—	9,422,302	21,297,547	—	21,297,547
Amount due from customers for construction contract (ii)	399,026,059	—	399,026,059	257,036,745	—	257,036,745
Materials and finished goods	59,989,731	—	59,989,731	58,108,840	—	58,108,840
Spare parts	5,850,961	—	5,850,961	4,363,680	—	4,363,680
Fuel	4,051,352	—	4,051,352	3,367,307	—	3,367,307
Others	3,854,649	—	3,854,649	3,944,493	—	3,944,493
	482,195,054	—	482,195,054	348,118,612	—	348,118,612

(i) Commodities under real estate development represents the real estate named “Blue Bay” developed by the Group.

(ii) Amount due from customers for construction contract

	31 December 2016	31 December 2015
Accumulated cost recognised	2,563,173,443	2,764,466,108
Add: Accumulated gross profits recognised	198,908,389	160,956,599
Less: Accumulated amounts settled	(2,363,055,773)	(2,668,385,962)
	399,026,059	257,036,745

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Inventories (Continued)

(b) The movements of inventories are as follows:

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Commodities under real estate development	21,297,547	356,988	(12,232,233)	9,422,302
Amount due from customers for construction contract	257,036,745	1,205,578,057	(1,063,588,743)	399,026,059
Materials and finished goods	58,108,840	1,203,279,183	(1,201,398,292)	59,989,731
Spare parts	4,363,680	24,567,608	(23,080,327)	5,850,961
Fuel	3,367,307	265,927,668	(265,243,623)	4,051,352
Others	3,944,493	58,339,749	(58,429,593)	3,854,649
	<u>348,118,612</u>	<u>2,758,049,253</u>	<u>(2,623,972,811)</u>	<u>482,195,054</u>

(c) As at 31 December 2016 and 31 December 2015, the management of the Group are of the view that there is no indication that the inventories may be impaired, therefore no provision for decline in the value of inventories is recorded.

(7) Other current assets

	31 December 2016	31 December 2015
Available-for-sale financial assets (Note 6(8) (ii))	870,000,000	—
Input VAT to be deducted	256,281,838	63,808,817
Input VAT to be verified	34,716,158	1,152,839
VAT retained	26,565,368	—
Prepaid VAT	9,851,578	289,246
	<u>1,197,414,942</u>	<u>65,250,902</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Available-for-sale financial assets

	31 December 2016	31 December 2015
Measured at cost		
- Available-for-sale equity instruments (i)	<u>72,207,877</u>	<u>72,207,877</u>
Measured at fair value		
- Wealth management products (ii)	890,000,000	—
Less: Available-for-sale financial assets included in other current assets (Note 6(7))	<u>(870,000,000)</u>	—
	<u>92,207,877</u>	<u>72,207,877</u>

- (i) Available-for-sale financial assets measured at cost represents unlisted equity investments held by the Group in Shandong Binhai Hongrun Pipeline Logistics Co., Ltd., Sinopec Qingdao Liquefied Natural Gas Co., Ltd. and Sanya Yalong Bay Development Co., Ltd. over which the Group has no control, joint control or significant influence. These investments are not quoted in an active market and their fair value cannot be reliably measured as the reasonable estimates of fair value vary in a broad range and probabilities used to determine the reasonable estimates of fair value cannot be fairly determined. The Group has no plan to dispose these investments.
- (ii) Available-for-sale financial assets measured at fair value is wealth management products issued by state-owned banks and other financial institutes purchased by the Group, in which wealth management products to be matured within one year are included in other current assets (31 December 2015: Nil). As at 31 December 2016, the carrying amount approximated the fair value. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy.

As at 31 December 2016, the maximum exposure to credit risk of the wealth management products classified as available-for-sale is its the carrying value.

None of these available-for-sale financial assets is either past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term receivables

	31 December 2016	31 December 2015
Loans provided to related parties (i)	3,783,447,106	1,746,724,704
Finance lease receivables (ii)	39,206,561	—
Others	3,454,309	2,400,000
Less: Due within one year	(308,433,660)	(49,367,934)
	3,517,674,316	1,699,756,770
Loan impairment provision	(39,558,224)	(20,481,652)
Less: Loan impairment provision due within one year	6,417,900	396,358
	(33,140,324)	(20,085,294)
	<u>3,484,533,992</u>	<u>1,679,671,476</u>

(i) As at 31 December 2016, loans provided to related parties comprise:

- Balances of RMB1,872,543,711 of long-term loans provided by Qingdao Finance to related parties - QQCTU, QQCTN, QDOT, Weihai Qingwei Container Terminal Co., Ltd. (“Qingwei Container”), West United, Haiwan Liquid Chemical and Yuntai Logistics, among which RMB800,000 and RMB199,500,000 of loans to QQCTN and QDOT are issued with fixed interest rates of 6.15% and 4.28% respectively, while interest of the remaining loans are calculated based on the corresponding bank loan benchmark interest rate.
- Balances of RMB275,903,395 of long-term pledged loans provided by Qingdao Port International Financial Leasing Co., Ltd. (“Qingdao Leasing”), a subsidiary of the Company, to related parties - QDOT and West United.
- Balances of RMB1,635,000,000 of long-term entrusted loans provided by the Company to related parties - QQCTU, QQCTN and QDOT respectively, among which RMB675,000,000 and RMB520,000,000 of loans to QQCTU and QDOT are issued with fixed interest rates of 4.28% and RMB350,000,000 of loans lent to QQCTN is issued with fixed interest rates of 4.75%, while interest of the remaining loans are calculated based on the corresponding bank loan benchmark interest rate.

RMB304,385,042 out of these loans that will be recoverable within one year and the associated provision for loan impairment of RMB6,417,900 are presented as the current portion of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Long-term receivables (Continued)

(i) (Continued)

As at 31 December 2015, loans provided to related parties comprise:

- Balances of RMB1,528,627,934 of long-term loans provided by Qingdao Finance to related parties - QQCTU, QQCTN, West United and Yuntai Logistics respectively, among which RMB900,000 of loans to QQCTN is issued with fixed interest rates of 6.15%, while interest of the remaining loans are calculated based on the corresponding bank loan benchmark interest rate.
- Long-term pledged loan of RMB218,096,770 by Qingdao Leasing, a subsidiary of the Company, to one related party - QDOT.

RMB49,367,934 out of these loans that will be recoverable within one year and the associated provision for loan impairment of RMB396,358 are presented as the current portion of non-current assets.

- (ii) As at 31 December 2016, the finance lease receivables represented the finance lease amounted to RMB39,206,561 of medical equipment to one related party, Qingdao Fuwai Cardiovascular Hospital Co., Ltd. ("Fuwai Hospital"), by Qingdao Leasing, of which RMB4,048,618 that would be recovered within one year is included in the current portion of non-current assets.

(10) Long-term equity investments

	31 December 2016	31 December 2015
Joint ventures (a)	5,043,014,093	4,692,198,902
Associates (b)	96,025,707	5,841,029
	<u>5,139,039,800</u>	<u>4,698,039,931</u>

As at 31 December 2016, the Group's management considers there is no indication that the long-term equity investments may be impaired, therefore no provision for impairment is required (31 December 2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Long-term equity investments (Continued)

(a) Joint ventures

Investments in joint ventures are set out below:

	31 December 2015	Movements in the current year					31 December 2016
		Increase/ decrease in investment	Share of net profit/(loss) using equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealised profit	
Qingdao Qianwan Container Co., Ltd. ("QQCT")	1,764,874,264	—	488,720,949	4,525,833	(295,718,494)	—	1,962,402,552
Qingdao Shihua	1,189,832,795	—	202,938,970	—	(100,000,000)	8,622,150	1,301,393,915
West United	321,984,448	—	9,638,358	—	—	1,891,713	333,514,519
Qingwei Container	99,563,283	—	19,841,885	4,721,124	—	—	124,126,292
Vopak Logistics (Qingdao) Co., Ltd. ("Vopak Logistics")	144,005,886	—	(146,466)	—	—	—	143,859,420
Qingdao Evergreen Container Storage & Transportation Co., Ltd. ("Evergreen Container")	66,211,880	(22,500,000)	19,910,539	318,283	(17,056,869)	—	46,883,833
Qingdao Orient International Container Storage and Transportation Co., Ltd. ("Orient Container")	37,586,654	—	7,463,017	—	(7,320,350)	—	37,729,321
Haiwan Liquid Chemical	149,466,624	—	(4,458,445)	—	—	—	145,008,179
Qingdao Ganghai International Logistics Co., Ltd. ("Ganghai Logistics")	8,921,655	—	4,889,493	—	—	—	13,811,148
Qingdao Shenzhouxing International Transportation Co., Ltd. ("Shenzhouxing Transportation")	10,387,952	—	7,530,127	—	—	—	17,918,079
China Shipping Agency (Qingdao) Co., Ltd. ("China Shipping Agency")	11,626,022	—	1,380,570	—	(2,449,803)	—	10,556,789
Qingdao United International Shipping Agency Co., Ltd. ("United Shipping Agency")	37,982,788	—	11,590,271	—	(10,262,181)	—	39,310,878
Huaneng Qingdao	185,607,545	—	(12,632,624)	—	—	—	172,974,921

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Long-term equity investments (Continued)

(a) Joint ventures (Continued)

	31 December 2015	Movements in the current year					31 December 2016
		Increase/ decrease in investment	Share of net profit/(loss) using equity method	Share of other changes in equity	Cash dividends/ profit declared	Intra-group unrealised profit	
Qingdao Port Dongjiakou IMC Logistics Co., Ltd. ("Dongjiakou IMC Logistics")	143,731,986	—	7,815,646	—	—	—	151,547,632
QDOT	439,393,889	—	22,725,339	(96,334)	—	—	462,022,894
Qingdao Port Express Logistics (Linyi) Co., Ltd. ("Linyi Express")	3,827,714	—	29,754	—	—	—	3,857,468
Henan Yuqing International Logistics Co., Ltd. ("Henan Yuqing")	2,491,014	—	(1,494)	—	—	—	2,489,520
Sinotrans Qingdao Port Dongjiakou Logistics Co., Ltd. ("Dongjiakou Sinotrans Logistics")	49,151,714	—	(321,486)	—	—	—	48,830,228
Yantai Logistics	14,970,272	—	320,496	—	—	—	15,290,768
Binzhou Port QDP International Terminal Co., Ltd. ("Binzhou Port QDP International Terminal")	2,010,203	—	339,702	—	—	—	2,349,905
Qingdao Qianwan Port Area Bonded Logistics Centre Co., Ltd. ("Bonded Logistics Centre") (i)	8,570,314	(10,538,389)	1,968,075	—	—	—	—
Qingdao Port Lianrong Logistics Co., Ltd. (Lianrong Logistics) (ii)	—	5,000,000	2,135,832	—	—	—	7,135,832
	<u>4,692,198,902</u>	<u>(28,038,389)</u>	<u>791,678,508</u>	<u>9,468,906</u>	<u>(432,807,697)</u>	<u>10,513,863</u>	<u>5,043,014,093</u>

(i) As at 19 November 2016, the Company and its subsidiary Qingdao Port International Development (Hong Kong) Co., Ltd. ("International Development") acquired 40% and 37% equity of Bonded Logistics Centre from COSCO International Freight Co., Ltd. and IMC Qianwan Port Logistics Holding Co., Ltd. at considerations of RMB13,117,920 and RMB12,134,076 respectively. The transaction was a business combination involving enterprises not under common control. Upon the completion of this transaction, the original joint venture Bonded Logistics Centre became a wholly-owned subsidiary of the Company.

(ii) In February 2016, the Company's subsidiary QDP Cargo and Darong International Logistics Co., Ltd. jointly incorporated Lianrong Logistics with the registered capital of RMB10,000,000. QDP Cargo contributed RMB5,000,000 and held 50% equity of Lianrong Logistics.

Information on equity in joint ventures is set out in Note 8(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Long-term equity investments (Continued)

(b) Associates

Investment in associates is set out below:

	31 December 2015	Movements in the current year			31 December 2016
		Increase in investment	Share of net profit using equity method	Cash dividends/ profit declared	
Qingdao Ganghua Logistics Co., Ltd. ("Ganghua Logistics")	5,841,029	—	1,437,074	(1,252,396)	6,025,707
Qingdao Qingyin Financial Leasing Co., Ltd. ("Qingyin Financial Leasing") (i)	—	90,000,000	—	—	90,000,000
	<u>5,841,029</u>	<u>90,000,000</u>	<u>1,437,074</u>	<u>(1,252,396)</u>	<u>96,025,707</u>

- (i) In 2016, the Company and Bank of Qingdao Co., Ltd., Qingdao Hanhe Cable Co., Ltd. and Qianwan Container reached a joint venture agreement to jointly incorporate Qingyin Financial Leasing. The Company contributed RMB90,000,000 in cash, holding 9% equity of Qingyin Financial Leasing, and designated one board member in Qingyin Financial Leasing.

Information on equity in associates is set out in Note 8(2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2015	140,277,772	601,337	140,879,109
Transfer from intangible assets	—	154,701,531	154,701,531
Transfer into owner-occupied properties	(85,862,384)	(65,748,335)	(151,610,719)
Disposal in current year	(17,627,073)	—	(17,627,073)
31 December 2016	<u>36,788,315</u>	<u>89,554,533</u>	<u>126,342,848</u>
Accumulated depreciation			
31 December 2015	(21,087,541)	(25,097)	(21,112,638)
Accrued	(5,025,706)	(3,136,940)	(8,162,646)
Transfer from intangible assets	—	(6,510,196)	(6,510,196)
Transfer into owner-occupied properties	10,862,307	5,052,569	15,914,876
Disposal in current year	11,371,224	—	11,371,224
31 December 2016	<u>(3,879,716)</u>	<u>(4,619,664)</u>	<u>(8,499,380)</u>
Net book value			
31 December 2016	<u>32,908,599</u>	<u>84,934,869</u>	<u>117,843,468</u>
31 December 2015	<u>119,190,231</u>	<u>576,240</u>	<u>119,766,471</u>

As at 31 December 2016, the management of the Group are of the view that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded (31 December 2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Communication facilities	Office and other equipment	Total
Cost										
31 December 2015	307,319,699	6,327,937,434	2,333,855,185	2,736,388,575	616,301,543	1,249,208,723	93,293,199	83,825,088	54,420,003	13,802,549,449
Transfers from construction in progress	33,317,134	1,672,849,733	1,650,241,411	79,017,559	25,464,087	—	—	4,447,909	—	3,465,337,833
Transfers from investment properties	85,862,384	—	—	—	—	—	—	—	—	85,862,384
Business combination involving enterprises under non-common control (ii)	728,577	—	422,255	2,268,173	—	—	—	246,854	43,967	3,709,826
Purchase in the current year	1,547,309	7,885,647	2,067,308	27,998,630	25,790,508	45,752,137	4,303,206	33,595,550	7,216,524	156,156,819
Decrease in the current year	(333,687)	(7,684,172)	—	(29,887,261)	(1,288,486)	—	(1,234,775)	(2,172,356)	(618,235)	(43,218,972)
31 December 2016	<u>428,441,416</u>	<u>8,000,988,642</u>	<u>3,986,586,159</u>	<u>2,815,785,676</u>	<u>666,267,652</u>	<u>1,294,960,860</u>	<u>96,361,630</u>	<u>119,943,045</u>	<u>61,062,259</u>	<u>17,470,397,339</u>
Accumulated depreciation										
31 December 2015	(149,587,622)	(1,572,313,934)	(458,475,287)	(2,086,686,933)	(458,262,002)	(455,694,671)	(55,095,502)	(59,952,684)	(27,309,961)	(5,323,378,596)
Accrued in the current year	(11,455,611)	(144,934,215)	(86,620,294)	(131,187,681)	(29,260,525)	(55,450,545)	(9,634,201)	(11,481,318)	(4,194,839)	(484,219,229)
Transfers from investment properties	(10,862,307)	—	—	—	—	—	—	—	—	(10,862,307)
Decrease in the current year	215,944	2,969,661	—	25,296,798	705,855	—	1,174,061	2,093,332	590,122	33,045,773
31 December 2016	<u>(171,689,596)</u>	<u>(1,714,278,488)</u>	<u>(545,095,581)</u>	<u>(2,192,577,816)</u>	<u>(486,816,672)</u>	<u>(511,145,216)</u>	<u>(63,555,642)</u>	<u>(69,340,670)</u>	<u>(30,914,678)</u>	<u>(5,785,414,359)</u>
Net book value										
31 December 2016	<u>256,751,820</u>	<u>6,286,710,154</u>	<u>3,441,490,578</u>	<u>623,207,860</u>	<u>179,450,980</u>	<u>783,815,644</u>	<u>32,805,988</u>	<u>50,602,375</u>	<u>30,147,581</u>	<u>11,684,982,980</u>
31 December 2015	<u>157,732,077</u>	<u>4,755,623,500</u>	<u>1,875,379,898</u>	<u>649,701,642</u>	<u>158,039,541</u>	<u>793,514,052</u>	<u>38,197,697</u>	<u>23,872,404</u>	<u>27,110,042</u>	<u>8,479,170,853</u>

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Fixed assets (Continued)

- (i) As stated in Note 7(1), in 2016, the Group acquired the tugboat assets group from Qingdao Port Investment Shipping Co., Ltd. (“QPIS”), a wholly-owned subsidiary of Qingdao Port Investment and Construction (Group) Co., Ltd. (QDP Investment Group). Management treated the tugboat assets group as a business (the “Tugboat Business”). As this business and the Group are both controlled by Qingdao Port Group before and after this acquisition, and the control is not temporary, thus this transaction is regarded as business combination involving enterprises under common control. The fixed assets in the Tugboat Business were recorded at their carrying amount on the date of combination. Meanwhile, it was deemed the entity after combination had always been an entity in the previous years, so the comparisons for the year ended 31 December 2015 were restated.
- (ii) As stated in Note 6(10) (a), in 2016, the Group acquired 77% equity of Bonded Logistics Centre, and Bonded Logistics Centre became a wholly-owned subsidiary of the Group accordingly. This transaction was treated as a business combination involving enterprises under non-common control.

For the year ended 31 December 2016, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses are RMB463,482,010 and RMB20,737,219 respectively (For the year ended 31 December 2015: RMB438,675,905 and RMB19,099,236).

As at 31 December 2016, the management of the Group are of the view that there is no indication that the fixed assets may be impaired, therefore no provision for impairment is recorded (31 December 2015: Nil).

For the year ended 31 December 2016, the costs of fixed assets transferred from construction in progress amount to RMB3,465,337,833 (For the year ended 31 December 2015: RMB880,731,603).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Fixed assets (Continued)

As at 31 December 2016 and 31 December 2015, the carrying amounts of fixed assets lent out through operating leases of the Group are analysed as follows:

31 December 2016	Cost	Accumulated depreciation	Net book value
Terminal facilities	1,819,979,555	(165,478,848)	1,654,500,707
Storage facilities	778,997,562	(61,926,228)	717,071,334
Buildings	26,984,361	(3,977,256)	23,007,105
Other equipment	93,923	(86,194)	7,729
	<u>2,626,055,401</u>	<u>(231,468,526)</u>	<u>2,394,586,875</u>
		Accumulated	Net
31 December 2015	Cost	depreciation	book value
Terminal facilities	1,819,979,555	(110,319,232)	1,709,660,323
Storage facilities	778,997,562	(41,284,152)	737,713,410
Buildings	26,984,361	(2,651,504)	24,332,857
Other equipment	93,923	(86,194)	7,729
	<u>2,626,055,401</u>	<u>(154,341,082)</u>	<u>2,471,714,319</u>

(13) Construction in progress

Project name	31 December 2015	Increase in the current year	Transfer to fixed assets	Transfer to intangible assets	31 December 2016	Accumulative amount of capitalised borrowing costs	Including: borrowing costs capitalised in current year	Capitalisation rate in current year
Dongjiakou oil terminal and oil tanks project	868,819,257	777,276,925	(965,775,507)	—	680,320,675	—	—	—
Oil pipeline and tank project from Dongjiakou to middle and north Shandong	—	707,580,568	—	—	707,580,568	—	—	—
Dongjiakou berth project for bulk and general cargo	2,028,921,954	571,746,501	(1,999,605,315)	(69,587,540)	531,475,600	27,118,623	6,535,934	4.90%
Dongjiakou stockyard project	176,539,211	71,049,736	(110,099,799)	—	137,489,148	—	—	—
Other Dongjiakou projects	41,596,510	68,143,193	(8,756,540)	—	100,983,163	—	—	—
Qianwan dock basin deepening & dredging project	367,034,508	311,195	(367,345,703)	—	—	—	—	—
Other projects	7,464,317	23,543,156	(13,754,969)	(2,344,340)	14,908,164	—	—	—
	<u>3,490,375,757</u>	<u>2,219,651,274</u>	<u>(3,465,337,833)</u>	<u>(71,931,880)</u>	<u>2,172,757,318</u>	<u>27,118,623</u>	<u>6,535,934</u>	

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2015	811,909,772	33,019,373	46,710,000	51,101,563	942,740,708
Increase in the current year					
Purchase	104,580,594	9,565,841	—	—	114,146,435
Transfer from construction in progress	—	2,344,340	69,587,540	—	71,931,880
Transfer from investment properties	65,748,335	—	—	—	65,748,335
Decrease in the current year					
Transfer into investment properties	(154,701,531)	—	—	—	(154,701,531)
Write-off	—	(6,377)	—	(922,900)	(929,277)
31 December 2016	827,537,170	44,923,177	116,297,540	50,178,663	1,038,936,550
Accumulated amortisation					
31 December 2015	(37,384,182)	(22,356,396)	(1,306,026)	(25,504,872)	(86,551,476)
Increase in the current year					
Accrued	(12,430,382)	(4,495,623)	(1,854,093)	(3,645,838)	(22,425,936)
Transfer from investment properties	(5,052,569)	—	—	—	(5,052,569)
Decrease in the current year					
Transfer into investment properties	6,510,196	—	—	—	6,510,196
31 December 2016	(48,356,937)	(26,852,019)	(3,160,119)	(29,150,710)	(107,519,785)
Provision					
31 December 2015	—	—	—	—	—
Increase in the current year					
Accrued	—	(6,377)	—	(922,900)	(929,277)
Write-off	—	6,377	—	922,900	929,277
31 December 2016	—	—	—	—	—
Book Value					
31 December 2016	779,180,233	18,071,158	113,137,421	21,027,953	931,416,765
31 December 2015	774,525,590	10,662,977	45,403,974	25,596,691	856,189,232

For the year ended 31 December 2016, the amortisation of intangible assets amounts to RMB22,425,936 (For the year ended 31 December 2015: RMB23,041,346), among which the amortisation of land use rights charged to construction in progress is RMB2,961,509 (For the year ended 31 December 2015: RMB4,257,075).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Other non-current assets

	31 December 2016	31 December 2015
Taxes prepaid for Port Facilities rental income (i)	198,276,587	203,277,032
Less: Current portion	(11,613,049)	(11,294,229)
Foundation oil (ii)	154,502,225	—
Construction and equipment expenditures prepaid	131,958,870	58,506,204
	<u>473,124,633</u>	<u>250,489,007</u>

- (i) The Group lease out certain land use rights, terminal facilities, storage facilities and other assets (collectively “Port Facilities”) in Qianwan Port Area to QQCT, a joint venture of the Group, with a lease term of 30 years. By the end of 2010, the Group had received the rental payments in full. The Group calculates the business tax and surcharges relating to the amounts received and recorded them as other non-current assets, and the current portion of which is presented as the current portion of non-current assets.
- (ii) For the year ended 31 December 2016, the Company’s subsidiary Qingdao Haiye Mercuria Oil Terminal Co., Ltd. (Mercuria Oil Terminal) started operation. For the purpose of production, some crude oil was purchased and filled in the crude oil pipeline and tanks, so as to ensure the precision of oil product metering and increase the tank pressure for production safety.

