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

2016
ANNUAL REPORT

* For identification purpose only

Contents

Xiamen International Port Co., Ltd
2016 Annual Report

Corporate Information

EXECUTIVE DIRECTORS
CAI Liqun *(Chairman)*[1]
FANG Yao *(Vice Chairman)*
CHEN Zhaohui
KE Dong

NON-EXECUTIVE DIRECTORS
CHEN Dingyu
CHEN Zhiping[2]
FU Chengjing
HUANG Zirong
BAI Xueqing[2]

INDEPENDENT NON-EXECUTIVE DIRECTORS
LIU Feng
LIN Pengjiu
YOU Xianghua[3]
JIN Tao[3]
JI Wenyuan[3]

SUPERVISORS
SU Yongzhong[2]
ZHANG Guixian
LIAO Guosheng
WU Weijian
TANG Jinmu
XIAO Zuoping

JOINT COMPANY SECRETARIES
CAI Changzhen[4]
MOK Ming Wai

AUTHORISED REPRESENTATIVES
CHEN Zhaohui[5]
CAI Changzhen[4]

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

Notes:
1. Appointed as Chairman since 28 February 2017
2. Newly appointed since 28 February 2017
3. Newly appointed since 26 February 2016
4. Newly appointed since 18 April 2016
5. Newly appointed since 5 January 2016

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
36/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

AUDITORS
International auditor:
PricewaterhouseCoopers

PRC auditor:
PricewaterhouseCoopers Zhong Tian LLP

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

as to PRC law:
King & Wood Mallesons

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED
3378

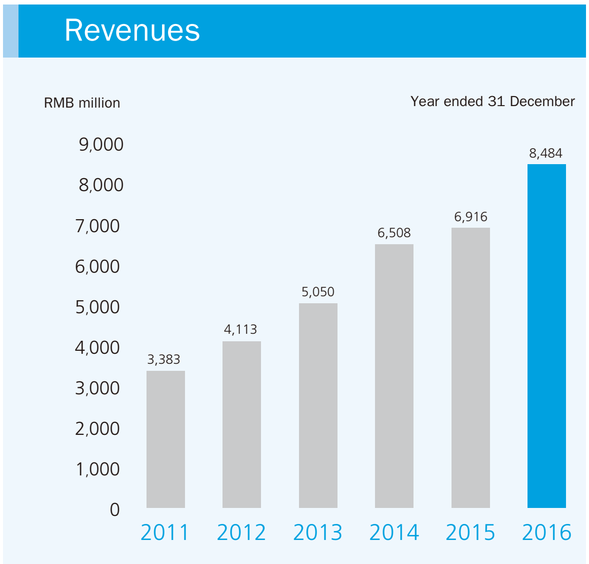
LISTING DATE
19 December 2005

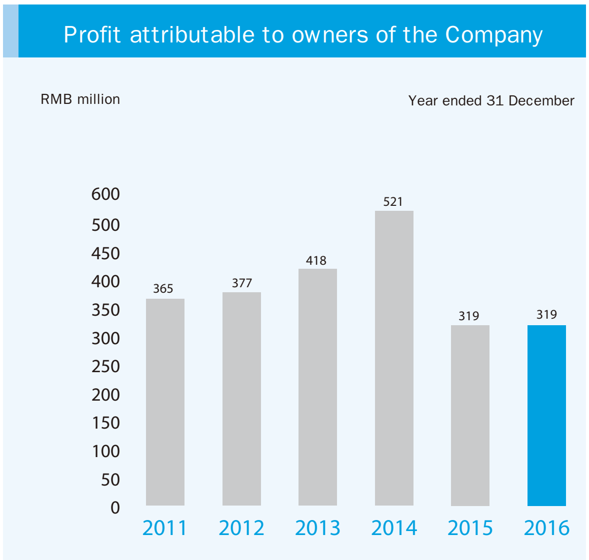
Corporate Profile

Xiamen International Port Co., Ltd ("Xiamen Port" or the "Company") and its subsidiaries (collectively referred to as the "Group") is the largest port terminal operator in Xiamen, the People's Republic of China (the "PRC" or "China"). It is also the only company providing full scale ancillary value-added port services in Xiamen. The Group is principally engaged in container loading and unloading and storage for international and domestic trade, bulk/general cargo loading and unloading and storage and ancillary value-added port services, including port-related logistics, tugboat services, shipping agency and tallying as well as the manufacturing, processing and selling of building materials and the trading of merchandise in Xiamen. The Group currently operates six container terminals, namely the Haitian Container Terminal ("Haitian Terminal", including the original New World Xiangyu Terminal ("Xiangyu Terminal")), Xiamen International Container Terminal ("XICT"), Hairun Terminal, Xiamen Haicang International Container Terminal ("XHICT"), Songyu Terminal and Xinhaida Terminal, as well as the ITG Terminal, Shihushan Terminal, Haiyi Terminal, Haiyu Terminal and Hailong Terminal, which operating bulk/general cargo business in respect of both international and domestic trade. The Group currently operates totally 30 berths, the aforesaid terminal berths are capable of accommodating the largest container vessels in the world. Shipping routes have been developed from the container terminals to major ports in Europe, the United States (the "US"), the Mediterranean, Australia, Southeast Asia and Japan. The container terminals are also connected to major domestic shipping routes. In addition, the Group has leased Haicang berth No. 8 and Songyu berths No. 4 to No. 6 in the Haicang port area of Xiamen port for operation, and also leased berth No. 8 in the Qingzhou Operating Area of Mawei port area, Fuzhou City for operation, so as to meet the needs of business development.

Financial Highlights

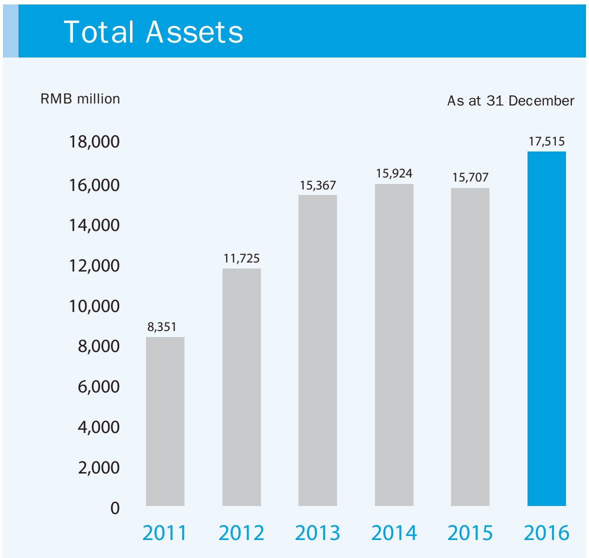
	Year ended 31 December					
	2011 RMB'000 (Restated)	2012 RMB'000 (Restated)	2013 RMB'000 (Restated)	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	**2016** **RMB'000**
Revenues	3,383,624	4,097,210	5,050,060	6,507,876	6,915,686	**8,483,998**
Gross profit	732,405	765,972	825,309	1,032,814	1,039,847	**1,127,715**
Operating profit	574,280	688,272	831,296	1,192,456	995,789	**1,051,049**
Profit before income tax expense	579,032	666,704	807,832	1,108,306	943,785	**1,021,337**
Profit for the year	499,194	542,510	636,910	866,015	738,753	**804,916**
Profit attributable to owners of the Company	365,493	375,746	417,974	521,046	319,495	**319,342**
Earnings per share for profit attributable to owners of the Company during the year — Basic and diluted (in RMB cents)	13.41	13.79	15.34	19.11	11.72	**11,71**

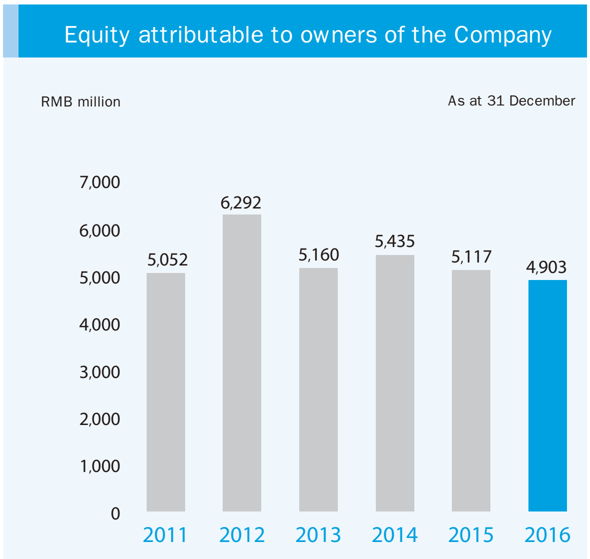




	2011 RMB'000 (Restated)	2012 RMB'000 (Restated)	2013 RMB'000 (Restated)	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	**2016 RMB'000**
	Year ended 31 December					
Total assets	8,350,683	11,257,546	15,367,316	15,924,575	15,707,285	**17,514,627**
Equity attributable to owners of the Company	5,052,467	5,951,066	5,159,529	5,434,600	5,116,580	**4,902,861**
Total liabilities	1,852,584	3,419,822	6,015,420	5,950,164	5,515,355	**7,202,654**
Cash and cash equivalents	1,178,806	1,030,046	1,064,058	750,654	861,733	**1,140,956**

	2011 RMB'000 (Restated)	2012 RMB'000 (Restated)	2013 RMB'000 (Restated)	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	**2016 RMB'000**
	Year ended 31 December					
Current ratio (times)	1.81	1.60	0.84	0.95	0.86	**0.80**
Gearing ratio (%)	(11.02)	(9.39)	(14.42)	(17.91)	(16.17)	**(18.88)**
Inventory turnover days	31	28	31	30	25	**21**
Accounts receivable turnover days	73	70	58	60	58	**47**





Chairman's Statement

I hereby present the annual report of the Group for the year ended 31 December 2016 (the "Year") to our shareholders.

In 2016, the global economy experienced a slow-paced, fragile and terribly differentiated resurgence, while the Chinese economy continued its slow yet steady recovery and stabilized with progress. Notwithstanding that, it remained in the crucial stage of transformation, upgrading and momentum changes. Moreover, the restructuring obstacles subsisted, and both domestic and overseas economic environment faced by the port operations was relatively severe. Confronted with the complex market environment, the Group has strengthened its corporate governance, promoted its meticulous management, fully leveraged the overall synergies of its comprehensive port logistics services and scale merits and endeavored to develop its port business, by closely focusing on its strategic goals of constructing international shipping centers and building international container transshipment ports and green, eco-friendly and smart ports so as to maintain the steady and healthy development of its port business.

For the Year, revenue of Xiamen Port was approximately RMB8,483,998,000, representing an increase of approximately 22.68% compared to the previous year (the comparative figures in 2015 have been restated) ; profit after tax was approximately RMB804,916,000, representing an increase of approximately 8.96% compared to the previous year (the comparative figures in 2015 have been restated) ; and profit attributable to owners of the Company was approximately RMB319,342,000, representing a decrease of approximately 0.05% compared to the previous year (the comparative figures in 2015 have been restated) . Basic and diluted earnings per share attributable to owners of the Company were approximately RMB11.71 cents, representing a decrease of approximately 0.09% compared to the previous year (the comparative figures in 2015 have been restated) .

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

In 2016, the Group closely focused on the development of its core port business, leveraged the overall strengths to promote its extensive operation, deeply explored the hinterland resources and took various positive measures to effectively propel the sustainable and healthy development of its port business. Firstly, we have extensively developed our principal port businesses, which mainly included the facts that (1) headquarter marketing and overall marketing efforts were strengthened. We upheld the principle of "One Enterprise with One Strategy and Accurate Support" to expedite the growth of our major shipping business, intensify the headquarter marketing efforts of renowned shipping companies, sign strategic cooperation agreements and establish strategic port and shipping partnership; meanwhile, we had leveraged our overall marketing strengths in the port supply chain and cooperated with our subsidiaries to jointly engage in the external marketing activities and take collaborative actions in a bid to facilitate the coordinated development of port businesses; (2) the development of incremental business was focused on. We have set preferential rates for the increasing number of containers and provided more discounts for container transshipment businesses, such as international transshipment, vessel transloading and domestic feeder line transshipment, whereby delivering remarkable growth; meanwhile, we have also proactively incubated new business growth point and expanded the regional hub business for domestic trade containers through the introduction of new domestic trade container strategic partners; and (3) the consolidation of terminal resources has been deepened and the rights to operate the core terminal business were secured. By facilitating Xiamen Port Development Co., Ltd. (廈門港務發展股份有限公司) ("Xiamen Port Development") to complete the acquisition of 51% equity interest in Xiamen Port Group Shihushan Terminal Company Limited (廈門港務集團石湖山碼頭有限公司) ("Shihushan Terminal"), the non-competition undertaking was effectively fulfilled, whereby the operating scale of its port business has been enlarged and its competitive edge has been sharpened; in addition, Xiamen Container Terminal Group Co., Ltd. (廈門集裝箱碼頭集團有限公司) ("Xiamen Terminal Group"), a subsidiary of the Group, acquired 20% equity interest held by Initial Sun Limited (禾陽有限公司) ("Initial Sun") in Xiamen Haicang Xinhaida Container Terminals Co., Ltd. (廈門海滄新海達集裝箱碼頭有限公司) ("Xinhaida Terminals"), whereby the Group has effectively held 66% equity interest in Xinhaida Terminals and accordingly has predominated the operation of Xinhaida Terminals; moreover, Xiamen Terminal Group and Hutchison Port Haicang Limited (和記港口海滄有限公司) entered into a special matter agreement to reach a consensus in respect of certain relevant corporate matters, thus enabling the Group to further predominate the operation of Xiamen Haicang International Container Terminals Limited (廈門海滄國際貨櫃碼頭有限公司) ("XHICT"). Secondly, we have deeply explored hinterlands of ports, which mainly included the facts that (1) a container throughput of 250,000 Twenty-foot Equivalent Units ("TEUs") was achieved by Haiying Terminal in 2016, and three new feeder lines between Fuzhou and Xiamen were established, highlighting the feeding function of its feeder lines; (2) the construction of the main body of berth No.2 of Chaozhou feeder terminal has been basically completed and the installation and fine-tuning of large facilities were ready and put into trial production at the end of 2016; and (3) the cargo-canvassing networks of land-based ports have been steadily improved. The Group and the relevant governmental departments in Ganzhou have entered into strategic cooperation framework agreements in respect of the investment in jointly constructing dry ports and land-based ports to have a closer water-and-land transshipment cooperation; furthermore, the Sanming and Ji'an land-based port businesses have been operated smoothly and have been proactively engaged in the public bonded warehouse business. Besides, warehouse No.1 of Sanming Land-based Port Logistics Park Phase Three Project has been delivered to the relevant customers for use, the business patterns of land-based ports have been further diversified. Thirdly, we have maximized our efforts to enhance our port services, which mainly included the facts that (1) the service capability of our terminals has been enhanced. We have adapted to the trend of vessel sizing-up and alliance among different shipping companies while focusing on hoisting the berthing capacity of deep water berths of Haicang port area and enhancing the service capability for large vessels. Since phase one of Songyu port area with the capability to berth 200,000-tonne container vessel was approved in September 2016, berths No. 1 to No. 3 of Songyu port area and Xiamen port has thus been equipped with the capability to regularly berth 200,000-tonne container vessel with a total of 99 vessels of 200,000-tonne berthed for the full year; the steady promotion of the structural reinforcement and renovation and the turning basin expansion work at berths No. 1 to No. 3 of Haicang port area would have it equipped with the capability to regularly berth 120,000-tonne to 150,000-tonne container vessels as soon as possible; (2) the operational efficiency has been improved. Specifically, Xiamen Terminal Group has established a working team for the efficiency improvement plan to intensify the monitoring and optimizing of port service indicators with excellent effects delivered. For example, at the end of March 2016, a large container vessel of a shipping company operated in Hairun Terminal has registered a new record of loading and unloading efficiency (i.e. 360 TEUs per hour) in Xiamen port and also the best operational efficiency then in the world in 2016 of the operating vessels of such shipping companies; the relevant quality container shipping lines have recorded an average efficiency of up to 140.13 TEUs per hour and an achievement ratio of 100% since their calling at Songyu Terminal and accordingly our terminals have been praised by the relevant key shipping companies; and (3) the initiatives to facilitate customer services have been implemented. To be specific, we had implemented an e-enabled customs entry and paperless clearance model; in addition, we have established a centralized reception service center at Haicang Joint Inspection Center (海滄聯檢中心) to provide our customers with one-stop services in respect of the appointment for delivery of containers and inspection at container terminals outside Xiamen island. Fourthly, we have propelled our port transformation and upgrading, which mainly included the facts that (1) the Group has gradually promoted the "free trade transformation" of Xiamen Bonded Logistics Park. With the Free Trade City Phase One of Xiamen Port officially kicked off, it has been developed into a "one-stop import bonded commodities display and sales experience center" in Xiamen area of China (Fujian) Pilot Free Trade Zone (中國(福建)自由貿易試驗區廈門片區) ("Xiamen Free Trade Zone"); moreover, the successful application for engaging in international transshipment/direct consolidation businesses in our LCL warehouses made to the Customs by our logistics subsidiaries for our bonded/export supervised warehouse projects has achieved a zero breakthrough in PRC ports; (2) in response to the state strategies of "Silk Road Economic Belt" and "21st Century Maritime Silk Road" ("One Belt, One Road"), the Group has concentrated its efforts to expand the scale of the "21st Century Maritime Silk Road" nodes to serve international shipping routes and opened nine new shipping routes in 2016; and (3) we have captured the opportunities brought by the power system reform in Fujian province to make capital contribution in kind to Xiamen Port Power Supply Service Co., Ltd. (廈門港務集團港電服務有限公司) and renamed it to "Xiamen Pilot Free Trade Zone Port Electric

Power Co., Ltd."(廈門自貿片區港務電力有限公司). Besides, we have also assisted it in successfully becoming one of the first pilot enhanced power distribution projects in China as well as the earliest pilot enhanced power distribution project in Fujian, and this company has been awarded the first electric power business license in power supply class in Fujian province to promote and enhance the utilization rates of port power resource and improve the business environment of the Xiamen Free Trade Zone. During the Year, the Group achieved continuous and steady growth in its container and bulk/general cargo handling capacity in Xiamen and handled approximately 8.10 million TEUs and 10.47 million tonnes of cargos, respectively (the handling capacity of XICT, Shihushan Terminal and other terminals in respect of the above businesses were included on a 100% basis, same as below), of which, the container throughput accounted for 84.3% and 56.3% of the total throughput in Xiamen and Fujian province, respectively, which allowed the Group to continuously maintain its leading market position in the port industry in both Xiamen and Fujian province.

The Group has continuously enhanced its corporate governance level, while committed to the development of core port businesses. During the Year, in light of the personnel changes, the Company elected and appointed three new independent non-executive Directors to join the Board as required to fill in the vacancy resulted from the resignation of three former independent non-executive Directors; the Group has also strengthened the monitoring of major transactions and connected transactions and duly disclosed the information in respect of the acquisition of 51% equity interest in Shihushan Terminal, the acquisition of 20% equity interest in Xinhaida Terminals and the special matter agreement of XHICT; moreover, the Group has cemented the investor relations and effectively maintained its corporate image in market. On the other hand, the Group expedited the improvement of internal control system and consolidated risk management. Firstly, the Group has perfected its internal control system construction and successively amended or re-enacted its management systems in relation to the remuneration package of the responsible persons of enterprises, operation expenditure, information disclosure, investor relations, refinancing business management and environmental and social governance. Secondly, the Group has effectively reduced losses of its ports by combination of consolidating risk management, proactively and comprehensively coping with Hanjin Shipping's bankruptcy and coordinately organizing to implement collective disposal plans. Thirdly, we have intensified our audit supervision and conducted the audit of the operation and management of Malun joint venture, the resignation audit of the responsible persons of the relevant enterprises under the Group and the audit of the implementation of collective purchase of commercial insurance so as to leverage our audit supervision function. Meanwhile, the Group has deepened its refined management and strived to enhance efficiency through management. Measures taken in this regard mainly included:

to stringently control costs and expenses and focus on controlling certain controllable costs and expenses; to expand both domestic and overseas financing channels and reduce finance costs while ensuring the capital requirements for our development through issuance of short-term and/or super short-term notes and corporate bonds and the strengthening of our internal financing; and to flexibly leverage on financial and tax policies to increase revenue and reduce expenses and for that purpose, certain subsidiaries of the Group benefited from various preferential governmental policies in respect of exemption of value-added tax and land use tax for provision of cross-border services. The Group has also consistently promoted its corporate informatization construction and green development. During the Year, the Group has proactively advanced the construction of green and smart ports and made breakthroughs in the official launch of the Xiamen container intelligent logistics platform, the smooth operation of the intelligent gate phase one and the testing of the equipment remote control technology. In addition, the third phase of the container intelligent tallying operation system project has been deployed and continuously optimized at the relevant terminals of the Group, while the fourth phase has commenced construction; further, the Group has also aggressively promoted energy conservation and emission reduction and achieved varying degrees of breakthrough in technical transformation projects for energy conservation, such as the “Change from Oil to Electricity” project, the “Use of Shore-power Supply for Vessels” project, the “Light-emitting Diode (“LED”) Lighting Engineering” and the “Solar Energy Application” project, and has therefore made a remarkable achievement in energy saving and consumption reduction with energy equal to 1,292 tonnes of standard coal equivalent saved in the full year, thereby accelerating the green and environmentally friendly development of ports.

In 2017, it is expected that the global economy will remain in the stage of extensive adjustment, while the global economic growth may be slightly higher than that in 2016. It is tough for the global economy to return to its strong global expansion, and the risk of market uncertainties increases. Domestically, according to the forecasts of the PRC government and its relevant authorities, the estimated national economic growth rate in 2017 will be around 6.5%, which is slightly slower than that in 2016. Despite the huge downward pressure on the PRC economy, the PRC government and the society will proactively adjust its economic and industrial structure, consistently enhance the facilitation and liberalization levels of trade and investment and endeavored to promote the healthy and steady transformation of the economy. On the other hand, the gradual implementation and soundness of the policies for the Xiamen Free Trade Zone and the constant opening of international transport routes along “One Belt, One Road” will be beneficial to the further upgrading of the industry patterns in, and the promotion of the bridging role of, Xiamen port in the “One Belt, One Road” initiatives, whereby facilitating the construction of international shipping centers and the establishment of international container hub port in Xiamen and promoting the sustainable development of the businesses of both Xiamen port and the Group. As a result, the Group will encounter bigger challenges from economic development in 2017 together with the existence of opportunities.

Looking forward to the year of 2017, the Group will adhere to its ultimate objective by continuing to pursue its sustainable development and maximizing the interests of shareholders taken as whole, closely focus on the development of comprehensive port logistics services as its core business and proactively promote various operational and managerial tasks. On one hand, the Group will boost the construction of its port platform ecosystem, further optimize its resource allocation, continue to promote its overall marketing activities and improve its strategic hinterland layout to strengthen the radiating function of its port business, optimize its service models and cement its excellent brand image among port operator peers with its focus on market expansion, in a bid to attract new shipping lines and new sources of goods and steadily and progressively enlarging and intensifying its core port businesses. On the other hand, the Group will strictly comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the"Listing Rules"), continue to promote its corporate governance, improve and regulate various management systems and enhance its internal control standards; meanwhile, the Group will accentuate its meticulous management, enhance its budget management levels, take various measures to increase revenue and cut costs, advance its innovation and development and strive to improve its operational efficiency and performance so as to deliver steady returns for shareholders of the Group. In addition, the Group will proactively discharge its social responsibilities and coordinately propel its environmental, social and corporate governance to promote the development of ports, the resource utilization and the environmental protection harmoniously, coordinately and sustainably.

Last but not least, on behalf of the Board, I would like to express my heartfelt thanks to all shareholders, investors and business partners of the Group for their trust and support, and sincerely appreciate the painstaking efforts and positive contributions of all of our staff in the past year. I am also confident that with the joint efforts of all of our staff and the strong support of all of our shareholders, the Group will be bound to achieve a continuous and steady development and create more value for our shareholders.

CAI Liqun
Chairman

Xiamen, the PRC
24 March 2017

Management Discussion and Analysis

INDUSTRY OVERVIEW

China's Foreign Trade and Port Container Business

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

Foreign Trade in Fujian and Ports in Xiamen

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

RMB1.0352 trillion, representing a year-on-year decrease of approximately 1.2%, and the port cargo throughput amounted to approximately 508 million tonnes, representing a year-on-year increase of approximately 1.0%, while the container throughput achieved was approximately 14.4 million TEUs, representing a year-on-year increase of approximately 5.6%.