(16) Provision for asset impairments

	31 December 2015	Increase in the current year	Decrease in the current year		31 December 2016
			Reversal	Write-off	
Bad debt provisions	101,006,354	44,230,685	—	(5,887,773)	139,349,266
Including: Provision for bad debts					
of accounts receivable	67,700,005	24,795,158	—	(5,887,773)	86,607,390
Provision for bad debts of					
other receivables	12,824,697	358,955	—	—	13,183,652
Provision for bad debts of					
long-term receivables	20,481,652	19,076,572	—	—	39,558,224
Provision for impairment of					
intangible assets	—	929,277	—	(929,277)	—
	<u>101,006,354</u>	<u>45,159,962</u>	<u>—</u>	<u>(6,817,050)</u>	<u>139,349,266</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets without offsetting

	31 December 2016		31 December 2015	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Assets revaluation surplus	3,084,657,361	771,164,340	3,182,452,743	795,613,186
Early retirement benefits	134,540,000	33,635,000	132,520,000	33,130,000
Unrealised profit from inter-group transactions	215,264,620	53,816,155	103,852,300	25,963,075
Provision for asset impairments	129,318,348	32,329,587	87,530,286	21,882,572
Accrued expenses	2,283,097	570,774	1,957,930	489,483
Deductible losses	—	—	361,147	72,411
	<u>3,566,063,426</u>	<u>891,515,856</u>	<u>3,508,674,406</u>	<u>877,150,727</u>
Including:				
Expected to be recovered within one year (inclusive)		33,892,832		35,334,316
Expected to be recovered after one year		<u>857,623,024</u>		<u>841,816,411</u>
		<u>891,515,856</u>		<u>877,150,727</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Deferred tax assets and deferred tax liabilities (Continued)

(b) Deferred tax liabilities without offsetting

	31 December 2016		31 December 2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations involving enterprises under non-common control	<u>77,678,382</u>	<u>19,419,596</u>	<u>79,443,800</u>	<u>19,860,950</u>
Including:				
Expected to be recovered within one year (inclusive)		441,354		496,534
Expected to be recovered after one year		<u>18,978,242</u>		<u>19,364,416</u>
		<u>19,419,596</u>		<u>19,860,950</u>

(c) The net balances of deferred tax assets is as follows:

	31 December 2016	31 December 2015
Deferred tax assets	<u>872,096,260</u>	<u>857,289,777</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Short-term borrowings

	Currency	31 December 2016	31 December 2015
Secured (a)	RMB	202,947,290	309,384,939
Unsecured	RMB	60,000,000	—
		<u>262,947,290</u>	<u>309,384,939</u>

(a) As at 31 December 2016, secured borrowings of RMB202,947,290 comprise short-term borrowings obtained by discounting trade acceptance notes amounted to RMB178,580,938, the repurchased rediscount of the bank acceptance applied for by Qingdao Finance from the People's Bank of China amounted to RMB15,881,000, and by negotiation of letter of credit amounted to RMB8,485,352 (31 December 2015: bank borrowings of RMB309,384,939 are short-term borrowings obtained by discounting trade acceptance notes) (Note 6(3)).

(b) As at 31 December 2016, the interest rate of short-term borrowings ranges from 3.92% to 5.42% (31 December 2015: from 3.87% to 4.56%).

(19) Notes payable

	31 December 2016	31 December 2015
Trade acceptance notes	94,715,335	70,061,922
Bank acceptance notes	722,903,838	332,365,342
	<u>817,619,173</u>	<u>402,427,264</u>

As at 31 December 2016, bank acceptance notes payable of RMB66,244,274 (31 December 2015: RMB62,731,590) are issued with bank acceptance notes receivable of the same amount as collateral (Note 6(3)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(20) Accounts payable

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

	31 December 2016	31 December 2015
Within 3 months	469,177,439	461,547,118
3 to 6 months	296,884,626	295,701,396
Over 6 months	359,774,957	582,311,662
	<u>1,125,837,022</u>	<u>1,339,560,176</u>

(21) Employee benefits payable

	31 December 2016	31 December 2015
Short-term employee benefits (a)	69,085,235	51,125,785
Defined contribution plans (b)	20,671,748	34,557,883
Termination benefits (c)	26,210,000	17,550,000
Defined benefit plans (d)	111,090,000	109,250,000
	<u>227,056,983</u>	<u>212,483,668</u>

(a) Short-term employee benefits

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Wages and salaries, bonus, allowances and subsidies	38,000,122	880,378,471	(864,330,529)	54,048,064
Staff welfare	540,708	98,833,323	(99,222,431)	151,600
Social security contributions	55,409	92,582,072	(92,634,030)	3,451
Including: Medical insurance	43,657	76,799,552	(76,840,480)	2,729
Work injury insurance	10,343	7,794,507	(7,804,353)	497
Maternity insurance	1,409	7,988,013	(7,989,197)	225
Housing funds	2,717	91,449,976	(91,449,994)	2,699
Labour union funds and employee education funds	6,595,712	18,688,451	(19,022,015)	6,262,148
Outsourcing costs	5,931,117	369,294,880	(366,608,724)	8,617,273
Others	—	10,417,242	(10,417,242)	—
	<u>51,125,785</u>	<u>1,561,644,415</u>	<u>(1,543,684,965)</u>	<u>69,085,235</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Employee benefits payable (Continued)

(b) Defined contribution plans

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Basic pensions	9,115	136,394,459	(136,395,448)	8,126
Unemployment insurance	2,699	7,893,466	(7,895,713)	452
Corporate annuity	34,546,069	41,137,462	(55,020,361)	20,663,170
	<u>34,557,883</u>	<u>185,425,387</u>	<u>(199,311,522)</u>	<u>20,671,748</u>

(c) Termination benefits

	31 December 2016	31 December 2015
Early retirement benefits	<u>26,210,000</u>	<u>17,550,000</u>

Early retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 6(27)), the current portion of which is presented as employee benefits payable.

(d) Defined benefit plans

	31 December 2016	31 December 2015
Supplemental retirement benefits	<u>111,090,000</u>	<u>109,250,000</u>

Supplemental retirement benefits borne by the Group are recognised as long-term employee benefits payable (Note 6(27)), the current portion of which is presented as employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(22) Taxes payable

	31 December 2016	31 December 2015
Enterprise income tax payable	113,260,369	57,553,105
Unpaid VAT	16,821,512	—
Land use tax payable	12,308,025	12,652,003
Stamp duty payable	3,141,181	454,488
Individual income tax payable	2,702,338	2,794,657
Real estate tax payable	2,206,287	—
Business tax payable	—	8,482,834
VAT payable	—	8,095,572
Others	2,780,857	3,149,185
	<u>153,220,569</u>	<u>93,181,844</u>

(23) Interest payable

	31 December 2016	31 December 2015
Interest of bonds payable	68,850,982	—
Interest of customer deposits	29,073,847	6,429,597
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	735,465	1,037,260
Interest of short-term borrowings	468,712	—
	<u>99,129,006</u>	<u>7,466,857</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24) Other payables

	31 December 2016	31 December 2015
Customer deposits by Qingdao Finance (i)	6,965,592,554	6,274,574,184
Construction and equipment expenditures (ii)	2,137,311,170	1,358,019,515
Payables to Qingdao Port Group (iii)	481,294,157	361,200,034
Deposit and guarantee	88,432,306	62,658,468
Port miscellaneous expenses (iv)	47,189,296	3,787,357
Directional purchase expenditures paid on behalf	43,992,010	27,303,200
Port construction fees (v)	56,035,142	45,987,160
Equity transfer payables	12,134,086	—
Railage collected on behalf	7,777,946	4,838,742
Welfare paid on behalf (vi)	2,600,000	3,080,000
Customs clearing fees collected on behalf (vii)	—	61,775,988
Others	53,497,529	38,519,290
	<u>9,895,856,196</u>	<u>8,241,743,938</u>

- (i) Customer deposits are primarily taken by Qingdao Finance from the Group's related parties.
- (ii) Construction and equipment expenditures are mainly payables for project construction, which remain outstanding as relevant projects have not been completed.
- (iii) Payables to Qingdao Port Group are mostly construction expenditures collected in advance and will be paid on behalf of Qingdao Port Group to corresponding vendors.
- (iv) Port miscellaneous expenses payables are mostly expenses collected by QDP Cargo on behalf, and will be paid to QQCT and other loading companies.
- (v) Port construction fees are collected by the Group on behalf and will be paid to Qingdao Maritime Safety Administration of the PRC.
- (vi) The Company pays early retirement benefits and supplemental retirement benefits on behalf of Qingdao Port Group. Payable within one year are presented as other payable and the remains are included in long-term payables (Note 6(28)).
- (vii) Customs clearing fees collected on behalf are collected by Qingdao GLS Shipping Co., Ltd. ("GLS Shipping") on behalf and will be paid to Qingdao Customs of the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Long-term borrowings

	31 December 2016	31 December 2015
Unsecured	160,720,687	182,910,687
Less: Long-term borrowings due within one year	(23,330,000)	(22,190,000)
	<u>137,390,687</u>	<u>160,720,687</u>

As at 31 December 2016 and 31 December 2015, interest rate of the long-term borrowings is 4.9%.

(26) Bonds payable

	31 December 2015	Issued in the current year	31 December 2016
Corporate bonds payable	—	<u>3,500,000,000</u>	<u>3,500,000,000</u>

Under Zheng Jian Xu Ke [2016] No. 153 approved by China Securities Regulatory Commission, the Company issued the first tranche of corporate bonds of RMB1.5 billion and the second tranche of corporate bonds of RMB2 billion respectively on 16 March 2016 and 6 June 2016 with the term of 5 years. Interest of the bonds is paid annually and calculated by the simple interest method, and the fixed annual interest rates are 2.90% and 3.09% respectively (Note 6(23)).

(27) Long-term employee benefits payable

	31 December 2016	31 December 2015
Early retirement benefits (a)	108,330,000	114,970,000
Supplemental retirement benefits (b)	2,623,120,000	2,731,460,000
	<u>2,731,450,000</u>	<u>2,846,430,000</u>

The early retirement benefits represent the present value of expected future cash outflow of benefits to be paid to and for the early retired employees from the off-duty date to the normal retirement date which are discounted at the interest rate of government bonds that have terms to maturity approximating to the terms of the early retirement benefits. The supplemental retirement benefits represent the present value of expected future cash outflow of benefits to be paid to and for the retired employees which are discounted at the interest rate of government bonds that have terms to maturity approximating to the terms of the supplemental retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Long-term employee benefits payable (Continued)

(a) Early retirement benefits of the Group

	31 December 2016	31 December 2015
Early retirement benefits	134,540,000	132,520,000
Less: Payable within one year	(26,210,000)	(17,550,000)
	<u>108,330,000</u>	<u>114,970,000</u>

The current portion of early retirement benefits is included in employee benefits payable.

(b) Supplemental retirement benefits of the Group

	31 December 2016	31 December 2015
Supplemental retirement benefits	2,734,210,000	2,840,710,000
Less: Payable within one year	(111,090,000)	(109,250,000)
	<u>2,623,120,000</u>	<u>2,731,460,000</u>

The current portion of supplemental retirement benefits is included in employee benefits payable.

(c) Movements for the Group's early retirement benefits and supplemental retirement benefits are analysed as follows:

	Early retirement benefits	Supplemental retirement benefits
As at 1 January 2016	132,520,000	2,840,710,000
Amount recognised in profit or loss for the current year		
– Service cost	41,090,000	150,320,000
Current service cost	—	4,080,000
Past service cost	41,090,000	146,240,000
– Interest expense on the net defined benefit obligations	3,710,000	90,550,000
Re-measurement amount		
– Actuarial gains for the current year	(16,070,000)	(238,570,000)
Payment of benefits	(26,710,000)	(108,800,000)
As at 31 December 2016	<u>134,540,000</u>	<u>2,734,210,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Long-term employee benefits payable (Continued)

- (c) Movements for the Group's early retirement benefits and supplemental retirement benefits are analysed as follows: (Continued)

	Early retirement benefits	Supplemental retirement benefits
As at 1 January 2015	182,700,000	2,705,710,000
Amount recognised in profit or loss for the current year		
– Service cost	15,350,000	4,220,000
Current service cost	—	1,670,000
Past service cost	15,350,000	2,550,000
– Interest expense on the net defined benefit obligations	6,450,000	106,040,000
Re-measurement amount		
– Actuarial (gains)/losses for the current year	(46,450,000)	129,360,000
Payment of benefits	<u>(25,530,000)</u>	<u>(104,620,000)</u>
As at 31 December 2015	<u>132,520,000</u>	<u>2,840,710,000</u>

- (d) Liabilities of early retirement benefits and supplemental retirement benefits as at the balance sheet date of the Group are calculated using projected unit credit method. Significant actuarial assumptions used are as follows:

	31 December 2016	31 December 2015
Discount rate - early retirement benefits	3.00%	3.00%
Discount rate - supplemental retirement benefits	3.50%	3.25%
Salary and welfare growth rate - early retirement benefits	10%	10%
Jinglao allowance growth rate - supplemental retirement benefits	5%	5%
Fushou allowance growth rate -supplemental retirement benefits	3%	3%

Assumption for future mortality rate is based on the statistics of the China Life Annuitant Mortality Table (2000-2003), and the actuarial assumptions are analysed as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Early retirement benefits -		
Average age	53.8	53.2
Average expected future time until legally retirement	4.2	5.6
Supplemental retirement benefits -		
Average age	52.4	64.0
Average expected future lifetime	30.6	20.7

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Long-term employee benefits payable (Continued)

- (e) The sensitivity of the overall defined benefit liability to changes in the principal assumption is:

	Change in assumption	Impact on present value of defined benefit liability	
		Increase in assumption	Decrease in assumption
Discount rate – early retirement benefits	0.25%	1.58% down	1.63% up
Discount rate – supplemental retirement benefits	0.25%	3.51% down	3.70% up
Salary and welfare growth rate – early retirement benefits	1%	5.57% up	5.09% down
Jinglao allowance growth rate – supplemental retirement benefits	1%	6.16% up	5.18% down
Fushou allowance growth rate – supplemental retirement benefits	1%	4.78% up	3.86% down

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the projected unit credit method has been applied.

- (f) As at 31 December 2016, expected maturity analysis of undiscounted defined benefit liability is as follows:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Early retirement benefits	26,210,000	21,440,000	42,150,000	69,420,000	159,220,000
Supplemental retirement benefits	<u>111,090,000</u>	<u>114,320,000</u>	<u>365,710,000</u>	<u>4,396,010,000</u>	<u>4,987,130,000</u>
	<u>137,300,000</u>	<u>135,760,000</u>	<u>407,860,000</u>	<u>4,465,430,000</u>	<u>5,146,350,000</u>

- (g) Early retirement benefits and supplemental retirement benefits expose the Group to a variety of risks, mainly, the risk of change in interest rate of government bonds. Decline in interest rate of government bonds will lead to increase in liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Long-term employee benefits payable (Continued)

- (h) Early retirement benefits and supplemental retirement benefits recognised in profit or loss for the current year are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
General and administrative expenses	175,340,000	(26,880,000)
Finance expenses	94,260,000	112,490,000

(28) Long-term payables

	31 December 2016	31 December 2015
Employee benefits to be paid on behalf of Qingdao Port Group	54,616,078	59,008,938
Less: Employee benefits due within one year (Note 6(24))	(2,600,000)	(3,080,000)
Payables to Qingdao Port Group	—	489,154,297
Others	6,085,831	—
	<u>58,101,909</u>	<u>545,083,235</u>

(29) Deferred income

	31 December 2016	31 December 2015
Government grants		
– Special funds for outer channel (i)	139,190,364	143,104,808
– Special funds for science and technology	4,330,861	6,157,990
– Others	1,738,696	2,278,698
	<u>145,259,921</u>	<u>151,541,496</u>

- (i) Special funds for outer channel are granted by the Ministry of Transport and the Ministry of Finance to the Group to be used for outer channel expansion project, and are recognised into profit or loss on a straight-line basis over the useful lives of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Other non-current liabilities

	31 December 2016	31 December 2015
Lease payments collected in advance	3,491,821,128	3,698,992,263
Less: Current portion of lease payments	(206,221,020)	(207,171,135)
	<u>3,285,600,108</u>	<u>3,491,821,128</u>

Lease payments collected in advance mainly comprise Port Facilities lease payments collected in advance from related party QQCT, and dock basin lease payments collected in advance from QQCTN and QQCTU with a period of 30 years. The current portion is presented as advances from customers.

(31) Capital surplus

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium -				
Capital premium contributed				
by Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by				
Other Promoters (a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	1,547,306,924	—	—	1,547,306,924
Shares issue expenses (b)	(113,422,026)	—	—	(113,422,026)
Reversal of revaluation surplus	(4,830,045,213)	—	—	(4,830,045,213)
Deferred income tax arising from the				
assets revaluation surplus	887,819,497	—	—	887,819,497
Business combination involving				
enterprises under common control	179,912,210	—	(198,015,888)	(18,103,678)
- Tugboat Business (c)	206,163,872	—	(198,015,888)	8,147,984
- Others	(26,251,662)	—	—	(26,251,662)
Other capital surplus -				
Share of changes in equity other				
than comprehensive income and				
profit distribution of investees				
accounted for using the equity method	2,744,874	9,468,906	—	12,213,780
	<u>5,510,182,348</u>	<u>9,468,906</u>	<u>(198,015,888)</u>	<u>5,321,635,366</u>

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Capital surplus (Continued)

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015
Share premium -				
Capital premium contributed by				
Qingdao Port Group (a)	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by Other				
Promoters (a)	783,586,608	—	—	783,586,608
Issue of new shares (b)	1,547,306,924	—	—	1,547,306,924
Shares issue expenses (b)	(113,422,026)	—	—	(113,422,026)
Reversal of revaluation surplus	(4,830,045,213)	—	—	(4,830,045,213)
Deferred income tax arising from the				
assets revaluation surplus	887,819,497	—	—	887,819,497
Business combination involving				
enterprises under common control	215,949,124	—	(36,036,914)	179,912,210
- Tugboat Business (c)	226,888,786	—	(20,724,914)	206,163,872
- Others	(10,939,662)	—	(15,312,000)	(26,251,662)
Other capital surplus -				
Share of changes in equity other				
than comprehensive income and				
profit distribution of investees				
accounted for using the equity method	427,863	2,317,011	—	2,744,874
	<u>5,543,902,251</u>	<u>2,317,011</u>	<u>(36,036,914)</u>	<u>5,510,182,348</u>

- (a) As stated in Note 1, the Company is a stock limited company jointly established by Qingdao Port Group and Other Promoters. The assets and liabilities as well as cash at bank and on hand contributed by Qingdao Port Group amounted to RMB10,252,279,474 and RMB400,000,000, respectively, which were approved by Qingdao State-owned Assets Supervision & Administration Commission. Cash at bank and on hand contributed by Other Promoters amounted to RMB1,183,586,608. The contribution amounted to RMB11,835,866,082 in total, including share capital of RMB4,000,000,000 (4,000,000,000 shares, par value at RMB1) and capital surplus of RMB7,835,866,082.
- (b) As stated in Note 1, the Company issued 705,800,000 foreign-listed H-shares overseas at its initial public offering at 6 June 2014. The amount of raised capital less capitalised listing expenses is RMB1,995,921,171, including share capital of RMB705,800,000 (705,800,000 shares, par value at RMB1) and capital surplus of RMB1,290,121,171. The Company exercised over-allotment option on 2 July 2014 and increased issuance of 72,404,000 foreign-listed H shares overseas. The amount raised in over-allotment is RMB216,167,727, including share capital of RMB72,404,000 (72,404,000 shares, par value at RMB1) and capital surplus of RMB143,763,727.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Capital surplus (Continued)

- (c) As stated in Note 7(1), the Group acquired the Tugboat Business from QPIS on March 2016, which is regards as business combination under common control, thus the Tugboat Business are recorded at their predecessor cost in the consolidated financial statements, and the difference with combination consideration paid adjusted capital surplus. As it is deemed as a consolidating component of the group in prior years, the comparable figures as at 31 December 2015 has been restated accordingly. As at 16 March 2016 (the combination date), the net assets of this business over the cost of Tugboat Business the Group actually obtained is treated as deemed distribution and was reflected in capital surplus.

(32) Other comprehensive income

(a) Reconciliation of other comprehensive income

	Attributable to shareholders of the Company	Attributable to non-controlling interest	Total
	Changes in the remeasurement of defined benefit liabilities		
As at 1 January 2015	(171,385,200)	214,400	(171,170,800)
Changes in the current year	(129,774,400)	414,400	(129,360,000)
As at 31 December 2015	<u>(301,159,600)</u>	<u>628,800</u>	<u>(300,530,800)</u>
As at 1 January 2016	(301,159,600)	628,800	(300,530,800)
Changes in the current year	238,134,800	435,200	238,570,000
As at 31 December 2016	<u>(63,024,800)</u>	<u>1,064,000</u>	<u>(61,960,800)</u>

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32) Other comprehensive income (Continued)

(b) Other comprehensive income, the related income tax effect and the reclassifications to profit or loss

	Year ended 31 December 2016		
	Pre-tax amount	Income taxes	Amount, net of tax
Items which will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations	<u>238,570,000</u>	<u>—</u>	<u>238,570,000</u>
	Year ended 31 December 2015		
	Pre-tax amount	Income taxes	Amount, net of tax
Items which will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations	<u>(129,360,000)</u>	<u>—</u>	<u>(129,360,000)</u>

(33) Surplus reserve

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Statutory surplus reserve	<u>287,004,088</u>	<u>142,855,369</u>	<u>—</u>	<u>429,859,457</u>
	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015
Statutory surplus reserve	<u>138,926,628</u>	<u>148,077,460</u>	<u>—</u>	<u>287,004,088</u>

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

NOTES TO THE FINANCIAL STATEMENTS

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) General reserve

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
General reserve	<u>77,670,166</u>	<u>56,451,744</u>	<u>—</u>	<u>134,121,910</u>
	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015
General reserve	<u>33,107,152</u>	<u>44,563,014</u>	<u>—</u>	<u>77,670,166</u>

Pursuant to Caijin [2012] No.20 *Requirements on Impairment Allowance for Financial Institutions* (“Requirements”) issued by the Ministry of Finance, financial institutions shall make appropriation to general reserve for risk assets. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the requirement, and the minimum threshold can be accumulated over a period of no more than five years. Based on the risks assets condition, the Company’s subsidiary Qingdao Finance made appropriation to the general reserves of RMB 56,451,744 at 0.5% of the balances of risk assets as at 31 December 2016 (31 December 2015: RMB 44,563,014 at 0.5% of the balances of risk assets) (including deposits with banks, loans and advances, interest receivable and other receivables), and planned to continue to make appropriation to the general reserve in subsequent years.

(35) Undistributed profits

	Year ended 31 December 2016	Year ended 31 December 2015
Undistributed profits at beginning of the year	2,309,642,411	1,536,569,552
Add: Net profit attributable to the Company for the current year	2,186,153,537	1,911,916,281
Less: Appropriation to surplus reserves	(142,855,369)	(148,077,460)
Appropriation to general reserves	(56,451,744)	(44,563,014)
Profit distribution to the shareholders	(664,552,612)	(946,202,948)
Undistributed profits at end of the year	<u>3,631,936,223</u>	<u>2,309,642,411</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(35) Undistributed profits (Continued)

Pursuant to the resolution at the board meeting dated on 18 March 2016 and the annual general meeting dated on 6 June 2016, the Board proposed a dividend of RMB664,552,612 to the shareholders of the Company for 2015, RMB139.08 per thousand shares (tax inclusive), based on the current total issued share capital of 4,778,204,000 shares of the Company. This aforesaid approved dividends has been paid to the shareholders in July 2016.

Pursuant to the resolution at the board meeting dated on 17 March 2017, the Board proposed a dividend of RMB787,543,583 to the shareholders of the Company for 2016, RMB164.82 per thousand share (tax inclusive), based on the current total issued share capital of 4,778,204,000 shares of the Company. The above proposition is to be approved by the shareholders at the Company's annual general meeting. The financial statements do not reflect this dividends payable (Note 12).