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

BUSINESS REVIEW

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

Business Scale

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

The Group operated the container loading and unloading business at its six terminals, namely, (1) Haitian Terminal in Dongdu port area (Dongdu berths No. 5 to No. 16); and (2) Songyu Terminal (Songyu berths No. 1 to No. 3), XHICT (Haicang berth No. 1) and XICT (Haicang berths No. 2 to No. 3, Haicang berths No. 1 to No. 3 were under unified operation), as well as Hairun Terminal (Haicang berths No. 4, No. 5 and No. 6) and Xinhaida Terminal (Haicang berths No. 18 and No. 19) in Haicang port area.

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

Apart from the aforesaid 30 berths owned by the Group, the Group also leased and operated berth No. 8 in Haicang port area (Mingda Terminal) from Mingda Terminal (Xiamen) Limited (明達碼頭(廈門)有限公司) and Songyu berths No. 4 to No. 6 (Haitong Terminal) from Xiamen Port Haitong Terminal Limited. ("Haitong Terminal") during the Year; in addition, the Group has also leased and operated berth No. 8 in Qingzhou Operating Area, Fuzhou ("Fuzhou Zhongying Terminal") from Fuzhou Zhongying Gangwu Co., Ltd. (福州中盈港務有限公司) ("Zhongying Gangwu") for operation of the container and general cargo loading and unloading business and the port-related comprehensive logistics business since 20 November 2012.

Container Port Business

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

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

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

* Xiamen International Container Terminals Ltd. ("XICT") and Xiamen Haicang International Container Terminals Ltd. ("XHICT") are the joint ventures established by Xiamen Terminal Group with Hutchison Ports Xiamen Limited and Hutchison Ports Haicang Limited, respectively. Since 1 September 2008, as a result of the commencement of unified operation between XICT and XHICT, the relevant operating information of XICT also included the figures of XHICT, which were consolidated in the calculation and 100% included in the port business. The Company adopted HKFRS 11 "Joint Arrangements" for the financial year beginning on 1 January 2013 and determined the Group's jointly controlled entities as joint ventures with the interest accounted for using equity method; pursuant to the relevant agreement and arrangement entered into on 28 November 2016, XHICT has been deemed as a subsidiary of the Group.

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

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

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

Bulk/General Cargo Port Business

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

	Bulk/general cargo throughput		
	2016 (Tonnes)	2015 (Tonnes)	Increase/ (Decrease)
Dongdu Terminal and ITG Terminal[#]	**8,344,145**	8,315,336	0.35%
XICT and XHICT[*]	**—**	628,613	—
Songyu Terminal[⊕]	**37,581**	44,893	(16.3%)
Hailong Terminal[※]	**493,062**	—	100%
Shihushan Terminal, Haiyi Terminal and Haiyu Terminal[☆]	**1,599,579**	—	100%
Total throughput in Xiamen	**10,474,367**	8,988,842	16.5%
Fuzhou Zhongying Terminal[△]	**32,754**	60,708	(46.0%)
Total throughput	**10,507,121**	9,049,550	16.1%

\# Due to the implementation of the relevant land and assets resumption in Dongdu Terminal, the bulk/general cargo business has been gradually transferred to ITG Terminal since 1 April 2014, except for the related bulk cargo business, such as grain bulk cargo business, being still operated at berth No. 2 in 2015; ITG Terminal has been correspondingly leased to Xiamen Port Development since 1 April 2014 for operation of its bulk/general cargo business only; and the related bulk cargo business at berth No. 2 of Dongdu Terminal, including grain bulk cargo business, has been transferred to Hailong Terminal since August 2016 for operation. In addition, Dongdu Terminal has leased part of berth No. 8 (Mingda Terminal) in Haicang port area of Xiamen port for operating transshipment business of the loading and unloading bulk/general cargo since November 2009; and XICT has transferred its underlying assets to Xiamen Port Development since 1 July 2015 for operation of its bulk/general cargo business. Therefore, for the purpose of the operating information set out herein, the related operating figures of bulk/general cargo of Dongdu Terminal in 2015 included the figures of berth No. 2 in Dongdu Terminal, ITG Terminal and Mingda Terminal, which were consolidated in the calculation, while the related operating figures in 2016 included the figures of berth No. 2 in Dongdu Terminal, ITG Terminal, Mingda Terminal and XICT, which were consolidated in the calculation

* Since 1 September 2008, due to the commencement of unified operation between XICT and XHICT, the relevant operating information of XICT also included the figures of XHICT, which were consolidated in the calculation and 100% included in the port business. In addition, due to the fulfillment of the arrangement of non-competition undertaking made by the Company to Xiamen Port Development and, XICT has leased its underlying assets to Xiamen Port Development since 1 July 2015 for operation of its bulk/general cargo business; XICT and XHICT has ceased the operation of its bulk/general cargo business since 1 July 2015.

⊕ Since Songyu Terminal was a terminal controlled and operated, directly or indirectly, by the Group and Xiamen Terminal Group, its relevant operating figures were 100% included in the port business.

※ Hailong Terminal has been put into trial operation since August 2016.

☆ Shihushan Terminal, Haiyi Terminal and Haiyu Terminal have been incorporated into the Group at the end of November 2016. Therefore, the relevant operating figures of the above three terminals in December 2016 were included in the annual report.

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

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

Ancillary Value-added Port Services

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

Merchandise Trading Business

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

FINANCIAL REVIEW

Revenue

Revenues of the Group increased by approximately 22.7% from approximately RMB6,915,686,000 for the year ended 31 December 2015 (as restated) to approximately RMB8,483,998,000 for the year ended 31 December 2016. The increase was mainly due to the increases in revenue from the Company's trading business of merchandise, container loading and unloading and storage business and the consolidation of XHICT.

Revenue by business sector

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

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

1. The increase of the container throughput of the Group for the year ended 31 December 2016 as compared with 2015 and the consolidation of XHICT resulted in a significant increase in the revenue of the container loading and unloading and storage business.

2. The decrease in the Group's total bulk/general cargo revenue was mainly due to a reduction of bulk/general cargo throughput compared with 2015 excluding the impact on the figures for the two years from business combination of Shihushan Terminal, Haiyi Terminal and Haiyu Terminal.

3. The decrease in the Group's ancillary value-added port services revenue was due to the influences of the growing trend of mega-vessels, shipping companies alliances and fierce competition of the market.

4. The decrease in the Group's manufacturing and sales of building material's revenue was due to the influence of the government market guidance price and the real estate market.

5. The Group's expansion of the scope of its trading business resulted in a significant increase in the revenue of the merchandise trading business.

Cost of sales

Cost of sales increased by approximately 25.2% from approximately RMB5,875,839,000 for the year ended 31 December 2015 (as restated) to approximately RMB7,356,283,000 for the year ended 31 December 2016. The increase was primarily due to the increases in the cost of trading merchandise and cost of inventories consumed, employee benefits expense.

— Cost of trading merchandise and cost of inventories consumed increased by approximately 35.3% from approximately RMB4,039,405,000 for the year ended 31 December 2015 (as restated) to approximately RMB5,463,767,000 for the year ended 31 December 2016. The increase was mainly due to the Group's expansion of the scope of trading business and the increase in the volume of merchandise trading business, which led to the corresponding increase in cost.

— Employee benefits expense increased by approximately 4.1% from approximately RMB657,417,000 for the year ended 31 December 2015 (as restated) to approximately RMB684,445,000 for the year ended 31 December 2016. The increase was mainly due to the increase in the overall business volume of the Group, which led to the corresponding increase in average remuneration and bonus expenditure.

Gross profit

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

Other gains

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

Operating expenses

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

Operating profit

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

Income tax expense

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

Profit for the Year

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

Total comprehensive income for the Year

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

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

Total comprehensive income for the Year attributable to non-controlling interests increased by approximately 15.8% from approximately RMB419,258,000 for the year ended 31 December 2015 (as restated) to approximately RMB485,574,000 for the year ended 31 December 2016, which was primarily due to the increase in profit of the Group's non-wholly owned subsidiaries.

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

Total comprehensive income for the Year attributable to owners of the Company increased by approximately 7.4% from approximately RMB322,775,000 for the year ended 31 December 2015 (as restated) to approximately RMB346,724,000 for the year ended 31 December 2016. This was mainly due to the facts that the market value of available-for-sale financial assets held reflected a higher increase than prior year, other comprehensive income after tax generated from the change of fair value of available-for-sale financial assets of the Group increased for the year ended 31 December 2016 compared with the year ended 31 December 2015.

Accounts and notes receivable

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

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

Accounts and notes payable

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

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

Borrowings

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

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

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

Cash flows and working capital

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

The following table sets out the Group's cash flows derived from operating activities, investing activities and financing activities for the years ended 31 December 2015 and 2016 respectively:

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

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

Operating activities

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

Investing activities

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

Financing activities

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

Capital expenditure

The Group's capital expenditures in 2015 and 2016 primarily included expenditures on port terminal infrastructure and purchase of equipment, machineries and land use rights. The following table sets out the Group's capital expenditures in 2015 and 2016:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Total capital expenditure	**653,256**	1,056,144

Capital expenditure commitments

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

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

Exchange rate and interest rate risk

The Group's bank borrowings are denominated in RMB, US dollars. To the extent that RMB appreciates (or depreciates) against US dollars, the value of bank borrowings and repayment cost of such borrowings will decrease (or increase) correspondingly. In addition, since only a minor part of the business revenue is settled in foreign currencies, fluctuation in RMB exchange rate has no material impact on the business operations of the Group. The Group believes that the depreciation of RMB had no material impact on the operating results and financial position of the Group as at 31 December 2016.

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

Gearing ratio

The Group's net gearing ratio is calculated as net debt divided by total capital. Net debt is the total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is the "equity" as shown in the consolidated balance sheet plus net debt. The Group's net gearing ratio changed from approximately 16.2% as at 31 December 2015 (as restated) to approximately 18.9% as at 31 December 2016, which was mainly due to the increases in borrowings and payables resulted from the expansion of businesses, the reorganization and establishment of new subsidiaries.

Contingent liabilities

As at 31 December 2016, the Group had no significant contingent liabilities.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2016, the Group had a total of 7,057 employees, representing an increase of 776 employees as compared to 31 December 2015. The increase was mainly due to the completion of the acquisition of the 51% equity interest in Shihushan Terminal Company, held by Xiamen Port Holding, by the Group during the Year, upon completion of the acquisition, Shihushan Terminal Company became a subsidiary of the Group and its 772 employees were included in the statistical scope of the Group. During the Year, the total staff cost accounted for approximately 10.4% of the revenue of the Group. Employees' remunerations of the Group included basic salary, other allowances and performance-based bonus, which were determined by their job nature, individual performance, qualifications and experience as well as the prevailing practices of the industry. Employees may be offered bonus or awards according to the Group's annual operating results and the assessment results of their performance. The payment of rewards is an impetus to motivate each employee. The Group's remuneration policy is reviewed on a regular basis.

ESTABLISHMENT OF NEW COMPANIES

On 15 March 2016, Xiamen Port Development and China United Tally Co., Ltd. (中聯理貨有限公司) ("China Tally") jointly established Xiamen China United Tally Co., Ltd. Xiamen Branch (廈門中聯理貨有限公司) ("China Tally Xiamen") as a joint venture, which is principally engaged in businesses, such as vessel cargo tallying for international and domestic shipping routes, international and domestic containers tallying as well as tallying for container packing and devanning, cargo measuring, vessel draft measuring, cargo loading and unloading inspection, survey and inspection for cargo damage and container damage, etc. The registered capital of China Tally Xiamen is RMB3.0 million, which is owned as to 40% by Xiamen Port Development and 60% by China Tally, and the relevant industrial and commercial registration formalities have been completed.

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

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

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

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

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

OTHER MAJOR EVENTS IN 2016

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

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

On 27 June 2016, the Company completed the issue the second tranche of the short-term notes with a term of one year from the date of issuance with an aggregate principal amount of RMB300,000,000 at a fixed interest rate of 3.04% per annum (the "Second Tranche Short-Term Notes") to certain domestic institutional investors. The net proceeds from such issue of the Second Tranche Short-Term Notes were used principally for supplementing the Group's liquidity and repayment of the Group's bank loans.

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

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

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

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

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

SUBSEQUENT EVENTS

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

FUTURE PROSPECTS

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

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

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

- To deepen overall marketing and improve overall marketing platform, the Group will improve the efficiency in business coordination of all links of its port business supply chain. As supported by the efficient use of business unification functions of overall marketing platform, the Group would also be able to provide contractual services within wider customer scope, improve the comprehensive competition of its business as well as further advance the interactive development between the terminal business and the ancillary value-added services of the ports, which, in turn, could safeguard and expand the market share of its core business.

- To deepen the implementation of hinterland strategy and strive to explore port hinterlands, the Group will expand its high-density sub-route business, sea-land and sea-rail joint transportation business through its sub-route ports, land-based ports and sea-rail joint transportation network construction for the purpose of building the international container port service system, which will set the Xiamen port as the core extend to the economic zone of the western coast of Taiwan Straits as well as connect to the whole world.

- To improve the port hardware and software services capability. Firstly, the Group will improve its terminal services capability and perfect the supporting port equipment and facilities, to further comply with the growing trend of mega-vessels and shipping companies alliances, and focus on the reinforcement works and the extension works of turning basin of the berths No. 1 to No. 3 in Haicang port area and other related loading and unloading equipment supporting works of the Songyu Terminal and the sub-route terminal in Chaozhou. Secondly, the Group will intensify the information construction and improve its innovation and development capability. The Group will also focus on promoting the relevant terminal semi-automatic transformation, speeding up the construction works of the intelligent gate project (phase II) as well as developing both the container business management platform and the smart logistics platform project (phase II) so as to further achieve the full implementation of application of related platforms in all of the Group's terminal logistics enterprises, and then gradually extending to all the other logistics enterprises in Xiamen port. Thirdly, the Group will improve its port services capability and set up the index assessment system of port services to adapt to the port modernization construction and meet the customer's requirements and business development demand.

- To promote the transformation and upgrading of the Group's port business. Firstly, the Group, taking advantage of the policies in Xiamen Free Trade Zone, will utilize the port core business as the driving force of other new business and focus on the development of new format of the ports. Secondly, the Group will deeply explore the strategic opportunities brought by "One Belt, One Road", actively integrate within the "One Belt, One Road" construction works and develop shipping routes of "One Belt, One Road". Thirdly, the Group will play a full part in incremental electric power distribution business pilot reform, facilitate the technical modification, such as "Change from Oil to Electricity" and "Change from Oil to Gas", carry out the transformation of green lighting and the usage of shore-power supply for vessels and other projects, improve the port business environment, reduce electricity consumption cost and promote eco-development.

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

- Pursuant to the "Options and Rights of First Refusal Agreement" and "Non-Competition Agreement" entered into between the Company and Xiamen Port Holding, the Company will actively follow up the relevant terminals assets and the progress of the terminal construction works of Xiamen Port Holding, so as to facilitate the Board and general meeting to make appropriate decisions based on the management and operational circumstances at the time.

Corporate Governance Report

The corporate governance framework of the Company is designed to ensure the Company's performance and maintenance of its corporate conduct at a high level. The Board fully believes that implementation of a good corporate governance is the core of proper management of an organization, enhancing the transparency of the Company's business, enabling accountability towards shareholders and meeting the expectations of the shareholders and other interest-related parties, procuring the Company to achieve ultimate success.

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

With reference to the Corporate Governance Code, this annual report elaborates on the corporate governance practices of the Company for the period from 1 January 2016 to 31 December 2016 (the "Reporting Period") and covers the information regarding the mandatory disclosure requirements and most of the recommended disclosures set out in Appendix 14 to the Listing Rules. The Directors consider that the Company has complied with the relevant requirements of the applicable code provisions of the Corporate Governance Code for the Reporting Period. Details of the Company's compliance with the Corporate Governance Code are set out in the following sections.

THE BOARD

The Board is accountable to shareholders and operates based on the principle of maximizing the profit of the Company, the corporate value and the return of shareholders. The Board fully represents the interests of shareholders and is collectively responsible for formulating the business strategic direction, setting the management targets, supervising the performance of the Group and jointly facilitating the continuous development of the Group in accordance with the Articles of Association (the "Articles") of the Company.

DIRECTORS

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

On 26 February 2016, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were appointed as independent non-executive Directors of the fourth session of the Board at the first extraordinary general meeting of the Company in 2016. On the same date, Mr. HUI Wang Chuen, Mr. HUANG Shumeng and Mr. SHAO Zheping were resigned from their positions of independent non-executive Director and chairman and/or member of relevant professional committees under the Board due to the reasons as disclosed in the Company's announcement dated 9 December 2015.

Accordingly, as at 31 December 2016, the fourth session of the Board comprised a total of fourteen Directors, including five executive Directors, four non-executive Directors and five independent non-executive Directors, details of which are as follows:

Executive Directors	Gender	Ethnicity	Age	Term of Service
LIN Kaibiao *(Chairman)*	Male	Han	50	Appointed on 28 February 2014
CAI Liqun *(Vice Chairman)*	Male	Han	47	Appointed on 1 December 2015
FANG Yao *(Vice Chairman)*	Male	Han	56	Appointed on 28 February 2014
CHEN Zhaohui	Male	Han	47	Appointed on 1 December 2015
KE Dong	Male	Han	56	Appointed on 28 February 2014

Non-executive Directors	Gender	Ethnicity	Age	Term of Service
ZHENG Yongen	Male	Han	58	Appointed on 28 February 2014
CHEN Dingyu	Male	Han	59	Appointed on 28 February 2014
FU Chengjing	Male	Han	54	Appointed on 28 February 2014
HUANG Zirong	Male	Han	53	Appointed on 28 February 2014

Independent Non-executive Directors	Gender	Ethnicity	Age	Term of Service
LIU Feng	Male	Han	50	Appointed on 28 February 2014
LIN Pengjiu	Male	Han	50	Appointed on 28 February 2014
YOU Xianghua	Male	Han	51	Appointed on 26 February 2016
JIN Tao	Male	Han	51	Appointed on 26 February 2016
JI Wenyuan	Male	Han	49	Appointed on 26 February 2016

THE SUPERVISORY COMMITTEE

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

As at 31 December 2016, the Supervisors of the Company are as follows:

Supervisors:
Mr. YU Mingfeng *(Chairman of the Supervisory Committee)*
Mr. ZHANG Guixian
Mr. LIAO Guosheng
Mr. WU Weijian
Mr. TANG Jinmu
Mr. XIAO Zuoping

The biographical details of the above Directors and Supervisors are set out on pages 71 to 86 of this annual report and published on the Company's website at http://www.xipc.com.cn.

The structure, quorum and composition of the executive Directors, non-executive Directors and independent non-executive Directors are well balanced and appropriate. All members of the Board respective possess professional knowledge and experience required for performing their duties in port terminal operations, corporate management, finance, laws, investment, financing and other relevant areas. The Company believes that the Board is highly representative with strong abilities, and is capable of making more prudent and cautious decisions, performing its duties honestly, faithfully and diligently and supervising a highly professional management team.

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

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

RESPONSIBILITY OF THE BOARD

The Board is responsible for the leadership and control of the Group and jointly promoting the success of the Group through guiding and supervising the Group's business. The Board is also responsible for formulating the Company's corporate governance policy and performing the corporate governance duties and is required to ensure proper compliance with applicable laws and regulations, to give balanced, lucid and easy-to-understand assessments on the performance, conditions and prospects of the Company as disclosed in the annual and interim reports, to publish inside information and other financial disclosures as and when required by the Listing Rules, and to report any discloseable information to regulatory authorities in accordance with statutory requirements.

The Board has fiduciary and statutory obligations owed to the Company and the Group, and exercises a number of powers, including:

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

- formulating the Company's corporate governance policy and performing the corporate governance duties.

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

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

On 18 April 2016, Mr. YANG Hongtu resigned from the positions of the deputy general manager, joint company secretary and authorized representative of the Company pursuant to the Listing Rules due to his change in employment. On the same date, Mr. CAI Changzhen was appointed by the Board as a joint company secretary of the Company (Ms. MOK Ming Wai remains as the other joint company secretary of the Company) and an authorized representative of the Company under the Listing Rules (Mr. CHEN Zhaohui, an executive Director, remains as the other authorized representative of the Company under the Listing Rules). Accordingly, as at 31 December 2016, the senior management of the Company included Mr. CHEN Zhaohui (Deputy General Manager, who is performing responsibilities of the General Manager on an interim basis), Mr. KE Dong (Deputy General Manager) and Mr. CAI Changzhen (Joint Company Secretary).

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

Each of the Directors (including all non-executive Directors) and Supervisors has entered into a service contract with the Company for a term of not more than three years, and each new member of the Board and the Supervisory Committee has also entered into a service contract with the Company for a term of not more than three years after his respective appointment. Other than that, none of the Directors and Supervisors has any personal effective interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during the year of 2016, or has entered into with the Company any service contract which shall be not terminable within one year without payment of compensation (other than statutory compensation) by the Company.

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

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

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

BOARD MEETINGS

The Company strives to provide all Directors with sufficient information concerning the matters to be reviewed and resolved at the meetings of the Board and each professional committee, and provide each Director with the relevant information in respect of the operation, management and finance of the Company on a monthly basis in accordance with the Listing Rules to ensure that the Directors have readily available information in making informed decisions and discharging their functions and responsibilities. During the year of 2016, other than Mr. LIN Kaibiao, the Chairman, whose responsibilities as the Chairman have been assumed by Mr. CAI Liqun, an executive Director and a Vice Chairman, on an interim basis as disclosed in the Company's announcement dated 1 December 2015 due to his health condition, all Directors proactively attended each of the Board meetings and professional committee meetings. The Board believes that each of the above Directors has devoted sufficient time to the business of the Company during the Reporting Period and is capable of discharging their functions diligently.

The Board has held regular meetings in accordance with the requirements of code provision A.1.1 of the Corporate Governance Code. In accordance with the requirements of the Articles, the Board shall convene at least four meetings every year. In order to facilitate maximum attendance, notices (including the relevant agendas) of Board meetings were dispatched to all Directors at least fourteen days in advance during the year of 2016. In respect of the extraordinary Board meetings, notices as to the time, venue, subject matters and meeting method to be applied shall be given to all the Directors at least ten days before the meeting was convened.

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

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

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

Members of the Board	Number of the Board Meetings Attended in Person/by Proxy	Attendance Rate
Executive Directors		
LIN Kaibiao	0/0[a]	0%
CAI Liqun	9/1[b]	100%
FANG Yao	9/1[c]	100%
CHEN Zhaohui	10/0	100%
KE Dong	10/0	100%
Non-executive Directors		
ZHENG Yongen	9/1[d]	100%
CHEN Dingyu	9/1[e]	100%
FU Chengjing	10/0	100%
HUANG Zirong	9/1[f]	100%
Independent Non-executive Directors		
LIU Feng	10/0	100%
HUI Wang Chuen	1/1[g]	100%
LIN Pengjiu	10/0	100%
HUANG Shumeng	2/0[h]	100%
SHAO Zheping	2/0[h]	100%
YOU Xianghua	8/0[i]	100%
JIN Tao	8/0[i]	100%
JI Wenyuan	8/0[i]	100%

Notes:

a Mr. LIN Kaibiao was absent in the Board meetings in 2016, whose responsibilities as the Chairman have been assumed by Mr. CAI Liqun, a Vice Chairman, due to his health condition. His absence did not affect the normal operation of the Board.

b Mr. CAI Liqun was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.

c Mr. FANG Yao was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.

d Mr. ZHENG Yongen was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.

e Mr. CHEN Dingyu was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.

f Mr. HUANG Zirong was present in person in nine of the ten Board meetings, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director during his business trip away from Xiamen.

g Mr. HUI Wang Chuen resigned from the position of independent non-executive Director of the Company on 26 February 2016. He was present in person in one of the two Board meetings held before his resignation, and the remaining one Board meeting was attended and voted on his behalf by another authorized Director due to his health condition.

h Mr. HUANG Shumeng and Mr. SHAO Zheping both resigned from the position of independent non-executive Directors of the Company on 26 February 2016. Therefore, the two Directors only attended the two Board meetings held before their resignations in 2016.

i Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were newly appointed as independent non-executive Directors of the Company on 26 February 2016. Therefore, the three Directors only attended eight Board meetings in 2016.

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

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

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

A summary of training received by the Directors during the Reporting Period is as follows:

Names of Directors	Training Contents
Executive Directors	
LIN Kaibiao	*
CAI Liqun	A, B, C
FANG Yao	A, B, C
CHEN Zhaohui	A, B, C
KE Dong	A, B, C
Non-executive Directors	
ZHENG Yongen	A, B, C
CHEN Dingyu	A, B, C
FU Chengjing	A, B, C
HUANG Zirong	A, B, C
Independent Non-executive Directors	
LIU Feng	A, B, C
HUI Wang Chuen	A, B
LIN Pengjiu	A, B, C
HUANG Shumeng	A, B
SHAO Zheping	B, C
YOU Xianghua	A, B, C
JIN Tao	A, B, C
JI Wenyuan	A, B, C

Notes:

*: Mr. LIN Kaibiao was unable to attend the relevant trainings in 2016 due to his health condition;

A: Thematic trainings or studies on topics such as corporate governance of listed companies, directors' duties, connected transaction and internal risk management, etc.;

B: Thematic training or studies on topics such as economics, finance, corporate management and law, etc.;

C: Attending seminars, forums and conferences on topics related to corporate governance, directors' duties, connected transaction, internal risk management as well as economics, finance, corporate management and law, etc.

COMMITTEES ESTABLISHED UNDER THE BOARD

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

Each committee has specific functions and authorities. Members of the committees are entitled to make decisions on relevant issues within the terms of reference delegated to each committee. According to the relevant requirements of the revised Corporate Governance Code under Appendix 14 to the Listing Rules effective on 1 January 2016, the Company has amended and improved the terms of reference for the Audit Committee, which has been adopted by Board.

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

NOMINATION COMMITTEE

At the beginning of the Reporting Period, the second session of the Nomination Committee of the Company comprised Mr. LIN Kaibiao, the Chairman and an executive Director, and two independent non-executive Directors, Mr. LIN Pengjiu and Mr. HUANG Shumeng. The Nomination Committee was chaired by Mr. LIN Kaibiao. On 26 February 2016, Mr. HUANG Shumeng resigned from the positions of independent non-executive Director and member of the Nomination Committee of the Company, while Mr. JIN Tao, a newly appointed independent non-executive Director, was appointed by the Board as a member of the second session of the Nomination Committee on the same date. Accordingly, the Nomination Committee of the Company currently comprises Mr. LIN Kaibiao, Mr. LIN Pengjiu and Mr. JIN Tao. The Nomination Committee is chaired by Mr. LIN Kaibiao.

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

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

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

During the Reporting Period, the Nomination Committee of the Company held one meeting, mainly for conducting the following businesses: reviewing the structure of the Board and assessing the independence of the independent non-executive Directors.

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

Members of the Nomination Committee	Number of the Committee Meetings Attended in Person/by Proxy	Attendance Rate
LIN Kaibiao	0/0[a]	0%
LIN Pengjiu	1/0	100%
HUANG Shumeng	1/0	100%

a Mr. LIN Kaibiao was absent due to his health condition.

NOMINATION OF DIRECTORS

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

- the relevant knowledge, background, ability, industry experience and qualifications of a candidate and his/her integrity, independent thinking and capability to contribute time and effort to effectively discharge the duties concerned;

- compliance with the provisions of the Articles in respect of qualifications and conditions for directorship;

- compliance with the relevant requirements or provisions of the PRC laws in respect of Directors' taking office of overseas-listed companies; and

- compliance with the relevant requirements or provisions of Listing Rules in respect of Directors' taking office.

AUDIT COMMITTEE

At the beginning of the Reporting Period, the fourth session of the Audit Committee of the Company comprised two independent non-executive Directors, Mr. LIU Feng and Mr. HUANG Shumeng, and one non-executive Director, Mr. FU Chengjing. The Audit Committee was chaired by Mr. LIU Feng. On 26 February 2016, Mr. HUANG Shumeng resigned from the positions of independent non-executive Director and member of the Audit Committee of the Company, while Mr. YOU Xianghua, a newly appointed independent non-executive Director, was appointed by the Board as a member of the fourth session of the Audit Committee on the same date. Accordingly, the Audit Committee of the Company currently comprises Mr. LIU Feng, Mr. FU Chengjing and Mr. YOU Xianghua. The Audit Committee is chaired by Mr. LIU Feng. All members of the Committee possess relevant professional skills and experiences and two of them are independent non-executive Directors with professional qualifications and financial management expertise. Accordingly, during the year of 2016, the Company has been in compliance with the requirements in respect of audit committee as set out in Rule 3.21 of the Listing Rules.

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

During the Reporting Period, the Company's Audit Committee held a total of two meetings, mainly for conducting the following businesses: reviewing the accounting principles and practices adopted by the Group, financial reporting, internal control and risk management and other material matters; reviewing the Group's annual report on annual results for the year ended 31 December 2015 and the interim report on interim results for the six months ended 30 June 2016; reviewing the audit results presented by the auditors and discussing with the external auditors in respect of any important findings and audit matters; reviewing the non-exempted continuing connected transactions of the Group; re-appointment of external auditors and fixing its remuneration and submitting recommendations to the Board for approval; and discussing and approving the action plan for the internal audit of the Group in 2016.

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

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

REMUNERATION COMMITTEE

At the beginning of the Reporting Period, the fourth session of the Remuneration Committee of the Company comprised two independent non-executive Directors, Mr. HUI Wang Chuen and Mr. LIU Feng, and one non-executive Director, Mr. CHEN Dingyu. The Remuneration Committee was chaired by Mr. HUI Wang Chuen. On 26 February 2016, Mr. HUI Wang Chuen resigned from the positions of independent non-executive Director and chairman and member of the Remuneration Committee of the Company, while Mr. YOU Xianghua, a newly appointed independent non-executive Director, was appointed by the Board as a member and the chairman of the fourth session of the Remuneration Committee on the same date. Accordingly, the Remuneration Committee of the Company currently comprises Mr. YOU Xianghua, Mr. LIU Feng and Mr. CHEN Dingyu. The Remuneration Committee is chaired by Mr. YOU Xianghua.

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

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

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

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

REMUNERATION POLICY FOR DIRECTORS

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

As the Company's customary practice, the Remuneration Committee submits the remuneration plan to the Board for initial consideration. After being approved by the Board, such plan will be submitted to shareholders for further consideration and approval before implementation. The emoluments paid to each Director by the Company for the year ended 31 December 2016 are set out in Note 42 to the financial statements. For the details of remuneration payable to members of senior management of the Group presented by band during the Year, please refer to Note 28(c) to the financial statements.

BUSINESS STRATEGY COMMITTEE

At the beginning of the Reporting Period, the fourth session of the Business Strategy Committee of the Company comprised independent non-executive Director Mr. SHAO Zheping, executive Director, Mr. LIN Kaibiao, and non-executive Directors, Mr. CHEN Dingyu and Mr. HUANG Zirong. The Business Strategy Committee was chaired by Mr. SHAO Zheping. On 5 January 2016, Mr. CAI Liqun, an executive Director, was appointed as a member of the fourth session of the Business Strategy Committee by a resolution passed at the 21st meeting of the fourth session of the Board. Furthermore, on 26 February 2016, Mr. SHAO Zheping resigned from the positions of independent non-executive Director and chairman and member of the Business Strategy Committee of the Company, while Mr. JIN Tao, a newly appointed independent non-executive Director, was appointed as a member and the chairman of the fourth session of the Business Strategy Committee by the Board on the same date. Accordingly, the Business Strategy Committee of the Company currently comprises Mr. JIN Tao, Mr. LIN Kaibiao, Mr. CAI Liqun, Mr. CHEN Dingyu and Mr. HUANG Zirong. The Business Strategy Committee is chaired by Mr. JIN Tao.

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

During the Reporting Period, the Business Strategy Committee of the Company held one meeting to discuss and review such matters related to the Company's business operation schedule for 2016. During the Reporting Period, a majority of the members of the Business Strategy Committee were also involved in the evaluation of the Company's major investments and financing exercises, major capital and asset management issues and other business opportunities that might have an impact on the future development of the Group's business.

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

Members of the Business Strategy Committee	Number of the Committee Meetings Attended in Person/by Proxy	Attendance Rate
JIN Tao	1/0	100%
LIN Kaibiao	0/0[a]	0%
CAI Liqun	1/0	100%
CHEN Dingyu	1/0	100%
HUANG Zirong	1/0	100%

a Mr. LIN Kaibiao was absent due to his health condition.

CORPORATE GOVERNANCE COMMITTEE

At the beginning of the Reporting Period, the first session of the Corporate Governance Committee of the Company comprised two independent non-executive Directors, Mr. LIN Pengjiu and Mr. SHAO Zheping, and one executive Director, Mr. FANG Yao. The Corporate Governance Committee was chaired by Mr. LIN Pengjiu. On 26 February 2016, Mr. SHAO Zheping resigned from the positions of independent non-executive Director and member of the Corporate Governance Committee of the Company, while Mr. JI Wenyuan, a newly appointed independent non-executive Director, was appointed by the Board as a member of the first session of the Corporate Governance Committee on the same date. Accordingly, the Corporate Governance Committee of the Company currently comprises Mr. LIN Pengjiu, Mr. JI Wenyuan and Mr. FANG Yao. The Corporate Governance Committee is chaired by Mr. LIN Pengjiu.

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

During the Reporting Period, the Corporate Governance Committee of the Company held one meeting to discuss and review the corporate governance report for the year ended 31 December 2015 of the Company, which set out the Company's policies and practices on corporate governance and included mandatory disclosure requirements and most information to be disclosed under the Appendix 14 to the Listing Rules.

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

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

JOINT COMPANY SECRETARIES

At the beginning of the Reporting Period, Mr. YANG Hongtu was one of the Company's joint company secretaries and the primary contact person. On 18 April 2016, Mr. YANG Hongtu resigned from the positions of a joint company secretary of the Company and an authorised representative of the Company pursuant to the Listing Rules due to his change in employment. On the same date, the Board appointed Mr. CAI Changzhen as a joint company secretary of the Company and an authorised representative of the Company pursuant to the Listing Rules. Accordingly, as at 31 December 2016, Mr. CAI Changzhen and Ms. MOK Ming Wai, a director of KCS Hong Kong Limited (a company providing a range of corporate accounting and corporate secretarial services in Hong Kong), were the joint company secretaries of the Company. The primary contact person at the Company has now been changed to Mr. CAI Changzhen. Mr. CAI Changzhen and Ms. MOK Ming Wai have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules during the Reporting Period.

EXTERNAL AUDITORS

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers were re-appointed as the PRC and international auditors of the Company respectively at the 2015 annual general meeting held on 15 June 2016, for a term until the expiration of the forthcoming annual general meeting.

For the Year, the total remuneration paid and payable to the external auditors by the Group amounted to RMB3,730,000 (of which, the remuneration payable by the Company was RMB2,080,000), exclusively for audit services. In addition, the Company also paid RMB75,000 to PricewaterhouseCoopers Zhong Tian LLP for the auditor's fee in respect of the agreed procedures performed on the return on equity computation of the relevant joint ventures under the Company. Except for the above, the Company did not pay any other fees for non-audit services to the external auditors.

INTERNAL CONTROL AND RISK MANAGEMENT

The maintenance of a high standard of internal control environment has been and remains a top priority of the Group. The Board assumes the ultimate responsibility for the effectiveness of the Group's internal control and the risk management control system, which is designed to manage and minimise risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided. During the year of 2016, the Audit Committee of the Company has assisted the Board in conducting review on the effectiveness and the adequacy of the internal control and risk management control system twice a year, i.e., the effectiveness review for the year of 2015 was conducted in March 2016, and the effectiveness review for the half year of 2016 was conducted in August 2016, the scope of which covers all material aspects of the control system, including the financial, operational, compliance monitoring and risk management functions etc. The Audit Committee has examined the relevant review report and discuss with the external auditor regarding the relevant issues and recommendations, and then will report the relevant situation to the Board. The Board is satisfied with the existing internal control and risk management control system of the Group and is of the view that the control system is adequate and effective in all material areas, and also complies with the code provisions on risk management and internal control set out in the Corporate Governance Code. No significant control deficiency and major concerns which may affect the interest of the shareholders has been identified during the Reporting Period, and the Board will continue to improve the risk management and internal control system to facilitate our corporate governance.

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

(1) Financial control

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

The Audit Committee of the Company shall act in accordance with the responsibilities and procedures stipulated in the "Regulations for Audit Committee's Works", be responsible for assisting the Board in reviewing and monitoring the financial reports independently, and procure to make itself satisfied with the effectiveness of the Group's risk management and internal control as well as the adequacy of the internal and external auditing. In order to improve the quality of financial information disclosures and improve the internal governance, the Audit Committee has authorized a member to be responsible for the daily management of the Audit Committee and monitor the Company's financial and risk management and internal control on behalf of the Audit Committee under the requirements of the "Regulations for Audit Committee's Works". In 2016, the Audit Committee has made recommendations to the Board in respect of the matters relating to the Group's audited accounts for the year ended 31 December 2015, internal and external audit findings, accounting principles and practices adopted by the Group, re-appointment of auditors and fixing of audit fees, and the interim results for the six months ended 30 June 2016.

The Company attaches great importance to the internal audit functions. The internal audit includes the examination of all activities of the Group and conducting a comprehensive review of all practices and procedures without any restrictions, and hence assists the management and the Audit Committee in maintaining an effective risk management and internal control system within the Group. The audit department, as an internal audit function of the Company, is accountable to the Board, and the Audit Committee is responsible for its management and the performance appraisal. The Audit Committee may make recommendations in respect of the appointment and removal of the employees of the audit department (including the head of the department), and its authorized representatives shall examine and audit the relevant documents before they are issued in accordance with certain prescribed procedures. As the supervisor of internal audit function, the head of the audit department can contact the Audit Committee without any restrictions, attend the meetings of the Audit Committee and report the matters revealed during the internal audit process to the Audit Committee. The management and reporting structure above enables the independence and effectiveness of the internal audit of the Company. The annual internal audit plan of the Company was reviewed and approved by the Audit Committee. The relevant audit works of the 2016 Internal Audit Plan considered and agreed by the Audit Committee had been all completed on schedule. The Company conducted a special audit and internal control inspection on the operation and management or the investment project management and the procedures of equipment procurement of the relevant entities under the Company and also made corresponding recommendations for improvement.

(2) Operational control

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

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

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

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

(3) Compliance Control

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

The Group has adopted the code provisions of the Corporate Governance Code as the code on corporate governance practices of the Company, and strictly complies with the relevant information disclosure requirements under the Listing Rules. With respect to the procedures and internal control measures for the handling and dissemination of inside information, the Company fully understands its obligations assumed under the Listing Rules and the material principle that inside information should be announced as soon as responably practicable. The Company also understands that it shall comply with the "Guide on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong when handling relevant matters. The Company's policy includes a strict prohibition on any unauthorized use of confidential, sensitive or inside information. In addition, procedures have been established and implemented for responding to external enquiries about the Group's matters. In order to standardize information disclosure affairs of the Company, the "Management System for Information Disclosure Affairs" of the Company has made specific provisions of the basic principles, content, procedure, responsibility and confidentiality measures of information disclosure of the Company. Furthermore, during the Reporting Period, with regard to the information disclosure of the relevant businesses, the Company has newly issued and implemented "Management System Governing Information Disclosure Affairs of Debt Financing Instrument of Non-financial Enterprise", "Management System for Information Disclosure of Corporate Bonds", "Management System for Corporate Bonds Investor Relationship" and "Management System for Environmental, Social and Governance Reporting", so as to ensure the normalization of the relevant information disclosure.

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

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

(4) Risk Management

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors declared that they are responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the results and financial conditions of the Company and the Group. The Directors considered that, in preparing the financial statements for the year ended 31 December 2016, the Group has adopted appropriate accounting policies, applied them consistently and complied with all relevant accounting standards. Having made appropriate enquiries, and judgments and estimates that are prudent and reasonable, the Directors also considered that it is appropriate to prepare the financial statements on a going concern basis.

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

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

The auditor's statement of responsibility report on the financial statements is set out on page 113 of this annual report.

SHAREHOLDERS' RIGHTS

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

The Company considers that the annual general meeting is an appropriate forum at which shareholders can timely communicate with the Board and senior management, and all the shareholders will be given notice of the meeting at least 45 days before the meeting is held and they are encouraged to attend the annual general meeting or other extraordinary general meetings. The Company complies with the provisions of the code as stipulated in the Corporate Governance Code whose principle is to encourage shareholders' participation and encourages and welcomes shareholders to raise their questions at the above meetings. The Company Secretary, on behalf of the chairman of the general meetings, explains the detailed procedures for conducting a poll at the commencement of general meetings. In order to ensure that shareholders can express their intentions freely at general meetings, the rights of shareholders, and the rights, notices, procedures and voting pertinent to general meetings are clearly and adequately provided for in Chapters 7 and 8 of the Articles respectively. The Board is committed to maintaining communication with shareholders, and all Directors and senior management will try their best to attend those meetings, while the chairmen of the Board, the Nomination Committee, the Audit Committee, the Remuneration Committee, the Business Strategy Committee and the Corporate Governance Committee as well as the Company's auditors will try their best to attend the annual general meeting to answer shareholders' questions. In 2016, the Company convened four general meetings in total, namely the third extraordinary general meeting in 2015, the first and second extraordinary general meetings in 2016 on 5 January 2016, 26 February 2016 and 26 October 2016, respectively, and the 2015 annual general meeting on 15 June 2016.

The attendance record of each Director of the fourth session of the Board of the Company at the general meetings in 2016 is set out below:

Members of the Board	Number of the general meetings attended	Attendance Rate
Executive Directors		
LIN Kaibiao *(Chairman of the Nomination Committee)* [a]	0	0%
CAI Liqun	4	100%
FANG Yao[b]	3	75%
CHEN Zhaohui	4	100%
KE Dong	4	100%
Non-executive Directors		
ZHENG Yongen[c]	2	50%
CHEN Dingyu[d]	3	75%
FU Chengjing[e]	3	75%
HUANG Zirong[f]	3	75%
Independent non-executive Directors		
LIU Feng *(Chairman of the Audit Committee)*	4	100%
HUI Wang Chuen *(former Chairman of the Remuneration Committee)*[g]	0	0%
LIN Pengjiu *(Chairman of the Corporate Governance Committee)*	4	100%
HUANG Shumeng[h]	1	50%
SHAO Zheping *(former Chairman of the Business Strategy Committee)*[i]	2	100%
YOU Xianghua *(Chairman of the Remuneration Committee)*[j]	2	100%
JIN Tao *(Chairman of the Business Strategy Committee)*[j]	2	100%
JI Wenyuan[j]	2	100%

a Mr. LIN Kaibiao was not present at the four general meetings held in 2016 due to his health condition;

b Mr. FANG Yao was not present at the second extraordinary general meeting in 2016 due to his business trip away from Xiamen;

c Mr. ZHENG Yongen was not present at the 2015 annual general meeting and the second extraordinary general meeting in 2016 due to his business trip away from Xiamen;

d Mr. CHEN Dingyu was not present at the 2015 annual general meeting due to his business trip away from Xiamen;

e Mr. FU Chengjing was not present at the second extraordinary general meeting in 2016 due to his business trip away from Xiamen;

f Mr. HUANG Zirong was not present at the 2015 annual general meeting due to his business trip away from Xiamen;

g Mr. HUI Wang Chuen resigned from the position of independent non-executive Director of the Company on 26 February 2016. He was not present at the two general meetings held before his resignation due to his health condition.

h Mr. HUANG Shumeng resigned from the position of independent non-executive Director of the Company on 26 February 2016. He was not present at the first extraordinary general meeting in 2016 due to his business trip away from Xiamen;

i Mr. SHAO Zheping resigned from the position of independent non-executive Director of the Company on 26 February 2016. Therefore, he was only present at the two general meetings held before his resignation.

j Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were newly appointed as independent non-executive Directors of the Company on 26 February 2016. Therefore, the three Directors were not present at the two general meetings held before their appointments.

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

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

INVESTOR RELATIONSHIP

The Company will continue to promote and strengthen investor relationship and place great emphasis on communication with investors. The Company Secretary shall be responsible for the investor relationship of the Company and external information disclosure and communication work. During the Reporting Period, the Company has maintained close communication with media, analysts and fund managers through different channels such as individual meetings, telephone conferences and the spot inspection at the terminals, and the relevant executive Directors and senior management have used their best endeavor to answer the questions regarding the operations and financial performance of the Group, thereby enabling them to understand the latest developments of the Company and to make timely responses to any inquiries.

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

CORPORATE SOCIAL RESPONSIBILITY

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

The Company is committed to the sustainable development of the environment and our society. In accordance with the "Environmental, Social and Governance Reporting Guide" amended by the Stock Exchange in December 2015, the Company has established "Administrative System for Environmental, Social and Governance Reporting" accordingly, so as to promote the Company and its subsidiaries to actively fulfill corporate social responsibility, coordinately consider the factors of all aspects, including human, society and environment, in the operation and management process, operate in accordance with the laws, be honest and trustworthy, resources saving and environmentally friendly, people-oriented with harmonious development, strive for the balanced development of economy, environment and society and promote the sustainable development of enterprises. In recognition of the potential climate impact due to the development and operation of port business, the Company strives to enhance the environmental performance of the development and management of its port business through eco-friendly engineering design, equipment configuration and technological transformation as well as operational measures. The Company set corresponding indices each year to promote and enhance energy efficiency and reduce carbon emissions. In the year of 2016, the Company saved energy of 1,292 tonnes of coal equivalent throughout the year.

Details of the Company's full accounting of its environmental and social responsibility performance for the year of 2016 will be separately disclosed by end of first half of 2017 pursuant to the Listing Rules.

While upholding the principles of transparency, integrity, fairness and openness, the Company will continue to keep smooth communication channels with other parties in various industries, devote to improve the level of investor relationship and enhance its corporate governance level with reference to its accumulated experience, changes in regulatory policies and shareholders' advice to strive for best practice standards, so as to support the sustainable and healthy development of the Group.

By order of the Board

CAI Liqun
Chairman

Xiamen, the PRC
24 March 2017

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. CAI Liqun, aged 48, is an executive Director and the Chairman of the Company. He graduated in 1991 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a Master's degree in economics and is a Senior Economist. He was a planning coordinator of the planning office of Dongdu Port Services Company of Xiamen Harbour Bureau from July 1991 to October 1994 and was a deputy general manager of Xiamen Haijie Freight Company Limited from October 1994 to January 1998. He was the deputy director of the planning office of Dongdu Port Services Branch of Xiamen Port (Group) from January 1998 to October 1998. He was a deputy manager of Xiamen Port (Group) Domestic Shipping Agency Co., Ltd. from October 1998 to September 2001. He was a deputy general manager of Dongdu Port Services Branch of Xiamen Port (Group) from September 2001 to September 2004. He was a deputy general manager, then the general manager of Xiamen Port Development Co., Ltd. ("Xiamen Port Development") (a company listed on the Shenzhen Stock Exchange in the PRC) from September 2004 to November 2015. He also was the chairman of Xiamen Ocean Shipping Tally Co., Ltd. from March 2006 to December 2015. He also was the chairman of Xiamen Road and Bridge Building Materials Company from August 2006 to December 2015. He was the general manager of Dongdu Branch of Xiamen Port Development from January 2009 to January 2010. He has been a director of Xiamen Port Development since May 2009. He also was a director of Xiamen Port Trading Co., Ltd. from August 2010 to November 2015. He also was the chairman of Sanming Port Development Co., Ltd. from February 2011 to January 2016. He also was the chairman of Ji'an Port Development Co., Ltd. from June 2011 to December 2015. He also was an executive director of Xiamen Hailong Terminal Co., Ltd. from September 2012 to December 2015. He also was the chairman of Chaozhou Port Development Co., Ltd. from December 2012 to January 2016. He has also been a director of Xiamen Container Terminal Group Co., Ltd. since December 2013. He has been a deputy general manager of Xiamen Port Holding since September 2015. He has been an executive Director of the Company since 1 December 2015. He was a Vice Chairman of the Company from 1 December 2015 to 27 February 2017. He has been the Chairman of the Company since 28 February 2017.

Biographies of Directors, Supervisors and Senior Management

Mr. FANG Yao, aged 57, is an executive Director and a Vice Chairman of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a Bachelor's degree in harbour engineering and is a Senior Engineer. He joined Xiamen Harbour Bureau in October 1982 and was a technician of the Heping terminal operating area, deputy leader of the mechanical team, deputy head of the technical office and deputy head of the harbour engineering factory of the Dongdu operating area and deputy manager of the Shihushan terminal operating area from October 1982 to June 1998. He was a manager of the Gangwan Supervising Company of Xiamen Port (Group) Co., Ltd. from June 1998 to April 2001 and was the party secretary of Xiamen Haitian Company from April 2001 to October 2005. He was also a director of Xiamen Haitian Company from March 2002 to December 2013. He was appointed as the general manager of the Company from March 2005 to March 2012. He has been an executive Director of the Company since 2005. He has been the Vice Chairman of the Company since August 2013.