(36) Revenue and cost of sales

	Year ended 31 December 2016	Year ended 31 December 2015
Revenues from main operations	7,753,246,540	6,463,052,927
Revenues from other operations	<u>930,943,126</u>	<u>906,184,477</u>
	<u>8,684,189,666</u>	<u>7,369,237,404</u>
	Year ended 31 December 2016	Year ended 31 December 2015
Cost of main operations	(5,513,491,350)	(4,731,764,592)
Cost of other operations	<u>(539,272,805)</u>	<u>(562,525,709)</u>
	<u>(6,052,764,155)</u>	<u>(5,294,290,301)</u>

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Revenue and cost of sales (Continued)

(a) Revenue and cost of main operations

	Year ended 31 December 2016		Year ended 31 December 2015	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
Loading and relevant business	3,158,955,535	(2,253,603,011)	3,231,965,297	(2,351,901,494)
Integrated logistics business	3,385,348,533	(2,183,585,271)	2,417,114,056	(1,597,700,864)
Construction, labour and sales of port machinery	1,208,942,472	(1,076,303,068)	813,973,574	(782,162,234)
	<u>7,753,246,540</u>	<u>(5,513,491,350)</u>	<u>6,463,052,927</u>	<u>(4,731,764,592)</u>

(b) Revenue and cost of other operations

	Year ended 31 December 2016		Year ended 31 December 2015	
	Revenues from other operations	Cost of other operations	Revenues from other operations	Cost of other operations
Rental income	260,386,892	(122,803,013)	262,519,583	(122,053,347)
Sales of fuel, electricity and others	670,556,234	(416,469,792)	643,664,894	(440,472,362)
	<u>930,943,126</u>	<u>(539,272,805)</u>	<u>906,184,477</u>	<u>(562,525,709)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Taxes and surcharges

	Year ended 31 December 2016	Year ended 31 December 2015
Land use tax	34,819,063	—
Business tax	27,943,788	39,857,482
City maintenance and construction tax	18,755,598	18,252,544
Educational surcharges	13,422,180	12,655,487
Real estate tax	4,591,137	—
Stamp duty	4,137,161	—
Others	6,753,268	4,647,155
	<u>110,422,195</u>	<u>75,412,668</u>

(38) Financial expenses - net

	Year ended 31 December 2016	Year ended 31 December 2015
Interest costs	164,705,381	54,996,315
Less: Amounts capitalised on qualifying assets	<u>(6,535,934)</u>	<u>(12,335,957)</u>
Interest expenses	158,169,447	42,660,358
Less: Interest income	<u>(369,008,145)</u>	<u>(250,428,757)</u>
Effect of actuarial calculation of employee benefits	94,260,000	112,490,000
Exchange gains	<u>(9,281,778)</u>	<u>(7,275,354)</u>
Others	865,885	513,080
	<u>(124,994,591)</u>	<u>(102,040,673)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Expenses by nature

The cost of sales, selling and distribution expenses and general and administrative expenses in the income statement are listed by nature as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Employee benefits	1,828,681,442	1,594,885,203
Subcontract cost	1,512,518,033	1,267,323,297
Transportation cost	1,154,910,930	788,074,673
Consumption of raw materials in construction contract	508,237,507	401,434,664
Depreciation of fixed assets	484,219,229	457,775,141
Cost of sales for fuel and electricity	267,451,161	302,505,037
Consumption of other raw materials	219,546,950	207,427,679
Fuel and heating expenses	219,442,158	227,879,319
Operating lease rental	186,875,186	105,901,398
Repair and maintenance expense	105,650,956	123,167,535
Amortisation of long-term prepaid expenses	26,627,191	17,122,833
Taxes	20,635,471	59,320,014
Amortisation of intangible assets	19,464,427	18,784,271
Depreciation of investment properties	8,162,646	9,263,057
Auditor's remuneration -	5,819,837	6,949,739
- Audit services	5,735,591	6,940,379
- Non-audit services	84,246	9,360
Others	135,635,457	153,096,902
	6,703,878,581	5,740,910,762

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(40) Asset impairment losses

	Year ended 31 December 2016	Year ended 31 December 2015
Provision for bad debts	44,230,685	87,277,790
Provision for impairment of intangible assets	929,277	—
	<u>45,159,962</u>	<u>87,277,790</u>

(41) Investment income

	Year ended 31 December 2016	Year ended 31 December 2015
Share of net profit of investees accounted for using the equity method	793,115,582	674,589,027
Income from disposal of financial assets at fair value through profit or loss	146,731	3,352,523
Income from disposal of available-for-sale financial assets	10,623,633	11,970,621
Income from available-for-sale financial assets during holding period	58,500	58,500
Income from disposal of long-term equity investments	—	153,158,107
	<u>803,944,446</u>	<u>843,128,778</u>

There is no significant restriction on transferring funds in the form of investment income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Non-operating income and expenses

(a) Non-operating income

	Year ended 31 December 2016	Year ended 31 December 2015
Gains on disposal of non-current assets	47,853,808	15,923,537
Including: Gains on disposal of fixed assets	14,887,850	15,923,537
Gains on disposal of investment properties	32,965,958	—
Government grants (i)	42,282,747	11,525,424
Commission from port construction fees	13,855,421	14,171,747
Unpayable dues	217,894	6,723,675
Others (ii)	13,775,147	851,663
	<u>117,985,017</u>	<u>49,196,046</u>

(i) Details of government grants are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Development support funds	23,182,100	1,540,000
Science and technological awards	6,732,759	2,455,980
Special funds for outer channel	3,914,444	3,914,444
Awards for investments attraction	3,200,000	2,400,000
Wengang allowance	2,779,283	—
Others	2,474,161	1,215,000
	<u>42,282,747</u>	<u>11,525,424</u>

- (ii) As stated in Note 6(10) (a), the Group acquired 77% equity of Bonded Logistics Centre via a business combination involving enterprises under non-common control. The combination cost was lower than the Group's share in the fair value of the acquiree's identifiable net assets as at the acquisition date and the difference of RMB10,028,698 was recognised as non-operating income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Non-operating income and expenses (Continued)

(b) Non-operating expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Losses on disposal of non-current assets	5,712,731	9,484,402
Including: Losses on disposal of fixed assets	5,712,731	9,484,402
Expenditures for donations	—	10,000
Others	1,325,988	311,818
	<u>7,038,719</u>	<u>9,806,220</u>

(43) Income tax expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax calculated based on tax law and related regulations	580,328,550	440,081,555
Deferred income tax	(14,806,483)	30,977,202
	<u>565,522,067</u>	<u>471,058,757</u>

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

	Year ended 31 December 2016	Year ended 31 December 2015
Total profit	2,864,614,263	2,450,195,461
Income tax expenses calculated at applicable tax rates	716,153,566	612,548,866
Investment income not subject to tax	(198,278,896)	(168,647,257)
Extra-deducted salary for disabled employees	(2,140,332)	(2,295,489)
Costs, expenses and losses not deductible for tax purposes	49,787,729	29,452,637
Income tax expenses	<u>565,522,067</u>	<u>471,058,757</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Earnings per share

(a) Basic earnings per share

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

	Year ended 31 December 2016	Year ended 31 December 2015
Consolidated net profit attributable to ordinary shareholders of the Company	2,186,153,537	1,911,916,281
Weighted average number of ordinary shares outstanding	<u>4,778,204,000</u>	<u>4,778,204,000</u>
Basic earnings per share	<u>0.46</u>	<u>0.40</u>
Including:		
– Basic earnings per share from continuing operations	0.46	0.40
– Basic earnings per share from discontinued operations	N/A	N/A

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for year ended 31 December 2016 (For year ended 31 December 2015: Nil), diluted earnings per share equal to basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Notes to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	Year ended 31 December 2016	Year ended 31 December 2015
Net profit	2,299,092,196	1,979,136,704
Add: Provision for asset impairment loss	45,159,962	87,277,790
Depreciation of fixed assets and investment properties	492,381,875	467,038,198
Amortisation of intangible assets	19,464,427	18,784,271
Amortisation of long-term prepaid expenses	26,627,191	17,122,833
Amortisation of deferred income	(6,281,575)	(5,086,524)
Gains on disposal of non-current assets	(42,141,077)	(6,439,135)
Gains on business combination involving enterprises under non-common control	(10,028,698)	—
Investment income	(803,944,446)	(843,128,778)
(Increase)/decrease in deferred tax assets	(14,806,483)	30,977,202
Finance expenses	(119,416,374)	(87,585,665)
Increase in inventories	(134,076,442)	(147,874,130)
Increase in operating receivables	(560,758,993)	(259,715,446)
(Decrease)/increase in operating payables	(232,470,522)	200,638,196
Net cash flows from operating activities	<u>958,801,041</u>	<u>1,451,145,516</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Notes to the cash flow statement (Continued)

(b) Significant investing activities that do not involve cash receipts and payments

(i) Endorsement of notes receivable

	Year ended 31 December 2016	Year ended 31 December 2015
Construction expenditures paid on behalf by endorsement of notes receivable	154,440,601	485,678,486
Long-term assets acquired by endorsement of notes receivable	146,754,219	504,329,517
	<u>301,194,820</u>	<u>990,008,003</u>

(ii) Notes receivable received

	Year ended 31 December 2016	Year ended 31 December 2015
Notes receivable received for construction expenditures paid on behalf	102,212,535	410,466,994
Notes receivable received from disposal of Rizhao Riqing Container Terminal Co., Ltd, ("Riqing Container")	—	319,000,000
Asset transfer amount received	—	32,531,313
	<u>102,212,535</u>	<u>761,998,307</u>

(iii) Notes payable issued

	Year ended 31 December 2016	Year ended 31 December 2015
Long-term assets acquired by issuing notes payable	244,581,571	104,547,960

(c) Significant financing activities that do not involve cash receipts and payments

	Year ended 31 December 2016	Year ended 31 December 2015
Short-term borrowings payment deducted by previously discounted notes receivable fall due	<u>559,750,728</u>	<u>76,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Notes to the cash flow statement (Continued)

(d) Net (decrease)/increase in cash

	Year ended 31 December 2016	Year ended 31 December 2015
Cash at end of the year	2,747,487,988	4,762,467,699
Less: Cash at beginning of the year	<u>(4,762,467,699)</u>	<u>(4,534,821,831)</u>
Net (decrease)/increase in cash	<u><u>(2,014,979,711)</u></u>	<u><u>227,645,868</u></u>

(e) Cash

	31 December 2016	31 December 2015
Cash at bank and on hand (Note 6(1))	8,100,294,431	7,558,190,196
Less: Term deposits with initial term of over 3 months	<u>(4,601,482,254)</u>	<u>(2,361,578,406)</u>
Other restricted cash balances	<u>(751,324,189)</u>	<u>(434,144,091)</u>
Cash at end of the year	<u><u>2,747,487,988</u></u>	<u><u>4,762,467,699</u></u>

(f) Cash received relating to other operating activities

	Year ended 31 December 2016	Year ended 31 December 2015
Operating lease rental of port facilities	130,164,433	82,998,784
Port construction fees collected on behalf	50,200,656	—
Port miscellaneous expenses collected on behalf	47,189,296	—
Government grants received	36,001,172	6,438,900
Commission from port construction fees	13,855,421	14,171,747
Land use tax refund	11,863,811	—
Deposit and security deposit	7,384,804	10,476,258
Interest income	7,086,482	3,599,653
Maturity of bills received on behalf of Qingdao Port Group	—	67,988,440
Customs clearing fees collected on behalf	—	61,775,988
Others	<u>13,077,646</u>	<u>1,049,985</u>
	<u><u>316,823,721</u></u>	<u><u>248,499,755</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Notes to the cash flow statement (Continued)

(g) Cash paid relating to other operating activities

	Year ended 31 December 2016	Year ended 31 December 2015
Repayment to Qingdao Port Group for previously received maturity of bills on behalf	67,988,440	—
Repayment on customers clearance fees collected on behalf	61,775,988	—
General office expenses and entertainment expenses	26,541,481	18,778,495
Intermediary service fee	17,033,834	14,257,935
Purchases of goods paid on behalf	6,993,312	19,039,488
Payment on pension obligations paid on behalf	4,290,919	—
Port construction fees paid on behalf	—	38,709,294
Others	23,243,814	16,638,328
	<u>207,867,788</u>	<u>107,423,540</u>

(h) Cash received relating to other investing activities

	Year ended 31 December 2016	Year ended 31 December 2015
Loans repayment received from related parties and third parties	850,020,142	199,120,000
Construction expenditures paid on behalf received	384,277,737	190,433,940
Net cash received from acquisition of a subsidiary (Note)	24,609,267	—
Decrease in statutory deposit reserve of Qingdao Finance	—	486,380,105
Government grants received by Qingdao Finance	—	7,330,070
	<u>1,258,907,146</u>	<u>883,264,115</u>

Note Net cash received from acquisition of a subsidiary

	Year ended 31 December 2016
Consideration of acquisition (Note 6(10) (a))	(25,251,996)
Less: Unpaid amount (Note 6(24))	<u>12,134,086</u>
Cash paid in current year	<u>(13,117,910)</u>
Cash held by the subsidiary	<u>37,727,177</u>
Net cash received from acquisition of a subsidiary	<u>24,609,267</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Notes to the cash flow statement (Continued)

(i) Cash paid relating to other investing activities

	Year ended 31 December 2016	Year ended 31 December 2015
Loans provided to related parties and third parties	2,716,894,620	2,261,427,934
Term deposits with initial term of over 3 months	2,239,903,848	348,330,820
Statutory deposit reserves by Qingdao Finance	351,486,082	—
Construction expenditures paid on behalf	374,545,329	223,611,168
Payment for assets purchased for finance lease	39,206,561	—
	<u>5,722,036,440</u>	<u>2,833,369,922</u>

(j) Cash received relating to other financing activities

	Year ended 31 December 2016	Year ended 31 December 2015
Customer deposits at Qingdao Finance	<u>691,018,370</u>	<u>2,397,358,622</u>

(k) Cash payments relating to other financing activities

	Year ended 31 December 2016	Year ended 31 December 2015
Payment to Qingdao Port Group	104,719,124	345,891,943
Bonds issuing costs	18,424,528	—
Capital reduction by original owner of Tugboat Business	—	20,539,439
	<u>123,143,652</u>	<u>366,431,382</u>

NOTES TO THE FINANCIAL STATEMENTS

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7 CHANGES OF THE SCOPE OF CONSOLIDATION

(1) Business combinations involving enterprises under common control

In March 2016, The Group acquired the Tugboat Business from QPIS, a wholly-owned subsidiary of QDP Investment. The acquisition date of this transaction is 16 March 2016, on which the Group effectively obtains the power to control tugboat business. As this business and the group are both controlled by Qingdao Port Group before and after this acquisition, and the control is not temporary, thus this transaction is regarded as business combination involving enterprises under common control. The Tugboat Business is recorded at their predecessor cost in the consolidated financial statements, and is deemed as a consolidating component of the group in prior years.

(a) The combination cost is as follows:

	Tugboat Business
Cash paid	<u>180,222,071</u>

(b) The book value of assets and liabilities of the Tugboat Business as at combination date are as follows:

	Combination date Book value	31 December 2015 Book value
Cash at bank and on hand	10,220,601	8,126,313
Accounts receivable	3,182,234	—
Other current assets	6,238,105	6,859,830
Fixed assets	198,581,061	201,642,511
Less: Accounts payable	(916,667)	—
Other payables	(68,302)	(253,776)
	<u>217,237,032</u>	<u>216,374,878</u>
Less: Deemed distribution for assets not intended to obtain	(18,655,971)	—
Net assets obtained	<u>198,581,061</u>	<u>216,374,878</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

7 CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

(1) Business combinations involving enterprises under common control (Continued)

- (c) For the year ended 31 December 2015 and the period from 1 January 2016 to the combination date, revenue, net profit and cash flow of the Tugboat Business are as follows:

	From 1 January 2016 to the combination date	Year ended 31 December 2015
Revenue	3,917,379	18,803,419
Net Profit	862,154	7,127,691
Cash flows from operating activities	3,105,993	49,592,441
Net cash flows	2,094,288	1,453,002

(2) Other reasons for changes of the scope of consolidation

For the year ended 31 December 2016, the Group established Weifang Port Lianhua Storage Co., Ltd. (“Weifang Port Lianhua”), Assets Management Company, Qingdao Port Lianxin International Logistics Co., Ltd. (“Lianxin Logistics”), and Qingdao Port Fund Management Co., Ltd. (“Fund Management”). Detailed information about the above-mentioned subsidiaries is set out in Note 8(1) (a).

As stated in 6(10) (a) (i), as at 19 November 2016, the Group acquired remaining 77% equity of Bonded Logistics Centre via a business combination involving enterprises under non-common control. After the combination, Bonded Logistics Centre was treated as a wholly-owned subsidiary of the Company and included in the consolidated financial statements.

The above-mentioned company has been included in the consolidation.

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8 INTERESTS IN OTHER ENTITIES

(1) Interests in subsidiaries

(a) Constitution of the Group

Subsidiaries	Category of legal person	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Qingdao Yongli Insurance Agency Co., Ltd. ("Yongli Insurance")	Limited Liability Company	Qingdao, China	Qingdao, China	Insurance agency services	100%	—	100%	Set-up or investment
QDP Cargo	Limited Liability Company	Qingdao, China	Qingdao, China	Integrated logistics	100%	—	100%	Set-up or investment
Qingdao Hongyu Cargo Agency Co., Ltd. ("Hongyu Cargo Agency")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency services	100%	—	100%	Set-up or investment
GLS Shipping	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping agency	100%	—	100%	Set-up or investment
Qingdao Ocean Shipping Repair Co., Ltd. ("Ocean Shipping Repair")	Limited Liability Company	Qingdao, China	Qingdao, China	Shipping repair services	100%	—	100%	Set-up or investment
Qingdao Port (Group) Engineering Co., Ltd. ("Qingdao Port Engineering")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering & construction	100%	—	100%	Set-up or investment
Qingdao Port Engineering Design Institute Co., Ltd. ("Port Engineering Design Institute")	Limited Liability Company	Qingdao, China	Qingdao, China	Engineering Design services	—	100%	100%	Set-up or investment
Qingdao Ocean Shipping Tally Co., Ltd. ("Ocean Shipping Tally")	Limited Liability Company	Qingdao, China	Qingdao, China	Ocean shipping tally services	84%	—	84%	Set-up or investment
Qingdao Gangjia Logistics Co., Ltd. ("Gangjia Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	51%	—	51%	Set-up or investment
Qingdao Bonded Port Area Gangrong Storage Center Co., Ltd. ("Gangrong Storage")	Limited Liability Company	Qingdao, China	Qingdao, China	Storage services	100%	—	100%	Set-up or investment
Qingdao Port International Travel Agency Co., Ltd. ("Qingdao Port Travel Agency")	Limited Liability Company	Qingdao, China	Qingdao, China	Travel agency	94.29%	—	94.29%	Set-up or investment
Duty-free Merchandise	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of duty free merchandise	100%	—	100%	Set-up or investment

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(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

(1) Interests in subsidiaries (Continued)

(a) Constitution of the Group (Continued)

Subsidiaries	Category of legal person	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Datang Qingdao Port Co., Ltd. ("Datang Port")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	51%	—	51%	Business combination involving enterprises under non-common control
Qingdao Haiye Mercuria Logistics Co., Ltd. ("Mercuria Logistics") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	58%	—	60%	Business combination involving enterprises under non-common control
Mercuria Oil Terminal (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Storage services	71%	—	60%	Business combination involving enterprises under non-common control
Qingdao Port E-Link Logistics Co., Ltd. ("E-Link Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency services	—	65%	65%	Set-up or investment
Qingdao Port International Trade Logistics Co., Ltd. ("International Trade Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	—	60%	60%	Set-up or investment
Qingdao Port Eimskip Coldchain Logistics Co., Ltd. ("Eimskip Coldchain") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	70%	—	60%	Set-up or investment
Qingdao Finance	Limited Liability Company	Qingdao, China	Qingdao, China	Financial services	70%	—	70%	Set-up or investment
Qingdao Port Dongjiakou Bulk Cargo Logistics Co., Ltd. ("Bulk Cargo Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency services	—	51%	51%	Set-up or investment
Technology Company	Limited Liability Company	Qingdao, China	Qingdao, China	Technology services	100%	—	100%	Set-up or investment
Qingdao Port Properties Co., Ltd. ("Qingdao Port Properties")	Limited Liability Company	Qingdao, China	Qingdao, China	Property services	100%	—	100%	Set-up or investment
Qingdao Port Culture Media Co., Ltd. ("Culture Media")	Limited Liability Company	Qingdao, China	Qingdao, China	Media services	100%	—	100%	Set-up or investment
Qingdao Port Jieyuntong Logistics Co., Ltd. ("Jieyuntong Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency services	—	51%	51%	Set-up or investment

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8 INTERESTS IN OTHER ENTITIES (Continued)

(1) Interests in subsidiaries (Continued)

(a) Constitution of the Group (Continued)

Subsidiaries	Category of legal person	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Qingdao Port Jiefeng International Logistics Co., Ltd. ("Jiefeng Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency services	—	51%	51%	Set-up or investment
Qingdao Port Lianjie International Logistics Co., Ltd. ("Lianjie Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Container Freight Station ("CFS")	—	58%	58%	Set-up or investment
Qingdao Port Lianyu International Logistics Co., Ltd. ("Lianyu Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency services	—	60%	60%	Set-up or investment
Qingdao Port Pulp Logistics Co., Ltd. ("Pulp Logistics")	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo agency services	—	55%	55%	Set-up or investment
Qingdao City Qingdao Port Commodity Trading Center Co., Ltd. ("QDP CTC")	Limited Liability Company	Qingdao, China	Qingdao, China	Trade agency	—	100%	100%	Business combination involving enterprises under common control
International Development	Limited Liability Company	Hong Kong, China	Hong Kong, China	Investment services	100%	—	100%	Business combination involving enterprises under common control
Qingdao Leasing	Limited Liability Company	Qingdao, China	Qingdao, China	Financial Leasing	75%	25%	100%	Set-up or investment
Qingdao Port Tongbao Shipping Co., Ltd. ("Tongbao Shipping")	Limited Liability Company	Qingdao, China	Qingdao, China	Logistics services	100%	—	100%	Set-up or investment
Qingdao Port Tongan Security Co., Ltd. ("Tongan Security")	Limited Liability Company	Qingdao, China	Qingdao, China	Security Services	100%	—	100%	Set-up or investment
Qingdao Port Tongze Trading Co., Ltd. ("Tongze Trading")	Limited Liability Company	Qingdao, China	Qingdao, China	Sales of goods	100%	—	100%	Set-up or investment
Qingdao Port Dongjiakou Multi-purpose Terminal Co., Ltd. ("DMT") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Cargo handling services	80%	—	67%	Set-up or investment
Qingdao Port Svitzer Towage Co., Ltd. ("Svitzer Towage") (i)	Limited Liability Company	Qingdao, China	Qingdao, China	Lightering services	55%	—	60%	Set-up or investment
Shandong Port Lianhua Pipeline Oil Transport Co., Ltd. ("Lianhua Pipeline")	Limited Liability Company	Qingdao, China	Qingdao, China	Fuel storage	51%	—	51%	Set-up or investment

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

(1) Interests in subsidiaries (Continued)

(a) Constitution of the Group (Continued)

Subsidiaries	Category of legal person	Major business location	Place of registration	Principal activities	Shareholding (%)		Voting rights (%)	Acquisition method
					Direct	Indirect		
Assets Management Company	Limited Liability Company	Qingdao, China	Qingdao, China	Assets management	100%	—	100%	Set-up or investment
Lianxin Logistics	Limited Liability Company	Qingdao, China	Qingdao, China	CFS	—	58%	58%	Set-up or investment
Weifang Port Lianhua	Limited Liability Company	Weifang, China	Weifang, China	Fuel storage	—	100%	100%	Set-up or investment
Funds Management	Limited Liability Company	Qingdao, China	Qingdao, China	Funds management	—	100%	100%	Set-up or investment
Bonded Logistics Centre	Limited Liability Company	Qingdao, China	Qingdao, China	Storage services	63%	37%	100%	Business combination involving enterprises under non-common control

- (i) As at 23 May 2014, The Company acquired 51% equity of Mercuria Logistics through increase in capital and shares, and Mercuria Logistics was treated as a subsidiary and included in the consolidation scope. As at 31 December 2016, the Company and minority shareholders has not completed capital contributions to Mercuria Logistics and the actual percentage of shareholding of the Company is 58%. The decisions on Mercuria Logistics's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Logistics, so the voting rights held by the Company is 60%.

As at 30 October 2014, The Company acquired 65% equity of Mercuria Oil Terminal through increase in capital and shares, and Mercuria Oil Terminal was treated as a subsidiary and included in the consolidation scope. As at 31 December 2016, the Company and minority shareholders has not completed capital contributions to Mercuria Oil Terminal and the actual percentage of shareholding of the Company is 71%. The decisions on Mercuria Oil Terminal's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Mercuria Oil Terminal, so the voting rights held by the Company is 60%.

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

(1) Interests in subsidiaries (Continued)

(a) Constitution of the Group (Continued)

(i) (Continued)

The percentage of shareholding in Eimskip Coldchain held by the Company is 70%. The decisions on Eimskip Coldchain's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Eimskip Coldchain, so the voting rights held by the Company is 60%.

The percentage of shareholding in DMT held by the Company is 80%. The decisions on DMT's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 4 out of 6 board members in DMT, so the voting rights held by the Company is 67%.

The percentage of shareholding in Svitzer Towage held by the Company is 55%. The decisions on Svitzer Towage's relevant operating activities are made by the resolution of the Board which subject to the approval of more than half of the directors who attend the Board's meeting. The Company can designate 3 out of 5 board members in Svitzer Towage, so the voting rights held by the Company is 60%.

As at 31 December 2016, no share capital or debt securities are issued by the subsidiaries of the Company.

(b) Subsidiaries with significant minority interests

Subsidiaries	Shareholding of minority shareholders	Gains and losses attributable to minority interests for the year ended 31 December 2016	Dividends declared to minority interests for the year ended 31 December 2016	31 December 2016 Minority interests
Qingdao Finance	30%	54,161,903	—	399,547,700
Mercuria Logistics (i)	42%	4,421,616	—	194,033,078
Datang Port	49%	(4,940,770)	—	158,779,354
DMT	20%	—	—	120,001,304

- (i) In accordance with the joint investment agreement, the percentage of shareholding in Mercuria Logistics held by minority shareholders is 49%. As at 31 December 2016, minority shareholders has not completed capital contributions and the actual percentage of shareholding is 42%.