Mr. CHEN Zhaohui, aged 48, is an executive Director and the general manager of the Company. He graduated in July 1990 from Wuhan Institute of Water Transport Engineering with a Bachelor's degree in engineering. He graduated from the School of Management of Xiamen University in December 2000 and obtained a Master's degree in business administration and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1990 and was a technician and deputy leader of the gantry crane team of Dongdu operating area of Xiamen port from July 1990 to August 1992. He was the leader of mechanical team, deputy general manager and general manager of Xiamen Port Shihushan Terminal Company from August 1992 to March 2006, during which he attended the job training of "Advanced Course of the Terminal Management" (Magum) held by A.P. Moller Maersk Terminal from May 2004 to March 2006 and acted as the duty manager at the container terminal in Aqaba, Jordan and PIER 400 container terminal in Los Angeles, the United States respectively. He also acted as an executive director, legal representative and the general manager of Xiamen Port Power Supply Service Co., Ltd. from May 2003 to October 2006. He was then acted as an executive director and legal representative of Xiamen Free Trade Zone Port Services Power Co., Ltd. (formerly Xiamen Port Power Supply Service Co., Ltd.) since August 2012. He was the deputy general manager, and then the general manager of Xiamen Songyu Container Terminal Co., Ltd. from March 2006 to November 2013. He was also the director of the Office of Safety Committee of Xiamen Port Holding from October 2012 to December 2013. He was a deputy general manager of the Company from 27 March 2012 to 27 February 2017. He was also a director of Xiamen Container Terminal Group Co., Ltd. from December 2013 to December 2016. He has also been the chairman of Xiamen Container Terminal Group Co., Ltd. since December 2016 and the chairman of the supervisory committee of Xiamen Port Development from January 2014 to 10 April 2017. He has been an executive Director of the Company since 1 December 2015. He has been the general manager of the Company since 28 February 2017. He has also been a director of Xiamen Port Development since 10 April 2017.

Mr. KE Dong, aged 57, is an executive Director and the deputy general manager of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute). In June 2009, he graduated from Xiamen University with an EMBA degree. He is an Economist and a Political Instructor. He joined Xiamen Harbour Bureau in 1982, where he was a business representative from 1982 to 1984, the deputy general manager of the Xiamen Ocean Shipping Agency from November 1984 to February 2001, and also the general manager of Xiamen Penavico International Freight from June 1999 to December 2000, then became the general manager of Xiamen Port Logistics from February 2001 to July 2004. He was a director and the general manager of Xiamen Port Development, a company listed on the Shenzhen Stock Exchange in the PRC, from August 2004 to April 2006, and he has been the chairman of Xiamen Port Development since April 2006. He was also a director of Xiamen Haitian Company from March 2002 to December 2013. He has also been the chairman of Xiamen Ocean Shipping Agency Co., Ltd. since 20 April 2006. He has also been the chairman of Zhangzhou Gulei Port Development Co., Ltd. since 28 February 2012. He was a non-executive Director of the Company from March 2005 to 28 February 2014. He has also been a deputy general manager of the Company since August 2013. He has been re-designated from a non-executive Director to an executive Director of the Company since 28 February 2014.

Mr. LIN Kaibiao, aged 51, retired from the positions of an executive Director and the Chairmanof the Company since 28 February 2017. He graduated in 1991 from the Dalian Maritime University with a master's degree in transportation management and engineering and is an Economist. He joined Xiamen Harbour Bureau in 1991 and worked as an instructor for engineering classes, deputy head and head of office, manager of the commercial operations department and deputy general manager of Dongdu Port Services Company from 1991 to March 2001. He was a director and the general manager of Dongdu Terminal Company Limited as well as the chairman and the general manager of Xiamen Dongling Company, an Executive director and the general manager of Xiamen Domestic Shipping Agency and a director and general manager of Xiamen Lurong Water-Rail Company from April 2001 to June 2004. Mr. Lin was a director of Xiamen Port (Group) Co., Ltd. from April 2004 to March 2005. He was the chairman of the board of directors of Xiamen Port Logistics Co., Ltd. from September 2004 to April 2006, and also a director of Xiamen Waili Tallying Co., Ltd. from March 2005 to March 2006. He became the manager of the operations management department of Xiamen Port (Group) Co., Ltd. in June 2004 and was alsoa director of Xiamen Port Development from September 2004 to 10 April 2017. From March 2005 to April 2007, he was appointed as a deputy general manager of the Company and was also an Executive Director of the Company. He has been appointed as a deputy general manager of Xiamen Port Holding Group Co., Ltd. ("Xiamen Port Holding") since February 2007. He had been re-designated as a non-executive Director of the Company from 10 April 2007 to 28 February 2011. And he was an executive Director, the Chairman and legal representative of the Company from 28 February 2011 to 27 February 2017. He was also the chairman and legal representative of Xiamen Haitian Company from 12 March 2012 to December 2013 and the chairman of Xiamen Songyu Container Terminal Co., Ltd. from 2012 to 2013. He has also been a director of Xiamen Haixia Investment Co., Ltd. since August 2013. He was also the chairman and legal representative of Xiamen Container Terminal Group Co., Ltd from December 2013 to December 2016.

Non-executive Directors

Mr. CHEN Dingyu, aged 60, is a non-executive Director of the Company. He graduated in 1999 from the Central Party Correspondence School with a Bachelor's degree in economics and management and is a Senior Economist and an Engineer. From 1980 to January 1998, he worked as the chief engineer of the Tugboat Company of Xiamen Harbour Bureau and a technician of the technical department at Xiamen Harbour Bureau as well as deputy manager, manager and the party secretary of Xiamen Port Shipping Company. From January 1998 to March 2005, he was a director and a deputy general manager of Xiamen Port (Group) Co., Ltd. He acts as a non-executive director of Xialing Shipping Co. Ltd. since August 2003. Since January 2005, he has been a director of Xiamen Port Holding. He was also a deputy general manager of Xiamen Port Holding from July 2005 to January 2007, and acted as the general manager of Xiamen Port Holding from February 2007 to June 2016. He has also been the chairman of Xiamen Port Holding since June 2016. He was a Vice Chairman and an executive Director of the Company from March 2005 to 28 February 2011 and has been re-designated from an executive Director to a non-executive Director of the Company since 28 February 2011.

Mr. CHEN Zhiping, aged 51, is a non-executive Director of the Company. He graduated in July 1986 from the Jimei Finance and Economics School in Xiamen majoring in finance, and from May 1987 to October 1990 he studied finance at Xiamen University. From August 1997 to December 1999, he studied economics management at the Central Party Correspondence School, and from September 2007 to July 2010 he studied economics with a focus on economics management at the Central Party Correspondence Graduates School, and is currently an Accountant. From August 1986 to April 2003, he worked in the Finance Bureau of Xiamen Municipality as a cadre, an officer, and a deputy director and a researcher of the Administrative Department of Culture and Education. From April 2003 to November 2008, he was the deputy secretary of the Party Working Committee and the director of the Street Office, and then the secretary of the Party Working Committee and the director of the National People's Congress Liaison Office of Yundang Street of Xiamen City. From November 2008 to June 2016, he was the deputy director of the State-owned Assets Supervision and Administration Commission of the Xiamen Municipal People's Government and a member of the Party Working Committee. He has been the general manager and a deputy party secretary of Xiamen Port Holding since June 2016. He has also been a non-executive Director of the Company since 28 February 2017.

Mr. FU Chengjing, aged 55, is a non-executive Director of the Company. He graduated in 1983 from Jiangxi Institute of Finance and Economics with a bachelor's degree in economics and is an Accountant. He has been a cadre, a section member, deputy head of credit finance management office, deputy head and head of the industry and communication office and office head of the Xiamen Finance Bureau from August 1983 to February 2004. From February 2004 to March 2005, he was a director and deputy general manager of Xiamen Port (Group) Co., Ltd. Since January 2005, Mr. Fu has been a director of Xiamen Port Holding; and also a non-executive Director of the Company since March 2005. He has been a deputy general manager of Xiamen Port Holding since July 2005 and also acts as its chief accountant since February 2007. He also acts as the chairman of Xiamen Port Financial Holding Co., Ltd. since December 2015.

Mr. HUANG Zirong, aged 54, is a non-executive Director of the Company. He graduated in August 1983 from Shanghai Jiaotong University with a Bachelor's degree in mechanics and obtained a Master's degree in business administration from the School of Management of Xiamen University in October 2000 and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1983, was a technician and deputy leader of the mechanical team of Dongdu operating area, and was also a deputy supervisor and deputy head of the harbour engineering factory of Xiamen Harbour Bureau. He was the deputy general manager of Xiamen Port Container Company from October 1990 to April 2001. He was the general manager of Xiamen Port (Group) Co., Ltd. Haitian Port Services Branch from April 2001 to March 2002. He was the general manager of Xiamen Haitian Company from March 2002 to 31 March 2012. Mr. Huang was an executive Director and a deputy general manager of the Company from March 2005 to 27 March 2012. He was an executive Director and the general manager of the Company from 27 March 2012 to 1 December 2015. He was also a director of Xiamen Container Terminal Group Co., Ltd. from December 2013 to December 2016. He was also a director of Xiamen Port Development Co., Ltd. from January 2014 to 10 April 2017. He has been the chief engineer of Xiamen Port Holding since September 2015. He has been re-designated from an executive Director to a non-executive Director of the Company since 1 December 2015.

Ms. BAI Xueqing, aged 53, is a non-executive Director of the Company and a Senior Economist. She graduated from the Department of Mechanical Engineering of Huaqiao University with a Bachelor's degree in engineering in July 1985. From September 1993 to July 1996, she joined the Department of Finance of Xiamen University as a working postgraduate student and graduated with a Master's degree in currency banking. From December 1999 to July 2001, she studied at the School of Business and Management of National University of Singapore and graduated with a Master's degree in business administration. From August 1985 to October 1990, she worked in the Xiamen Fisheries College as a teaching assistant and a lecturer. From October 1990 to December 1999, she worked in the Xiamen branch of China People's Insurance Company as a branch cadre, deputy chief, chief and a managerial assistant of the Kaiyuan Sub-branch. From July 2001 to October 2007, she worked in the Xiamen branch of China People's Insurance Company as a deputy director of the statistics department, deputy general manager of the marketing management department, general manager of the individuals insurance marketing management department, director of the underwriting center and general manager of the property insurance and reinsurance department. She has been the vice chairman of the Xiamen Municipal Committee of the China Democratic National Construction Association since January 2007. From November 2007 to May 2016 she was the deputy general manager of the non-water insurance department of Taiping Property Insurance Co., Ltd. (where she presided over the work), and the general manager of the Xiamen branch. She has also been the deputy director of the People's Congress Standing Committee of the Siming District, Xiamen City, Fujian Province since December 2011, and a deputy general manager of Xiamen Port Holding since May 2016. She has also been a non-executive Director of the Company since 28 February 2017.

Mr. ZHENG Yongen, aged 59, retired from the position of non-executive Director of the Company since 28 February 2017. He graduated in 1982 from Tianjin University with a bachelor's degree in port engineering and is a Senior Engineer. He was an assistant engineer and an assistant of the Xiamen port construction command department and the executive deputy head of the Haicang port construction command department from September 1982 to 1996. He was the general manager of the Port Development Co., Ltd from August 1996 to January 1998. He was the director and deputy general manager of Xiamen Port (Group) Co., Ltd, from January 1998 to March 2005. He also acted as a director of Xiamen Haicang Port Co., Ltd from April 2001 to December 2013, a director and the general manager of Xiamen Port Labour Services Co., Ltd from March 2002 to early February 2006.He was a director of Xiamen Port Holding from January 2005 To June 2016. He was the general manager of Xiamen Port Holding from July 2005 to January 2007 and was the chairman of Xiamen Port Holding from February 2007 to June 2016. He was the chairman and legal representative of Xiamen Haitian Company from 10 May 2007 to 12 March 2012. He was also a non-executive Director of the Company from March 2005 to 9 April 2007. He had been appointed as an executive Director, Chairman and legal representative of the Company from 10 April 2007 to 28 February 2011. He was a non-executive Director of the Company from 28 February 2011 to 28 February 2017.

Independent Non-executive Directors

Mr. LIU Feng, aged 51, is an independent non-executive Director of the Company. He graduated from the accountancy department of Xiamen University in 1994 and obtained a doctoral degree in economics (accountancy). He was a teacher of Xiamen University since July 1987 and taught in Zhongshan University as a Distinguished Professor in January 2000, and was a supervisor of doctoral candidates of the accountancy of School of Management, Zhongshan University, the director of Modern Accountancy and Finance Research Center of Zhongshan University and the vice president of School of Management, Zhongshan University. He was invited as a professor and a supervisor of doctoral candidates of accountancy department of School of Management, Xiamen University since September 2010. He also acts an independent director in three listed companies, namely Cosco Shipping Co., Ltd., Xiamen C&D Inc. and Bank of Hangzhou Co., Ltd. (all listed on the Shanghai Stock Exchange in the PRC) and an independent director of Deppon Logistics Co., Ltd. Currently, he is a member of the Professional Responsibility Appraisal Committee of Chinese Institute of Certified Public Accountants. He also acts as an independent non-executive Director of the Company since 28 February 2011.

Mr. LIN Pengjiu, aged 51, is an independent non-executive Director of the Company. He graduated from the Department of Navigation of Dalian Maritime University with a Bachelor's degree in engineering in 1988 and a Postgraduate Degree in Maritime Law in 1991 respectively. He also obtained a Master Degree in laws from Jilin University. From 1991 to 1997, Mr. Lin taught maritime law in the Faculty of Law of Dalian Maritime University while engaging in the provision of legal services on a part-time basis. He joined Heng Xin Law Office in Liaoning in 1997 and became a qualified lawyer and partner of Heng Xin Law Office in 1998. He has been a full-time lawyer, partner and director of Liaoning Tytop Law Firm since the end of 2008. He also acts as an arbitrator of the China Maritime Arbitration Commission, vice president of Liaoning Province Maritime Law Institute, council member of Dalian Lawyers Association, vice president of the Supervisory Commission of the Dalian Maritime University Si Yuzhuo Maritime Law Education Fund, member of the Specialized Maritime Committee of All China Lawyers Association, and member of the Specialized Rescue and Salvage Committee of the China Maritime Law Association and an arbitrator of Dalian Arbitration Commission, Wuhan Arbitration Commission and Nantong Arbitration Commission. He also acts as an independent non-executive Director of the Company since 28 December 2012.

Biographies of Directors, Supervisors and Senior Management

Mr. YOU Xianghua, aged 52, is an independent non-executive Director of the Company. He graduated in July 1986 from the accounting department of Anhui University of Finance and Economics (formerly known as Anhui Institute of Finance and Trade) with a Bachelor's degree in economics, in July 1991 from Xiamen University's accounting department with a Master's degree in economics, and in July 1999 from Xiamen University's accounting department with a Doctorate in management and accounting, and is currently a senior accountant. From July 1986 to August 1988 he worked as a lecturer at Anhui University of Finance and Economics's accounting department. From August 1991 to March 1999 he worked as the finance manager of Xiamen Huicheng Construction Development Co., Ltd. From August 1999 to September 2001 he worked as the chief accountant of Xiamen State-owned Assets Investment Company and acted as a director to numerous companies including Xiamen City Commercial Bank. From September 2001 to August 2007, he worked as an associate professor at the accounting department of the School of Management of Xiamen University, and also was an independent director at Xiamen Road & Bridge Co., Ltd. and its subsequently renamed entity Xiamen Port Development Co., Ltd. (which is listed on the Shenzhen Stock Exchange of the PRC), Xiamen King Long Motor Group Co., Ltd. (which is listed on the Shanghai Stock Exchange of the PRC), and Xiamen Speed Logistics Development Co., Ltd. From March 2006 to February 2007, he was sent by the PRC as a visiting scholar to the accounting department of the University of Houston in the United States of America. From September 2007 to April 2009, he was the deputy general manager of the Shenzhen Litong Investment Development Co., Ltd., an independent director of Xiamen Port Development Co., Ltd., and the chairman of the supervisory committee of Mintaian Insurance Surveyors & Loss Adjusters Group Co., Ltd. Since May 2009, he is the chairman of the board of directors and general manager of China Universal Finance Consulting (Xiamen) Ltd., and also an independent director of Holsin Engineering Consulting Group Co., Ltd. (which is listed on the Shanghai Stock Exchange of the PRC) and Tianguang Zhongmao Co., Ltd. (which is listed on the Shenzhen Stock Exchange of the PRC). Additionally, he was previously an independent director of TianGuang Fire-Fighting Co., Ltd. (which is listed on the Shenzhen Stock Exchange of the PRC). In addition, he is also the vice president of the Xiamen Cross-Strait Accounting Cooperation and Exchange Promotion Association, the vice president of the Xiamen Accounting Association, an executive director of the Xiamen Chief Accountants Association, and an executive director of the Xiamen Accounting Industry Association. He also acts as an independent non-executive Director of the Company since 26 February 2016.

Mr. JIN Tao, aged 52, is an independent non-executive Director of the Company. He graduated in July 1988 from Kaifeng University and Henan University's Joint Undergraduate Geography Program with a Bachelor's degree in science from Henan University, studied at Henan University's geography department and majored in economic geography from September 1991 to August 1994 and graduated with a Master's degree in economics, and studied at Nankai University's Economics Research Institute and majored in political economics from September 2001 to July 2004 and graduated with a Doctorate in economics. From August 1988 to August 1991, he taught at No. 18 Middle School at Kaifeng, Henan. From September 1994 to August 2001 he worked in the Administrative Committee of Ningbo Economic and Technological Development Zone. From August 2004 to October 2008, he worked as an associate professor at the Economics Research Institute of Xiamen University. From November 2006 to March 2014, he also acted as the associate chief editor of Economic Issues in China, a core economics national journal in the PRC. Since November 2008, he worked as a professor and a doctorate tutor at Xiamen University. From October 2008 to February 2012, he worked as the deputy head of Xiamen University's Economics Research Institute. Since February 2012, he acted as the head of Xiamen University's Economics Research Institute. Since March 2014, he also acted as the joint chief editor of Economic Issues in China. Since December 2016 he acted as the vice president of the Fujian Province Securities Economics Research Association. He also acts as an independent non-executive Director of the Company since 26 February 2016.

Mr. JI Wenyuan, aged 50, is an independent non-executive Director of the Company. He graduated in March 1993 from Shanghai Maritime University's (formerly known as Shanghai Shipping Institute) international shipping department majoring in shipping economics and business with a Master's degree in economics management. From April 1993 to October 1995, while he was in the shipping department of Shanghai Ocean Shipping Co. Ltd., he worked in the container shipping division, container management division, bulk shipping division and the chartering division, and then as the manager of the chartering division. From November 1995 to December 1996, he was the manager of the chartering branch office of the chartering division of Beijing China Ocean Shipping Group Co., Ltd. and COSCO Bulk Carrier Co., Ltd.. From January 1997 to December 1997, he was the deputy department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd., and from January 1998 to April 1998 he was the deputy department manager of the Third Shipping Department of COSCO Bulk Carrier Co., Ltd.. From May 1998 to September 1998, he was the department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd.. From October 1998 to April 2000, he acted as the Hong Kong and Macau region chief representative of COSCO Bulk Carrier Co., Ltd., and as the deputy general manager of Fansco Shipping (Hong Kong) Co., Ltd.. From May 2000 to September 2002, he was the general manager and director of Jinjiang Shipping (Hong Kong) Corporation Limited. From September 2002 to December 2005, he was the senior vice president of the Parakou Group, the fourth largest shipping corporation in Hong Kong. In January 2006, he established Seamaster Chartering Limited in Hong Kong and since then acts at its general manager. In October 2010, he established Shanghai Seamaster Shipbroking Company Limited and since then acts as the chairman of the board of directors. In addition, he is also a visiting professor at Shanghai Maritime University, an invited shipping expert of the Shanghai Municipal Transport and Port Authority, an executive director of the Shanghai Shipping Broker Club and an executive director of the Shanghai Brokers Association. He also acts as an independent non-executive Director of the Company since 26 February 2016.

Mr. HUI Wang Chuen, aged 73, retired from the position of independent non-executive Director of the Company with effect from 26 February 2016. He graduated in 1968 from the Chemistry Department of Xiamen University. He worked for the Industry Bureau of Ningde City in Fujian Province from 1970 to 1974. He is the chairman of Kong Hee Enterprise Ltd, Fujian Fubao Paper Industrial Co., Ltd. and Fuzhou Fubao Colour Printing Co., Limited. He was also an independent non-executive Director of the Company from March 2005 to 26 February 2016.

Mr. HUANG Shumeng, aged 55, retired from the position of independent non-executive Director of the Company with effect from 26 February 2016. Mr. Huang graduated from the Department of Oceanography of Xiamen University with a Bachelor of Science Degree in July 1983, and obtained a Master Degree and a Doctoral Degree in Economics from the Department of Finance of Xiamen University in July 1995 and 2001 respectively. He is an associate professor and a senior economist. He served in Unit 32417 of the People's Liberation Army of the PRC as a deputy company commander and political officer from July 1983 to June 1987. Mr. Huang also taught at Xiamen University from July 1987 to December 1993. He was a manager and assistant to the general manager of the investment banking department of Xiamen C&D Corporation Limited from January 1994 to May 2001. From June 2001 to August 2003, he was the general manager of the securities department in China Eagle Securities Company Limited. He has been the Deputy Director of the Department of Finance and the Deputy Head of the Faculty of Finance and Economics of Jimei University since September 2003. He has also been a director of Xiamen Tax Institute since March 2014. He was also an independent non-executive Director of the Company from 28 December 2012 to 26 February 2016.

Mr. SHAO Zheping, aged 53, retired from the position of independent non-executive Director of the Company with effect from 26 February 2016. He graduated from Jimei Navigation College in July 1982, majoring in navigation technology and obtained a master's degree in navigation technology from Shanghai Shipping Institute (currently known as Shanghai Maritime University) in July 1990, and then obtained a doctoral degree in transportation information engineering and control from Dalian Maritime University in January 2001. He is the Dean of the Maritime College of Jimei University and is also a standing member of Maritime Experts Committee under the Ministry of Transport and a member of the Navigation Technology Professional Teaching Steering Committee under the Ministry of Education, a member of the Xiamen Work Safety Experts Group, a standing director of China Institute of Navigation and a standing director of Xiamen Institute of Navigation. He was also an independent director of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) from May 2006 to January 2014. He was also an independent non-executive Director of the Company from 28 February 2014 to 26 February 2016.

SUPERVISORS

Mr. SU Yongzhong, aged 49, is the chairman of the Supervisory Committee of the Company. In July 1987, he graduated from Fujian Xiamen Teaching School, and from September 1989 to July 1992 he studied economic law at the Xiamen Radio and Television University. From September 1994 to January 1997 he joined the Central Party Correspondence School and studied party and government. From September 2002 to July 2005 he joined the Central Party Correspondence Graduates School and studied economic management, and is currently a Senior Political Engineer. From August 1987 to September 1991 he worked as a teacher at the Houjiang Primary School in Xiamen City, Fujian Province. From September 1991 to March 1995 he worked as an officer at the General Office of Xiamen Municipal Government, Fujian Province. From March 1995 to February 2003 he worked at the Family Planning Commission at Xiamen City, Fujian Province as an officer and an assistant researcher. From February 2003 to May 2006 he worked as the deputy head and the director of the Supervision Office of the Xiamen City Family Planning Commission Discipline Inspection Group at Xiamen City, Fujian Province. From May 2006 to January 2015 he worked as the deputy head and director of the Supervision Office of the Xiamen City Population and Family Planning Commission Discipline Inspection Group at Xiamen City, Fujian Province. From March 2012 to March 2015 he was the deputy director (ranked at Division Chief level) of the Fujian Provincial Supervision Office in Pingtan Ombudsman Office. From January 2015 to August 2015 he was the deputy head of the Xiamen City Health and Family Planning Commission Discipline Inspection Group at Xiamen City, Fujian Province. He has been the secretary of the Commission for Discipline Inspection and a member of the Party Committee of Xiamen Port Holding Group Company Limited since August 2015. He has also been the vice chairman of the supervisory committee of Xiamen Port Holding Group Company Limited since June 2016. He has also been the chairman of the Supervisory Committee of the Company since 28 February 2017.

Mr. ZHANG Guixian, aged 50, is a Supervisor of the Company. He graduated from Hohai University with a Bachelor's degree in engineering in July 1987. In April 1998, he graduated from Shanghai Maritime University with a Master's degree in economics and is now an auditor, economist and engineer. From July 1987 to September 1995, he worked as an engineer and was engaged in the design of port and sea-route engineering at Fujian Traffic Planning & Design Institute. From April 1998 to July 2009, he worked as an economist at the corporate management department of Xiamen Port Holding. He has been working in the audit department of Xiamen Port Holding since August 2009, currently being the deputy manager of the audit department. He has also been a supervisor of Xiamen Port Financial Holding Co., Ltd. since December 2015. He has also been a Supervisor of the Company since 28 February 2014.

Mr. LIAO Guosheng, aged 54, is a staff representative Supervisor of the Company. He graduated from the Central Party School in 2002 and obtained a part-time bachelor's degree in economics management and is a senior economist. He served as a tallying officer, business representative, deputy office director, head of business division, deputy general manager and secretary of China Ocean Shipping Tally Company Xiamen Branch from September 1983 to April 2001. He had been the general manager and secretary of Xiamen Haicang Port Co. Ltd., and the deputy general manager and Chinese representative of Xiamen International Container Terminal Co. Ltd from May 2001 to March 2006. During the period from April 2006 to April 2009, he had been the director and general manager of Xiamen Port Development Co., Ltd., and he concurrently served as the chairman of Xiamen Port Logistics Co., Ltd., Xiamen Port Shipping Co., Ltd. and Xiamen Port Transportation Co., Ltd. From May 2009 to December 2013, he had been the party secretary of Xiamen Haitian Container Co., Ltd and has been the party secretary, deputy general manager and chairman of the workers union of Xiamen Container Terminal Group Co., Ltd since December 2013. He has been the staff representative supervisor of the Company since 28 February 2014, and has been the secretary of the Commission for Discipline Inspection of the Company since 20 April 2016. He has also been the chairman of the supervisory committee of Xiamen Port Development Co., Ltd since 10 April 2017.

Mr. WU Weijian, aged 58, is a staff representative Supervisor of the Company. He graduated from the distance learning school of the Central Party School and obtained a college diploma in party and politics in 1996 and is a Senior Political Instructor. He was the sub-team leader of the port loading and unloading team of Xiamen Harbour Bureau from December 1976 to March 1978. He then served in a division of the People's Liberation Army of the PRC as soldier, squad leader and acting platoon leader from March 1978 to October 1981. From October 1981 to June 1983, he was the dispatch head of the port loading and unloading team of Xiamen Harbour Bureau. From July 1983 to December 1992, he was the deputy secretary and then the secretary of the party branch of Haibin Loading and Unloading Company of Xiamen Harbour Bureau. He was then the deputy head and the person-in-charge of the party branch of the preparatory office of Shihushan Terminal of Xiamen Harbour Bureau from December 1992 to October 1994. Then from December 1994 to April 2001, he was the secretary of the party branch of Xiamen Port Group, Shihushan Terminal Branch. From April 2001 to September 2009, he has been the party secretary of Xiamen Port Group, Dongdu Port Branch (which was renamed as Xiamen Port Development Dongdu Branch, in December 2004). He has also been the director of Xiamen Lurong Water-Railway Joint Transportation Co., Ltd since September 2001, and the supervisor of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) since July 2004. He has been the deputy party secretary of Xiamen Port Development since October 2009. He was also the secretary of the disciplinary committee of C.P.C. of Xiamen Port Development from October 2009 to January 2017. From 2 July 2010 to September 2013, he has also been acting as an executive director and the legal representative of Xiamen Port Group Labour Services Co., Ltd and the legal representative of Xiamen Port Group Hailongchang International Freight Co., Ltd. He has also been a supervisor of Zhangzhou Shi Gulei Port Development Co., Ltd. since 28 February 2012. Since 23 October 2008, he has also been the staff representative Supervisor of the Company, and since October 2013 he has been the general manager of the bulk/general cargo unit of Xiamen Port Development.

Mr. TANG Jinmu, aged 51, is an independent Supervisor of the Company and a senior accountant and a member of the 12th session of Xiamen Committee of Chinese People's Political Consultative Conference. He graduated in 1988 from the accountancy department of Xiamen University with a Bachelor's degree. He obtained a Master's degree in business administration from the Open University of Hong Kong in December 2002. He graduated from the Economics School of Xiamen University with a doctoral degree and academic qualification in finance in July 2011. He worked for Xiamen Finance Bureau from September 1988 to June 1994. He was deputy head of Xiamen Certified Public Accountants and head of Xiamen Asset Valuation Office from July 1994 to December 1998. He worked for Xiamen Huatian Certified Public Accountants from January 1999 to October 2000 and as a partner of Xiamen Tianjian Huatian Certified Public Accountants from November 2000 to December 2001. He has been working in Xiamen Institute of Certified Public Accountants since January 2002, currently being the secretary general of Xiamen Institute of Certified Public Accountants and is also the secretary general of Xiamen Asset Appraisal Association. He has also been acting as an independent director of Tsann Kuen (China) Enterprise Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) since June 2014 and an independent director of Xingye Leather Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) since February 2015. He has also been a Supervisor of the Company since March 2005.

Mr. XIAO Zuoping, aged 42, is an independent Supervisor of the Company. He graduated from the School of Management, Xiamen University in July 2004 and obtained a doctoral degree in Management (Finance). He was engaged in post-doctoral research from April 2005 to April 2007 in the School of Economics and Management, Tsinghua University and was exceptionally promoted to a professor of Southwest Jiaotong University in July 2006, and currently being a professor and a supervisor of doctoral candidates of accountancy of the School of Economics & Management, Southwest Jiaotong University. He has been also acting as an independent Supervisor of the Company since 28 February 2011. He has been also acting as an independent director of Guizhou Bijie Rural Commercial Bank Co., Ltd. since February 2015, an independent director of Dalian East New Energy Development Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) since May 2015, and an independent director of Sichuan Sundaily Farm Ecological Food Co., Ltd. since December 2015. He is the excellent talent of Ministry of Education in the new century, the national leading talent in accounting of the Ministry of Finance, the expert of excellence with outstanding contribution of Sichuan Province, a non-practicing member of Chinese Institute of Certified Public Accountants ("CPA"), a standing director of the Financial Cost Branch of China Accounting Society, a standing director of the Accounting Society of Sichuan Province, a member of the Accounting Society of America, a senior member of the Accounting Society of the PRC, a director of the Council of "China Accounting Review". He is also an evaluation expert of the Ministry of Education in degree and postgraduate education, a peer review expert of the State Natural Fund Commission, a peer review expert of the Doctoral Fund of the Ministry of Education, an evaluation expert of Scientific Research Fund and Awards for Science and Technology of the Ministry of Education and a specially requested member of Editorial Committee of the "Securities Market Herald", a journal published by the Shenzhen Stock Exchange.

Mr. YU Mingfeng, aged 54, retired from the position of the chairman of the Supervisory Committee of the Company since 28 February 2017. He graduated from Guangzhou Jinan University with a bachelor's degree in economics in July 1985, and is now a senior accountant. Mr. Yu joined Xiamen Automobile Transport Company (now known as Xiamen Teyun Group Co., Ltd ("Xiamen Teyun Group")) in 1985. He had been an accountant of the passenger transportation division and also the financial controller of the tourists' transportation division, of Xiamen Automobile Transport Company from July 1985 to April 1989; the deputy manager of finance department of Xiamen Teyun Group from April 1989 to November 1997; the manager of finance department of Xiamen City Traffic State-owned Assets Investment Co., Ltd from November 1997 to March 2005; the deputy manager of finance department of Xiamen Port Holding Group Co., Ltd from March 2005 to August 2005; the deputy manager of audit department of Xiamen Port Holding Group Co., Ltd from August 2005 to January 2007; and the manager of audit department of Xiamen Port Holding Group Co., Ltd from January 2007 to December 2011, during which period he was also the manager of the audit center of financial budgets and final accounts, and the director of the disciplinary inspection office, of Xiamen Port Holding Group Co., Ltd, and the legal representative of Shuichan Group. He has also been a staff supervisor of Xiamen Port Holding from April 2008 to April 2014. He also acts as the deputy secretary of the Disciplinary Inspection Committee of Xiamen Port Holding from November 2011 to April 2014. He has been the manager of finance department of Xiamen Port Holding since January 2012. He was the chairman of the Supervisory Committee of the Company from 28 February 2014 to 28 February 2017. He has been a financial controller of Xiamen Port Holding since April 2014, and also been the chairman of Xiamen Hairuntong Asset Management Company Limited since November 2014. He has also been the chairman of Xiamen Haixinsheng Financial Leasing Company Limited since September 2015. He has also been a director of Xiamen Port Financial Holding Co., Ltd. since December 2015.

JOINT COMPANY SECRETARIES

Mr. CAI Changzhen, aged 45, is a joint Company Secretary of the Company. He graduated from the Faculty of Law of Xiamen University with a bachelor's degree in law in July 1995. From September 1993 to July 1995, he studied in the evening session of Xiamen University and graduated with a second major in business administration. From October 1998 to May 2002, he studied in the graduate training course offered by the Faculty of Business Administration of the Graduate School of Xiamen University and graduated with a master's degree in management. In July 1997 he was admitted as a lawyer by the Chinese Ministry of Justice and is currently an economist. From July 1995 to June 1998, he was the secretary of the Office of Xiamen Harbour Bureau, and from June 1998 to March 2004 he was the secretary of the Office of Xiamen Port (Group) Co., Ltd. From March 2004 to September 2006, he was the secretary of the Board Secretariat and the Affairs Department of the Company, during which he participated in the Company's asset reorganization and listing projects. From September 2006 to November 2014, he was the deputy manager of the Affairs Department of the Company and primarily assisted the Board Secretary. He has been a deputy officer of the Board Secretariat and a deputy officer of the Office of the Company since November 2014. He has been a joint Company Secretary of the Company since 18 April 2016. He has also been a supervisor of Xiamen Container Terminal Group Co., Ltd. since December 2016.

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

Mr. YANG Hongtu, aged 42, retired from the positions of a joint Company Secretaries of the Company and a deputy general manager of the Company since 18 April 2016. He is a Senior Accountant with graduate degree. He graduated from the Accounting Department of Xiamen University in June 1999 and obtained a bachelor's degree and a master's degree in management. He studied in a doctoral class of Accounting Department of Xiamen University from September 2002 to March 2005. He worked in the finance department of Xiamen Port (Group) Co., Ltd. from July 1999 to September 2002 and served as the staff and the deputy manager of finance department. He was the manager of finance department of Xiamen Port Holding Group Co., Ltd from March 2005 to August 2011. He was also the chief financial officer of Xiamen Port Properties Co., Ltd. from June 2006 to August 2009. He was a deputy general manager of the Company from 24 August 2011 to 18 April 2016. He was also a director of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) from 27 December 2011 to 10 April 2017. He was also a director of Xiamen Haitian Company from 12 March 2012 to December 2013. He was also a supervisor of Xiamen Container Terminal Group Co., Ltd from 13 December 2013 to 12 December 2016. He was also a joint Company Secretary of the Company from July 2014 to 18 Aril 2016. He also acted as the secretary of the Internal Auditing Standards Committee of the China Institute of Internal Audit from September 2002 to January 2005 and also acted as the member and the secretary of the Internal Auditing Standards Committee of the China Institute of Internal Audit from January 2005 to December 2006. He has also been the member of Management Accounting and Application Specialized Committee of Accounting Society of China and the member of Experts Committee of China Accounting News since January 2009. He has been the standing director of Xiamen Accounting Industry Association since April 2011 and the standing director of Accounting Society of Xiamen since October 2011.

SENIOR MANAGEMENT

CHEN Zhaohui, General Manager

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

KE Dong, Deputy General Manager

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

XU Xubo, Deputy General Manager

Mr. XU Xubo, aged 47, is a deputy general manager of the Company. He graduated in July 1993 from Xiamen University with a Bachelor's degree in engineering. He graduated in June 2006 from the Management School of Xiamen University with a Master's degree in Business Administration, and is now a Senior Economist. From July 1993 to April 1995, he was a warehouse managing worker of the warehousing and storage section of Xiamen Harbour Bureau Heping Loading and Unloading Company, and from May 1995 to April 1998 he was a computer center technician of Xiamen Port Haitian Loading and Unloading Company. From April 1998 to September 2001, he was the deputy chief and then the chief of the warehousing and storage section of Xiamen Port Haitian Loading and Unloading Company. From September 2001 to February 2006 he was the assistant general manager of Xiamen Port Group Haitian Container Co., Ltd., and from February 2003 to February 2006 he was also the manager of the commerce department of Xiamen Port Group Haitian Container Co., Ltd. From February 2006 to December 2013, he was a deputy general manager, executive deputy general manager, general manager and the deputy party secretary of Xiamen Port Group Haitian Container Co., Ltd. in succession. Since December 2013, he has been the general manager, the deputy party secretary and a director of Xiamen Container Terminal Group Co., Ltd., and since December 2013, he has also been the chairman of Xiamen Songyu Container Terminal Co., Ltd., the chairman of Xiamen International Container Terminal Co., Ltd. and the chairman of Xiamen Haicang International Container Terminal Co., Ltd. Since January 2014, he has also been the chairman of Xiamen Haicang Xinhaida Container Terminal Co., Ltd., and since April 2016, he has also been an executive director and the general manager of Xiamen Hairun Container Terminal Co., Ltd. He has been a deputy general manager of the Company since 28 February 2017. He has also been a director of Xiamen Port Develop since 10 April 2017.

CHEN Zhen, Chief Financial Officer

Mr. CHEN Zhen, aged 43, is the chief financial officer of the Company. He graduated in 1995 from the Jimei University School of Finance and Economics majoring in foreign economic enterprise accounting. He graduated in 2004 from Xiamen University majoring in business administration with a Bachelor's degree in management. He graduated in 2007 from Xiamen University with a Master's degree in professional accounting, and is now a Senior Accountant and a top tier talent of management accounting in Fujian Province. From July 1995 to October 1995, he was an accountant of Xiamen Port Container Company. From October 1995 to October 1996, he was the financial director of International Freight Forwarding Company, a subsidiary of Xiamen Port Container Company. From October 1996 to June 2002, he was the assistant general manager and also the finance manager of Xiamen Jianhong Container Freight Co., Ltd., and during which he was also the manager of the container management department. From June 2002 to September 2009, he was the deputy manager, and then the manager of finance department of Xiamen Port Group Haitian Container Co., Ltd. From September 2009 to October 2013, he was the assistant manager, and then the deputy manager of the finance department of Xiamen Port Holding Group Company Limited. From October 2013 to February 2017, he was the chief financial controller of Xiamen Port Development Co., Ltd. Since December 2013, he has also been a supervisor of China Xiamen Foreign Shipping Agency Co., Ltd., Chaozhou Port Development Co., Ltd. and Xiamen Port YCH Logistics Co., Ltd. Since December 2013, he has also been the chairman of the supervisory committee of Xiamen Port Transport Co., Ltd., Xiamen Port Logistics Co., Ltd. and Xiamen Port Shipping Co., Ltd. Since March 2014, he has also been the chairman of the supervisory committee of Xiamen Port Trade Co., Ltd., and since December 2016 he has also been a director of Xiamen Container Terminal Group Co., Ltd. He has been the chief financial officer of the Company since 28 February 2017.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

During the Year, the principal activities of the Group include: (i) container, bulk and general cargo loading and unloading and storage businesses; (ii) ancillary value-added port services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and (iii) building materials manufacturing, processing and selling and the trading of merchandise (the above collectively referred to as the "Core Businesses"). Besides the Core Businesses, the Group is also engaged in long term investment business. The principal activities of our subsidiaries are set out in Note 40 to the financial statements.

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

No analysis by geographical segment is presented since the Core Businesses of the Group are mainly operated in Xiamen City, the PRC and all of the Group's activities are conducted in the PRC during the year of 2016.

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development, as well as the description of possible risks and uncertainties that the Group may be facing are set out in the Chairman's Statement on pages 6 to 11 and the Management Discussion and Analysis on pages 12 to 34 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in Note 3 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2016 are provided in Note 43 to the consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Group's Financial Highlights on pages 4 to 5 of this annual report. In addition, discussions on the Group's corporate social responsibility, environmental policies, investor's relationships and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 35 to 70 and this Report of the Directors on pages 87 to 105 respectively. Discussion on the Company's relationships with its employees, customers and suppliers are set out in the Management Discussion and Analysis on page 27 and this Report of the Directors on pages 95 to 96 of this annual report.

RESULTS

The Group's results for the Year are set out in the consolidated income statement on page 118.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB4 cents per share (tax inclusive), aggregating RMB109,048,000 (tax inclusive) to all shareholders whose names appeared on the Register of Members on 27 June 2017, subject to the consideration and approval of the same by shareholders at the forthcoming annual general meeting to be held on 15 June 2017.

RESERVES

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

DONATIONS

Charitable and other donations made by the Group in the Year were approximately RMB537,000 in aggregate.

SHARE CAPITAL

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

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

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

RESERVES AVAILABLE FOR DISTRIBUTION

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

As at 31 December 2016, the amount of reserves available for distribution of the Company, calculated on the above basis, was approximately RMB86,233,000. Such amount was prepared under the PRC Accounting Standards and Rules.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

The Company did not implement any share option scheme.

FINANCIAL HIGHLIGHTS

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

PURCHASE, SALE AND REDEMPTION OF SECURITIES

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

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

On 29 June 2016 and 12 August 2016, Xiamen Port Development, an non-wholly owned subsidiary of the Company, has entered into an equity interest transfer agreement in relation to Shihushan Terminal Company and a supplemental agreement successively with Xiamen Port Holding. The above agreements have become effective upon the approval of the Company's extraordinary general meeting on 26 October 2016, pursuant to which Xiamen Port Development acquired from Xiamen Port Holding the 51% equity interest in Shihushan Terminal Company held by it. Details of the above transaction are set out in the following section titled "CONNECTED TRANSACTIONS".

In addition, on 16 December 2016, Xiamen Terminal Group (a non-wholly owned subsidiary of the Company) has entered into an acquisition agreement in relation to the 20% equity interest in Xiamen Xinhaida with Initial Sun Limited (禾陽有限公司), pursuant to which Xiamen Terminal Group has acquired from Initial Sun the 20% equity interest in Xinhaida held by it for a consideration of RMB138,336,800. Completion of the above acquisition will take place on the 15th business day after completion of the registration/filing procedures at the relevant PRC foreign exchange administration authorities. Given that (i) the equity interests in Xinhaida will be held by Trend Wood Investments Limited ("Trend Wood", (紀成投資有限公司)), a wholly-owned subsidiary of Xiamen Terminal Group) as to 46%, Xiamen Haicang Investment Group Co., Ltd. ("Haicang Investment", (廈門海滄投資集團有限公司)) as to 34% and Xiamen Terminal Group as to 20% after the said acquisition; and (ii) concurrently with the entering into of the acquisition agreement, Haicang Investment has agreed to amend the articles of Xinhaida to the effect that Xiamen Terminal Group and Trend Wood together are able to control Xinhaida by way of nominating the majority of the board of directors of Xinhaida with effect from completion of the said acquisition, Xinhaida will be accounted for as a subsidiary of the Group after completion of the said acquisition. For details, please refer to the Company's announcement dated 16 December 2016.

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

DIRECTORS AND SUPERVISORS

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

On 26 February 2016, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were appointed as independent non-executive Directors of the fourth session of the Board at the first extraordinary general meeting of the Company in 2016. On the same date, Mr. HUI Wang Chuen, Mr. HUANG Shumeng and Mr. SHAO Zheping were resigned from their positions of independent non-executive Director and chairman and/or member of relevant professional committees under the Board due to the reasons as disclosed in the Company's announcement dated 9 December 2015. For the above details, please refer to the section titled "Corporate Governance Report" in this annual report.

Accordingly, as at 31 December 2016, the fourth session of the Board comprised of fourteen Directors, including five executive Directors, namely Mr. LIN Kaibiao (Chairman), Mr. CAI Liqun (Vice Chairman), Mr. FANG Yao (Vice Chairman), Mr. CHEN Zhaohui and Mr. KE Dong; four non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. HUANG Zirong; and five independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan.

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

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals during the Reporting Period are set out in Note 28 to the financial statements.

Remuneration paid by the Company to the senior management (excluding the Directors) for the Year with the range of approximately RMB509,200 and RMB908,600 each.

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biography of each of the current and resigned Directors, Supervisors and senior management of the Company as at the date of this annual report are set out on pages 71 to 86.

RIGHTS TO ENABLE DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2016, none of the Directors, Supervisors, chief executives of the Company or their associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Director, Supervisor or chief executive of the Company is deemed or taken to be under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2016, to the best of the knowledge of the Directors of the Company, the following persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which should be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Save as disclosed above, as at 31 December 2016, to the best of the knowledge of the Directors of the Company, no other persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

During the Year, the Group did not enter into any equity-linked agreements.

PERMITTED INDEMNITY PROVISION

At no time during the Year and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors and the Supervisors (whether made by the Company or not) or an associated company (if made by the Company). The Company has arranged appropriate Directors', Supervisors' and senior management's liability insurance coverage for the Directors, Supervisors and senior management of the Group.

DEBENTURES ISSUED

For the details of debentures issued during the Year, please refer to the Management Discussion and Analysis on pages 28 to 30 of this annual report.

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

Employees

As at 31 December 2016, the Group had a total of 7,057 employees. For details of employees' remuneration, please refer to the Management Discussion and Analysis on page 27 of this annual report.

The Group highly values life-long learning and individual development of the employees, and provides training to enhance their comprehensive quality, thereby benefits business development of the Group. The management proactively communicate with the employees to foster the harmonious relationship between the Company and the employees.

Customers

The Group is committed to creating values for our customers by providing quality services to meet their needs and strives to grow together with our customers. Based on the full investigation and analysis of industry background, scale of operation and credibility of the customers, the Group has established long-term cooperation relationships with our customers and made efforts to offer our customers a personalized and refined service. During the Year, total sales to the five largest customers of the Group accounted for less than 30% of the Group's total sales.

Suppliers

The Group attaches great importance to supplier procurement management. Based on the full investigation and analysis of operation qualification, industry background, scale of production, product quality and business integrity of the suppliers, the Group conducts supplier assessment to rate their performance on a regular or irregular basis to ensure the normal operation of the port while reducing corporate costs. Through sincere cooperation, the Group has set up long-term cooperation relationships with our major suppliers. During the Year, total purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

CONNECTED TRANSACTIONS

In 2016, the Company and/or its related subsidiaries entered into the following one-off connected transactions with certain connected parties:

On 28 January 2016, Sanming Port Development Co., Ltd. ("SPD", (三明港務發展有限公司), an indirect non-wholly owned subsidiary of the Company) (i) entered into an industry-supportive fund agreement with Haixi Sanming Ecological Industrial and Trading Area Management Committee (the "Committee", (海西三明生態工貿區管理委員會), an administrative institution established by and under Sanming Municipal People's Government (三明市人民政府)); and (ii) entered into a payment agreement with Sanming Port Construction Co., Ltd. ("SPC", (三明港務建設有限公司), an associate of Xiamen Port Holding). Pursuant to these agreements, the Committee has agreed to provide a non-repayable dedicated industry-supportive fund to SPD in the aggregate sum of RMB80,000,000, of which (i) RMB30,000,000 will be retained by SPD as the Committee's supportive fund for the Sanming Land-based Port Logistics Park Area Project (三明陸地港物流園區項目); and (ii) RMB50,000,000 ("Sanming Land-based Port Dedicated Industries Development Fund", (三明陸地港專項產業發展資金)) shall be received under custody and advanced by SPD to SPC from the Sanming Land-based Port Dedicated Industries Development Fund on behalf of the Committee to support the construction and operation of the Sanming Land-based Port Commercial and Trading Area Professional Market Project (三明陸地港商貿區專業市場項目). For details of the above transactions, please refer to the Company's announcement dated 28 January 2016.

On 11 April 2016, Xiamen Terminal Group entered into an asset transfer agreement with Xiamen Port Holding to agree Xiamen Terminal Group to purchase two rubber-tyred container gantry cranes from Xiamen Port Holding for a total consideration of RMB10,195,200. which was Xiamen Terminal Group's accepted bid price for the public bidding of the assets through a public tender process. Such accepted bid price was determined with reference to the value of the Assets that has been assessed by a registered and qualified independent asset valuer in Xiamen, and filed at the relevant governmental authorities in Xiamen for the management of state-owned assets. The above consideration has been paid in full by Xiamen Terminal Group to Xiamen Port Holding within 30 working days after the signing of the asset transfer agreement. For details of the above transaction, please refer to the Company's announcement dated 11 April 2016.