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

(1) Interests in subsidiaries (Continued)

(b) Subsidiaries with significant minority interests (Continued)

The major financial information of the material non-fully-owned subsidiaries of the Group is listed as below:

	31 December 2016				31 December 2015		
	Qingdao Finance	Mercuria Logistics	Datang Port	DMT	Qingdao Finance	Mercuria Logistics	Datang Port
Current assets	9,510,123,697	28,734,055	16,409,468	47,736,397	7,389,088,250	62,603,174	75,454,026
Non-current assets	2,533,857,811	1,021,934,734	784,317,312	1,016,619,759	1,923,464,698	933,782,185	639,106,488
Total assets	<u>12,043,981,508</u>	<u>1,050,668,789</u>	<u>800,726,780</u>	<u>1,064,356,156</u>	<u>9,312,552,948</u>	<u>996,385,359</u>	<u>714,560,514</u>
Current liabilities	(10,707,824,980)	(264,139,471)	(232,596,595)	(326,854,852)	(8,155,479,338)	(347,931,565)	(111,817,125)
Non-current liabilities	(4,330,861)	(320,604,792)	(244,090,687)	(137,500,000)	(5,787,620)	(192,647,240)	(268,620,687)
Total liabilities	<u>(10,712,155,841)</u>	<u>(584,744,263)</u>	<u>(476,687,282)</u>	<u>(464,354,852)</u>	<u>(8,161,266,958)</u>	<u>(540,578,805)</u>	<u>(380,437,812)</u>
	Year ended 31 December 2016				Year ended 31 December 2015		
	Qingdao Finance	Mercuria Logistics	Datang Port	DMT	Qingdao Finance	Mercuria Logistics	Datang Port
Revenue	339,903,040	75,739,918	9,416,219	—	253,420,453	53,902,730	—
Net profit	180,539,677	10,527,657	(10,083,204)	—	107,549,988	5,497,588	(741,310)
Total comprehensive income	180,539,677	10,527,657	(10,083,204)	—	107,549,988	5,497,588	(741,310)
Cash flows from operating activities	(1,846,496,798)	10,673,118	(1,003,676)	—	(40,173,416)	9,477,164	(741,310)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

(2) Interests in joint ventures and associates

(a) General information of material joint ventures

	Major business location	Place of registration	Principal activities	Whether strategic to the Group's activities	Shareholding (%)	
					Direct	Indirect
QQCT (i)	Qingdao, China	Qingdao, China	Container stevedoring and stacking	Yes	31%	—
Qingdao Shihua	Qingdao, China	Qingdao, China	Liquid bulk stevedoring and stacking	Yes	50%	—

The equity investments above are amounted for using the equity method.

- (i) The highest authority of QQCT is the Board. In accordance with the Articles of Association of QQCT, its significant financial and operating decisions should be passed at the Meeting of Board of Directors by at least 10/11. The Group can designate 4 out of 11 board members in QQCT, so the voting rights held by the Company is 36%.

(b) Summarised financial information of material joint ventures:

	31 December 2016		31 December 2015	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Current assets	262,842,562	2,468,308,273	157,257,411	1,451,933,135
Including: Cash and cash equivalents	236,976,525	1,457,789,038	138,009,446	784,797,695
Non-current assets	2,773,082,558	8,732,819,037	2,892,034,987	8,041,859,007
Total assets	<u>3,035,925,120</u>	<u>11,201,127,310</u>	<u>3,049,292,398</u>	<u>9,493,792,142</u>
Current liabilities	(271,036,901)	(2,468,163,295)	(494,593,194)	(970,896,164)
Non-current liabilities	—	(1,982,793,470)	—	(2,503,803,470)
Total liabilities	<u>(271,036,901)</u>	<u>(4,450,956,765)</u>	<u>(494,593,194)</u>	<u>(3,474,699,634)</u>
Minority interests	—	(419,839,733)	—	(325,949,720)
Net assets attributable to owners of the joint ventures	(2,764,888,219)	(6,330,330,812)	(2,554,699,204)	(5,693,142,788)
Shares of net assets in proportion (ii)	1,382,444,110	1,962,402,552	1,277,349,602	1,764,874,264
Adjustments				
- Unrealised profit	(81,050,195)	—	(87,516,807)	—
Carrying amount of investment in joint ventures	1,301,393,915	1,962,402,552	1,189,832,795	1,764,874,264

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

(2) Interests in joint ventures and associates (Continued)

(b) Summarised financial information of material joint ventures: (Continued)

	Year ended 31 December 2016		Year ended 31 December 2015	
	Qingdao Shihua	QQCT	Qingdao Shihua	QQCT
Revenue	1,021,996,481	3,227,269,504	834,364,582	2,896,492,644
Finance expenses - net	(1,133,066)	(108,152,662)	2,769,233	(105,319,137)
Income tax expenses	(136,061,619)	(526,949,119)	(115,136,324)	(442,490,162)
Net profit	410,189,014	1,584,633,331	345,423,763	1,313,993,010
Net profit attributable to owners of the joint ventures	410,189,014	1,577,475,984	345,423,763	1,316,039,345
Other comprehensive income	—	—	—	—
Total comprehensive income	<u>410,189,014</u>	<u>1,577,475,984</u>	<u>345,423,763</u>	<u>1,316,039,345</u>
Dividends received from joint ventures by the Group in the current year	—	295,718,494	100,000,000	384,959,210
Dividends declared by joint ventures in the current year	100,000,000	295,718,494	100,000,000	384,959,210

(ii) The share of the net asset of the joint ventures was calculated by the share proportion of the Group, based on the equity attributable to shareholders of the joint ventures in the consolidated financial statement of the joint ventures, adjusted accordingly to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date and conformed to accounting policies of the Group.

(c) The associates are all immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

8 INTERESTS IN OTHER ENTITIES (Continued)

(2) Interests in joint ventures and associates (Continued)

(d) Summarised financial information of immaterial joint ventures and associates

	Year ended 31 December 2016	Year ended 31 December 2015
Joint ventures:		
Aggregated carrying amount of investments	1,779,217,626	1,737,491,843
Aggregate of the following items in proportion		
Net profit (i)	100,018,589	95,991,784
Other comprehensive income (i)	—	—
Total comprehensive income	<u>100,018,589</u>	<u>95,991,784</u>
Associates:		
Aggregated carrying amount of investments	96,025,707	5,841,029
Aggregate of the following items in proportion		
Net profit (i)	1,437,074	1,146,701
Other comprehensive income (i)	—	—
Total comprehensive income	<u>1,437,074</u>	<u>1,146,701</u>

(i) The net profit and other comprehensive income have been adjusted accordingly to the fair value of the identifiable assets and liabilities of the joint ventures at the acquisition date and conformed to accounting policies of the Group.

(e) Commitments in relation to investments in joint ventures are set out in Note 11(3).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION

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

The Group identified 6 reportable segments as follows:

- Container handling and ancillary services: loading and discharging of containers, storage and port management.
- Metal ores, coal and other cargo handling and ancillary services: loading and discharging of metal ore, coal, grains, break bulk cargo and other cargo, storage and port management.
- Liquid bulk handling and ancillary services: loading and discharging of liquid bulk, storage, transport and port management.
- Logistics and port value-added services: CFS, provision of cargo logistics, agency, towing, tallying and other services.
- Port ancillary services: provision of facilities construction services, manufacturing of port related equipment, supplying electricity power, fuel and others.
- Financial services: provision of financial products and services including provision of deposit taking activities, corporate loans, financial leasing, guarantee, agency insurance and others.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION (Continued)

(a) Segment information for the year ended 31 December 2016 and as at 31 December 2016 is listed as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination	Total
Revenue from									
external customers	192,631,867	2,838,490,967	127,832,701	3,385,348,533	2,119,961,543	326,347,137	—	—	8,990,612,748
Inter-segment revenue	—	78,957,798	—	162,644,900	727,314,268	27,891,239	—	(996,808,205)	—
Cost of sales	(65,817,305)	(2,158,171,925)	(29,613,781)	(2,183,585,271)	(1,619,547,464)	(49,367,005)	—	—	(6,106,102,751)
Interest income	—	2,689,352	659,783	10,577,703	2,966,218	265,548	120,239,486	(74,813,027)	62,585,063
Interest expenses	—	(18,020,157)	(4,158,695)	(3,327,216)	(4,283,808)	—	(95,325,680)	20,284,705	(104,830,851)
Share of profit of associates and joint ventures	508,562,834	20,070,775	198,334,059	66,147,914	—	—	—	—	793,115,582
Provision for asset impairment losses	—	(26,009,224)	—	(651,442)	(7,540,726)	(10,958,570)	—	—	(45,159,962)
Depreciation and amortisation	(11,706,355)	(243,320,039)	(22,602,077)	(83,749,120)	(166,028,860)	(2,096,182)	(8,970,860)	—	(538,473,493)
Total profit	626,914,127	365,279,803	287,486,752	1,149,686,057	328,250,299	268,995,257	(107,113,115)	(54,884,917)	2,864,614,263
Income tax expenses	—	(4,034,541)	(128,231)	(206,675,010)	(49,232,449)	(63,668,627)	(251,630,993)	9,847,784	(565,522,067)
Net profit	626,914,127	361,245,262	287,358,521	943,011,047	279,017,850	205,326,630	(358,744,108)	(45,037,133)	2,299,092,196
Total assets	2,655,798,140	9,007,589,448	5,683,007,892	3,783,253,375	5,268,388,794	11,740,323,910	5,974,601,883	(5,830,389,236)	38,282,574,206
Total liabilities	65,930,000	3,372,943,094	2,857,693,074	1,227,202,045	6,865,117,764	10,695,724,344	4,516,521,673	(6,801,116,411)	22,800,015,583
Non-cash expenses other than depreciation and amortisation	—	50,030,000	50,000	1,350,000	26,740,000	20,000	—	—	78,190,000
Long-term equity investments in associates and joint ventures	2,086,528,844	970,862,239	1,590,261,514	401,387,203	—	90,000,000	—	—	5,139,039,800
Additions of non-current assets (i)	—	815,390,397	1,946,510,807	118,910,462	34,563,207	40,348,511	7,118,058	(47,371,558)	2,915,469,884

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION (Continued)

(b) Segment information for the year ended 31 December 2015 and as at 31 December 2015 is listed as follows:

	Container handling and ancillary services	Metal ores, coal and other cargo handling and ancillary services	Liquid bulk handling and ancillary services	Logistics and port value-added services	Port ancillary services	Financial services	Unallocated	Elimination	Total
Revenue from									
external customers	190,342,740	2,942,473,313	99,149,244	2,417,114,056	1,714,322,910	251,911,572	—	—	7,615,313,835
Inter-segment revenue	—	32,317,789	—	15,113,986	674,295,715	6,429,647	—	(728,157,137)	—
Cost of sales	(60,799,771)	(2,273,653,971)	(17,447,753)	(1,597,700,864)	(1,343,083,168)	(32,936,803)	—	—	(5,325,622,330)
Interest income	—	1,926,594	3,621,118	6,357,221	2,024,877	83,392	21,175,419	(30,836,295)	4,352,326
Interest expenses	—	(5,703,549)	—	(218,076)	—	—	(9,091,448)	3,684,744	(11,328,329)
Share of profit of associates and joint ventures	428,805,850	17,424,485	169,595,579	58,763,113	—	—	—	—	674,589,027
Provision for asset impairment losses	—	(24,644,518)	—	(31,630,304)	(1,148,611)	(29,854,357)	—	—	(87,277,790)
Depreciation and amortisation	(12,353,274)	(259,130,345)	(8,464,335)	(81,505,689)	(125,608,777)	(1,909,819)	(13,973,063)	—	(502,945,302)
Total profit	697,932,345	453,079,621	250,894,716	758,033,691	251,475,903	158,557,820	(96,174,506)	(23,604,129)	2,450,195,461
Income tax expenses	—	(1,836,026)	(31,268)	(92,777,429)	(70,317,237)	(38,881,013)	(271,175,268)	3,959,484	(471,058,757)
Net profit	697,932,345	451,243,595	250,863,448	665,256,262	181,158,666	119,676,807	(367,349,774)	(19,644,645)	1,979,136,704
Total assets	2,082,933,356	8,672,078,363	3,168,700,375	3,074,274,627	4,885,526,003	9,423,626,626	2,738,518,690	(2,363,824,608)	31,681,833,432
Total liabilities	75,150,000	3,095,173,809	655,526,967	972,937,383	6,574,070,361	8,095,663,634	1,438,235,161	(2,772,818,928)	18,133,938,387
Non-cash expenses other than depreciation and amortisation	—	24,280,000	90,000	7,620,000	34,020,000	30,000	—	—	66,040,000
Long-term equity investments in associates and joint ventures	1,864,437,549	948,996,083	1,483,305,305	401,300,994	—	—	—	—	4,698,039,931
Additions of non-current assets (i)	—	989,504,068	381,429,441	69,083,785	176,618,748	995,981	3,204,531	(42,839,070)	1,577,997,484

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

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(All amounts in RMB Yuan unless otherwise stated)

9 SEGMENT INFORMATION (Continued)

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

	Year ended 31 December 2016	Year ended 31 December 2015
Revenue -		
Reportable segment revenue from external customers	8,990,612,748	7,615,313,835
Reclassification of interest income of Qingdao Finance (i)	(306,423,082)	(246,076,431)
Consolidated revenue (Note 6(36))	<u>8,684,189,666</u>	<u>7,369,237,404</u>
Interest income -		
Reportable segment interest income	62,585,063	4,352,326
Reclassification of interest income of Qingdao Finance (i)	306,423,082	246,076,431
Consolidated interest income (Note 6(38))	<u>369,008,145</u>	<u>250,428,757</u>
Cost of sales-		
Reportable segment cost of sales	6,106,102,751	5,325,622,330
Reclassification of interest expenses of Qingdao Finance (ii)	(53,338,596)	(31,332,029)
Consolidated cost of sales (Note 6(36))	<u>6,052,764,155</u>	<u>5,294,290,301</u>
Interest expenses -		
Reportable segment interest expenses	104,830,851	11,328,329
Reclassification of interest expenses of Qingdao Finance (ii)	53,338,596	31,332,029
Consolidated interest expenses (Note 6(38))	<u>158,169,447</u>	<u>42,660,358</u>

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

(ii) Reportable segment interest expenses do not include interest expenses of Qingdao Finance, which are presented as cost of sales in segment information.

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

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) The parent company

(a) General information of the parent company

	Place of registration	Principal activities
Qingdao Port Group	Qingdao, China	Port operation and management

The Company's ultimate controlling party is State-Owned Assets Supervision and Administration Commission of Qingdao City.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Qingdao Port Group	<u>1,860,000,000</u>	<u>—</u>	<u>—</u>	<u>1,860,000,000</u>

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2016		31 December 2015	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
Qingdao Port Group	<u>73.84%</u>	<u>73.84%</u>	<u>73.71%</u>	<u>73.71%</u>

(2) Subsidiaries

The general information and other related information of the subsidiaries is set out in Note 8.

As stated in Note 6(10) (a), as at 19 November 2016, Bonded Logistics Centre was transformed from a joint venture into a subsidiary of the Company. For the period from 1 January 2016 to the date of combination, the transactions between the Group and Bonded Logistics Centre were still treated as related party transactions.

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(3) Information of joint ventures and associates

Except for the information of significant joint ventures and associates disclosed in Note 8, other joint ventures and associates with which the Group having related party transactions are as follows:

Name of company	Relationship with the Group
West United	Joint venture
Qingwei Container	Joint venture
Vopak Logistics	Joint venture
Evergreen Container	Joint venture
Orient Container	Joint venture
Haiwan Liquid Chemical	Joint venture
Ganghai Logistics	Joint venture
Shenzhouxing Transportation	Joint venture
China Shipping Agency	Joint venture
United Shipping Agency	Joint venture
Huaneng Qingdao	Joint venture
Dongjiakou IMC Logistics	Joint venture
QDOT	Joint venture
Linyi Express	Joint venture
Henan Yuqing	Joint venture
Dongjiakou Sinotrans Logistics	Joint venture
Yuntai Logistics	Joint venture
Lianrong Logistics	Joint venture
Binzhou Port QDP International Terminal	Joint venture
Ganghua Logistics	Associate

(4) Other related parties

Name of company	Relationship with the Group
Qingdao Port Public Security Bureau	Controlled by the same parent company
Qingdao Harbour Hospital Investment and management Co., Ltd. ("Harbour Hospital")	Controlled by the same parent company
Qingdao Port (Group) Tongda Industrial Corporation ("Tongda Industrial")	Controlled by the same parent company
Qingdao Harbour Vocational and Technical College ("QHVTC")	Controlled by the same parent company
Fuwai Hospital	Controlled by the same parent company
Qingdao Hongyu Grand Hotel ("Hongyu Hotel")	Controlled by the same parent company
Qingdao Laoshan Scenic Spot Yingzhu Holiday Village	Controlled by the same parent company
QDP Investment	Controlled by the same parent company
QPIS	Controlled by the same parent company
Qingdao Passenger Liner Home Port Co., Ltd. ("Passenger Liner Home Port")	Controlled by the same parent company
Qingdao Gangsheng International Logistics and Refrigeration Co., Ltd. ("Gangsheng Logistics")	Associate of the parent company

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(4) Information of other related parties (Continued)

Name of company	Relationship with the Group
QQCTN	Subsidiary of QQCT, and with same key management
QQCTU	Joint venture of QQCTN, and with same key management
Qingdao Qianwan United Advanced Container Terminal Co., Ltd. ("QQCTUA")	Joint venture of QQCTU, and with same key management
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. ("QQCTI")	Subsidiary of QQCTN, and with same key management
Qingdao Yijia Haiye Trading Co., Ltd. ("Yijia Haiye") (i)	Minority shareholder of a subsidiary
Bondex Logistics Co., Ltd. ("Bondex") (i)	Minority shareholder of a subsidiary
Qingdao Eimskip Logistics Co., Ltd. ("Eimskip Logistics") (i)	Related party of one subsidiary's minority shareholder
China Marine Bunker Qingdao Co., Ltd. ("China Marine Bunker Qingdao") (i)	Related party of one subsidiary's minority shareholder
China Marine Bunker Zhoushan Co., Ltd. ("China Marine Bunker Zhoushan") (i)	Related party of one subsidiary's minority shareholder
Qingdao Gangwan International Logistics Co., Ltd. ("Gangwan Logistics") (i)	Related party of one subsidiary's minority shareholder
Shanghai Pan-Asia Shipping Co., Ltd. ("Shanghai Pan-Asia Shipping") (i)	Related party of one subsidiary's minority shareholder
COSCO Southeast Asia Co., Ltd. ("COSCO Southeast Asia") (i)	Related party of one subsidiary's minority shareholder
Qingdao Ocean Shipping Daya Logistics Co., Ltd. ("Ocean Shipping Daya") (i)	Related party of one subsidiary's minority shareholder
COSCO Container Lines Co., Ltd. ("COSCO Container Lines") (i)	Related party of one subsidiary's minority shareholder
COSCO Shipping (Hong Kong) Investment & Development Co., Ltd. ("COSCO Shipping Investment") (i)	Related party of one subsidiary's minority shareholder
Qingdao Zhonghuo International Logistics Co., Ltd. ("Zhonghuo International Logistics") (i)	Related party of one subsidiary's minority shareholder
China Qingdao Ocean Shipping Agency Co., Ltd. (i)	Related party of one subsidiary's minority shareholder
Qingdao Xianxintong Logistics Co., Ltd.	Joint venture of West United, and with same key management
Qingdao Dongjiakou Mineral Inspection Co., Ltd.	Joint venture of QDOT, and with same key management

- (i) Qingdao Ocean Shipping Tally is not identified as the Company's material subsidiary since its influence on the consolidated financial statement has declined year by year, thus its minority shareholder's related parties will not be treated as the Group's related parties since 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions

(a) Pricing policies

The transaction between the Group and related parties is based on mutually agreed price and settlement terms between both parties in the process of general business. Rental from and to related parties are negotiated by both parties. Interest rate of loans to and deposits from related parties of Qingdao Finance, is mutually agreed based on the corresponding interest rates issued by the People's Bank of China.

(b) Purchase of goods or services

	Year ended 31 December 2016	Year ended 31 December 2015
QDOT	495,572,215	709,301,911
West United	77,784,550	11,334,654
Huaneng Qingdao	36,233,496	28,210,784
QQCTU	18,775,460	10,365,865
Qingdao Shihua	8,788,590	1,582,324
QQCT	8,093,902	28,661,952
Fuwai Hospital*	5,980,314	5,966,469
Bonded Logistics Centre	5,340,579	124,999
Hongyu Hotel*	4,533,236	1,731,911
QDP Investment*	1,620,295	12,054,065
Binzhou Port QDP International Terminal	995,132	2,804,429
Ganghua Logistics	612,231	1,029,632
China Marine Bunker Qingdao	—	234,941,011
Bondex	—	17,594,261
Tongda Industrial	—	2,822,829
Ocean Shipping Daya	—	2,245,950
China Marine Bunker Zhoushan	—	1,711,780
Gangsheng Logistics	—	1,018,239
Other subsidiaries of Qingdao Port Group*	583,305	124,999
Others	4,004,755	5,711,187
	668,918,060	1,079,339,251

* These transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(c) Provision of services such as transportation, stevedoring and repairing

	Year ended 31 December 2016	Year ended 31 December 2015
QQCT	210,940,985	181,340,584
QDOT	98,260,121	64,437,451
Qingdao Shihua	76,333,937	17,024,285
QQCTU	71,674,435	54,549,431
Qingdao Port Group*	33,880,366	10,745,945
QQCTUA	26,833,225	25,204,628
Ganghua Logistics	20,541,750	40,269,940
Evergreen Container	15,702,061	11,782,425
Shenzhouxing Transportation	13,319,986	6,531,057
QQCTN	11,850,891	100,502
QDP Investment*	11,589,961	7,318,953
West United	9,738,040	10,143,712
Binzhou Port QDP International Terminal	9,318,433	1,263,714
Passenger Liner Home Port*	8,241,309	—
Orient Container	6,732,097	6,255,022
Bonded Logistics Centre	4,778,734	—
Lianrong Logistics	4,390,151	—
Yuntai Logistics	2,905,988	4,379,485
QQCTI	2,449,962	3,031,489
Ganghai Logistics	2,271,604	2,630,059
Dongjiakou IMC Logistics	849,266	1,800,000
Qingwei Container	149,057	1,114,237
Ocean Shipping Daya	—	19,052,214
COSCO Container Lines	—	17,124,727
Eimskip Logistics	—	14,681,885
Bondex	—	7,866,626
COSCO Shipping Investment	—	5,541,144
Gangwan Logistics	—	2,097,724
Shanghai Pan-Asia Shipping	—	1,587,570
Zhonghuo International Logistics	—	1,517,445
COSCO Southeast Asia	—	1,251,506
Other subsidiaries of Qingdao Port Group*	2,646,765	1,809,634
Others	2,753,477	5,041,008
	648,152,601	527,494,402

* These transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(d) Provision of construction services

	Year ended 31 December 2016	Year ended 31 December 2015
QQCTN	346,833,999	70,043,800
QDOT	199,207,458	153,942,015
QDP Investment*	143,661,660	139,219,318
Qingdao Port Group*	47,682,147	29,572,796
QHVTC*	34,057,384	881,438
West United	29,833,225	12,076,117
Qingdao Shihua	20,066,519	44,479,258
QQCTU	16,051,170	7,257,613
Fuwai Hospital*	13,381,643	3,112,113
QQCT	11,114,588	12,589,585
Haiwan Liquid Chemical	9,957,886	2,437,976
Binzhou Port QDP International Terminal	1,459,459	—
Other subsidiaries of Qingdao Port Group*	131,631	381,820
Others	600,489	24,657
	874,039,258	476,018,506

* These transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(e) Sales of port machinery and other machineries

	Year ended 31 December 2016	Year ended 31 December 2015
QQCTN	169,924,342	—
QQCT	17,672,608	88,003,846
West United	5,018,803	3,188,034
QDOT	4,707,447	36,993,699
QHVTC*	1,931,624	—
QQCTU	1,039,316	—
Qingdao Shihua	683,761	—
QQCTI	—	52,025,658
Other subsidiaries of Qingdao Port Group*	805,983	—
Others	33,333	—
	<u>201,817,217</u>	<u>180,211,237</u>

* These transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(f) Sales of water, electricity, steam and oil, etc.

	Year ended 31 December 2016	Year ended 31 December 2015
QQCT	127,119,419	129,290,587
QDOT	111,604,735	119,439,403
West United	15,311,836	16,963,234
Qingdao Shihua	12,519,653	11,522,559
QQCTN	11,960,284	35,270
QQCTU	5,345,365	5,810,040
Binzhou Port QDP International Terminal	4,257,150	—
Evergreen Container	3,483,927	3,347,173
Passenger Liner Home Port*	2,878,436	—
Orient Container	1,986,120	1,735,236
QDP Investment*	1,947,820	1,731,716
Huaneng Qingdao	1,935,784	3,081,677
Haiwan Liquid Chemical	1,718,075	—
Qingdao Port Public Security Bureau	1,297,129	1,479,318
Shenzhouxing Transportation	1,387,259	833,452
Qingdao Port Group*	681,341	1,693,208
QQCTUA	675,192	539,152
Gangsheng Logistics	—	180,506
Other subsidiaries of Qingdao Port Group*	2,093,661	1,946,293
Others	2,515,123	2,495,006
	310,718,309	302,123,830

* These transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(g) Rental income

	Year ended 31 December 2016	Year ended 31 December 2015
QQCT	201,342,254	198,513,683
Qingdao Shihua	31,507,424	32,226,130
QDOT	11,922,344	136,752
Bonded Logistics Centre	7,892,063	7,250,000
Evergreen Container	6,870,679	6,120,100
Orient Container	6,085,400	4,726,300
Shenzhouxing Transportation	5,622,499	3,490,560
QQCTN	2,575,350	2,518,940
QQCTU	1,210,360	1,210,360
Others	908,037	6,039,077
	<u>275,936,410</u>	<u>262,231,902</u>

(h) Payment for operating lease rentals

	Year ended 31 December 2016	Year ended 31 December 2015
Qingdao Port Group*	70,552,058	63,768,454
QDP Investment*	4,974,897	848,656
	<u>75,526,955</u>	<u>64,617,110</u>

* These transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(i) Port Management income collected on behalf by related parties

	Year ended 31 December 2016	Year ended 31 December 2015
QQCT	79,325,215	79,988,638
Qingdao Shihua	68,902,867	64,572,892
QQCTU	28,911,870	26,171,502
QDOT	9,359,640	—
West United	6,063,884	8,180,991
QQCTUA	5,900,844	7,384,223
	<u>198,464,320</u>	<u>186,298,246</u>

(j) Loans provided to related parties

	Year ended 31 December 2016	Year ended 31 December 2015
QDOT	968,778,162	318,000,000
QQCTU	675,000,000	1,095,000,000
QQCTN	638,188,644	177,727,934
Qingwei Container	160,000,000	—
West United	140,000,000	230,000,000
Haiwan Liquid Chemical	64,927,814	—
Huaneng Qingdao	60,000,000	60,000,000
Yuntai Logistics	10,000,000	50,000,000
Qingdao Shihua	—	330,000,000
Dongjiakou IMC Logistics	—	700,000
	<u>2,716,894,620</u>	<u>2,261,427,934</u>

(k) Provision of finance lease services

For the year ended 31 December 2016, the Company's subsidiary Finance Lease provides medical equipment finance lease services to related party Fuwai Hospital, and the rental charge amounts to RMB47,206,828, with a rental period of 8 years. This transaction represents continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(l) Interests income of loans and financial leasing business

	Year ended 31 December 2016	Year ended 31 December 2015
QQCTU	70,756,167	12,861,771
QQCTN	29,764,395	8,344,318
QDOT	35,157,037	4,245,421
West United	12,843,294	5,479,096
Huaneng Qingdao	2,605,125	1,882,417
Qingdao Shihua	2,527,167	—
Yuntai Logistics	1,642,103	1,728,210
Qingwei Container	1,336,249	—
Haiwan Liquid Chemical	1,023,197	—
Others	656,678	159,031
	<u>158,311,412</u>	<u>34,700,264</u>

(m) Interests expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Qingdao Port Group	31,230,148	10,383,128
QQCT	9,146,881	9,770,651
QQCTU	2,159,566	365,436
Fuwai Hospital	1,219,707	1,627,495
QDP Investment	1,191,767	743,652
QQCTI	1,159,503	220,171
Qingdao Shihua	1,065,547	2,646,650
Passenger Liner Home Port	1,032,723	1,165,956
Others	4,970,539	4,408,890
	<u>53,176,381</u>	<u>31,332,029</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(n) Transfer of assets

	Year ended 31 December 2016	Year ended 31 December 2015
QDOT	5,370,945	32,531,313
Fuwai Hospital	150,303	—
Qingdao Shihua	144,935	—
	<u>5,666,183</u>	<u>32,531,313</u>

(o) Acquisition of assets

	Year ended 31 December 2016	Year ended 31 December 2015
QDP Investment	61,003,058	140,836,600
Qingdao Port Group	—	68,620,550
	<u>61,003,058</u>	<u>209,457,150</u>

(p) Acquisition of Tugboat Business

The Group acquired Tugboat Business from QPIS in March 2016, relevant disclosure are set out in Note 7(1).

(q) Key management remuneration

	Year ended 31 December 2016	Year ended 31 December 2015
Key management remuneration	<u>4,743,083</u>	<u>4,423,313</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(r) Entrusted construction projects

	Year ended 31 December 2016	Year ended 31 December 2015
Amount paid on behalf -		
QQCTN	342,472,114	71,832,748
Qingdao Port Group	152,789,366	576,433,351
Qingdao Shihua	11,847,962	61,023,555
QQCTU	1,876,488	—
	<u>508,985,930</u>	<u>709,289,654</u>
Amount received -		
QQCTN	268,949,481	52,478,503
Qingdao Port Group	205,045,366	449,888,547
Qingdao Shihua	7,959,206	97,141,229
QQCTU	4,536,219	1,392,655
	<u>486,490,272</u>	<u>600,900,934</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(5) Related party transactions (Continued)

(s) Port construction fees, harbour dues and port facility security fees collected on behalf of related parties and reimbursed to related parties

	Year ended 31 December 2016	Year ended 31 December 2015
Collected on behalf of related parties -		
QQCT	559,036,038	398,382,442
QQCTU	217,023,640	151,774,259
QQCTUA	45,908,108	41,683,298
	<u>821,967,786</u>	<u>591,839,999</u>
Reimbursed to related parties -		
QQCT	557,609,056	393,441,424
QQCTU	220,385,464	144,022,312
QQCTUA	44,918,750	40,944,435
	<u>822,913,270</u>	<u>578,408,171</u>

Port construction fees, harbour dues and port facility security fees collected and reimbursed on behalf of related parties is collected by the Company's subsidiary - QDP Cargo on behalf of related parties - QQCT, QQCTU and QQCTUA from their clients and reimbursed to above related parties.

(t) Early retirement and supplemental retirement benefits paid on behalf of related parties

For the year ended 31 December 2015, Qingdao Port Group transferred liabilities of RMB63,990,000 provided for early retirement and supplemental retirement benefits to the Group, so as to offset the Group's payable to Qingdao Port Group. The Group will pay off the liability on behalf of Qingdao Port Group in the future.

For the year ended 31 December 2016, the Group had paid the early retirement and supplemental retirement benefits of RMB4,392,860 on behalf of Qingdao Port Group (for the year ended 31 December 2015: RMB4,887,258).

The Group will continue to manage and settle the payment on behalf of Qingdao Port Group. The current portion of this liability is presented in other payables while the remaining parts in long-term payables (Note 6(28)).

(u) Issuance of acceptance notes and letter of guarantee

Please refer to Note 11(4) for acceptance notes and letter of guarantee issued to related parties by Qingdao Finance, the Company's subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties

(a) Dividends receivable

	31 December 2016	31 December 2015
Qingdao Shihua	<u>100,000,000</u>	<u>—</u>

(b) Accounts receivable

	31 December 2016	31 December 2015
QDP Investment	62,946,849	114,980,298
West United	53,492,159	11,938,408
QDOT	38,684,920	27,831,494
QQCTU	26,077,947	15,849,828
QQCT	18,685,778	47,048,795
Qingdao Port Group	16,919,513	19,135,360
Qingdao Shihua	10,417,290	5,598,037
Fuwai Hospital	7,696,575	3,718,009
Haiwan Liquid Chemical	4,353,033	1,074,802
Evergreen Container	2,600,273	1,817,540
Binzhou Port QDP International Terminal	2,283,800	—
QQCTN	2,122,293	—
Shenzhouxing Transportation	1,739,076	751,080
QQCTUA	1,072,766	2,259,836
Orient Container	1,011,725	1,190,511
Dongjiakou IMC Logistics	975,513	1,800,000
Ganghua Logistics	480,522	1,052,783
QQCTI	—	12,188,017
COSCO Container Lines	—	2,449,929
Bondex	—	1,564,199
Huaneng Qingdao	—	1,300,769
Others	2,211,738	2,393,949
	<u>253,771,770</u>	<u>275,943,644</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(c) Other receivables

	31 December 2016	31 December 2015
Short-term borrowings -		
QDOT	151,451,402	98,000,000
Huaneng Qingdao	60,000,000	60,000,000
West United	40,000,000	84,000,000
QQCTN	39,858,274	—
Yuntai Logistics	10,000,000	20,060,000
Haiwan Liquid Chemical	902,400	—
Qingdao Shihua	—	210,000,000
	<u>302,212,076</u>	<u>472,060,000</u>
Others -		
QQCTN	180,473,154	99,734,179
QDOT	14,579,322	—
Qingdao Shihua	13,878,327	13,818,316
QQCT	12,276,762	7,905,535
QQCTU	9,745,323	9,698,560
West United	4,107,478	—
Binzhou Port QDP International Terminal	3,480,866	—
Shenzhouxing Transportation	1,354,819	—
Fuwai Hospital	1,208,887	—
QHVTC	1,021,821	—
Evergreen Container	679,885	1,300,000
Yuntai Logistics	74,112	13,945,588
Huaneng Qingdao	—	2,198,569
Ocean Shipping Daya	—	1,350,001
Others	2,675,798	2,158,415
	<u>245,556,554</u>	<u>152,109,163</u>
	<u>547,768,630</u>	<u>624,169,163</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(d) Interests receivable

	31 December 2016	31 December 2015
QQCTU	2,166,198	1,589,271
QQCTN	1,303,648	427,085
Others	1,648,104	564,218
	<u>5,117,950</u>	<u>2,580,574</u>

(e) Advances to suppliers

	31 December 2016	31 December 2015
Hongyu Hotel	308,000	—
West United	—	1,925,809
Others	—	901,175
	<u>308,000</u>	<u>2,826,984</u>

(f) Current portion of non-current assets

	31 December 2016	31 December 2015
QQCTN	199,940,000	2,267,934
QQCTU	35,000,000	10,000,000
Qingwei Container	32,000,000	—
QDOT	22,881,331	22,000,000
Yuntai Logistics	7,200,000	4,100,000
West United	6,500,000	11,000,000
Fuwai Hospital	4,048,618	—
Haiwan Liquid Chemical	863,711	—
	<u>308,433,660</u>	<u>49,367,934</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(g) Long-term receivables

	31 December 2016	31 December 2015
QQCTU	1,525,000,000	1,085,000,000
QDOT	892,522,064	196,096,770
QQCTN	661,530,000	263,460,000
West United	190,500,000	129,000,000
Qingwei Container	130,000,000	—
Haiwan Liquid Chemical	63,010,000	—
Fuwai Hospital	35,157,943	—
Yuntai Logistics	16,500,000	23,800,000
	<u>3,514,220,007</u>	<u>1,697,356,770</u>

(h) Accounts payable

	31 December 2016	31 December 2015
QDOT	146,188,371	271,362,830
Huaneng Qingdao	12,692,154	13,142,085
QDP Investment	59,327	1,362,790
QQCTU	58,958	4,343,866
China Marine Bunker Qingdao	—	25,492,000
Bondex	—	4,787,994
China Shipping Agency	—	2,498,152
Others	2,256,593	1,708,951
	<u>161,255,403</u>	<u>324,698,668</u>

(i) Advances from customers

	31 December 2016	31 December 2015
QQCT	197,421,375	197,421,375
QQCTN	2,518,940	2,518,940
Qingdao Shihua	2,220,000	2,220,000
QQCTU	1,210,360	1,210,360
QHVTC	—	1,918,455
Others	1,209,535	2,403,597
	<u>204,580,210</u>	<u>207,692,727</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(j) Other payables

Ending balance of customer deposits -

	31 December 2016	31 December 2015
Qingdao Port Group	4,576,904,990	4,455,662,104
QQCT	1,097,910,462	702,256,187
Qingdao Shihua	236,976,525	137,980,293
QQCTI	173,406,171	71,003,036
QQCTN	126,762,922	9,440,104
QQCTU	123,366,873	169,973,677
QDP Investment	119,900,476	161,684,496
Fuwai Hospital	81,536,416	123,177,725
QHVTC	78,184,162	92,768,729
Passenger Liner Home Port	73,130,534	78,197,094
QQCTUA	36,321,405	10,303,539
Dongjiakou IMC Logistics	34,411,418	2,404,823
Ganghai Logistics	29,336,470	23,006,956
Dongjiakou Sinotrans Logistics	28,202,253	66,114,561
Ganghua Logistics	27,963,101	34,691,094
West United	26,657,970	23,626,850
Yuntai Logistics	21,768,900	12,437,530
Orient Container	17,000,000	17,000,000
Gangsheng Logistics	15,346,707	15,251,132
Evergreen Container	12,368,276	12,160,254
Lianrong Logistics	9,062,602	—
Harbour Hospital	3,611,199	16,758,137
QDOT	3,111,243	8,315,122
Haiwan Liquid Chemical	3,001,962	14,999,965
Vopak Logistics	2,453,127	3,051,787
Tongda Industrial	2,194,453	1,992,923
Hongyu Hotel	1,634,269	—
Qingdao Port Public Security Bureau	1,034,013	2,881,096
Binzhou Port QDP International Terminal	1,015,792	1,015,736
Others	1,017,863	6,419,234
	<u>6,965,592,554</u>	<u>6,274,574,184</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(j) Other payables (Continued)

Others -

	31 December 2016	31 December 2015
Qingdao Port Group	481,294,157	361,200,034
QDP Investment	105,572,895	153,492,893
QQCT	12,607,844	11,761,039
Qingdao Shihua	7,961,383	20,000
QQCTU	5,115,517	5,719,796
QQCTUA	959,358	1,935,550
Others	2,466,855	2,536,603
	<u>615,978,009</u>	<u>536,665,915</u>

(k) Interests payable

	31 December 2016	31 December 2015
Qingdao Port Group	21,672,937	2,456,720
QQCT	5,181,543	2,249,008
Passenger Lines Home Port	643,856	531,624
Others	1,575,511	1,192,245
	<u>29,073,847</u>	<u>6,429,597</u>

(l) Other non-current liabilities

	31 December 2016	31 December 2015
QQCT	3,210,614,935	3,408,036,311
QQCTN	55,416,680	57,935,620
QQCTU	17,348,493	18,558,853
Qingdao Shihua	2,220,000	4,440,000
	<u>3,285,600,108</u>	<u>3,488,970,784</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(6) Receivables from and payables to related parties (Continued)

(m) Notes payable

	31 December 2016	31 December 2015
Qingdao Port Group - Trade acceptance notes	<u>42,677,298</u>	<u>14,986,466</u>

(n) Long-term payables

	31 December 2016	31 December 2015
Qingdao Port Group	<u>—</u>	<u>489,154,297</u>

(7) Commitments in relation to related parties

Except for the Port Facilities in Qianwan port area leased out to QQCT and dock basin leased to QQCTN and QQCTU stated in Note 6(30), the commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

Leases - Lessor

	31 December 2016	31 December 2015
QQCT	429,150,000	—
Shenzhouxing Transportation	4,267,680	9,957,920
Gangwan Logistics	—	8,307,000
Evergreen Container	—	5,265,162
Orient Container	—	5,192,600
Ocean Shipping Daya	—	4,050,000
	<u>433,417,680</u>	<u>32,772,682</u>

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Benefits and interests of directors

(a) Directors' and CEO's emoluments

The remuneration of every director, supervisor and CEO for the year ended 31 December 2016 are set out below:

Name	Emoluments in respect of a person's services as a director				Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Social pension	Bonus		
Executive directors:						
Zheng Minghui	—	—	—	—	—	—
Jiao Guangjun (Chief Executive Officer)	—	139,811	48,502	—	—	188,313
Jiang Chunfeng	—	270,503	48,502	654,200	—	973,205
Non-executive directors:						
Cheng Xinnong	—	—	—	—	—	—
Sun Yafei (i)	—	—	—	—	—	—
Zhang Qingcai (ii)	—	—	—	—	—	—
Ma Baoliang	—	140,261	48,502	—	—	188,763
Independent non-executive directors:						
Wang Yaping	228,776	—	—	—	—	228,776
Chau Kwok Keung	278,649	—	—	—	—	278,649
Yang Qiulin	259,838	—	—	—	—	259,838
Supervisors:						
Fu Xinmin	—	—	—	—	—	—
Chi Dianmou	—	—	—	—	—	—
Xue Qingxia	—	287,370	48,502	270,600	—	606,472
Liu Yuping	—	319,956	48,502	33,600	—	402,058
Li Xuxiu	130,613	—	—	—	—	130,613
Liu Dengqing	130,613	—	—	—	—	130,613
	<u>1,028,489</u>	<u>1,157,901</u>	<u>242,510</u>	<u>958,400</u>	—	<u>3,387,300</u>

(i) Resigned from director on 6 June 2016.

(ii) Appointed as director on 6 June 2016.

For the year ended 31 December 2016, the directors (including Jiao Guangjun and Jiang Chunfeng) have provided management services in connection with the management of the affairs of the Group. As the emoluments as directors and other services can't be distinguished from each other, emoluments as both of the roles are combined disclosed together.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Benefits and interests of directors (Continued)

(a) Directors' and CEO's emoluments (Continued)

The remuneration of every director, supervisor and CEO for the year ended 31 December 2015 are set out below:

Name	Emoluments in respect of a person's services as a director				Emoluments in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking	Total
	Fees	Salary and allowance	Social pension	Bonus		
Executive directors:						
Zheng Minghui	—	—	—	—	—	—
Jiao Guangjun (Chief Executive Officer)	—	303,133	43,603	—	—	346,736
Jiang Chunfeng (i)	—	273,954	43,603	596,900	—	914,457
Non-executive directors:						
Cheng Xinnong	—	—	—	—	—	—
Sun Yafei	—	—	—	—	—	—
Wang Shaoyun (ii)	—	—	—	—	—	—
Ma Baoliang	—	313,951	43,603	—	—	357,554
Independent non-executive directors:						
Wang Yaping	211,864	—	—	—	—	211,864
Chau Kwok Keung	258,599	—	—	—	—	258,599
Yang Qiulin	211,864	—	—	—	—	211,864
Supervisors:						
Fu Xinmin	—	—	—	—	—	—
Chi Dianmou	—	—	—	—	—	—
Xue Qingxia	—	278,958	43,603	277,300	—	599,861
Liu Yuping	—	308,802	43,603	44,400	—	396,805
Li Xuxiu	105,932	—	—	—	—	105,932
Liu Dengqing	105,932	—	—	—	—	105,932
	<u>894,191</u>	<u>1,478,798</u>	<u>218,015</u>	<u>918,600</u>	<u>—</u>	<u>3,509,604</u>

(i) Appointed as director on 6 June 2015.

(ii) Resigned from director on 6 June 2015.

For the year ended 31 December 2015, the directors (including Jiao Guangjun and Jiang Chunfeng) have provided management services in connection with the management of the affairs of the Group. As the emoluments as directors and other services can't be distinguished from each other, emoluments as both of the roles are combined disclosed together.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(8) Benefits and interests of directors (Continued)

- (b) As at 31 December 2016, there are no termination benefits for the directors (31 December 2015: Nil)
- (c) For the year ended 31 December 2016, there is no consideration provided to third parties for making available directors' services (For the year ended 31 December 2015: Nil).
- (d) For the year ended 31 December 2016, there are no loans and quasi-loans in favour of directors, controlled body corporate of directors, and connected entities of directors, and no guarantee or security provided to directors, controlled body corporate of directors, and connected entities of directors (For the year ended 31 December 2015: Nil).
- (e) No significant transactions, arrangements and contracts in related to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2016 (For the year ended 31 December 2015: Nil).

(9) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include 3 (For the year ended 31 December 2015: 4) directors whose emoluments are reflected in the analysis shown in the table above. The emoluments payable to the remaining 2 (For the year ended 31 December 2015: 1) individuals during the year are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Salary and allowance	478,936	292,403
Social pension	76,795	43,603
Bonus	800,050	577,700
	<u>1,355,781</u>	<u>913,706</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

10 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(9) Five highest paid individuals (Continued)

	Number of individuals	
	Year ended 31 December 2016	Year ended 31 December 2015
Emoluments bands:		
HKD0 –1,000,000 (RMB0 – 900,000)	1	—
HKD1,000,000 – 1,500,000 (RMB900,000 – 1,350,000)	1	1
	2	1

(10) Off-balance sheet activities

As entrusted by related parties, the Company's subsidiary, Qingdao Finance, offers entrusted loans to other designated related parties. For the year ended 31 December 2016, principal of new entrusted loan business offered by Qingdao Finance amounts to RMB295,000,000. As at 31 December 2016, entrusted loans amounted to RMB1,677,343,470 (31 December 2015: RMB1,388,343,470). Maturity of entrusted loans aforesaid ranged from 1 year to 10 years. If the principal and interest of entrusted loans cannot be recovered, the risk is borne by the entrusted loan fund provider rather than Qingdao Finance. Entrusted loans aforesaid are classified into off-balance sheet items. Therefore, related balances of receivable and payable are not recognised in the consolidated financial statements. Management are of the view that the entrusted loans arrangement aforesaid will not expose the Group to any significant credit risk.

Off-balance sheet activities related to investment commitments are set out in Note 11(4).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

11 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2016	31 December 2015
Terminal facilities	<u>215,627,269</u>	<u>462,437,945</u>

(2) Operating lease commitments

(a) Operating lease commitments as lessee

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2016	31 December 2015
Within 1 year	10,351,152	8,449,272
1 to 2 years	7,998,802	8,449,272
2 to 3 years	7,998,802	8,449,272
Over 3 years	11,266,770	14,786,226
	<u>37,615,526</u>	<u>40,134,042</u>

(b) Operating lease commitments as lessor

Except for the operating lease commitments as lessor mentioned in Note 6(30), the future leases received due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2016	31 December 2015
Within 1 year	47,497,564	39,797,857
1 to 2 years	30,919,496	25,900,406
2 to 3 years	29,567,267	916,667
Over 3 years	353,393,322	—
	<u>461,377,649</u>	<u>66,614,930</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

11 COMMITMENTS (Continued)

(3) Investment commitments

In accordance with the joint investment agreement signed between the Group and Binzhou Port Group Co., Ltd. dated December 2014, the Group is committed to make an investment of RMB25,000,000 in the joint venture, Binzhou Port QDP International Terminal. As at 31 December 2016, the Company has made an accumulated contribution of RMB4,000,000 with an amount of RMB21,000,000 unpaid.

In accordance with the joint investment agreement signed between the Group and Qingdao Yuanchang Industrial Co., Ltd. dated June 2014, the Group is committed to make an investment of RMB32,000,000 in the joint venture, Yuntai Logistics. As at 31 December 2016, the Company has made an accumulated contribution of RMB16,000,000 with an amount of RMB16,000,000 unpaid.

(4) Credit commitments

As at 31 December 2016, Qingdao Port Group, its subsidiaries and other related parties purchased raw materials and equipment from third parties, thus have issued acceptance notes through Qingdao Finance with RMB101,093,780 in total (31 December 2015: RMB192,234,792). Qingdao Finance collected some guarantee from the applicant at certain proportion of the amount issued, and will pay to the third party directly when the notes fall due.

Besides, the Group entered into construction contracts of port facilities with certain related parties. Some related parties requested the Group to issue letter of guarantee to insure that the construction project will be completed in time with required quality as set out in the contract. As at 31 December 2016, Qingdao Finance issued letter of guarantee with the amount of approximately RMB15,804,000 (31 December 2015: RMB49,131,000) for the purpose aforesaid.

12 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As at 18 January 2017, the Company signed an equity transfer agreement with Vopak Terminal DJK B.V., under which Vopak Terminal DJK B.V. transferred the 50% equity of Vopak Logistics to the Company at a consideration of RMB152,027,521. Upon the completion of this transaction, the joint venture Vopak Logistics will become a wholly-owned subsidiary of the Company.

Pursuant to the resolutions of the Board of Directors on 20 January 2017 and extraordinary general meeting of shareholders on 10 March 2017, the Company will make private issue of 1,015,520,000 shares of domestic shares to Shanghai China Shipping Terminal Development Co., Ltd. ("Shanghai China Shipping Terminal"); the subscription price per share will be RMB5.71 and the subscription amount will be RMB5,798,619,200; Shanghai China Shipping Terminal will make the payment with the RMB2,599,968,360 in cash and the remaining RMB3,198,650,840 with its 20% equity investment in QQCT. On 20 January 2017, the Company and Shanghai China Shipping Terminal signed an equity transfer agreement. Upon the completion of this transaction, the Company and PTS (Holding) Co., Ltd. will hold 51% and 49% equity of QQCT, respectively, and the Company will designate 6 directors to QQCT. In accordance with the Articles of Association of QQCT, its significant financial and operating decisions should be passed at the Meeting of Board of Directors by at least 10/11, and the Company could not exercise unilateral control over QQCT. Therefore, QQCT is still accounted for as a joint venture. Up to the reporting date of this financial statement, the above transactions are still in progress.

Pursuant to the resolutions of the Board of Directors on 20 January 2017 and extraordinary general meeting of shareholders on 10 March 2017, the Company will issue 243,000,000 shares of H-share to investors independent of the Company and its related parties. The funds raised in this issuance will be used as reserves for the Company's foreign acquisition and investment of ports and as working capital for foreign port project management by the port project management company jointly incorporated by the Company and the COSCO Shipping Ports Limited. Up to the reporting date of this financial statement, the new H-share issue is still in progress.