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

On 19 September 2016, Xiamen Terminal Group entered into a finance lease agreement with Xiamen Haixinsheng Financial Leasing Co., Ltd. ("Xiamen HXS", (廈門海信升融資租賃有限公司), a non-wholly owned subsidiary of Xiamen Port Holding), pursuant to which Xiamen HXS agreed to purchase the equipment from the supplier at the request of Xiamen Terminal Group and upon which Xiamen Terminal Group shall lease the equipment from Xiamen HXS for the Group's energy saving improvement works to be conducted at Haitian Terminal for a term of no more than six-and-a half years commencing from the date of delivery of the equipment and completion of inspection by Xiamen Terminal Group. The lease consideration consists of the principal amount of RMB5,034,000 (which is equivalent to the acquisition cost of the equipment) and payment of lease interest. Based on the assessment of the Board, it is currently estimated that the total amount of the lease interest payable by Xiamen Terminal Group for the entire lease term will not exceed RMB896,000 after taking the possible future adjustment to the annual lease interest rate into account. Upon expiry of the lease term, Xiamen Terminal Group shall purchase and acquire the ownership of the equipment from Xiamen HXS at a nominal purchase price of RMB100 on the condition that Xiamen Terminal Group has performed its obligations under the finance lease agreement. Concurrently with the entering into of the Finance Lease Agreement, Xiamen Terminal Group has also entered into the Consultancy Agreement with Xiamen HXS, pursuant to which Xiamen Terminal Group agreed to engage Xiamen HXS to provide consultancy services in respect of the finance lease arrangement contemplated under the finance lease agreement at a one-off aggregate consultancy fee of approximately RMB159,024 (inclusive of value-added tax). For details of the above transactions, please refer to the Company's announcement dated 19 September 2016.

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

Transaction particulars	Connected persons	Date of signing the agreement	Amount (RMB)
A. On behalf of the Committee, SPD advanced the supportive fund for Sanming Land-based Port Commercial and Trading Area Professional Market Project from Sanming Land-based Port Dedicated Industries Development Fund which he received under custody to SPC.	SPC	28 January 2016	50,000,000
B. Xiamen Terminal Group purchased two rubber-tyred container gantry cranes from Xiamen Port Holding	Xiamen Port Holding	11 April 2016	10,195,200
C. Xiamen Port Development acquired the 51% equity interest in Shihushan Terminal Company from Xiamen Port Holding	Xiamen Port Holding	29 June 2016 and 12 August 2016	716,494,250.79
D. Xiamen Terminal Group leased the equipment from Xiamen HXS for a term of no more than six-and-a half years	Xiamen HXS	19 September 2016	It is expected that the lease consideration will not exceed RMB5,930,000.
Upon expiry of the lease term, Xiamen Terminal Group shall purchase the equipment from Xiamen HXS			100
Xiamen Terminal Group engaged Xiamen HXS to provide consultancy services in respect of the finance lease arrangement			159,024

In addition, in 2016, due to its operation demands, the Group also entered into certain non-exempt continuing connected transactions with the Company's controlling shareholder, Xiamen Port Holding and its subsidiary companies (collectively known as the "Xiamen Port Holding Group") and certain other connected parties outside the Group. The table below sets out a summary of the above-mentioned non-exempt continuing connected transactions:

Services		Connected Persons	2016 Proposed annual cap (RMB)	2016 Actual amount incurred (RMB)
A.	Office/premises/terminal facilities lease	Xiamen Port Holding Group	100,000,000	38,859,000
			(Being rent payable by the Group)	
			39,000,000	2,705,000
			(Being rent receivable by the Group)	
B.	Logistics property services	Xiamen Port Holding Group	24,000,000	12,629,000
C.	Comprehensive services	Xiamen Port Holding Group	34,500,000	22,817,000
D.	Construction project management	Xiamen Port Holding Group	28,500,000	6,308,000
E.	Port facilities engineering and construction	Xiamen Port Holding Group	180,000,000	112,745,000
F.	Port-related labour services	Xiamen Port Holding Group	100,000,000	52,090,000
G.	Electrical equipment maintenance	Xiamen Port Holding Group	25,500,000	16,444,000
H.	Port services	COSCO Container Lines Co., Ltd	178,000,000[①]	120,380,000
I.	Power supply and maintenance	Xiamen Port Holding Group	35,000,000	23,364,000
J.	Port services	Xiamen Port Holding Group	92,000,000	44,848,000
K.	Information services	Xiamen Port Holding Group	35,000,000	14,795,000
L.	Port services	Maersk (China) Shipping Co., Ltd	202,000,000[②]	188,240,000
M.	Purchase of oil products	Xiamen Port Holding Group	72,000,000	39,796,000
N.	Concrete sale and purchase	Xiamen Port Holding Group	25,000,000	1,473,000
O.	Mutual trade[③]	Xiamen Xiangyu Logistics Group Co., Ltd	170,000,000	—
			(Being fee payable by the Group)	
			170,000,000	—
			(Being fee receivable by the Group)	
P.	Mutual trade[④]	Xiamen ITG Holding Co., Ltd	170,000,000	—
			(Being fee payable by the Group)	
			170,000,000	—
			(Being fee receivable by the Group)	

① The original annual cap was RMB75,000,000. The revised annual cap was approved by the Board on 24 March 2016. Details of the above transaction, please refer to the Company's announcement dated 24 March 2016.

② The original annual cap was RMB176,500,000. The revised annual cap was approved by the Board on 28 November 2016. Details of the above transaction, please refer to the Company's announcement dated 28 November 2016.

③ For the year ended 31 December 2016, the Group did not conduct any such transactions.

④ For the year ended 31 December 2016, the Group did not conduct any such transactions.

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

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

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

(2) either on normal commercial terms or better; and

(3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the agreements related to such transactions; and

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

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

Details of significant related party transactions undertaken in the ordinary and usual course of business are set out in Note 39 to the consolidated financial statements. None of the related party transactions constitutes a connected transaction that should be disclosed, except for the above connected transactions, in respect of which the disclosure requirements in accordance with Chapter 14A to the Listing Rules have been complied with.

PENSION SCHEME

Pursuant to the relevant laws and regulations of the PRC and Xiamen Municipal Government regarding the administration of corporate annuity, the Group has implemented corporate annuity schemes combined with its actual situation. According to the statistics, the aggregate corporate contribution of the Group to the corporate annuity for the Year was approximately RMB24,274,900, of which the aggregate contribution of the Company to the corporate annuity was approximately RMB519,300.

The abovementioned corporate annuity is a contribution scheme. The forfeited contribution may be used by the Group. As at 31 December 2016, the forfeited contribution available for the use of the Group amounted to RMB1,491,343.48. The Group had not utilised the forfeited contribution during the Year.

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2016 are set out in note 23 of the Notes to the Consolidated Financial Statements.

ENTRUSTED DEPOSITS AND OVERDUE DEPOSITS

As at 31 December 2016, the Group did not make any entrusted deposit with financial institutions in the PRC nor was there any overdue term deposit irrecoverable.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 13 March 2014, the Board approved the entering into of a facility agreement with a bank (as lender) relating to an unsecured 3-year term loan of RMB265,000,000 to be made available to the Company (as borrower), which has been repaid in full as at 1 August 2016.

On 12 June 2015, the Company and its subsidiary Xiamen Songyu Container Terminal Co., Ltd ("Songyu Terminal") entered into a facility agreement with a bank relating to an unsecured 3-year term loan of RMB300,000,000 to be made available to Xiamen Songyu guaranteed by the Company, which has been repaid in full as at 28 June 2016.

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

TAXATION

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

Approved by Xiamen Guo Shui Zhi Han [2008] No.1 issued by State Administration of Taxation Xiamen Branch, Songyu Terminal is entitled to a five-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent five years, commencing from 2008. The income tax rate for the year ended 31 December 2016 is 12.5% (2015: 12.5%).

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

Trend Wood and Hong Kong Ocean Shipping Agency, both being subsidiaries of the Company, are incorporated in Hong Kong, thus their applicable income tax rate is 16.5%. Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the Year.

Except for Songyu Terminal, Haiyu Terminal, Trend Wood and Hong Kong Ocean Shipping Agency, the Company and other subsidiaries of the Company are subjected to income tax rate of 25% for the year ended 31 December 2016 (2015: 25%).

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

By order of the Board

CAI Liqun
Chairman

Xiamen, the PRC
24 March 2017

Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd:

According to the provisions of the Articles, in the year of 2016, the Supervisory Committee of the Company (the "Supervisory Committee") comprised six members, namely Mr. YU Mingfeng (Chairman of the Supervisory Committee and shareholder Supervisor), Mr. ZHANG Guixian (shareholder Supervisor), Mr. LIAO Guosheng (staff representative Supervisor), and Mr. WU Weijian (staff representative Supervisor), Mr. TANG Jinmu (independent Supervisor) and Mr. XIAO Zuoping (independent Supervisor).

The Supervisory Committee hereby presents the Report of the Supervisory Committee.

I. STATUS OF THE SUPERVISORY COMMITTEE IN 2016

During the Reporting Period, the Supervisory Committee had been conscientiously conducting its duties and working diligently and actively pursuant to the provisions of the Company Law, the Articles, the Listing Rules and other applicable laws and regulations.

In the year of 2016, the Supervisory Committee convened a total of two meetings, mainly for reviewing and approving the financial documents including the annual report and interim report of the Company and the report on the work of the Supervisory Committee in 2015 and had formed specific resolutions.

During the Reporting Period, members of the Supervisory Committee monitored and reviewed the agendas of the Board meetings and the general meetings, the relevant resolutions passed and their implementations by way of attending all the Board meetings and all general meetings convened in 2016, was reported about the work and financial situation, reviewed the financial report and audit report and was reported by the external auditors about their auditing of the Company. The Supervisory Committee believes that the Directors and the senior management of the Company were capable of performing their duties conscientiously according to the resolutions passed at the general meetings or by the Board.

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF RELEVANT MATTERS OF THE COMPANY IN 2016

1. Operation of the Company in compliance with the law

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

2. Financial position of the Company

The Supervisory Committee had carefully audited the 2016 financial report and the 2016 profit distribution proposal of the Company as well as the 2016 auditor's report issued by the auditors of the Company, PricewaterhouseCoopers, Certified Public Accountants in Hong Kong, and other relevant information. The Supervisory Committee is of the opinion that during the Reporting Period, the financial condition of the Company was sound with standardized financial management strictly implemented. The 2016 financial report of the Company provides an objective, fair and true view of the financial conditions and operating results of the Company for the Reporting Period. The Supervisory Committee concurred with the auditors' opinions and also approved the 2016 profit distribution proposal of the Company.

3. Connected transactions of the Company

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

In 2017, all members of the Supervisory Committee will continue to strictly comply with the provisions of the Articles and the relevant requirements, and put more effort to supervise in order to safeguard and protect the interests of the Company and its shareholders as a whole.

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

SU Yongzhong
Chairman of the Supervisory Committee

Xiamen, the PRC
24 March 2017

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF XIAMEN INTERNATIONAL PORT CO., LTD.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Xiamen International Port Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 116 to 248, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 is non-current asset impairment assessments for container loading and unloading and storage business segment.

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Key Audit Matter	How our audit addressed the Key Audit Matter
Non-current asset impairment assessments for container loading and unloading and storage business segment	
Reference is made to notes 4.1, 6 and 8 in the consolidated financial statements. Management is required to undertake goodwill impairment review annually or more frequently if a potential impairment is indicated. Also, in view of the depressing shipping industry and the fact that the Group's net asset value is higher than its market capitalisation, management also assessed the recoverability of the carrying amounts of other non-current assets for container loading and unloading and storage business segment. The recoverable amounts of non-current assets have been determined based on value-in-use calculations. We focused on this area because management is required to exercise considerable judgements and estimates in determining the recoverable amounts of the non-current assets, including sales volume, sales price, gross margin, growth rate and pre-tax discount rate.	We evaluated the processes and controls designed and operated by the Group relating to the assessment of the recoverable amounts of non-current assets for container loading and unloading and storage business segment. We involved our valuation specialist to review the valuation methodology used by management to determine its compliance with accounting standards. We also evaluated, with support of our valuation specialist, the appropriateness of discount rate used by management. We corroborated the key assumptions of future cash flows, including sales volume, sales price, gross margin, growth rate and challenged whether these were appropriate in light of historical trends and independent future market analysis. We tested the mathematical accuracy of the relevant value-in-use calculations prepared by management. We also evaluated the sensitivity analysis around the key assumptions used in the calculations to ascertain the extent of change in those assumptions that either individually or collectively would be required for the non-current assets to be impaired and also considered the likelihood of such a change in those key assumptions arising. Based on our work performed, we considered the methodology used by management was appropriate and the key assumptions applied in the value-in-use calculations were supportable by evidence.

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Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the financial highlights, chairman's statement, management discussion and analysis, report of directors, report of supervisory committee (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate information, corporate profile, corporate governance report, biographies of directors, supervisors and senior management which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the corporate information, corporate profile, corporate governance report, biographies of directors, supervisors and senior management, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

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As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 the Group'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 the consolidated 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 the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 the Group 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.

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We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Mang Kwong Fung, Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2017

Consolidated Balance Sheet

As at 31 December 2016

	Note	As at 31 December 2016 RMB'000	2015 RMB'000 (Restated, Note 37)
ASSETS			
Non-current assets			
Investment properties	5	**135,171**	118,901
Property, plant and equipment	6	**8,448,360**	7,500,727
Land use rights	7	**2,802,592**	2,533,756
Intangible assets	8	**310,519**	271,847
Interests in joint ventures	10	**895,839**	1,178,344
Interests in associates	11	**58,864**	59,923
Available-for-sale financial assets	12	**112,417**	76,233
Long-term receivables and prepayments	16	**201,466**	321,607
Deferred income tax assets	13	**266,649**	270,681
Total non-current assets		**13,231,877**	12,332,019
Current assets			
Available-for-sale financial assets	12	**300,000**	130,000
Inventories	14	**541,034**	332,986
Accounts and notes receivable	15	**1,152,686**	1,056,333
Other receivables and prepayments	16	**1,090,656**	943,088
Term deposits with initial term over three months	17	**22,931**	6,615
Restricted cash	18	**34,487**	44,511
Cash and cash equivalents	19	**1,140,956**	861,733
Total current assets		**4,282,750**	3,375,266
Total assets		**17,514,627**	15,707,285
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**2,726,200**	2,726,200
Reserves	25	**2,176,661**	2,390,380
		4,902,861	5,116,580
Non-controlling interests		**5,409,112**	5,075,350
Total equity		**10,311,973**	10,191,930

	Note	As at 31 December 2016 RMB'000	2015 RMB'000 (Restated, Note 37)
LIABILITIES			
Non-current liabilities			
Borrowings	23	**1,323,592**	1,103,111
Deferred government grants and income	22	**143,390**	151,658
Long-term payables and advances	21	**1,849**	1,880
Early retirement benefit obligations		**—**	195
Deferred income tax liabilities	13	**383,243**	347,582
Total non-current liabilities		**1,852,074**	1,604,426
Current liabilities			
Accounts and notes payable	20	**1,047,631**	1,085,553
Other payables and accruals	21	**2,008,614**	1,028,187
Borrowings	23	**2,217,375**	1,724,853
Taxes payable		**76,960**	72,336
Total current liabilities		**5,350,580**	3,910,929
Total liabilities		**7,202,654**	5,515,355
Total equity and liabilities		**17,514,627**	15,707,285

The notes on pages 124 to 248 are an integral part of these consolidated financial statements.

The financial statements on pages 87 to 105 were approved by the Board of Directors on 24 March 2017 and were signed on its behalf.

Cai Liqun
Director

Chen Zhaohui
Director

Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Revenues	26	**8,483,998**	6,915,686
Cost of sales		**(7,356,283)**	(5,875,839)
Gross profit		**1,127,715**	1,039,847
Other income	26	**118,191**	125,386
Other gains — net	27	**188,240**	162,984
Selling and marketing expenses		**(52,393)**	(44,330)
General and administrative expenses		**(330,704)**	(288,098)
Operating profit		**1,051,049**	995,789
Finance income	30	**40,373**	53,897
Finance costs	30	**(106,095)**	(135,537)
		985,327	914,149
Share of profits less losses of joint ventures	10	**36,348**	25,262
Share of profits less losses of associates	11	**(338)**	4,374
Profit before income tax expense		**1,021,337**	943,785
Income tax expense	31(a)	**(216,421)**	(205,032)
Profit for the year		**804,916**	738,753
Profit attributable to:			
Owners of the Company		**319,342**	319,495
Non-controlling interests		**485,574**	419,258
		804,916	738,753
Earnings per share for profit attributable to owners of the Company during the year			
— Basic and diluted (in RMB cents)	33	**11.71**	11.72

The notes on pages 124 to 248 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Profit for the year	**804,916**	738,753
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss		
— Fair value gains on available-for-sale financial assets, net of tax	**27,382**	3,280
Total comprehensive income for the year	**832,298**	742,033
Total comprehensive income for the year attributable to:		
— Owners of the Company	**346,724**	322,775
— Non-controlling interests	**485,574**	419,258
	832,298	742,033

The notes on pages 124 to 248 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company					
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015 (Previously reported)	2,726,200	(9,642)	2,082,207	4,798,765	4,304,475	9,103,240
Business combination under common control (Note 37)	—	144,188	100,753	244,941	626,230	871,171
Balance at 1 January 2015 (Restated, Note 37)	2,726,200	134,546	2,182,960	5,043,706	4,930,705	9,974,411
Comprehensive income						
Profit for the year	—	—	319,495	319,495	419,258	738,753
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	—	3,280	—	3,280	—	3,280
— Gross	—	4,374	—	4,374	—	4,374
— Related deferred income tax	—	(1,094)	—	(1,094)	—	(1,094)
Total comprehensive income	—	3,280	319,495	322,775	419,258	742,033
Total transaction with owners, recognised directly in equity						
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	4,655	4,655
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(116,454)	(116,454)
2014 final dividends	—	—	(163,572)	(163,572)	—	(163,572)
Profit appropriation	—	4,706	(4,706)	—	—	—
Business combination under common Control (Note 37)	—	(63,683)	—	(63,683)	(162,814)	(226,497)
Others (Note 25)	—	(22,646)	—	(22,646)	—	(22,646)
Total transaction with owners, recognised directly in equity	—	(81,623)	(168,278)	(249,901)	(274,613)	(524,514)
Balance at 31 December 2015 (Restated, Note 37)	2,726,200	56,203	2,334,177	5,116,580	5,075,350	10,191,930

The notes on pages 124 to 248 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company					
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016 (Restated, Note 37)	2,726,200	56,203	2,334,177	5,116,580	5,075,350	10,191,930
Comprehensive income						
Profit for the year	—	—	319,342	319,342	485,574	804,916
Other comprehensive loss						
Fair value losses on available-for-sale financial assets	—	27,382		27,382		27,382
— Gross	—	36,509	—	36,509	—	36,509
— Related deferred income tax	—	(9,127)	—	(9,127)	—	(9,127)
Total comprehensive income	—	27,382	319,342	346,724	485,574	832,298
Total transaction with owners, recognised directly in equity						
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	472,923	472,923
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	(159,070)	(159,070)
Non-controlling interests arising from business combination under common control (Note 37)	—	(56,392)	—	(56,392)	(144,174)	(200,566)
2015 final dividends	—	—	(109,048)	(109,048)	—	(109,048)
Profit appropriation	—	9,581	(9,581)	—	—	—
Business combination under common Control (Note 37)	—	(395,003)	—	(395,003)	(321,491)	(716,494)
Total transaction with owners, recognised directly in equity	—	(441,814)	(118,629)	(560,443)	(151,812)	(712,255)
Balance at 31 December 2016	2,726,200	(358,229)	2,534,890	4,902,861	5,409,112	10,311,973

The notes on pages 124 to 248 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Cash flows from operating activities			
Net cash generated from operations	34(a)	**1,120,867**	1,235,027
Interest paid		**(102,842)**	(165,472)
Income tax paid		**(214,105)**	(207,577)
Net cash generated from operating activities		**803,920**	861,978
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets and land use rights		**(664,775)**	(676,751)
Proceeds from disposals of property, plant and equipment and land use rights		**84,013**	339,783
Capital injection to joint venture	10	**—**	(19,200)
Capital injection to associate	11	**(1,200)**	(14,000)
Cash paid for acquisition of subsidiaries in prior year		**(1,337)**	—
Investment in Build and Transfer project		**(20,000)**	(81,012)
Investment return from Build and Transfer project		**172,000**	134,440
Interested loan to a related party	16(d)	**(440,000)**	(315,000)
Payment of loan from related parties		**190,860**	214,170
Interest received		**59,851**	82,416
Dividends received		**17,956**	38,658
Payment for business combination under common control	37	**(214,948)**	—
Settlement of wealth management product		**130,000**	441,815
Purchase of wealth management product		**(300,000)**	(130,000)
Cash received from disposal of a subsidiary which became an associate		**—**	1,522
Cash received from business combination	38	**2,512**	—
Cash received from disposal of available for sale financial assets		**—**	285
Net decrease in restricted cash		**10,024**	238,618
Net increase in term deposits with initial term of over three months		**(16,316)**	(2,115)
Net cash (used in)/generated from investing activities		**(991,360)**	253,629

	Note	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Cash flows from financing activities			
Proceeds from borrowings		**4,207,347**	3,218,756
Repayments of borrowings		**(3,485,634)**	(3,385,855)
Contribution from non-controlling shareholders of subsidiaries		**11,250**	941
Cash paid for transaction to non-controlling shareholders of subsidiaries		**—**	(469,759)
Dividends paid to owners of the Company		**(111,153)**	(252,016)
Dividends paid to non-controlling shareholders of subsidiaries		**(158,250)**	(116,551)
Net cash generated from/(used in) financing activities		**463,560**	(1,004,484)
Net increase in cash and cash equivalents		**276,120**	111,123
Cash and cash equivalents at beginning of year		**861,733**	748,690
Exchange gains on cash and cash equivalents		**3,103**	1,920
Cash and cash equivalents at end of year	19	**1,140,956**	861,733

The notes on pages 124 to 248 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. General information

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

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

The directors of the Company regard Xiamen Port Holding Group Co., Ltd. ("XPHG") as being the parent company of the Company.

These consolidated financial statements were approved for issue by the Board of Directors (the "Board") of the Company on 24 March 2017.

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

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

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments from annual improvements 2014	Amendments to HKFRS 5, HKFRS 7, HKAS 19 and HKAS 34	1 January 2016
Amendments to HKAS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations not yet adopted

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2017 but have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS4 Insurance contract[1]	1 January 2018
Amendments to HKAS 7	Disclosure initiative[4]	1 January 2017
Amendments to HKAS 12	Recognition of deferred tax assets for unrealized losses[4]	1 January 2017
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]	a date to be determined

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. The financial assets held by the Group include equity instruments currently classified as available-for-sale for which a fair value through other comprehensive income election is available. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It will apply to the Group's financial assets classified at amortized cost. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations;

(5) Recognize revenue when performance obligation is satisfied.

Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements by reviewing the contracts, identifying the separate performance obligations in the contracts, evaluating the timing for revenue recognition against the 5-step approach of the new standard.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

HKFRS 16 will result in almost all leases being recognized on the balance sheet for lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB304,162,000, see Note 35.

The Group will adopt the above standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations under common control

The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the HKICPA to account for the purchase of the equity interests in the acquired subsidiary under common control (the "Acquired Subsidiary"), as if the acquisition had occurred and the Acquired Subsidiary had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

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

The net assets of the Group and the Acquired Subsidiary are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of the Group's interest in the net fair value of the Acquired Subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of the business combinations under common control. The consolidated statement of comprehensive income includes the results of the Group and the Acquired Subsidiary from the earliest date presented, regardless of the date of the business combinations under common control.

The comparative amounts in the consolidated financial statements are restated and presented as if the Acquired Subsidiary had been combined at the beginning of the previous reporting period or when it first came under common control, whichever is shorter.

Transaction costs incurred in relation to business combinations under common control that are accounted for by using merger accounting are recognised as an expense in the year in which they are incurred.

(b) *Business combinations not under common control*

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

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

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

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

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

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

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

(d) *Disposal of subsidiaries*

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

2. Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

2. Summary of significant accounting policies (continued)

2.3 Associates (continued)

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.4 Joint arrangements

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

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

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

2.5 Segment reporting

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

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2. Summary of significant accounting policies (continued)

2.7 Investment properties

Investment properties are held for long-term rental yields.

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

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

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

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

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment (continued)

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

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

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

2.9 Land use rights

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

2.10 Intangible assets

(a) Port line use rights

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

2. Summary of significant accounting policies (continued)

2.10 Intangible assets (continued)

(b) Sea area use rights

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

(c) Computer software

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

(d) Goodwill

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

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

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

2. Summary of significant accounting policies (continued)

2.11 Impairment of non-financial assets

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

2.12 Financial assets

(a) Classification

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

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

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

2. Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(a) Classification (continued)

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

(b) Recognition and measurement

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

2. Summary of significant accounting policies (continued)

2.12 Financial assets (continued)

(b) Recognition and measurement (continued)

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

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

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

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

2.13 Offsetting financial instruments

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

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets available for sale is impaired.

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

2.15 Inventories

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

2.16 Accounts and other receivables

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

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

2. Summary of significant accounting policies (continued)

2.17 Cash and cash equivalents

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

2.18 Share capital

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

2.19 Accounts and other payables

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

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

2.20 Borrowings

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

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

2. Summary of significant accounting policies (continued)

2.21 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

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

2. Summary of significant accounting policies (continued)

2.22 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

2. Summary of significant accounting policies (continued)

2.22 Current and deferred income tax (continued)

(b) *Deferred income tax* (continued)

Inside basis differences (continued)

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

Outside basis differences

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

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

(c) *Offsetting*

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

2. Summary of significant accounting policies (continued)

2.23 Employee benefits

(a) Retirement benefit obligations

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

(b) Early retirement benefits

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

(c) Housing benefits

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

2. Summary of significant accounting policies (continued)

2.24 Provisions

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

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

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

2.25 Government grants and subsidies

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

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

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

2. Summary of significant accounting policies (continued)

2.26 Recognition of revenue and income

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

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

(a) Revenue from container loading and unloading and storage

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

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

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

(c) Revenue from ancillary value-added port services

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

(d) Revenue from sales of building materials

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

2. Summary of significant accounting policies (continued)

2.26 Recognition of revenue and income (continued)

(e) Revenue from merchandise trading

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

(f) Interest income

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

(g) Rental income

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

(h) Dividend income

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

2.27 Operating leases

(a) The Group as lessee

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

2. Summary of significant accounting policies (continued)

2.27 Operating leases (continued)

(b) The Group as lessor

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

2.28 Contingent liabilities and contingent assets

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

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

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

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

2. Summary of significant accounting policies (continued)

2.29 Dividend distribution

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

3. Financial risk management

3.1 Financial risk factors

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

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. However, foreign currencies are required to settle the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Details of the Group's accounts receivable, term deposits, cash and bank balances, accounts payable and borrowings as at 31 December 2016 which are denominated in currencies other than RMB (primarily with respect to United States Dollars ("USD"), European Dollars ("EUR") and Hong Kong Dollars ("HKD") (collectively the "Non-functional Currency Financial Assets/Liabilities"), are disclosed in Notes15, 17, 19, 20 and 23 respectively.

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign exchange risk (continued)

At 31 December 2016, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB17,202,819 lower/higher (2015: RMB12,980,997 lower/higher); if RMB had weakened/strengthened by 5% against the EUR with all other variables held constant, the Group's pre-tax profit for the year would have been RMB43,695 higher/lower (2015: RMB5,571 higher/lower); if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB20,547 lower/higher (2015: RMB5,685,330 higher/lower), mainly as a result of foreign exchange losses/gains on translation of the Non-functional Currency Financial Assets/Liabilities.

(b) Interest rate risk

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

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2016, approximately 90% (2015: 31%) of the Group's borrowings are fixed interest rates borrowings. The effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 23.

At 31 December 2016, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's pre-tax profit for the year would have been RMB5,310,040 (2015: RMB11,082,000) lower/higher, mainly as a result of higher/lower finance costs on bank borrowings.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Price risk

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

As at 31 December 2016, if market price of the listed equity securities had been 10% higher/lower with all other variables held constant, the carrying amounts of available-for-sale financial assets and the Group's total equity would have been increased/decreased by the same amount of RMB10,977,659 (2015: RMB7,327,000), excluding the tax effect.

(d) Credit risk

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

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk (continued)

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

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

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

(e) Liquidity risk

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

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk (continued)

As at 31 December 2016, the retained earnings of the Group amounted to RMB2,535 million, and the current liabilities exceed the current assets by RMB1,068 million, the cash and cash equivalent of the Group increases by RMB279 million.

As at 31 December 2016, the available unused bank facilities of the Group amounted to RMB2,656 million. The Board believes that the credit period of these bank facilities can be extended if needed.

Based on the cash inflows from operating activities and the bank facilities available to the Group, the Board believes that the Group would continue to receive enough finance to support the operation and debt repayment and capital expenditure during at least twelve months from the date of the financial statement. As a result of this, these financial statements are prepared on going-concern basis, and there is no need to include any adjustment which is not based on going-concern basis for the Group.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) *Liquidity risk* (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2016				
Borrowings	**2,329,040**	**84,182**	**1,265,559**	**78,995**
Long-term payables and advances	**—**	**68**	**120**	**1,662**
Accounts and notes payable	**1,047,631**	**—**	**—**	**—**
Other payables and accruals	**2,008,614**	**—**	**—**	**—**
	5,385,285	**84,250**	**1,265,679**	**80,657**

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2015 (Restated, Note 37)				
Borrowings	1,830,201	399,926	634,490	248,655
Long-term payables and advances	—	139	209	1,532
Accounts and notes payable	1,085,553	—	—	—
Other payables and accruals	1,028,187	—	—	—
	3,943,941	400,065	634,699	250,187

3. Financial risk management (continued)

3.2 Capital risk management

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

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

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

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain a low gearing ratio. The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Total borrowings (Note 23)	**3,540,967**	2,827,964
Less: Cash and cash equivalents (Note 19)	**(1,140,956)**	(861,733)
Net debt	**2,400,012**	1,966,231
Total equity	**10,311,973**	10,191,930
Total capital	**12,711,985**	12,158,161
Gearing ratio (%)	**18.88%**	16.17%

The increase in the gearing ratio during 2016 resulted primarily from the increase in bank borrowings during the year (Note 23).

3. Financial risk management (continued)

3.3 Fair value estimation

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

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

The following table presents the Group's assets that are measured at fair value at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	**109,777**	**—**	**2,640**	**112,417**
— Wealth management products	**—**	**—**	**300,000**	**300,000**

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets (Restated, Note 37)				
Available-for-sale financial assets				
— Equity investments	73,268	—	2,965	76,233
— Wealth management products	—	—	130,000	130,000

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

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2 (continued)

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in level 3

As at 31 December 2016, the Group classified the wealth management products as financial instruments in level 3. The fair value of wealth management products is approximately equal to their carrying amount due to short maturity.

4. Critical accounting estimates and assumptions

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

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

4. Critical accounting estimates and assumptions (continued)

4.1 Impairments of non-current assets

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

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

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

4. Critical accounting estimates and assumption (continued)

4.2 Useful lives of property, plant and equipment

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

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

— increase the carrying amounts of property, plant and equipment and decrease the depreciation charge by RMB34,508,386, if favourable; or

— decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB34,508,386, if unfavourable.

4.3 Purchase price allocation for business combination

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

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

4. Critical accounting estimates and assumption (continued)

4.4 Taxation

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

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

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

4.5 Net realisable value of inventories

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

4. Critical accounting estimates and assumption (continued)

4.5 Net realisable value of inventories (continued)

Were the actual selling price of inventories different by 10% from management's estimates, the Group would need to decrease the carrying amounts of inventories and increase the provision for impairment of inventories by RMB7,946,035 (2015: RMB11,449,361), if unfavourable.

4.6 Provision for impairment of receivables

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

4.7 The progress and cost of construction in progress

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

4.8 Government grants

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

5. Investment properties

	2016 RMB'000	2015 RMB'000
Opening net book amount	**118,901**	121,866
Additions	**7,490**	1,378
Transferred in from property, plant and equipment (Note 6)	**28,320**	—
Transferred to property, plant and equipment (Note 6)	**(14,407)**	—
Depreciation	**(5,133)**	(4,343)
Closing net book amount	**135,171**	118,901
Cost	**176,082**	152,548
Accumulated depreciation	**(40,911)**	(33,647)
Net book amount	**135,171**	118,901

No independent valuation was carried out for the investment properties. As at 31 December 2016, the management estimated fair value of the Group's investment properties amounted to approximately RMB144,540,000 (2015: RMB123,230,000) by making reference to current market prices for similar properties in the similar location and condition with similar leasing arrangement.

During the year ended 31 December 2016, depreciation expense of RMB5,133,000 (2015: RMB4,343,000) has been charged in cost of sales (Note 29).

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: Nil).

6. Property, plant and equipment

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vehicles RMB'000	Vessels RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2015 (Restated, Note 37)										
Cost	429,473	3,908,081	502,590	2,388,924	527,113	240,259	556,815	193,328	720,560	9,467,143
Accumulated depreciation	(122,647)	(525,232)	(146,049)	(915,462)	(285,106)	(142,147)	(213,578)	(140,841)	—	(2,491,062)
Accumulated impairment losses	—	(2,559)	(349)	(593)	(6,878)	—	—	(4)	(3,170)	(13,553)
Net book amount	306,826	3,380,290	356,192	1,472,869	235,129	98,112	343,237	52,483	717,390	6,962,528
Year ended 31 December 2015 (Restated, Note 37)										
Opening net book amount	306,826	3,380,290	356,192	1,472,869	235,129	98,112	343,237	52,483	717,390	6,962,528
Additions	5,243	6,183	6,549	56,227	15,804	17,009	1,577	7,728	761,667	877,987
Transferred in from construction-in-progress	25,969	29,348	26,787	248	1,504	2,067	—	8,007	(93,930)	—
Transferred to construction-in-progress	—	—	—	(47,671)	—	—	—	—	47,671	—
Transferred to intangible assets (Note 8)	—	—	—	—	—	—	—	—	(467)	(467)
Disposals (Note 27(a))	(653)	(7,791)	(74)	(4,551)	(563)	(1,436)	—	(1,820)	(3,744)	(20,632)
Depreciation	(19,534)	(91,178)	(20,006)	(97,916)	(25,264)	(20,904)	(25,719)	(17,191)	—	(317,712)
Disposal of a subsidiary	—	—	—	—	—	—	—	(135)	(842)	(977)
Closing net book amount	317,851	3,316,852	369,448	1,379,206	226,610	94,848	319,095	49,072	1,427,745	7,500,727
At 31 December 2015 (Restated, Note 37)										
Cost	459,597	3,926,569	535,551	2,350,712	506,470	219,418	558,392	195,334	1,430,915	10,182,958
Accumulated depreciation	(141,746)	(607,868)	(165,754)	(971,506)	(272,982)	(124,570)	(239,297)	(146,258)	—	(2,669,981)
Accumulated impairment losses	—	(1,849)	(349)	—	(6,878)	—	—	(4)	(3,170)	(12,250)
Net book amount	317,851	3,316,852	369,448	1,379,206	226,610	94,848	319,095	49,072	1,427,745	7,500,727

6. Property, plant and equipment (continued)

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vehicles RMB'000	Vessels RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 31 December 2016										
Opening net book amount	317,851	3,316,852	369,448	1,379,206	226,610	94,848	319,095	49,072	1,427,745	7,500,727
Additions	8,348	26,874	7,086	4,933	22,620	15,988	—	22,620	480,274	588,743
Transferred in from construction-in -progress	143,441	759,556	250,540	69,775	174,864	—	—	19,963	(1,418,139)	—
Transferred in from investment properties (Note 5)	14,407	—	—	—	—	—	—	—	—	14,407
Business combination (Note 38)	1,412	569,725	47,762	97,741	5,132	569	—	273	6,233	728,847
Transferred to investment properties (Note 5)	(5,124)	—	—	—	—	—	—	—	(23,196)	(28,320)
Transferred to intangible Assets (Note 8)	—	—	—	—	—	—	—	—	(1,798)	(1,798)
Disposals (Note 27(a))	(942)	(1,994)	(167)	(324)	(5,578)	(1,045)	—	(701)	(831)	(11,582)
Depreciation	(22,150)	(99,168)	(24,568)	(104,084)	(30,441)	(20,954)	(26,340)	(17,379)	—	(345,084)
Impairment	—	26	349	—	2,045	—	—	—	—	2,420
Closing net book amount	457,243	4,571,871	650,450	1,447,247	395,252	89,406	292,755	73,848	470,288	8,448,360
At 31 December 2016										
Cost	618,159	5,280,280	840,588	2,516,689	658,190	225,021	558,392	223,560	473,458	11,394,337
Accumulated depreciation	(160,916)	(706,586)	(190,138)	(1,069,442)	(258,103)	(135,615)	(265,637)	(149,708)	—	(2,936,145)
Accumulated impairment losses	—	(1,823)	—	—	(4,835)	—	—	(4)	(3,170)	(9,832)
Net book amount	457,243	4,571,871	650,450	1,447,247	395,252	89,406	292,755	73,848	470,288	8,448,360

Depreciation expense of RMB333,499,000, RMB224,000 and RMB11,361,000 (2015: RMB303,522,000, RMB58,000 and RMB14,132,000) has been charged in cost of sales, selling and marketing expenses, general and administrative expenses respectively (Note 29).

During the year, the Group has capitalised borrowing costs amounting to RMB15,906,000 (2015: RMB24,355,000) on qualifying assets (Note 30). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.90% (2015: 6.20%).

7. Land use rights

	RMB'000
At 1 January 2015 (Restated, Note 37)	
Cost	2,901,325
Accumulated amortisation	(319,935)
Net book amount	2,581,390
Year ended 31 December 2015 (Restated, Note 37)	
Opening net book amount	2,581,390
Additions	170,136
Disposal of a subsidiary	(107,517)
Disposals	(44,838)
Amortisation	(65,415)
Closing net book amount	2,533,756
At 31 December 2015 (Restated, Note 37)	
Cost	2,904,918
Accumulated amortisation	(371,162)
Net book amount	2,533,756
Year ended 31 December 2016	
Opening net book amount	**2,533,756**
Additions	**45,052**
Business combination (Note 38)	**296,647**
Amortisation	**(72,863)**
Closing net book amount	**2,802,592**
At 31 December 2016	
Cost	**3,246,617**
Accumulated amortisation	**(444,025)**
Net book amount	**2,802,592**

The Group's interests in land use rights represent operating lease prepayments for the use of land in the PRC which are held on leases between 26 and 50 years (2015: between 26 and 50 years).

7. Land use rights (continued)

Amortisation expense of RMB22,517,000 and RMB50,346,000 (2015: RMB18,199,000 and RMB47,216,000) has been charged in cost of sales, general and administrative expenses respectively (Note 29).

As at 31 December 2016, transfer of certain newly acquired land use right during the year are still in progress. The Directors of the Group are of the opinion that the use of and the conduct of operating activities in these lands are not affected and this issue does not have any material impact on the financial position of the Group.

8. Intangible assets

	Goodwill (Note (i)) RMB'000	Port line use rights RMB'000	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2015 (Restated, Note 37)					
Cost	129,261	119,593	18,498	58,342	325,694
Accumulated amortisation	—	(18,436)	(2,739)	(31,002)	(52,177)
Net book amount	129,261	101,157	15,759	27,340	273,517
Year ended 31 December 2015 (Restated, Note 37)					
Opening net book amount	129,261	101,157	15,759	27,340	273,517
Additions	—	—	—	6,643	6,643
Transferred in from construction-in-progress (Note 6)	—	—	—	467	467
Disposal	—	—	—	(146)	(146)
Amortisation	—	(2,529)	(385)	(5,720)	(8,634)
Closing net book amount	129,261	98,628	15,374	28,584	271,847
At 31 December 2015 (Restated, Note 37)					
Cost	129,261	119,594	18,498	65,289	332,642
Accumulated amortisation	—	(20,966)	(3,124)	(36,705)	(60,795)
Net book amount	129,261	98,628	15,374	28,584	271,847

8. Intangible assets (continued)

	Goodwill (Note (i)) RMB'000	Port line use rights RMB'000	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2016					
Opening net book amount	129,261	98,628	15,374	28,584	271,847
Additions	—	—	7,765	4,206	11,971
Business combination (Note 38)	—	33,649	—	—	33,649
Transferred in from construction-in-progress (Note 6)	—	—	—	1,798	1,798
Amortisation	—	(2,667)	(368)	(5,711)	(8,746)
Closing net book amount	129,261	129,610	22,771	28,877	310,519
At 31 December 2016					
Cost	129,261	153,243	26,263	71,199	379,966
Accumulated amortisation	—	(23,633)	(3,492)	(42,322)	(69,447)
Net book amount	129,261	129,610	22,771	28,877	310,519

Amortisation expense of RMB5,116,000 and RMB3,630,000 (2015: RMB4,477,000 and RMB4,157,000) has been charged in cost of sales, general and administrative expenses respectively (Note 29).

8. Intangible assets (continued)

(i) Impairment testing of goodwill

In 2013, the Company and XPHG entered into merger agreements with other joint venture parties to establish Xiamen Container Terminal Group Co., Ltd. ("Xiamen Terminal Group"). Goodwill of RMB129,261,000 was resulted due to acquisition of Xiamen ITG Terminals Co., Ltd. and New World Xiangyu Terminals Co., Ltd. during the merger. The goodwill is attributable to strengthening the competitiveness of Xiamen Terminal Group's container loading, unloading and storage business.

For the purpose of impairment assessment, the goodwill is allocated to Xiamen Terminal Group, the principal CGU that the Group operates and benefit from the acquisition.

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

Key assumptions used in the value-in-use calculation in 2016 and 2015 are as follows.

	2016	2015
Sales volume (% annual growth rate)	**6%**	6%
Sales price (% annual growth rate)	**1%**	1%
Gross margin (% of revenue)	**43%**	43%
Long term growth rate used to extrapolate cash flows beyond five-year period	**2%**	2%
Pre-tax discount rate	**14%**	14%

8. Intangible assets (continued)

(i) Impairment testing of goodwill (continued)

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

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

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

The long term growth rate used is consistent with the forecast included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the relevant operating segment.

9. Subsidiaries

(a) Material non-controlling interests

The total non-controlling interests as at 31 December 2016 is RMB5,409,112,000 of which RMB1,797,291,000 is for XPD and RMB3,611,821,000 is attributed to Xiamen Terminal Group.

The total comprehensive income for non-controlling interests as at 31 December 2016 is RMB485,574,000 of which RMB227,193,000 is for XPD and RMB258,381,000 is attributed to Xiamen Terminal Group.

The total dividend for non-controlling interests for year ended 31 December 2016 is RMB159,070,000 of which RMB32,213,000 is for XPD and RMB126,857,000 is attributed to Xiamen Terminal Group.

9. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

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

Summarised balance sheet

	Xiamen Terminal Group		XPD	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Current assets	1,035,173	681,967	3,044,243	2,351,147
Current liabilities	(1,446,652)	(890,076)	(2,955,069)	(2,035,916)
Total current net liabilities	(411,479)	(208,109)	89,174	315,231
Non-current assets	8,372,796	7,631,585	4,464,136	4,284,796
Non-current liabilities	(378,501)	(649,740)	(1,416,111)	(860,269)
Total non-current net assets	7,994,295	6,981,845	3,048,025	3,424,527
Net assets	7,582,816	6,773,736	3,137,199	3,739,758
Equity attributable to owners	6,642,135	6,298,209	2,511,998	3,072,761
Non-controlling interests	940,681	475,527	625,201	666,997

9. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Summarised statement of comprehensive income

	Xiamen Terminal Group		XPD	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenues	1,556,139	1,380,835	6,977,800	5,631,890
Profit before income tax	759,364	454,447	434,416	527,709
Income tax expense	(135,772)	(93,803)	(91,133)	(95,435)
Profit after income tax	623,592	360,644	343,283	432,274
Other comprehensive income	—	—	—	—
Total comprehensive income	623,592	360,644	343,283	432,274
Total comprehensive income allocated to non-controlling interests	28,478	20,452	73,261	100,524
Dividend paid to non-controlling interests	25,000	—	37,642	35,351

Summarised cash flows

	Xiamen Terminal Group		XPD	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Cash generated from operations	794,590	677,384	338,717	534,931
Interest paid	(37,533)	(48,548)	(36,983)	(83,915)
Income tax paid	(122,596)	(105,642)	(85,953)	(91,901)
Net cash generated from operating activities	634,461	523,194	215,781	359,115
Net cash used in investing activities	(400,247)	(308,917)	(315,207)	265,616
Net cash used in financing activities	(188,142)	(145,322)	324,401	(609,906)
Net increase in cash and cash equivalents	46,072	68,955	224,975	14,825
Cash and cash equivalents at beginning of year	210,720	141,761	568,373	553,499
Exchange gains on cash and cash equivalents	7	4	3,095	49
Cash and cash equivalents at end of year	256,799	210,720	796,443	568,373

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

Particulars of the subsidiaries are set out in Note 40(a).

10. Interests in joint ventures

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
As at 1 January	**1,178,344**	1,166,467
Dividends received	**(16,036)**	(32,331)
Additions	**—**	18,946
Share of results	**36,348**	25,262
Business combination (Note 38)	**(302,817)**	—
As at 31 December	**895,839**	1,178,344

All of the joint ventures are established in PRC and the significant financial and operating decisions shall be agreed by all the owners of the joint ventures.

As at 31 December 2016, there are no significant commitments and contingent liabilities relating to the Group's interests in the joint ventures and the joint ventures did not have significant contingent liabilities (2015: Nil).

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

Particulars of the Group's joint ventures are set out in Note 40(b).

10. Interests in joint ventures (continued)

Set out below are the summarised financial information for material joint ventures namely Xiamen International Container Terminal Limited ("XICT") and Xiamen Haicang XinHaiDa Container Terminals Co., Ltd. ("XinHaiDa") which are accounted for using the equity method.

Summarised balance sheet

	XICT		XinHaiDa	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Current				
Cash and cash equivalents	**81,920**	205,527	**89,510**	17,601
Other current assets	**184,931**	94,889	**74,454**	46,306
Total current assets	**266,851**	300,416	**163,964**	63,907
Financial liabilities	**(43,824)**	(70,109)	**(836,000)**	(496,271)
Other current liabilities	**(14,148)**	(28,169)	**(6,706)**	(9,277)
Total current liabilities	**(57,972)**	(98,278)	**(842,706)**	(505,548)
Non-current				
Assets	**779,396**	771,407	**2,260,583**	2,275,991
Financial liabilities	**—**	—	**(902,320)**	(1,142,320)
Total non-current liabilities	**—**	—	**(902,320)**	(1,142,320)
Net assets	**988,275**	973,545	**679,521**	692,030

10. Interests in joint ventures (continued)

Summarised statement of comprehensive income

	XICT		XinHaiDa	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenues	160,641	156,336	—	—
Depreciation and amortisation	(49,488)	(49,067)	(29,417)	(12,234)
Interest income	880	3,360	—	—
Interest expense	—	—	—	—
Profit/(loss) before income tax	43,734	56,401	(12,509)	(29,596)
Income tax expense	(12,968)	(12,654)	—	—
Profit/(loss) after income tax	30,766	43,747	(12,509)	(29,596)
Other comprehensive income	—	—	—	—
Total comprehensive income/(loss)	30,766	43,747	(12,509)	(29,596)
Dividends received from joint venture	—	20,400	—	—

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

10. Interests in joint ventures (continued)

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

Reconciliation of summarised financial information

	XICT		XinHaiDa	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Opening net assets	973,545	969,798	692,030	721,626
Profit/(loss) for the year	30,766	43,747	(12,509)	(29,596)
Other comprehensive income	—	—	—	—
Dividends payable	(16,036)	(40,000)	—	—
Closing net assets	988,275	973,545	679,521	692,030
Interest in joint ventures	51%	51%	46%	46%
Carrying amount	504,020	496,508	312,580	318,334

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

	2016 RMB'000	2015 RMB'000
Revenues	45,109	38,360
Loss for the year	(3,228)	(8,226)

	2016 RMB'000	2015 RMB'000
Total assets	222,461	227,293
Total liabilities	143,221	144,825

11. Interests in associates

	2016 RMB'000	2015 RMB'000
Share of net assets	**58,864**	59,923
Unlisted investments, at cost	**41,730**	40,530

Movement in investments in associates is set out as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
At 1 January	**59,923**	43,626
Disposal of a subsidiary which became an associate (Note 40)	**—**	(83)
Addition	**1,200**	14,000
Dividends received	**(1,921)**	(1,994)
Share of results before income tax expense	**659**	5,832
Share of income tax expense	**(997)**	(1,458)
	(338)	4,374
At 31 December	**58,864**	59,923

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

	2016 RMB'000	2015 RMB'000
Revenues	**21,129**	26,645
(Loss)/Profit for the year	**(338)**	4,374

	2016 RMB'000	2015 RMB'000
Total assets	**114,091**	115,479
Total liabilities	**55,226**	55,556

Particulars of the Group's associates are set out in Note 40(c).