Pursuant to the resolution at the board meeting dated on 17 March 2017, the Company proposed a dividend of RMB787,543,583 to the shareholders for 2016, RMB164.82 per thousand share (tax inclusive), based on the current total issued share capital. Based on the total issued share capital of the Company upon the completion of the Proposed Subscription and the Proposed New H Share Issue, the final dividend was RMB130.46 per thousand shares (tax inclusive) for 2016. The above proposition is to be approved by the shareholders at the Company's annual general meeting.

13 Financial instruments and associated risk

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate 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.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Foreign exchange risk arises from transactions denominated in foreign exchange (mainly USD and HKD). Transactions denominated in foreign exchange are not significant. Therefore, the directors of the Group are of the view that the Group's exposure to significant foreign exchange risks would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

13 Financial instruments and associated risk (Continued)

(1) Market risk (Continued)

(a) Foreign exchange risk (Continued)

As at 31 December 2016 and 31 December 2015, the carrying amounts in RMB equivalent of the Group's financial assets and financial liabilities denominated in foreign currencies are summarised below:

	31 December 2016			Total
	USD	HKD	Others	
Financial assets denominated in foreign currency -				
Cash at bank and on hand	138,865,879	43,807,591	—	182,673,470
Receivables	22,022,610	—	12,592	22,035,202
	<u>160,888,489</u>	<u>43,807,591</u>	<u>12,592</u>	<u>204,708,672</u>
Financial liabilities denominated in foreign currency -				
Payables	(15,521,224)	—	(8,000)	(15,529,224)
	<u>(15,521,224)</u>	<u>—</u>	<u>(8,000)</u>	<u>(15,529,224)</u>
	31 December 2015			Total
	USD	HKD	Others	
Financial assets denominated in foreign currency -				
Cash at bank and on hand	101,131,371	43,414,821	17,563	144,563,755
Receivables	21,778,801	—	11,960	21,790,761
	<u>122,910,172</u>	<u>43,414,821</u>	<u>29,523</u>	<u>166,354,516</u>
Financial liabilities denominated in foreign currency -				
Payables	(7,086,276)	—	—	(7,086,276)
	<u>(7,086,276)</u>	<u>—</u>	<u>—</u>	<u>(7,086,276)</u>

As at 31 December 2016, if RMB had strengthened/weakened by 4% against the USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB4,361,000 (31 December 2015: approximately RMB3,475,000) lower/higher for various financial assets and liabilities denominated in USD, which would have no effect on other comprehensive income.

As at 31 December 2016, if RMB had strengthened/weakened by 4% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB1,314,000 (31 December 2015: approximately RMB1,302,000) lower/higher for various financial assets denominated in HKD, which would have no effect on other comprehensive income.

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

13 Financial instruments and associated risk (Continued)**(1) Market risk** (Continued)**(b) Interest rate risk**

The Group's interest rate risk arises from cash at bank and on hand, loans provided to related parties and third parties, customer deposits at Qingdao Finance, bank borrowings, bonds payable and other interest bearing claims and debts. Except for certain cash at bank and on hand, certain customer deposits at Qingdao Finance, loans provided to related parties and third parties with fixed interest rate and bonds payable, the amounts aforesaid are all subject to floating interest rate. Financial assets and liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial assets and liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

As at 31 December 2016, the Group's interest bearing liabilities included customer deposits at Qingdao Finance of RMB6,965,592,554 (Note 6(24)), among which RMB5,981,949,736 was subject to floating interest rate and the remaining are subject to fixed interest rate; bonds payable of RMB3,500,000,000 (Note 6(26)) was subject to fixed interest rate; and bank borrowings of RMB423,667,977 (Note 6(18), (25)), among which RMB160,720,687 was subject to floating rates and the remaining are subject to fixed interest rate.

As at 31 December 2016, the Group's interest bearing assets included cash at bank and on hand of RMB8,100,294,431 (Note 6(1)), among which RMB5,901,482,254 was subject to floating interest rate and the remaining are subject to fixed interest rate; and loans provided to related parties and third parties of RMB4,124,865,743 (Note 6(4)(b), Note 6(9)), among which RMB2,379,565,743 was subject to floating rates and the remaining are subject to fixed interest rate.

The Group's head office finance department continuously monitors the interest rate position of the Group. Increases in interest rates will increase the revenue of new interest bearing assets and the interest income with respect to the Group's outstanding floating rate interest bearing assets, and will increase the cost of new liability and the interest expenses with respect to the Group's outstanding floating rate liability, and therefore could have a certain effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. For the year ended 31 December 2016 and the year ended 31 December 2015, the Group did not enter into any interest rate swap agreements.

As at 31 December 2016, if bank interest rates on the floating rate borrowings and loans provided to related parties had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have increased/decreased by approximately RMB7,905,000 (31 December 2015: approximately RMB7,631,000).

As at 31 December 2016, if interest rates on cash at bank and on hand and customer deposits at Qingdao Finance subject to the floating rate borrowings had risen/fallen by 8% while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB797,000 (31 December 2015: RMB861,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

13 Financial instruments and associated risk (Continued)

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables, notes receivable, long-term receivable, etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size public-listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and long-term receivable except loans provided and notes receivable. The Group assesses the credit quality of and sets credit periods on its debtors by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the debtors is regularly monitored by the Group. In respect of debtors with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

For loans provided and accounted for in other receivables and long-term receivables, the Group measures the risks of corporate loans and advances mainly based on the “Probability of Default” of the customers to the agreed obligations and their financial position while taking consideration of the current credit exposure and future potential development trends. The Group strengthens the management in all stages of loans provision. Loans provided are continuously monitored and various factors that may affect the loan-related credit risk management processes are reviewed regularly; negative events that may have significant impact on the repayment capacity of the borrower are reported in a timely manner, with measures taken promptly, including adding guarantors or collaterals, so as to maximise the safety of assets and prevent and control risks; the repayment capacities with respect to the principal plus interest of the borrowers and potential borrowers are analysed on a regular basis; the credit limits are subject to adjustments when appropriate, and the credit risk exposure is managed as required.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group’s head office finance department. The Group’s head office finance department monitors rolling forecasts of the Group’s short-term and long-term liquidity requirements to ensure it has sufficient cash to meet operational needs and to meet the short-term and long-term liquidity requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

13 Financial instruments and associated risk (Continued)

(3) Liquidity risk (Continued)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	263,931,939	—	—	—	263,931,939
Notes payable	817,619,173	—	—	—	817,619,173
Accounts payable	1,125,837,022	—	—	—	1,125,837,022
Other payables	9,932,590,088	—	—	—	9,932,590,088
Interests payable	99,129,006	—	—	—	99,129,006
Current portion of long-term liabilities	24,861,949	—	—	—	24,861,949
Long-term borrowings	6,732,144	31,117,557	96,574,695	27,840,916	162,265,312
Long-term payables	—	3,380,935	9,982,109	44,738,865	58,101,909
Bonds payable	105,300,000	105,300,000	3,815,900,000	—	4,026,500,000
	<u>12,376,001,321</u>	<u>139,798,492</u>	<u>3,922,456,804</u>	<u>72,579,781</u>	<u>16,510,836,398</u>

	31 December 2015				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	309,384,939	—	—	—	309,384,939
Notes payable	402,427,264	—	—	—	402,427,264
Accounts payable	1,339,560,176	—	—	—	1,339,560,176
Other payables	8,268,129,522	—	—	—	8,268,129,522
Interests payable	7,466,857	—	—	—	7,466,857
Current portion of long-term liabilities	22,917,584	—	—	—	22,917,584
Long-term borrowings	7,875,314	30,789,508	95,054,173	60,497,438	194,216,433
Long-term payables	—	492,234,297	9,240,000	43,608,938	545,083,235
	<u>10,357,761,656</u>	<u>523,023,805</u>	<u>104,294,173</u>	<u>104,106,376</u>	<u>11,089,186,010</u>

Bank borrowings and bonds payable are analysed by repayment terms as follows:

	31 December 2016		31 December 2015	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Within 1 year	286,277,290	—	331,574,939	—
1 to 2 years	24,850,000	—	23,330,000	—
2 to 5 years	85,720,000	3,500,000,000	80,140,000	—
Over 5 years	26,820,687	—	57,250,687	—
	<u>423,667,977</u>	<u>3,500,000,000</u>	<u>492,295,626</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES

The level of fair value measurement is determined by the lowest level of inputs which has significant impact on fair value management:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets measured at fair value on a recurring basis

As at 31 December 2016, available-for-sale financial assets with the amount of RMB890,000,000 (Note 6(8)) is recognised on the basis of unobservable inputs, which belongs to Level 3.

As at 31 December 2015, financial assets at fair value through profit or loss with the amount of RMB200,000,000 (Note 6(2)) is recognised on the basis of unobservable inputs, which belongs to Level 3.

Changes of the above Level 3 financial assets are analysed below:

	Available-for- sale financial assets	Financial assets at fair value through profit or loss	Total
1 January 2016	—	200,000,000	200,000,000
Purchases	3,250,000,000	—	3,250,000,000
Sales	(2,360,000,000)	(200,000,000)	(2,560,000,000)
Total gains for the current period	10,623,633	146,731	10,770,364
Gains recognised in profit	(10,623,633)	(146,731)	(10,770,364)
31 December 2016	890,000,000	—	890,000,000

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATES (Continued)

(1) Assets measured at fair value on a recurring basis (Continued)

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
1 January 2015	—	—	—
Purchases	2,148,000,000	200,000,000	2,348,000,000
Sales	(2,148,000,000)	—	(2,148,000,000)
Total gains for the current period	11,970,621	3,352,523	15,323,144
Gains recognised in profit	(11,970,621)	(3,352,523)	(15,323,144)
31 December 2015	—	200,000,000	200,000,000

Gains recognised in profit are included in the income statement under the items of investment income.

The unobservable input of above Level 3 financial asset is its expected return, which is used by the management to evaluate its fair value.

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include receivables, short-term borrowings, payables, bonds payable, long-term borrowings, long-term payables, etc.

Except for financial liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term payables	—	—	489,154,297	446,223,573

The fair value of long-term payables is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

15 CAPITAL 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, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is not subject to external mandatory capital requirements and monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by interest bearing liabilities deducting cash and cash equivalents. Total capital is calculated by shareholder's equity presented in consolidated balance sheet plus net debt.

As at 31 December 2016 and 31 December 2015, the Group's gearing ratio is as follows:

	31 December 2016	31 December 2015
Bank borrowings (Note 6(18), (25))	423,667,977	492,295,626
Customer deposits at Qingdao Finance (Note 6(24))	6,965,592,554	6,274,574,184
Bonds payable (Note 6(26))	3,500,000,000	—
Less: Cash (Note 6(45) (e))	<u>(2,747,487,988)</u>	<u>(4,762,467,699)</u>
Net debt	8,141,772,543	2,004,402,111
Shareholders' equity	<u>15,482,558,623</u>	<u>13,547,895,045</u>
Total capital	<u>23,624,331,166</u>	<u>15,552,297,156</u>
Gearing ratio	<u>34%</u>	<u>13%</u>

16 OTHER EVENTS

As detailed in Note 40 to the consolidated financial statements of the Group for the year ended 31 December 2014, CITIC Australia Commodity Trading Pty Ltd. ("CITIC") and Pacorini Metals (Shanghai) Logistics Co. Ltd. ("Pacorini Logistics") alleged that they were suffered from damages because Qingdao Port Group and the Company (collectively the "QDP Relevant Parties") refused to deliver the related cargoes they stored in QDP Relevant Parties. QDP Relevant Parties received the civil orders from Qingdao Maritime Court of the Peoples' Republic of China on 27 October 2016, ruling that the cases were either transferred to the Public Security Authority due to the suspected involvement in criminal activities or the proceedings were suspended due to the involvement in criminal activities.

Given there is no contractual relationship between the Company and CITIC/Pacorini Logistics, the Directors have the consistent view that the aforesaid litigations are without merit and the court judged to transfer it to the police for further processing or abate the proceedings. In addition, QDP has committed to provide compensation to the Company for any damages arising from the judgment which may be rendered against the Company by the Court. Based on these considerations, the Directors are of the view that the aforesaid litigations and the related judgment and order would not impose any adverse impact on the business and operation of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2016	31 December 2015
Cash on hand	3,697	106,551
Bank deposits	2,225,151,861	1,404,328,598
Other cash balances	28,718,001	57,212,522
	<u>2,253,873,559</u>	<u>1,461,647,671</u>

As at 31 December 2016, other cash balances includes deposits of RMB28,718,001 (31 December 2015: RMB57,212,522) for the issuance of acceptance notes of the Company through banks and its subsidiary Qingdao Finance.

(2) Notes receivable

	31 December 2016	31 December 2015
Bank acceptance notes	246,559,265	248,271,836
Trade acceptance notes	138,221,256	381,036,552
	<u>384,780,521</u>	<u>629,308,388</u>

As at 31 December 2016, the bank acceptance note with carrying amount of RMB66,244,274 (31 December 2015: RMB62,731,590) was pledged to bank as collateral for the Company to apply for issuance of acceptance note with same amount (Note 17(17)).

As at 31 December 2016, notes receivable include unmatured trade acceptance notes with recourse of RMB103,760,938 (31 December 2015: RMB309,384,939) that have been discounted. The Company recognises the received discounted amount as short-term borrowings (Note 17(16)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	761,623,552	843,897,311
Less: Provision for bad debts	(75,953,527)	(57,880,471)
	<u>685,670,025</u>	<u>786,016,840</u>

The Company's sales or services are partially made by cash, advances from customers, bank acceptance notes and trade acceptance notes. The remains are settled by providing credit terms from 30 to 90 days.

The ageing based on their recording dates of accounts receivable and related provision for bad debts are analysed below:

	31 December 2016			31 December 2015		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	717,192,977	94.16%	(63,670,000)	811,565,328	96.17%	(48,865,671)
1 to 2 years	27,693,592	3.64%	(2,261,027)	28,279,483	3.35%	(7,280,550)
2 to 3 years	16,414,483	2.16%	(9,764,500)	4,052,500	0.48%	(1,734,250)
Over 3 years	322,500	0.04%	(258,000)	—	—	—
	<u>761,623,552</u>	<u>100.00%</u>	<u>(75,953,527)</u>	<u>843,897,311</u>	<u>100.00%</u>	<u>(57,880,471)</u>

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

As at 31 December 2016, accounts receivable of RMB221,061,564 (31 December 2015: RMB208,506,957) were overdue, however, based on the analysis of the customers' financial status and credit record the Company expected that the overdue amounts can be recovered, and the accounts receivable are not impaired, thus no provisions for bad debts are individually provided. The ageing of these past due accounts receivables is analysed as follows:

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(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable and other receivables (Continued)

(a) Accounts receivable (Continued)

	31 December 2016	31 December 2015
Within 1 year	184,140,989	176,174,974
1 to 2 years	27,693,592	28,279,483
2 to 3 years	8,904,483	4,052,500
Over 3 years	322,500	—
	<u>221,061,564</u>	<u>208,506,957</u>

Accounts receivable are analysed by customers categories as follows:

	31 December 2016			31 December 2015		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Related parties	116,443,863	15.29%	—	103,631,625	12.28%	—
Third parties	<u>645,179,689</u>	<u>84.71%</u>	<u>(75,953,527)</u>	<u>740,265,686</u>	<u>87.72%</u>	<u>(57,880,471)</u>
	<u>761,623,552</u>	<u>100.00%</u>	<u>(75,953,527)</u>	<u>843,897,311</u>	<u>100.00%</u>	<u>(57,880,471)</u>

(b) Other receivables

	31 December 2016	31 December 2015
Assets transfer receivables (i)	302,120,465	—
Construction expenditures paid on behalf of related parties except subsidiaries	196,841,038	121,821,020
Construction expenditures paid on behalf of subsidiaries	118,903,331	152,012,447
Port construction fees receivable	62,592,722	102,712,431
Loans to related parties (ii)	60,000,000	210,000,000
Deposit and guarantee	31,958,501	11,598,332
Goods payments on behalf	7,529,472	37,347,632
Others	10,010,324	31,030,037
	<u>789,955,853</u>	<u>666,521,899</u>
Less: Provision for bad debts	<u>(10,369,147)</u>	<u>(1,892,191)</u>
	<u>779,586,706</u>	<u>664,629,708</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(3) Accounts receivable and other receivables (Continued)

(b) Other receivables (Continued)

- (i) Assets transfer receivables are loading equipment transfer receivables from QDOT and construction in progress transfer receivables from DMT.
- (ii) As at 31 December 2016, loan of RMB60,000,000 is provided by the Company to its related party - Huaneng Qingdao, with maturity within one year and interest calculated based on bank loan benchmark interest rate downwards by 3% with the corresponding period.

Ageing of other receivables and related provision for bad debts are analysed below:

	31 December 2016			31 December 2015		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	776,093,636	98.25%	—	626,485,873	93.99%	(1,892,191)
1 to 2 years	1,281,543	0.16%	(21,407)	39,624,758	5.95%	—
2 to 3 years	12,227,167	1.55%	(10,341,259)	374,768	0.06%	—
3 to 4 years	330,507	0.04%	(6,481)	8,500	0.00%	—
4 to 5 years	3,000	0.00%	—	28,000	0.00%	—
Over 5 years	20,000	0.00%	—	—	—	—
	<u>789,955,853</u>	<u>100.00%</u>	<u>(10,369,147)</u>	<u>666,521,899</u>	<u>100.00%</u>	<u>(1,892,191)</u>

As at 31 December 2016, other receivables with ageing over one year are RMB13,862,217 (31 December 2015: RMB40,036,026). Based on analysis on customer financial condition and past credit record, the Company makes provision for bad debts at RMB10,369,147 (31 December 2015: Nil). The remaining receivable is considered recoverable.

(4) Advances to suppliers

The ageing of advances to suppliers is analysed as follows:

	31 December 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	2,928,930	45.95%	8,723,865	83.07%
1 to 2 years	1,668,000	26.16%	—	—
2 to 3 years	—	—	1,778,327	16.93%
3 to 4 years	1,778,327	27.89%	—	—
	<u>6,375,257</u>	<u>100.00%</u>	<u>10,502,192</u>	<u>100.00%</u>

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(5) Inventories

(a) Inventories are listed as follows:

	31 December 2016			31 December 2015		
	Ending balance	Provision	Carrying amount	Ending balance	Provision	Carrying amount
Amount due from customers for construction contract (i)	316,091,965	—	316,091,965	108,968,679	—	108,968,679
Materials and finished goods	45,409,411	—	45,409,411	42,088,951	—	42,088,951
Spare parts	3,975,216	—	3,975,216	4,226,023	—	4,226,023
Fuel	4,051,352	—	4,051,352	3,367,211	—	3,367,211
Others	1,111,342	—	1,111,342	1,362,010	—	1,362,010
	<u>370,639,286</u>	<u>—</u>	<u>370,639,286</u>	<u>160,012,874</u>	<u>—</u>	<u>160,012,874</u>

(i) Amount due from customers for construction contract

	31 December 2016	31 December 2015
Accumulated cost recognised	764,953,443	448,466,346
Add: Accumulated gross profits recognised	26,682,085	21,252,539
Less: Accumulated amounts settled	(475,543,563)	(360,750,206)
	<u>316,091,965</u>	<u>108,968,679</u>

(b) The movements of inventories are as follows:

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Amount due from customers for construction contract	108,968,679	660,461,535	(453,338,249)	316,091,965
Materials and finished goods	42,088,951	717,691,932	(714,371,472)	45,409,411
Spare parts	4,226,023	12,609,018	(12,859,825)	3,975,216
Fuel	3,367,211	265,927,668	(265,243,527)	4,051,352
Others	1,362,010	17,085,530	(17,336,198)	1,111,342
	<u>160,012,874</u>	<u>1,673,775,683</u>	<u>(1,463,149,271)</u>	<u>370,639,286</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

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17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(6) Other current assets

	31 December 2016	31 December 2015
VAT retained	26,565,368	—
Input VAT to be deducted	21,569,063	21,639,284
Input VAT to be verified	3,380,829	—
Prepaid VAT	2,817	207,048
	<u>51,518,077</u>	<u>21,846,332</u>

(7) Long-term receivables

	31 December 2016	31 December 2015
Loans provided to subsidiaries	1,360,000,000	160,000,000
Loans provided to other related parties	1,635,000,000	—
	<u>2,995,000,000</u>	<u>160,000,000</u>

As at 31 December 2016, loans provided to related parties comprise:

Among long-term entrusted loans provided to the Company's subsidiaries, RMB340,000,000 and RMB500,000,000 of loans to Mercuria Oil Terminal and Lianhua Pipeline are issued with fixed interest rates of 4.75%, while interest of the remaining loans are calculated based on the corresponding bank loan benchmark interest rate.

Long-term entrusted loans of RMB1,635,000,000 provided by the Company to related parties - QQCTU, QQCTN and QDOT, among which RMB675,000,000 and RMB520,000,000 of loans to QQCTU and QDOT are issued with fixed interest rates of 4.28% and RMB350,000,000 of loans to QQCTN is issued with fixed interest rates of 4.75%, while interest of the remaining loans are calculated based on the corresponding bank loan benchmark interest rate.

As at 31 December 2015, interest of loans provided to subsidiaries are calculated based on the corresponding bank loan benchmark interest rate.

(8) Long-term equity investments

	31 December 2016	31 December 2015
Subsidiaries (a)	3,363,062,011	2,274,043,301
Joint ventures (b)	5,749,803,217	5,432,034,993
Associates (c)	97,896,134	7,711,456
	<u>9,210,761,362</u>	<u>7,713,789,750</u>

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(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Long-term equity investments (Continued)

(a) Subsidiaries

	31 December 2015	Movements in the current year		31 December 2016	Declaration in current year
		Increase in investment	Decrease in investment		
Yongli Insurance	7,866,558	—	—	7,866,558	2,511,317
QDP Cargo	171,734,115	85,489,842	(12,430,000)	244,793,957	—
Hongyu Cargo Agency	12,811,516	—	—	12,811,516	—
GLS Shipping	2,580,830	—	—	2,580,830	—
Ocean Shipping Repair	3,666,959	—	—	3,666,959	—
Qingdao Port Engineering	114,455,552	—	—	114,455,552	—
Ocean Shipping Tally	389,296,880	—	—	389,296,880	111,297,629
Gangjia Logistics	7,299,874	—	—	7,299,874	—
Gangrong Storage	7,952,229	—	—	7,952,229	—
Qingdao Port Travel Agency	3,052,737	—	—	3,052,737	—
Duty-free Merchandise	2,931,373	—	—	2,931,373	—
Datang Port	179,109,502	—	—	179,109,502	—
Qingdao Finance	700,000,000	—	—	700,000,000	—
Mercuria Logistics	273,278,376	—	—	273,278,376	—
Mercuria Oil Terminal	182,079,200	—	—	182,079,200	—
Eimskip Coldchain	14,000,000	—	—	14,000,000	—
Qingdao Port Properties	3,000,000	2,000,000	—	5,000,000	—
Culture Media	3,000,000	—	—	3,000,000	—
Qingdao Leasing	143,748,000	40,000,000	—	183,748,000	—
International Development	31,179,600	—	—	31,179,600	—
Tongbao Shipping	20,000,000	—	—	20,000,000	—
Tongan Security	1,000,000	—	—	1,000,000	—
DMT	—	480,000,000	—	480,000,000	—
Lianhua Pipeline	—	153,000,000	—	153,000,000	—
Assets Management Company	—	170,000,000	—	170,000,000	—
Technology Company	—	20,000,000	—	20,000,000	—
Svitzer Towage	—	115,500,000	—	115,500,000	—
Tongze Trading	—	10,000,000	—	10,000,000	—
Bonded Logistics Centre	—	25,458,868	—	25,458,868	—
	<u>2,274,043,301</u>	<u>1,101,448,710</u>	<u>(12,430,000)</u>	<u>3,363,062,011</u>	<u>113,808,946</u>

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Long-term equity investments (Continued)

(b) Joint ventures

	31 December 2015	Movements in the current year			31 December 2016	
		Increase/ decrease in investment	Share of net profit/(loss) using equity method	Cash dividends/ profit declared		Share of other changes in equity
QQCT	1,983,604,074	—	478,189,209	(295,718,494)	4,525,833	2,170,600,622
Qingdao Shihua	1,457,707,212	—	201,603,466	(100,000,000)	—	1,559,310,678
West United	433,463,565	—	8,261,139	—	—	441,724,704
Qingwei Container	122,027,729	—	19,841,885	—	4,721,124	146,590,738
Vopak Logistics	144,024,453	—	(146,466)	—	—	143,877,987
Evergreen Container	86,551,543	(22,500,000)	19,910,539	(17,056,869)	318,283	67,223,496
Orient Container	45,286,918	—	7,463,017	(7,320,350)	—	45,429,585
Haiwan Liquid Chemical	149,466,624	—	(4,458,445)	—	—	145,008,179
Bonded Logistics Centre	10,372,873	(12,340,948)	1,968,075	—	—	—
Ganghai Logistics	68,087,913	—	4,889,493	—	—	72,977,406
Shenzhouxing Transportation	29,868,431	—	7,530,127	—	—	37,398,558
China Shipping Agency	14,123,822	—	1,380,570	(2,449,803)	—	13,054,589
United Shipping Agency	65,063,492	—	11,590,271	(10,262,181)	—	66,391,582
Huaneng Qingdao	185,607,545	—	(12,632,624)	—	—	172,974,921
Dongjiakou IMC Logistics	143,731,985	—	7,815,646	—	—	151,547,631
QDOT	439,393,883	—	22,725,339	—	(96,334)	462,022,888
Henan Yuqing	2,491,014	—	(1,494)	—	—	2,489,520
Dongjiakou Sinotrans Logistics	49,151,714	—	(321,486)	—	—	48,830,228
Binzhou Port QDP International Terminal	2,010,203	—	339,702	—	—	2,349,905
	<u>5,432,034,993</u>	<u>(34,840,948)</u>	<u>775,947,963</u>	<u>(432,807,697)</u>	<u>9,468,906</u>	<u>5,749,803,217</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(8) Long-term equity investments (Continued)

(c) Associates

	31 December 2015	Movements in the current year			31 December 2016
		Increase in investment	Share of net profit/(loss) using equity method	Cash dividends/ profit declared	
Ganghua Logistics	7,711,456	—	1,437,074	(1,252,396)	7,896,134
Qingyin Financial Leasing (Note 6(10) (b) (i))	—	90,000,000	—	—	90,000,000
	<u>7,711,456</u>	<u>90,000,000</u>	<u>1,437,074</u>	<u>(1,252,396)</u>	<u>97,896,134</u>

As mentioned in Note 2(2), at preparation of the Company's financial statements, long-term equity investments of Qingdao Port Group that were contributed into the Company are recognised into the Company's balance sheet based on the appraisal values approved by the competent state-owned assets management authorities.

(9) Investment properties

	Buildings	Land use rights	Total
Cost			
31 December 2015	259,610,110	80,814,346	340,424,456
Transfer from intangible assets	—	289,845,351	289,845,351
31 December 2016	<u>259,610,110</u>	<u>370,659,697</u>	<u>630,269,807</u>
Accumulated depreciation			
31 December 2015	(20,809,863)	(4,188,188)	(24,998,051)
Accrued	(10,367,290)	(8,310,418)	(18,677,708)
Transfer from intangible assets	—	(13,125,184)	(13,125,184)
31 December 2016	<u>(31,177,153)</u>	<u>(25,623,790)</u>	<u>(56,800,943)</u>
Net book value			
31 December 2016	<u>228,432,957</u>	<u>345,035,907</u>	<u>573,468,864</u>
31 December 2015	<u>238,800,247</u>	<u>76,626,158</u>	<u>315,426,405</u>

As at 31 December 2016, management of the Company are of the view that there is no indication that the investment properties may be impaired, therefore no provision for impairment is recorded (31 December 2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(10) Fixed assets

	Buildings	Terminal facilities	Storage facilities	Loading equipment	Machinery and equipment	Vessels	Transportation equipment	Communication facilities	Office and other equipment	Total
Cost										
31 December 2015	243,504,625	5,104,090,249	1,945,281,117	996,388,625	186,257,628	706,210,708	51,193,007	45,376,942	15,142,566	9,293,445,467
Transfer from construction in progress	11,188,220	886,803,985	119,628,418	—	1,449,100	—	—	2,754,319	—	1,021,824,042
Purchase in current year	149,385	6,450,411	230,012	1,606,348	15,627,406	45,752,137	1,283,792	27,690,985	3,882,306	102,672,782
Decrease in the current year	(12,994,214)	—	(79,141,746)	(59,348,557)	(5,399,628)	—	(3,505,622)	(1,532,606)	(1,337,218)	(163,259,591)
31 December 2016	<u>241,848,016</u>	<u>5,997,344,645</u>	<u>1,985,997,801</u>	<u>938,646,416</u>	<u>197,934,506</u>	<u>751,962,845</u>	<u>48,971,177</u>	<u>74,289,640</u>	<u>17,687,654</u>	<u>10,254,682,700</u>
Accumulated depreciation										
31 December 2015	(22,407,467)	(303,680,645)	(111,572,628)	(409,466,334)	(57,169,863)	(122,487,436)	(18,084,560)	(18,655,782)	(7,919,544)	(1,071,444,259)
Depreciation in the current year	(11,713,054)	(164,464,394)	(62,147,072)	(134,107,077)	(23,844,478)	(49,474,559)	(7,928,974)	(8,821,120)	(3,601,899)	(466,102,627)
Decrease in the current year	1,319,391	—	6,388,583	27,381,403	2,040,412	—	1,215,117	1,422,288	778,487	40,545,681
31 December 2016	<u>(32,801,130)</u>	<u>(468,145,039)</u>	<u>(167,331,117)</u>	<u>(516,192,008)</u>	<u>(78,973,929)</u>	<u>(171,961,995)</u>	<u>(24,798,417)</u>	<u>(26,054,614)</u>	<u>(10,742,956)</u>	<u>(1,497,001,205)</u>
Net book value										
31 December 2016	<u>209,046,886</u>	<u>5,529,199,606</u>	<u>1,818,666,684</u>	<u>422,454,408</u>	<u>118,960,577</u>	<u>580,000,850</u>	<u>24,172,760</u>	<u>48,235,026</u>	<u>6,944,698</u>	<u>8,757,681,495</u>
31 December 2015	<u>221,097,158</u>	<u>4,800,409,604</u>	<u>1,833,708,489</u>	<u>586,922,291</u>	<u>129,087,765</u>	<u>583,723,272</u>	<u>33,108,447</u>	<u>26,721,160</u>	<u>7,223,022</u>	<u>8,222,001,208</u>

For the year ended 31 December 2016, the amounts of depreciation expenses charged to cost of sales and general and administrative expenses were RMB449,390,085 and RMB16,712,542 respectively (For the year ended 31 December 2015: RMB471,915,258 and RMB16,634,073).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(11) Construction in progress

Name of project	31 December 2015	Increase in the current year	Transfer into fixed assets	Transfer into intangible assets	Other decrease	31 December 2016
Dongjiakou oil terminal and oil tanks project	377,193,452	19,931,287	—	—	—	397,124,739
Dongjiakou berth project for bulk and general cargo	1,552,904,349	308,861,436	(501,303,003)	(23,471,540)	(853,227,260)	483,763,982
Dongjiakou stockyard project	177,238,645	58,928,509	(119,628,418)	—	—	116,538,736
Other Dongjiakou projects	4,828,213	39,857,756	(17,837,656)	—	—	26,848,313
Qianwan dock basin deepening & dredging project	367,352,132	311,195	(367,663,327)	—	—	—
Other projects	18,252,813	24,600,310	(15,391,638)	(2,344,340)	(10,873,691)	14,243,454
	<u>2,497,769,604</u>	<u>452,490,493</u>	<u>(1,021,824,042)</u>	<u>(25,815,880)</u>	<u>(864,100,951)</u>	<u>1,038,519,224</u>

The Company has no capitalised borrowing expense.

Other decrease in construction in progress is the transfer of Dongjiakou berth project for bulk and general cargo and other assets from the Company to its subsidiary DMT.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(12) Intangible assets

	Land use rights	Software	Sea area use rights	Others	Total
Cost					
31 December 2015	2,717,084,919	13,378,560	1,362,580	32,269,286	2,764,095,345
Increase in the current year					
Purchase	19,710,102	7,256,075	—	—	26,966,177
Transfer from construction in progress	—	2,344,340	23,471,540	—	25,815,880
Decrease in the current year					
Transfer into investment properties	(289,845,351)	—	—	—	(289,845,351)
Other decrease	—	—	(23,471,540)	—	(23,471,540)
31 December 2016	2,446,949,670	22,978,975	1,362,580	32,269,286	2,503,560,511
Accumulated amortisation					
31 December 2015	(127,475,644)	(5,711,173)	(54,504)	(7,595,496)	(140,836,817)
Increase in the current year					
Accrued	(55,143,415)	(3,421,637)	(27,254)	(3,645,838)	(62,238,144)
Decrease in the current year					
Transfer into investment properties	13,125,184	—	—	—	13,125,184
31 December 2016	(169,493,875)	(9,132,810)	(81,758)	(11,241,334)	(189,949,777)
Book Value					
31 December 2016	2,277,455,795	13,846,165	1,280,822	21,027,952	2,313,610,734
31 December 2015	2,589,609,275	7,667,387	1,308,076	24,673,790	2,623,258,528

Other decrease in intangible assets is the transfer of sea area use rights from the Company to its subsidiary DMT.

(13) Other non-current assets

	31 December 2016	31 December 2015
Taxes prepaid for port facilities rental income (Note 6(15))	198,276,587	203,277,032
Less: Current portion	(11,613,049)	(11,294,229)
Construction and equipment expenditures prepaid	29,780,567	113,438,188
	<u>216,444,105</u>	<u>305,420,991</u>

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(14) Provision for asset impairments

	31 December 2015	Increase in the current year	Decrease in the current year		31 December 2016
			Reversal	Write-off	
Provision for bad debts of accounts receivable	57,880,471	23,960,829	—	(5,887,773)	75,953,527
Provision for bad debts of other receivables	1,892,191	8,476,956	—	—	10,369,147
	<u>59,772,662</u>	<u>32,437,785</u>	<u>—</u>	<u>(5,887,773)</u>	<u>86,322,674</u>

(15) Deferred tax assets

	31 December 2016		31 December 2015	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Early retirement benefits	117,240,000	29,310,000	127,210,000	31,802,500
Provision for asset impairments	86,322,674	21,580,669	58,276,615	14,569,154
Assets revaluation surplus	39,203,088	9,800,772	39,207,004	9,801,751
Elimination of intra-group unrealised profit	11,309,320	2,827,330	14,100,832	3,525,208
Accrued expenses	2,283,097	570,774	1,957,930	489,482
	<u>256,358,179</u>	<u>64,089,545</u>	<u>240,752,381</u>	<u>60,188,095</u>
Including:				
Expected to be recovered within one year (inclusive)		6,416,751		4,582,961
Expected to be recovered after one year		57,672,794		55,605,134
		<u>64,089,545</u>		<u>60,188,095</u>

As at 31 December 2016, the Company has no deferred tax liabilities (31 December 2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(16) Short-term borrowings

	Currency	31 December 2016	31 December 2015
Secured (a)	RMB	103,760,938	309,384,939
Unsecured (b)	RMB	305,000,000	—
		<u>408,760,938</u>	<u>309,384,939</u>

- (a) As at 31 December 2016, bank borrowings of RMB103,760,938 (31 December 2015: RMB309,384,939) are short-term borrowings obtained by discounting trade acceptance notes (Note 17(2)).
- (b) As at 31 December 2016, unsecured borrowings comprise loans of RMB245,000,000 borrowed from the Company's subsidiary Qingdao Finance (Note 17(34) (d) (vii)) and loans of RMB60,000,000 borrowed from the Export-Import Bank of China.
- (c) As at 31 December 2016, the interest rate of short-term borrowings ranges from 3.92% to 4.35% (31 December 2015: from 3.87% to 4.56%).

(17) Notes payable

	31 December 2016	31 December 2015
Trade acceptance notes	29,136,503	39,787,885
Bank acceptance notes	241,109,720	256,557,109
	<u>270,246,223</u>	<u>296,344,994</u>

As at 31 December 2016, bank acceptance notes payable of RMB66,244,274 (31 December 2015: RMB62,731,590) are issued with bank acceptance notes receivable of the same amount as collateral (Note 17(2)).

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(18) Employee benefits payable

	31 December 2016	31 December 2015
Short-term employee benefits (a)	51,855,282	43,352,264
Defined contribution plans (b)	19,273,870	27,770,327
Termination benefits (c)	23,380,000	16,370,000
Defined benefit plans (d)	102,540,000	100,800,000
	<u>197,049,152</u>	<u>188,292,591</u>

(a) Short-term employee benefits

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Wages and salaries, bonus, allowances and subsidies	31,690,145	641,134,275	(632,601,309)	40,223,111
Staff welfare	365,475	68,461,082	(68,826,557)	—
Social security contributions	—	64,953,787	(64,953,787)	—
Including: Medical insurance	—	52,896,941	(52,896,941)	—
Work injury insurance	—	6,104,377	(6,104,377)	—
Maternity insurance	—	5,952,469	(5,952,469)	—
Housing funds	—	67,550,984	(67,550,984)	—
Labour union funds and employee education funds	5,853,983	13,430,941	(14,381,548)	4,903,376
Outsourcing costs	5,442,661	271,770,149	(270,484,015)	6,728,795
Others	—	8,189,951	(8,189,951)	—
	<u>43,352,264</u>	<u>1,135,491,169</u>	<u>(1,126,988,151)</u>	<u>51,855,282</u>

(b) Defined contribution plans

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Basic pensions	—	104,020,495	(104,020,495)	—
Unemployment insurance	—	5,808,145	(5,808,145)	—
Corporate annuity	27,770,327	30,193,195	(38,689,652)	19,273,870
	<u>27,770,327</u>	<u>140,021,835</u>	<u>(148,518,292)</u>	<u>19,273,870</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(18) Employee benefits payable (Continued)

(c) Termination benefits

	31 December 2016	31 December 2015
Early retirement benefits	<u>23,380,000</u>	<u>16,370,000</u>

Early retirement benefits borne by the Company are recognised as long-term employee benefits payable (Note 17(21)), the current portion of which is presented as employee benefits payable.

(d) Defined benefit plans

	31 December 2016	31 December 2015
Supplemental retirement benefits	<u>102,540,000</u>	<u>100,800,000</u>

Supplemental retirement benefits borne by the Company are recognised as long-term employee benefits payable (Note 17(21)), the current portion of which is presented as employee benefits payable.

(19) Taxes payable

	31 December 2016	31 December 2015
Land use tax payable	12,080,414	11,904,166
Enterprise income tax payable	5,031,924	5,364,813
Unpaid VAT	3,818,815	—
Stamp duty payable	2,108,064	344,530
Individual income tax payable	2,101,816	2,428,559
Real estate tax payable	2,063,517	—
City maintenance and construction tax payable	473,500	960,285
Business tax payable	—	3,260,296
VAT payable	—	4,738,765
Others	383,415	799,852
	<u>28,061,465</u>	<u>29,801,266</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(20) Other payables

	31 December 2016	31 December 2015
Construction and equipment expenditure	1,124,632,688	1,067,217,831
Payables to Qingdao Port Group	479,350,964	218,596,347
Port construction fees	48,366,481	44,231,608
Deposit and guarantee	27,295,779	48,668,623
Railage collected on behalf	7,777,946	4,838,742
Welfare paid on behalf	2,600,000	3,080,000
Others	32,675,329	34,727,705
	<u>1,722,699,187</u>	<u>1,421,360,856</u>

(21) Long-term employee benefits payable

	31 December 2016	31 December 2015
Early retirement benefits (a)	93,860,000	110,840,000
Supplemental retirement benefits (b)	2,430,760,000	2,545,370,000
	<u>2,524,620,000</u>	<u>2,656,210,000</u>

(a) Early retirement benefits of the Company

	31 December 2016	31 December 2015
Early retirement benefits	117,240,000	127,210,000
Less: Payable within one year	(23,380,000)	(16,370,000)
	<u>93,860,000</u>	<u>110,840,000</u>

The early retirement benefits payable within one year are included in employee benefits payable.

(b) Supplemental retirement benefits of the Company:

	31 December 2016	31 December 2015
Supplemental retirement benefits	2,533,300,000	2,646,170,000
Less: Payable within one year	(102,540,000)	(100,800,000)
	<u>2,430,760,000</u>	<u>2,545,370,000</u>

The supplemental retirement benefits payable within one year are included in employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(21) Long-term employee benefits payable (Continued)

(c) Movements for the Company's early retirement benefits and supplemental retirement benefits are analysed as follows:

	Early retirement benefits	Supplemental retirement benefits
As at 1 January 2016	127,210,000	2,646,170,000
Amount recognised in profit or loss for the current year		
– Service cost	34,640,000	132,270,000
Current service cost	—	3,330,000
Past service cost	34,640,000	128,940,000
– Interest expense on the net defined benefit obligations	3,560,000	84,330,000
Re-measurement amount		
– Actuarial gains for the current year	(15,840,000)	(226,580,000)
Payment of benefits	(23,170,000)	(99,620,000)
Transfer	(9,160,000)	(3,270,000)
As at 31 December 2016	<u>117,240,000</u>	<u>2,533,300,000</u>
	Early retirement benefits	Supplemental retirement benefits
As at 1 January 2015	179,822,162	2,647,650,000
Amount recognised in profit or loss for the current year		
– Service cost	14,520,000	3,280,000
Current service cost	—	1,460,000
Past service cost	14,520,000	1,820,000
– Interest expense on the net defined benefit obligations	6,270,000	98,640,000
Re-measurement amount		
– Actuarial gains for the current year	(47,640,000)	123,950,000
Payment of benefits	(23,382,162)	(96,160,000)
Transfer	(2,380,000)	(131,190,000)
As at 31 December 2015	<u>127,210,000</u>	<u>2,646,170,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(21) Long-term employee benefits payable (Continued)

- (d) Early retirement benefits and supplemental retirement benefits recognised in profit or loss for the current year are as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
General and administrative expenses	151,070,000	(29,840,000)
Financial expenses	87,890,000	104,910,000

(22) Capital surplus

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium - (Note 6(31))				
Capital premium contributed by Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed by Other Promoters	783,586,608	—	—	783,586,608
Issue of new shares	1,547,306,924	—	—	1,547,306,924
Shares issue expenses	(113,422,026)	—	—	(113,422,026)
Business combination involving enterprises under common control	(31,531,719)	—	—	(31,531,719)
Other capital surplus - Share of changes in equity other than comprehensive income and profit distribution of investees accounted for using the equity method	2,744,874	9,468,906	—	12,213,780
	<u>9,240,964,135</u>	<u>9,468,906</u>	<u>—</u>	<u>9,250,433,041</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(22) Capital surplus (Continued)

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015
Share premium - (Note 6(31))				
Capital premium contributed by				
Qingdao Port Group	7,052,279,474	—	—	7,052,279,474
Capital premium contributed				
by Other Promoters	783,586,608	—	—	783,586,608
Issue of new shares	1,547,306,924	—	—	1,547,306,924
Shares issue expenses	(113,422,026)	—	—	(113,422,026)
Business combination involving				
enterprises under common control	(31,531,719)	—	—	(31,531,719)
Other capital surplus -				
Share of changes in equity other than				
comprehensive income and profit				
distribution of investees accounted				
for using the equity method	427,863	2,514,806	(197,795)	2,744,874
	<u>9,238,647,124</u>	<u>2,514,806</u>	<u>(197,795)</u>	<u>9,240,964,135</u>

(23) Undistributed profits

	Year ended 31 December 2016	Year ended 31 December 2015
Undistributed profits at beginning of the year	1,636,833,839	1,250,339,651
Add: Net profit for the current year	1,428,553,689	1,480,774,596
Less: Appropriation to surplus reserves	(142,855,369)	(148,077,460)
Profit distribution to the shareholders (Note 6(35))	(664,552,612)	(946,202,948)
Undistributed profits at end of the year	<u>2,257,979,547</u>	<u>1,636,833,839</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(24) Revenue and cost of sales

	Year ended 31 December 2016	Year ended 31 December 2015
Revenues from main operations	4,245,650,496	4,891,921,016
Revenues from other operations	858,397,453	817,310,740
	<u>5,104,047,949</u>	<u>5,709,231,756</u>
	Year ended 31 December 2016	Year ended 31 December 2015
Cost of main operations	(3,164,719,618)	(3,773,557,748)
Cost of other operations	(534,976,235)	(535,315,787)
	<u>(3,699,695,853)</u>	<u>(4,308,873,535)</u>

(a) Revenue and cost from main operations

	Year ended 31 December 2016		Year ended 31 December 2015	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
Loading and relevant business	2,535,156,553	(2,034,599,261)	2,975,596,589	(2,435,136,635)
Integrated logistics business	925,645,933	(670,442,219)	1,270,727,037	(937,833,039)
Construction, labour and sales of port machinery	784,848,010	(459,678,138)	645,597,390	(400,588,074)
	<u>4,245,650,496</u>	<u>(3,164,719,618)</u>	<u>4,891,921,016</u>	<u>(3,773,557,748)</u>

(b) Revenue and cost from other operations

	Year ended 31 December 2016		Year ended 31 December 2015	
	Revenues from other operations	Cost of other operations	Revenues from other operations	Cost of other operations
Rental income	337,335,569	(134,556,231)	321,565,262	(119,468,171)
Sales of fuel, electricity and others	521,061,884	(400,420,004)	495,745,478	(415,847,616)
	<u>858,397,453</u>	<u>(534,976,235)</u>	<u>817,310,740</u>	<u>(535,315,787)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(25) Taxes and surcharges

	Year ended 31 December 2016	Year ended 31 December 2015
Land use tax	33,473,965	—
Business tax	16,657,233	20,815,893
City maintenance and construction tax	10,536,627	13,801,863
Educational surcharges	7,551,874	9,477,070
Real estate tax	4,419,979	—
Stamp duty	2,728,737	—
Others	2,274,673	2,021,626
	<u>77,643,088</u>	<u>46,116,452</u>

(26) Financial expenses - net

	Year ended 31 December 2016	Year ended 31 December 2015
Interest costs	98,713,242	9,091,447
Less: amounts capitalised on qualifying assets	—	—
Interest expenses	98,713,242	9,091,447
Less: Interest income	(125,132,667)	(34,674,646)
Effect of actuarial calculation of employee benefits	87,890,000	104,910,000
Exchange gains	(1,775,934)	(1,864,571)
Others	579,418	549,116
	<u>60,274,059</u>	<u>78,011,346</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(27) Expenses by nature

The cost of sales, selling and distribution expenses and general and administrative expenses in the income statement are listed by nature as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Employee benefits	1,391,459,687	1,373,161,599
Subcontract cost	788,607,822	843,360,002
Depreciation of fixed assets	466,102,627	488,549,331
Cost of sales for fuel and electricity	310,174,276	290,120,008
Transportation cost	296,037,412	593,050,952
Consumption of other raw materials	200,394,638	197,922,434
Fuel and heating expenditures	180,851,293	212,586,538
Consumption of raw materials in construction contract	176,712,093	198,921,214
Operating lease rental	89,132,844	93,213,604
Repair and maintenance expense	87,770,141	90,904,913
Amortisation of intangible assets	62,238,144	67,737,103
Taxes	18,853,818	55,055,392
Depreciation of investment properties	18,677,708	10,997,950
Amortisation of long-term prepaid expenses	14,331,144	15,068,944
Auditor's remuneration	4,537,020	6,330,877
– Audit services	4,452,774	6,321,517
– Non-audit services	84,246	9,360
Others	77,312,962	149,596,008
	<u>4,183,193,629</u>	<u>4,686,576,869</u>

(28) Asset impairment losses

	Year ended 31 December 2016	Year ended 31 December 2015
Provision for bad debts	<u>32,437,785</u>	<u>58,276,615</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(29) Investment income

	Year ended 31 December 2016	Year ended 31 December 2015
Long-term equity investments income accounted for using the cost method	113,808,946	107,265,299
Long-term equity investments income accounted for using the equity method	777,385,037	659,176,491
Income from disposal of financial assets at fair value through profit or loss	146,731	3,352,523
Income from disposal of available-for-sale financial assets	8,020,273	11,970,627
Income from available-for-sale financial assets during holding period	58,500	58,500
Income from disposal of long-term equity investments	—	105,859,708
	<u>899,419,487</u>	<u>887,683,148</u>

(30) Non-operating income and expenses

(a) Non-operating income

	Year ended 31 December 2016	Year ended 31 December 2015
Gains on disposal of non-current assets	6,368,543	2,475,400
Including: Gains on disposal of fixed assets	5,285,883	2,475,400
Gains on disposal of intangible assets	1,082,660	—
Commission from port construction fees	13,855,421	14,171,747
Government grants	10,070,775	9,469,344
Others	2,727,938	525,195
	<u>33,022,677</u>	<u>26,641,686</u>

(b) Non-operating expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Losses on disposal of non-current assets	305,750	2,358,632
Including: Losses on disposal of fixed assets	305,750	2,358,632
Expenditures for donations	—	10,000
Others	1,200,235	255,833
	<u>1,505,985</u>	<u>2,624,465</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(31) Income tax expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax calculated based on tax law and related regulations	256,783,328	273,080,594
Deferred income tax	(3,901,450)	(1,904,347)
	<u>252,881,878</u>	<u>271,176,247</u>

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

	Year ended 31 December 2016	Year ended 31 December 2015
Total profit	<u>1,681,435,567</u>	<u>1,751,950,843</u>
Income tax expenses calculated at applicable tax rates	420,358,892	437,987,711
Investment income not subject to tax	(222,798,496)	(191,610,448)
Costs, expenses and losses not deductible for tax purposes	56,909,083	26,922,637
Extra-deducted salary for disabled employees	(1,587,601)	(2,123,653)
Income tax expenses	<u>252,881,878</u>	<u>271,176,247</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(32) Other comprehensive income

(a) Reconciliation of other comprehensive income

	Changes in the re-measurement of net liability related to the defined benefit plan
As at 1 January 2015	(167,830,000)
Movement for the year ended 31 December 2015	<u>(123,950,000)</u>
As at 31 December 2015	<u>(291,780,000)</u>
As at 1 January 2016	(291,780,000)
Movement for the year ended 31 December 2016	<u>226,580,000</u>
As at 31 December 2016	<u>(65,200,000)</u>

(b) Other comprehensive income, the related income tax effect and the reclassifications to profit or loss

	Year ended 31 December 2016		
	Pre-tax amount	Income taxes	Amount, net of tax
Items which will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations	<u>226,580,000</u>	—	<u>226,580,000</u>
	Year ended 31 December 2015		
	Pre-tax amount	Income taxes	Amount, net of tax
Items which will not be reclassified subsequently to profit or loss			
Remeasurement of employee benefit obligations	<u>(123,950,000)</u>	—	<u>(123,950,000)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(33) Notes to the Company's cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	Year ended 31 December 2016	Year ended 31 December 2015
Net profit	1,428,553,689	1,480,774,596
Add: Provision for asset impairment loss	32,437,785	58,276,615
Depreciation of fixed assets and investment properties	484,780,335	499,547,281
Amortisation of intangible assets	62,238,144	67,737,103
Amortisation of long-term prepaid expenses	14,331,144	15,068,944
Amortisation of deferred revenue	(3,914,444)	(3,914,444)
Gains on disposal of non-current assets	(6,062,793)	(116,768)
Investment income	(899,419,487)	(887,683,148)
Increase in deferred tax assets	(3,901,450)	(1,904,347)
Financial expenses	73,624,231	82,600,675
Increase in inventories	(210,626,412)	(48,340,379)
Increase in operating receivables	(96,893,898)	(154,157,359)
Decrease in operating payables	(629,053,857)	(83,018,634)
Net cash flows from operating activities	<u>246,092,987</u>	<u>1,024,870,135</u>

(b) Significant investing activities that do not involve cash receipts and payments

(i) Endorsement of notes receivable

	Year ended 31 December 2016	Year ended 31 December 2015
Construction expenditures paid on behalf by endorsement of notes receivable	154,440,601	485,678,486
Long-term assets acquired by endorsement of notes receivable	85,429,741	559,846,226
	<u>239,870,342</u>	<u>1,045,524,712</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(33) Notes to the Company's cash flow statement (Continued)

(b) Significant investing activities that do not involve cash receipts and payments (Continued)

(ii) Notes receivable received

	Year ended 31 December 2016	Year ended 31 December 2015
Notes receivable received for construction expenditures paid on behalf	102,212,535	410,466,994
Notes receivable received from disposal of Riqing Container	—	319,000,000
Asset transfer amount received	—	32,531,313
	<u>102,212,535</u>	<u>761,998,307</u>

(iii) Notes payable issued

	Year ended 31 December 2016	Year ended 31 December 2015
Long-term assets acquired by issuing notes payable	<u>17,254,670</u>	<u>31,314,460</u>

(c) Significant financing activities that do not involve cash receipts and payments

	Year ended 31 December 2016	Year ended 31 December 2015
Short-term borrowings payment deducted by previously discounted notes receivable fall due	<u>528,740,728</u>	<u>76,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(33) Notes to the Company's cash flow statement (Continued)

(d) Net increase in cash

	Year ended 31 December 2016	Year ended 31 December 2015
Cash at end of the year	2,183,155,558	1,374,435,149
Less: Cash at beginning of the year	<u>(1,374,435,149)</u>	<u>(1,107,926,061)</u>
Net increase in cash	<u>808,720,409</u>	<u>266,509,088</u>

(e) Cash

	31 December 2016	31 December 2015
Cash at bank and on hand (Note 17(1))	2,253,873,559	1,461,647,671
Less: Term deposits with the initial term of over 3 months	(42,000,000)	(30,000,000)
Other restricted cash balance	<u>(28,718,001)</u>	<u>(57,212,522)</u>
Cash at the end of the year	<u>2,183,155,558</u>	<u>1,374,435,149</u>

(f) Cash received relating to other operating activities

	Year ended 31 December 2016	Year ended 31 December 2015
Operating lease rental of port facilities	130,164,433	98,849,682
Port construction fee collected on behalf	44,254,582	—
Purchases of goods paid on behalf	29,818,160	1,158,622
Commission from port construction fees	13,855,421	14,171,747
Land use tax refund	11,863,811	—
Interest income	10,326,474	20,462,807
Government grants received	6,156,331	—
Maturity of bills received on behalf of Qingdao Port Group	—	67,988,440
Deposit and guarantee	—	18,212,302
Others	<u>5,667,145</u>	<u>5,223,221</u>
	<u>252,106,357</u>	<u>226,066,821</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(33) Notes to the Company's cash flow statement (Continued)

(g) Cash paid relating to other operating activities

	Year ended 31 December 2016	Year ended 31 December 2015
Payments to Qingdao Port Group for previously received maturity of bill on behalf	67,988,440	—
Deposit and guarantee paid	41,733,013	—
Port construction fees paid on behalf	—	40,411,609
Intermediary service fee	9,616,036	11,321,207
General office expenses and entertainment expenses	14,445,979	13,284,331
Others	14,483,355	11,121,306
	<u>148,266,823</u>	<u>76,138,453</u>

(h) Cash received relating to other investing activities

	Year ended 31 December 2016	Year ended 31 December 2015
Loans repayment from related parties	370,000,000	124,800,000
Construction expenditures paid on behalf of related parties received	488,053,607	363,220,798
Term deposits with the initial term of over 3 months	97,000,000	1,020,000,000
	<u>955,053,607</u>	<u>1,508,020,798</u>

(i) Cash paid relating to other investing activities

	Year ended 31 December 2016	Year ended 31 December 2015
Loans provided to related parties	3,055,000,000	330,700,000
Construction expenditures paid on behalf of related parties	448,972,854	223,611,168
Term deposits with the initial term of over 3 months	109,000,000	50,000,000
	<u>3,612,972,854</u>	<u>604,311,168</u>

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(33) Notes to the Company's cash flow statement (Continued)

(j) Cash payments relating to other financing activities

	Year ended 31 December 2016	Year ended 31 December 2015
Payment to Qingdao Port Group	104,719,124	345,891,943
Bonds issuing related costs	18,424,528	—
	<u>123,143,652</u>	<u>345,891,943</u>

(34) Related parties and related party transactions

(a) The parent company and subsidiaries

The general information of the parent company is set out in Note 10(1). The general information and other related information of the subsidiaries is set out in Note 8.

(b) Information of joint ventures and associates

The general information and other related information of joint ventures and associates are set out in Note 10(3). Related information of other related parties is set out in Note 10(4).

(c) Related party transactions

(i) Pricing policies

The transaction between the Company and related parties is based on mutually agreed price and settlement terms between both parties in the process of general business and. Rental from and to related parties are negotiated by both parties. Interest rate of deposits in related parties and loans acquired from related parties is determined based on the corresponding bank benchmark interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(ii) Purchase of goods and receiving of services

	Year ended 31 December 2016	Year ended 31 December 2015
Qingdao Port Engineering	636,363,425	472,953,001
QDOT	491,247,292	699,456,571
QDP Cargo	146,696,932	28,586,633
Huaneng Qingdao	36,233,496	27,920,816
Technology Company	13,877,694	1,297,241
Ocean Shipping Repair	11,120,881	15,416,863
Datang Port	9,314,031	—
Lianjie Logistics	8,571,811	—
Gangrong Storage	8,313,415	1,942,717
Tongze Trading *	5,290,352	—
Fuwai Hospital	4,855,093	5,189,941
Hongyu Hotel	3,189,851	1,581,143
Tongbao Shipping	2,449,364	—
Svitzer Towage	1,752,544	—
Culture Media	1,448,270	—
West United	1,116,604	120,562
Binzhou Port QDP International Terminal	995,132	2,804,429
Ocean Shipping Tally	989,237	1,509,567
Ganghua Logistics	612,231	1,029,632
Qingdao Port Properties	14,658	3,688,078
Tongda Industrial	—	2,710,455
Others	2,154,744	3,366,228
	<u>1,386,607,057</u>	<u>1,269,573,877</u>

* Tongze Trading provides purchase agency service for the Company, and transaction amounts listed above represent agency fee.

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(iii) Provision of services such as transportation, stevedoring and repairing

	Year ended 31 December 2016	Year ended 31 December 2015
QDP Cargo	64,677,333	44,822,626
QQCT	41,981,820	47,548,803
Qingdao Shihua	24,554,633	12,805,210
Svitzer Towage	19,731,604	—
Ganghua Logistics	19,108,896	39,666,553
Gangrong Storage	15,430,158	19,016,657
QDOT	15,215,127	7,412,160
Binzhou Port QDP International Terminal	9,305,320	1,261,261
QQCTU	8,903,010	6,854,340
Passenger Liner Home Port	8,099,837	—
DMT	6,295,083	—
West United	5,894,759	8,305,667
Datang Port	5,453,100	5,373,280
QQCTN	3,108,774	67,085
Lianjie Logistics	2,469,146	7,668,329
Eimskip Coldchain	2,105,166	81,635
Mercuria Logistics	1,896,038	895,564
Evergreen Container	1,790,857	768,969
QQCTUA	1,650,194	4,629,933
Qingdao Port Engineering	1,283,393	2,885,947
Dongjiakou IMC Logistics	849,057	1,800,000
Ganghai Logistics	590,651	2,158,143
QQCTI	474,518	1,162,154
Qingdao Port Group	163,929	6,002,961
Shenzhouxing Transportation	75,761	1,099,966
E-Link Logistics	23,703	2,859,549
Others	5,414,162	7,692,090
	<u>266,546,029</u>	<u>232,838,882</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(iv) Provision of construction services

	Year ended 31 December 2016	Year ended 31 December 2015
QDOT	120,682,650	114,118,053
DMT	29,075,675	—
Mercuria Oil Terminal	24,621,261	—
QDP Investment	19,406,476	—
QQCT	4,337,404	2,386,655
Qingdao Port Engineering	3,699,649	—
Datang Port	3,121,869	—
Qingdao Shihua	2,098,556	1,068,297
QQCTU	1,576,347	—
West United	1,479,839	—
Fuwai Hospital	1,462,863	—
Binzhou Port QDP International Terminal	1,459,459	—
Ocean Shipping Tally	1,234,890	—
Qingdao Port Group	881,616	—
Others	1,750,836	3,010,383
	<u>216,889,390</u>	<u>120,583,388</u>

(v) Sales of port machinery and other machineries

	Year ended 31 December 2016	Year ended 31 December 2015
QQCTN	169,924,342	—
QQCT	17,672,608	88,003,846
West United	5,018,803	3,188,034
QDOT	4,707,447	36,993,699
DMT	4,127,604	—
QHVTG	1,931,624	—
QQCTU	1,039,316	—
QQCTI	—	52,025,658
Mercuria Logistics	—	2,949,541
Others	1,587,314	1,111,111
	<u>206,009,058</u>	<u>184,271,889</u>

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(vi) Sales of water, electricity, steam and oil, etc.

	Year ended 31 December 2016	Year ended 31 December 2015
QQCT	127,119,419	129,248,706
QDOT	111,604,735	119,436,275
West United	15,311,836	16,963,234
QDP Cargo	15,298,842	7,784,217
Qingdao Shihua	12,519,653	11,502,063
QQCTN	11,960,284	35,270
Tongze Trading	11,950,797	—
Mercuria Oil Terminal	10,675,112	53,716,872
DMT	8,959,471	—
Qingdao Port Engineering	7,977,373	12,648,867
Svitzer Towage	6,428,607	—
Lianjie Logistics	5,986,140	—
QQCTU	5,345,365	5,804,228
Binzhou Port QDP International Terminal	4,257,150	—
Eimskip Coldchain	3,580,604	3,699,628
Evergreen Container	3,483,927	3,347,173
Mercuria Logistics	3,354,544	4,032,934
Passenger Liner Home Port	2,878,436	—
Qingdao Port Properties	2,395,361	—
Orient Container	1,986,120	1,735,236
QDP Investment	1,947,820	1,423,124
Huaneng Qingdao	1,935,784	3,081,677
Tongbao Shipping	1,753,982	—
Haiwan Liquid Chemical	1,718,075	725,819
Ocean Shipping Tally	1,716,841	1,291,954
Ocean Shipping Repair	1,646,972	163,803
Bonded Logistics Centre	1,432,841	—
Shenzhouxing Transportation	1,387,259	833,452
Qingdao Port Public Security Bureau	1,297,129	1,467,125
Technology Company	1,204,998	—
Lianxin Logistics	1,033,160	—
Qingdao Port Group	681,341	1,693,208
Others	7,297,814	6,311,011
	398,127,792	386,945,876

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(vii) Rental income

	Year ended 31 December 2016	Year ended 31 December 2015
QQCT	201,342,254	198,513,683
Qingdao Shihua	31,507,424	32,226,130
QDOT	11,922,344	—
Bonded Logistics Centre	8,609,524	7,250,000
Evergreen Container	6,870,679	6,120,100
Orient Container	6,085,400	4,726,300
Shenzhouxing Transportation	5,622,499	3,490,560
Eimskip Coldchain	5,238,095	5,500,000
QQCTN	2,575,350	2,518,940
Lianxin Logistics	1,838,441	—
QQCTU	1,210,360	1,210,360
Others	1,930,339	3,497,650
	<u>284,752,709</u>	<u>265,053,723</u>

(viii) Payment for operating lease rental

	Year ended 31 December 2016	Year ended 31 December 2015
Qingdao Port Group	67,026,297	62,029,000
QDP Investment	2,316,591	—
Qingdao Port Engineering	1,107,013	—
	<u>70,449,901</u>	<u>62,029,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(ix) Port management income collected on behalf by related parties

	Year ended 31 December 2016	Year ended 31 December 2015
QQCT	79,325,215	79,988,638
Qingdao Shihua	68,902,867	64,572,892
QQCTU	28,911,870	26,171,502
QDOT	9,359,640	—
West United	6,063,884	8,180,991
QQCTUA	5,900,844	7,384,223
	<u>198,464,320</u>	<u>186,298,246</u>

(x) Entrusted construction projects on behalf

	Year ended 31 December 2016	Year ended 31 December 2015
Amount paid on behalf -		
QQCTN	342,472,114	71,832,748
Qingdao Port Group	152,789,366	576,433,351
Qingdao Port Engineering	74,427,525	—
Qingdao Shihua	11,847,962	61,023,555
Mercuria Oil Terminal	6,206,209	—
QQCTU	1,876,488	—
	<u>589,619,664</u>	<u>709,289,654</u>
Amount received -		
QQCTN	268,949,481	52,478,503
Qingdao Port Group	205,045,366	449,888,547
Mercuria Logistics	84,817,544	—
Mercuria Oil Terminal	12,822,203	—
Qingdao Shihua	7,959,206	97,141,229
Qingdao Port Engineering	6,136,123	172,786,858
QQCTU	4,536,219	1,392,655
	<u>590,266,142</u>	<u>773,687,792</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(xi) Loans acquired from and provided to related parties

	Year ended 31 December 2016	Year ended 31 December 2015
Loans acquired -		
Qingdao Finance	<u>260,000,000</u>	<u>—</u>
Loans provided -		
Mercuria Oil Terminal	700,000,000	—
QQCTU	675,000,000	—
QDOT	520,000,000	—
Lianhua Pipeline	500,000,000	—
QQCTN	440,000,000	—
Mercuria Logistics	160,000,000	—
Huaneng Qingdao	60,000,000	—
Qingdao Shihua	—	330,000,000
Dongjiakou IMC Logistics	—	700,000
	<u>3,055,000,000</u>	<u>330,700,000</u>

(xii) Loan interest

	Year ended 31 December 2016	Year ended 31 December 2015
Interest income -		
QQCTU	21,481,875	—
QDOT	16,363,750	—
Mercuria Oil Terminal	15,307,247	9,733,333
Qingdao Finance	12,226,768	22,771,562
QQCTN	11,640,535	—
Lianhua Pipeline	11,215,278	—
Mercuria Logistics	5,657,778	—
Qingdao Shihua	2,527,167	—
Huaneng Qingdao	1,645,800	—
Others	—	159,031
	<u>98,066,198</u>	<u>32,663,926</u>
Interest expense -		
Qingdao Finance	<u>3,334,314</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(c) Related party transactions (Continued)

(xiii) Transfer of assets

	Year ended 31 December 2016	Year ended 31 December 2015
DMT	880,083,851	—
QDOT	5,370,945	32,531,313
QDP Cargo	1,114,817	—
Fuwai Hospital	150,303	—
Qingdao Shihua	144,935	—
	<u>886,864,851</u>	<u>32,531,313</u>

(xiv) Guarantee provided

	Year ended 31 December 2016	Year ended 31 December 2015
Lianhua Pipeline	60,891,867	—
Qingdao Shihua	11,232,700	—
	<u>72,124,567</u>	<u>—</u>

(xv) Key management remuneration

	Year ended 31 December 2016	Year ended 31 December 2015
Key management remuneration	<u>4,743,083</u>	<u>4,423,313</u>

(xvi) Amounts collected and paid on behalf of related parties

Amounts collected and paid on behalf related parties regarding to early retirement and supplemental retirement benefits are set out in Note 10(5)(t).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties

(i) Accounts receivable

	31 December 2016	31 December 2015
QDOT	25,509,231	12,725,602
Mercuria Oil Terminal	19,454,791	1,021,024
West United	16,170,006	5,179,977
QQCT	9,057,799	39,624,086
DMT	6,673,541	—
QDP Investment	5,843,109	9,171,711
QQCTU	5,461,269	2,328,414
Qingdao Port Engineering	4,886,116	4,405,706
QDP Cargo	3,334,739	2,971,765
Mercuria Logistics	3,237,462	4,004,012
Datang Port	3,215,525	121
Tongze Trading	2,338,950	—
Binzhou Port QDP International Terminal	2,283,800	—
Qingdao Shihua	2,206,948	134,941
Fuwai Hospital	1,580,000	—
Qingdao Port Group	1,552,230	—
Haiwan Liquid Chemical	1,015,479	942,338
Ganghua Logistics	422,530	1,050,215
QQCTI	—	12,188,017
Lianjie Logistics	—	3,071,478
Dongjiakou IMC Logistics	—	1,800,000
Huaneng Qingdao	—	1,232,918
Others	2,200,338	1,779,300
	<u>116,443,863</u>	<u>103,631,625</u>

(ii) Advances to suppliers

	31 December 2016	31 December 2015
Tongze Trading	1,863,133	—
Hongyu Hotel	308,000	—
Technology Company	288,000	—
	<u>2,459,133</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties (Continued)

(iii) Other receivables

	31 December 2016	31 December 2015
Provisions of loans -		
Huaneng Qingdao	60,000,000	—
Qingdao Shihua	—	210,000,000
	<u>60,000,000</u>	<u>210,000,000</u>
Others -		
DMT	295,836,459	—
QQCTN	179,909,867	99,734,179
Qingdao Port Engineering	68,814,111	7,994,015
Mercuria Logistics	50,073,180	136,209,924
Qingdao Shihua	11,835,147	13,818,316
QQCTU	7,557,329	9,698,560
QDOT	6,609,218	—
Binzhou Port QDP International Terminal	3,480,866	—
QQCT	1,887,164	7,905,535
Shenzhouxing Transportation	1,354,819	—
QDP Cargo	1,058,291	1,010,520
Huaneng Qingdao	—	2,198,569
Mercuria Oil Terminal	—	6,615,994
Others	1,163,810	1,117,216
	<u>629,580,261</u>	<u>286,302,828</u>
	<u>689,580,261</u>	<u>496,302,828</u>

(iv) Interests receivable

	31 December 2016	31 December 2015
Qingdao Finance	4,171,446	593,070
Mercuria Oil Terminal	987,528	264,889
QQCTU	881,719	—
QDOT	679,250	—
QQCTN	638,611	—
Others	573,664	—
	<u>7,932,218</u>	<u>857,959</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties (Continued)

(v) Other non-current assets

	31 December 2016	31 December 2015
Qingdao Port Engineering	—	74,427,525

(vi) Long-term receivables

	31 December 2016	31 December 2015
Mercuria Oil Terminal	700,000,000	160,000,000
QQCTU	675,000,000	—
QDOT	520,000,000	—
Lianhua Pipeline	500,000,000	—
QQCTN	440,000,000	—
Mercuria Logistics	160,000,000	—
	<u>2,995,000,000</u>	<u>160,000,000</u>

(vii) Short-term borrowings

	31 December 2016	31 December 2015
Qingdao Finance	<u>245,000,000</u>	—

(viii) Notes payable

	31 December 2016	31 December 2015
Tongze Trading - Bank acceptance notes	73,976,413	—
Qingdao Port Group - Trade acceptance notes	42,677,298	14,986,466
Tongze Trading - Trade acceptance notes	353,426	—
	<u>117,007,137</u>	<u>14,986,466</u>

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties (Continued)

(ix) Accounts payable

	31 December 2016	31 December 2015
QDP Cargo	157,202,411	3,546,769
QDOT	143,909,670	271,312,830
Tongze Trading	91,543,089	—
Huaneng Qingdao	12,692,154	13,142,085
Qingdao Port Engineering	7,737,293	7,107,368
Others	1,442,613	2,467,082
	<u>414,527,230</u>	<u>297,576,134</u>

(x) Other payables

	31 December 2016	31 December 2015
Qingdao Port Engineering	634,762,990	482,004,309
Qingdao Port Group Technology Company	477,613,641	218,596,347
Tongze Trading	4,998,344	—
QDP Investment	1,205,508	—
QDP Cargo	1,040,278	250,253
Lianjie Logistics	—	1,155,093
Others	2,842,078	1,798,042
	<u>1,166,286,939</u>	<u>703,804,044</u>

(xi) Advances from customers

	31 December 2016	31 December 2015
QQCT	197,421,375	197,421,375
QQCTN	2,518,940	2,518,940
Qingdao Shihua	2,220,000	2,220,000
QQCTU	1,210,360	1,210,360
Eimskip Coldchain	4,125,000	4,125,000
QHVTC	—	1,560,000
Others	—	329,386
	<u>207,495,675</u>	<u>209,385,061</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(d) Receivables from and payables to related parties (Continued)

(xii) Cash at bank and on hand

	31 December 2016	31 December 2015
Qingdao Finance	<u>2,127,988,549</u>	<u>1,100,759,152</u>

(xiii) Interests payable

	31 December 2016	31 December 2015
Qingdao Finance	<u>325,646</u>	<u>—</u>

(xiv) Dividends receivable, other non-current liabilities and long-term receivables of the Company from related parties are the same as which of the Group.

(e) Commitments in relation to related parties

Except for the Port Facilities in Qianwan port area leased out to QQCT and dock basin leased to QQCTN and QQCTU stated in Note 6(30), the commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Company as at the balance sheet date are as follows:

Leases

	31 December 2016	31 December 2015
– Lessee		
Svitzer Towage	<u>11,050,000</u>	<u>—</u>
– Lessor		
QQCT	429,150,000	—
Shenzhouxing Transportation	4,267,680	9,957,920
Lianxin Logistics	4,250,000	—
Gangwan Logistics	—	8,307,000
Evergreen Container	—	5,265,162
Orient Container	—	5,192,600
Ocean Shipping Daya	—	4,050,000
	<u>437,667,680</u>	<u>32,772,682</u>

NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(34) Related parties and related party transactions (Continued)

(f) Benefits and interests of directors

Benefits and interests of directors of the Company are set out in Note 10(8).

(g) Five highest paid individuals

Five highest paid individuals of the Company are set out in Note 10(9).

(35) Investment commitments

In accordance with the joint venture agreement signed by the Company, Yijia Haiye and Mercuria Energy Asia Pte. Ltd. in December 2013, the Company is committed to make an investment of RMB263,562,264 in the subsidiary Mercuria Storage. As at 31 December 2016, the Company has made an accumulated contribution of RMB182,079,200 with an amount of RMB81,483,064 unpaid.

In accordance with the joint venture agreement in November 2015 and the capital increase contract signed on 27 September 2016 signed by the Company, Qingdao Leruite Oil Co., Ltd. and Weifang Hongrun Asset Management Co., Ltd., the Company is committed to make an investment of RMB306,000,000 in the subsidiary Lianhua Pipeline. As at 31 December 2016, the Company has made an accumulated contribution of RMB153,000,000 with an amount of RMB153,000,000 unpaid.

Introduction of other significant investment commitments is set out in Note 11(3).