11. Interests in associates (continued)

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

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

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

12. Available-for-sale financial assets

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
At 1 January	**206,233**	515,165
Net fair value gains transferred to equity	**36,509**	4,374
Disposal of unlisted equity investments	**—**	(1,491)
Provision for unlisted equity investments	**(325)**	—
Purchase of Wealth management product (c)	**300,000**	130,000
Disposal of Wealth management product (c)	**(130,000)**	(441,815)
At 31 December	**412,417**	206,233

Available-for-sale financial assets include the following:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Equity investments listed in the PRC, at fair value (a)	**109,777**	73,268
Wealth management products (b)	**300,000**	130,000
Unlisted equity investments (c)	**8,208**	8,208
Less: provision for impairment (c)	**(5,568)**	(5,243)
	412,417	206,233

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

(a) The Group holds 6,436,350 (2015: 6,436,350) shares of Fujian Sansteel MinGuang Co., Ltd. (the "Sansteel Shares") and 4,301,000 (2015: 4,301,000) shares of Bank of Communications Co., Ltd. (the "BOCOMM Shares"), which are listed in the Shenzhen Stock Exchange and the Shanghai Stock Exchange respectively. The fair values of these investments are determined based on the quoted market prices of respective shares as of the balance sheet dates.

The aggregated costs of investments in the Sansteel Shares and BOCOMM Shares amounted to RMB18,134,000 (2015: RMB18,134,000).

(b) In 2016, the Group subscribed for wealth management products for an aggregated amount of RMB300,000,000 (2015:RMB130,000,000), with floating annual return amounted to 4.8% (2015: 4.6%). The maturity of the wealth management products are within one year as such they are presented as current assets on the consolidated balance sheet.

(c) As at 31 December 2016, impairment provision amounted to RMB5,568,000 (2015: RMB5,243,000) was made for certain of the unlisted investments.

13. Deferred income tax

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Deferred income tax assets		
At 1 January	**270,681**	257,919
(Charged)/credited to		
— consolidated income statement (Note 31)	**(4,032)**	5,213
— equity	**—**	7,549
At 31 December	**266,649**	270,681
To be recovered:		
Within 12 months	**8,063**	14,505
After more than 12 months	**258,586**	256,176
	266,649	270,681
Deferred income tax liabilities		
At 1 January	**347,582**	332,332
(Credited to)/charged		
— consolidated income statement (Note 31)	**(2,710)**	14,156
— other comprehensive income (Note 25)	**9,127**	1,094
— Business combination (Note 38)	**29,244**	—
At 31 December	**383,243**	347,582
To be settled:		
Within 12 months	**141,681**	137,443
After more than 12 months	**241,562**	210,139
	383,243	347,582

13. Deferred income tax (continued)

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

	Revaluation in connection with businesses contributed to subsidiary (a) RMB'000	Deferred income (b) RMB'000	Unrealised profit (c) RMB'000	Impairment of assets and provisions RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets at 1 January 2016	**207,530**	**14,243**	**10,675**	**19,682**	**18,551**	**270,681**
Credited/(charged) to consolidated income statement (Note 31)	**(5,447)**	**(1,424)**	**(6,640)**	**10,505**	**(1,026)**	**(4,032)**
Deferred tax assets at 31 December 2016	**202,083**	**12,819**	**4,035**	**30,187**	**17,525**	**266,649**

	Revaluation in connection with businesses contributed to subsidiary (a) RMB'000	Deferred income (b) RMB'000	Unrealised profit (c) RMB'000	Impairment of assets and provisions RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets at 1 January 2015 (Restated, Note 37)	214,457	12,273	11,005	17,990	2,194	257,919
Credited/(charged) to consolidated income statement (Note 31)	(6,927)	1,970	(330)	1,692	8,808	5,213
Credited to equity	—	—	—	—	7,549	7,549
Deferred tax assets at 31 December 2015 (Restated, Note 37)	207,530	14,243	10,675	19,682	18,551	270,681

The movements of the deferred income tax assets are charged or credited to the consolidated income statement.

13. Deferred income tax (continued)

(a) The balance represents the deferred income tax assets of RMB45,026,000 (2015:RMB46,240,000) arising from the Berth No.6 of Haicang Port injected by XPHG into Xiamen Terminal Group as part of its capital contributions and the deferred income tax assets of RMB157,057,000 (2015:RMB161,290,000) arising from the Berth No 4-5 of Haicang Port and Berth No.5-11 of Dongdu Port injected by the Company into Xiamen Terminal Group as part of its capital contributions. The valuation amounts form the base for calculating the future taxable profits, while the accounting base of these assets have not been adjusted for such surplus in the consolidated financial statements.

(b) The balance mainly represents the deferred income tax assets of RMB50,000,000 arising from the government grant received by the Group.

(c) The balance represents the deferred income tax assets relating to the unrealised gain resulting from the transfer of certain property, plant and equipment, and land use rights to joint ventures in prior years.

13. Deferred income tax (continued)

Deferred tax liabilities

	Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd. ("Haitian Terminal") RMB'000	Fair value gain on available-for-sale financial assets RMB'000	Gain on land and asset resumption (d) RMB'000	Fair value adjustments arising from acquisition of subsidiaries (e) RMB'000	Others RMB'000	Total RMB'000
Deferred income tax liabilities at 1 January 2016	**1,586**	**13,784**	**130,149**	**202,063**	**—**	**347,582**
(Credited)/charged to consolidated income statement (Note 31)	**(379)**	**—**	**4,411**	**(6,742)**	**—**	**(2,710)**
Credited to equity	**—**	**9,127**	**—**	**—**	**—**	**9,127**
Business combinations (Note 38)	**—**	**—**	**—**	**29,244**	**—**	**29,244**
Deferred income tax liabilities at 31 December 2016	**1,207**	**22,911**	**134,560**	**224,565**	**—**	**383,243**

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

13. Deferred income tax (continued)

The movements of the above deferred income tax liabilities are charged or credited to the consolidated income statement, except for the movement in deferred tax liabilities relating to the fair value gain on available-for-sale financial assets which were debited to other comprehensive income statement.

(d) The balance represents the deferred tax liability relating to the gain resulted from the disposal of land and certain assets situated thereon (such as infrastructure) of Dongdu Berth No.1, No.2, No.3 and No.4 (Note 27).

(e) The balance represents the deferred tax liability of RMB224,565,000 (2015: RMB202,063,000) resulting from the establishment of Xiamen Terminal Group in 2013 and the acquisition of Xiamen Haicang International Container Terminals Limited ("XHICT") in 2016 (Note 38).

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

Unrecognised deferred tax assets due from the annual deductible loss:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
2016	—	934
2017	1,027	1,256
2018	2,745	3,386
2019	3,002	3,245
2020	88,189	91,540
2021	97,402	—
	192,365	100,361

14. Inventories

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Raw materials	**43,549**	34,997
Finished goods and merchandise	**485,838**	284,847
Spare parts and consumables	**15,806**	22,871
	545,193	342,715
Less: provision for impairment	**(4,159)**	(9,729)
	541,034	332,986

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

The cost of inventories recognised as expense and included in cost of sales of the Group amounted to RMB5,464,572,000 (2015: RMB4,041,075,000) (Note 29).

15. Accounts and notes receivable

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Accounts receivable	**1,070,781**	957,346
Less: provision for impairment	**(90,201)**	(40,326)
	980,580	917,020
Due from parent company (Note 39(b))	**110**	523
Due from fellow subsidiaries (Note 39(b))	**14,142**	15,607
Due from joint ventures (Note 39(b))	**57,368**	27,806
Due from associates (Note 39(b))	**543**	274
Due from other related parties (Note 39(b))	**16,450**	16,480
Notes receivable	**83,493**	78,623
	1,152,686	1,056,333

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

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

15. Accounts and notes receivable (continued)

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Less than 6 months	**927,024**	855,099
6 months to 1 year	**84,774**	157,784
1 year to 2 years	**171,630**	62,680
2 years to 3 years	**43,708**	8,137
Over 3 years	**15,751**	12,959
	1,242,887	1,096,659
Less: provision for impairment	**(90,201)**	(40,326)
	1,152,686	1,056,333

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

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

As at 31 December 2016, the Group's trade receivables of RMB847,590,000 (2015: RMB757,775,000) were fully performing.

15. Accounts and notes receivable (continued)

Generally, trade receivables that are past due less than 6 months are not considered as impaired. As at 31 December 2016, the Group's accounts receivable of RMB82,928,000 (2015: RMB117,356,000) were past due but not impaired.

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Less than 6 months	82,928	117,356
More than 6 months	—	—
	82,928	117,356

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

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Less than 6 months	25	19,137
More than 6 months	4,381	39,992
1 year to 2 years	161,398	62,680
2 years to 3 years	43,410	8,137
Over 3 years	19,662	12,959
	228,876	142,905

15. Accounts and notes receivable (continued)

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
RMB	1,092,369	971,808
USD	60,317	84,525
	1,152,686	1,056,333

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
At 1 January	40,326	23,145
Provision for impairment	49,875	17,608
Uncollectible receivables written off during the year	—	(427)
At 31 December	90,201	40,326

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

16. Other receivables and prepayments

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Other receivables (a)	**367,246**	648,602
Advances to suppliers	**381,306**	250,946
Less: provision for impairment	**(5,214)**	(14,472)
	743,338	885,076
Due from parent company (Note 39(b))	**280**	60,734
Due from fellow subsidiaries (Note 39(b))	**2,573**	8,826
Due from joint ventures (Note 39(b))(d)	**441,445**	238,631
Due from associates (Note 39(b))	**—**	10
Due from other related parties (Note 39(b))	**1,646**	864
Prepayments and deposits	**102,240**	70,242
Interest receivable	**600**	312
	1,292,122	1,264,695
Less: long-term receivables and prepayments		
— Payments made to Build and Transfer project (b)	**(131,713)**	(264,641)
— Prepayment for operating lease in the Qingzhou operating area (c)	**(55,731)**	(55,731)
— Prepayment for acquisition of property, plant and equipment	**(14,022)**	(1,235)
	(201,466)	(321,607)
Current portion	**1,090,656**	943,088

(a) Amount mainly represents receivable for Build-Transfer ("BT") project of RMB266,153,000 (2015: RMB399,081,000) and VAT receivable of RMB20,880,000 (2015: RMB48,907,000).

16. Other receivables and prepayments (continued)

(b) In July 2012, XPD, CCCC Third Harbor Engineering Co., Ltd. ("Third Harbor Engineering") entered into a BT agreement (the "BT Agreement") with Zhangzhou Gulei Port Road Construction Co., Ltd.. The total investment amount of the BT Project was estimated to be approximately RMB563 million with an investment return which will be calculated at an annual interest rate of 8.63% to 10.70%. As at 31 December 2016, payment made by XPD together with the associated interests amounted to RMB573,286,000 (2015: RMB533,286,000), among which RMB134,440,000 (2015: RMB134,440,000) was recorded in other receivables which was fully collected in February 2017 and RMB131,712,000 (2015: RMB264,641,000) was recorded in long-term receivables.

(c) As at 31 December 2016, an entrusted loan to XinHaiDa with an amount of RMB440,000,000 (2015:RMB145,000,000) was recorded in other receivables. The weighted average interest rate of the entrusted loan is 5.03% (2015: 6.80%), whose maturity is within one year.

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

16. Other receivables and prepayments (continued)

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

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
At 1 January	**14,472**	9,460
(Reversal of)/provision for impairment	**(4,946)**	5,012
Uncollectible receivables written off during the year	**(4,312)**	—
At 31 December	**5,214**	14,472

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

The Group's maximum exposure to credit risk in respect of other receivables and prepayments at 31 December 2016 is the carrying amount of each class of receivables and prepayments mentioned above. The Group did not hold any collateral as security for other receivables and prepayments as at 31 December 2016.

17. Term deposits with initial term over three months

	2016 RMB'000	2015 RMB'000
Term deposits denominated in		
RMB	**2,120**	6,615
USD	**20,811**	—
	22,931	6,615

The weighted average effective interest rate on term deposits, with maturity ranging from 6 months to 1 year, is 1.76% (2015: 2.10%) per annum.

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

18. Restricted cash

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

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

19. Cash and cash equivalents

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Cash at bank and in hand	**1,163,887**	868,348
Less: term deposits with initial term over three months (Note 17)	**(22,931)**	(6,615)
Cash and cash equivalents	**1,140,956**	861,733
Maximum exposure to credit risk (net of cash in hand)	**1,140,956**	861,733
Denominated in:		
RMB	**1,091,837**	832,538
USD	**48,544**	28,370
HKD	**459**	713
EUR	**116**	112
	1,140,956	861,733

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

20. Accounts and notes payable

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Accounts payable	**713,760**	745,277
Due to parent company (Note 39(b))	**110,011**	120,616
Due to fellow subsidiaries (Note 39(b))	**50,813**	15,802
Due to joint ventures (Note 39(b))	**65,448**	21,582
Due to associates (Note 39(b))	**436**	408
Due to other related parties (Note 39(b))	**—**	10
Notes payable	**107,163**	181,858
	1,047,631	1,085,553

20. Accounts and notes payable (continued)

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Within 1 year	**985,349**	1,000,146
1 year to 2 years	**58,025**	80,528
2 years to 3 years	**500**	344
Over 3 years	**3,757**	4,535
	1,047,631	1,085,553

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

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

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
RMB	**936,328**	960,402
USD	**111,303**	125,151
	1,047,631	1,085,553

The carrying amounts of the Group's accounts and notes payable approximate their fair values.

21. Other payables and accruals

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Due to parent company (Note 39(b))	**501,596**	40,078
Due to fellow subsidiaries (Note 39(b))	**20,627**	45,756
Due to joint venture (Note 39(b))	**64,300**	144
Due to associates (Note 39(b))	**3,211**	3,235
Due to other related parties (Note 39(b))	**883**	7,801
Payables for purchases of property, plant and equipment and construction-in-progress	**241,550**	88,291
Salary and welfare payables	**205,172**	194,881
Customer deposits	**463,392**	250,617
Accrued expenses	**4,205**	1,815
Dividends payable to		
— shareholders of the Company (Note 39(b))	**3,111**	5,216
— non-controlling shareholders of subsidiaries (Note 39(b))	**421,323**	219,938
Interest payables	**33,390**	14,230
Other payables	**47,703**	158,065
	2,010,463	1,030,067
Less: long-term payables and advances		
— Others	**(1,849)**	(1,880)
Current portion	**2,008,614**	1,028,187

As at 31 December 2016, the payables due to parent company, fellow subsidiaries, joint venture, associates and other related parties are unsecured, free of interest and without fixed repayment term.

The carrying amount of other payables of the Group approximates their fair value.

22. Deferred government grants and income

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Deferred income on tax credit related to purchases of domestic manufactured equipment (a)	**9,746**	11,948
Government grants on purchases of property, plant and equipment (b)	**133,644**	139,710
	143,390	151,658

(a) Prior to 2008, the Group purchased certain domestic manufactured equipment. Pursuant to Cai Shui Zi [1999] Document No. 290 "The Notice concerning the Reduction in Corporate Income Tax for Purchases of Domestic Manufactured Equipment" issued by the Ministry of Finance and State Tax Bureau, part of such purchase costs could be utilised to reduce the income tax in future.

Such tax credit available was deferred and credited to the consolidated income statement using the straight-line method over the estimated useful lives of the related property, plant equipment.

(b) The Group received certain government grants in connection with the purchases of property, plant and equipment, land use right and intangible asset for the further development of the ports in Xiamen. These grants are deferred and credited to the consolidated income statement using the straight-line method over the estimated useful lives of the related property, plant and equipment, land use rights and intangible asset, or recognised in the consolidated income statement when the relevant assets associated with the government grants are disposed.

23. Borrowings

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Non-current		
Long-term bank borrowings	228,277	1,103,111
Debentures (b)	1,095,315	—
	1,323,592	1,103,111
Current		
Short-term bank borrowings	170,000	836,265
Long-term bank borrowings — current portion	67,375	288,588
Debentures (c)	1,980,000	600,000
	2,217,375	1,724,853
Total borrowings	3,540,967	2,827,964
Representing:		
— guaranteed (a)	149,532	231,119
— unsecured	3,391,435	2,596,845
Total borrowings	3,540,967	2,827,964

(a) As at 31 December 2016, a bank borrowing of RMB44,217,000 is guaranteed by China Construction Bank (31 December 2015: RMB47,519,000); A bank borrowing of RMB73,600,000 is guaranteed by XPHG (31 December 2015: RMB133,600,000); A bank borrowing of RMB31,715,000 is guaranteed by a non-controlling shareholder of a subsidiary (31 December 2015: Nil).

23. Borrowings (continued)

(b) On 29 June 2016, XPD issued the first tranche of the Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 3.25% per annum (the "XPD First Tranche Corporate Bonds") on the ShenZhen Stock Exchange.

On 25 October 2016, the XPD issued the second tranche of the Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.02% per annum (the "XPD Second Tranche Corporate Bonds") on the ShenZhen Stock Exchange.

Pursuant to the principal terms of the "XPD Second Tranche Corporate Bonds", at the end of the third year of the term, XPD is entitled to increase the interest rate for the remaining term and the holders of the XPD Second Tranche Corporate Bonds may put back all or part of their bonds to XPD at the nominal value.

(c) On 27 May 2015, XPD issued the second tranche of the short-term notes with a term of one year from the date of issuance with an aggregate principal amount of RMB100 million at a fixed rate of 4.40% per annum (the "Second Tranche Short-Term Notes of XPD") to certain domestic institutional investors in the PRC. On 27 May 2016, the "Second Tranche Short-Term Notes of XPD" was repaid.

On 8 July 2016, XPD issued the first tranche of the super short-term notes with a term of 90 days from the date of issuance with an aggregate principal amount of RMB100 million at a fixed rate of 2.92% per annum (the "First Tranche Super Short-Term Notes of XPD") to certain domestic institutional investors in the PRC. On 30 September 2016, the "First Tranche Super Short-Term Notes of XPD" was repaid.

23. Borrowings (continued)

(c) (continued)

On 15 September 2015, the Company issued the short-term notes with a term of one year from the date of issuance with an aggregate principal amount of RMB500 million at a fixed interest rate of 3.42% per annum to certain domestic institutional investors in the PRC. On 14 September 2016, the short-term note was repaid.

On 15 June 2016, the Company issued the super short-term notes with a term of 270 days from the date of issuance with an aggregate principal amount of RMB450 million at a fixed interest rate of 3.01% per annum to certain domestic institutional investors in the PRC.

On 27 June 2016, the Company issued the short-term notes with a term of one year from the date of issuance with an aggregate principal amount of RMB300 million at a fixed interest rate of 3.04% per annum to certain domestic institutional investors in the PRC.

On 8 September 2016, the Company issued the super short-term notes with a term of 270 days from the date of issuance with an aggregate principal amount of RMB730 million at a fixed interest rate of 2.88% per annum to certain domestic institutional investors in the PRC.

On 22 November 2016, the Company issued the super short-term notes with a term of 270 days from the date of issuance with an aggregate principal amount of RMB500 million at a fixed interest rate of 3.31% per annum to certain domestic institutional investors in the PRC.

23. Borrowings (continued)

(d) As at 31 December 2016, Xiamen Terminal Group provided guarantees to banks connection with facilities granted to Xiamen Haicang XinHaiDa amounted to RMB40 million.

Total borrowings at respective balance sheet dates are repayable as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Bank borrowings repayable:		
— within 1 year	**2,217,375**	1,724,853
— between 1 and 2 years	**40,503**	263,914
— between 2 and 5 years	**1,210,511**	489,237
— over 5 years	**72,578**	349,960
	3,540,967	2,827,964

The Group's borrowings as at the respective balance sheet date are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
RMB	**3,496,750**	2,466,180
USD	**44,217**	247,364
HKD	**—**	114,420
Total borrowings	**3,540,967**	2,827,964

23. Borrowings (continued)

The weighted average effective interest rates at the respective balance sheet dates were as follows:

	2016	2015 (Restated, Note 37)
Bank borrowings		
— RMB	**3.22%**	4.56%
— USD	**1.52%**	1.98%
— HKD	**—**	1.92%

The carrying amounts of short-term bank borrowings approximate their fair values, as the impact of discounting is not significant.

The carrying amounts and fair values of long-term borrowings are as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Carrying amounts	**1,323,592**	1,103,111
Fair values	**1,323,592**	1,103,111

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates, and are within level 2 of the fair value hierarchy.

24. Share capital

	Domestic shares of RMB1 each RMB'000	H-shares of RMB1 each RMB'000	Total RMB'000
At 31 December of 2016 and 2015	**1,739,500**	**986,700**	**2,726,200**

The Company was established in the PRC on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC. On 3 March 2005, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital of RMB500,000,000 and reserves of RMB1,256,000,000 as at 30 September 2004 into 1,756,000,000 shares of RMB1 each.

On 2 June 2005, the registered share capital was further increased from 1,756,000,000 to 1,829,200,000 shares of RMB1 each which were issued to owners at RMB1.23 each for cash.

The Company's H-shares were listed on the Main Board on 19 December 2005 and 858,000,000 H-shares, consisting of 780,000,000 new shares and 78,000,000 shares converted from domestic shares, with a nominal value of RMB1 each were issued to the public by the way of global offering at offer price of HKD1.38 each.

On 3 January 2006, the Company allotted and issued 117,000,000 additional H-shares at the offer price of HKD1.38 per H-share as a result of the exercise of the over-allotment option granted on 29 December 2005 as part of global offering of the Company's H-shares. In addition, Xiamen Port Holding transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the "NCSSF"), which in turn entrusted the Company to convert these shares into H-shares and sold them together with the additional H-shares immediately after the share transfer.

The domestic shares and H-shares rank pari passu in all material respects except that the dividends in respect of H-shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. In addition, the transfer of domestic shares is subject to certain restriction imposed by PRC law from time to time.

During the year ended 31 December 2016, there was no movement in the share capital of the Company (2015: Nil).

25. Reserves

	Note	Other reserves: Capital surplus RMB'000' (ii)	Other reserves: Statutory surplus reserve RMB'000'	Other reserves: Investment revaluation reserve RMB'000'	Other reserves: Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015 (Previously reported)		(295,768)	281,797	4,329	(9,642)	2,082,207	2,072,565
Business combination under common control		144,188	—	—	144,188	100,753	244,941
Balance at 1 January 2015 (Restated, Note 37)		(151,580)	281,797	4,329	134,546	2,182,960	2,317,506
Fair value gain on available-for-sale financial assets		—	—	3,280	3,280	—	3,280
— Gross		—	—	4,374	4,374	—	4,374
— Related deferred income tax		—	—	(1,094)	(1,094)	—	(1,094)
Profit for the year		—	—	—	—	319,495	319,495
2014 final dividends		—	—	—	—	(163,572)	(163,572)
Profit appropriation	(i)	—	4,706	—	4,706	(4,706)	—
Business combination under common control	(iii)	(63,683)	—	—	(63,683)	—	(63,683)
Others	(iv)	(22,646)	—	—	(22,646)	—	(22,646)
Balance at 31 December 2015 (Restated, Note 37)		(237,909)	286,503	7,609	56,203	2,334,177	2,390,380
Representing:							
— 2015 proposed final dividends		—	—	—	—	109,048	109,048
— Others		(237,909)	286,503	7,609	56,203	2,225,129	2,281,332
		(237,909)	286,503	7,609	56,203	2,334,177	2,390,380

25. Reserves (continued)

	Note	Other reserves					
		Capital surplus	Statutory surplus reserve	Investment revaluation reserve	Total	Retained earnings	Total
		RMB'000'	RMB'000'	RMB'000'	RMB'000	RMB'000	RMB'000
		(ii)					
Balance at 1 January 2016 (Restated, Note 37)		(237,909)	286,503	7,609	56,203	2,334,177	2,390,380
Fair value gain on available-for-sale financial assets		—	—	27,382	27,382	—	27,382
— Gross		—	—	36,509	36,509	—	36,509
— Related deferred income tax		—	—	(9,127)	(9,127)	—	(9,127)
Profit for the year		—	—	—	—	319,342	319,342
Non-controlling interests arising from business combination (Note 37)		(56,392)	—	—	(56,392)	—	(56,392)
2015 final dividends		—	—	—	—	(109,048)	(109,048)
Profit appropriation	(i)	—	9,581	—	9,581	(9,581)	—
Business combination under common control	(iii)	(395,003)	—	—	(395,003)	—	(395,003)
Balance at 31 December 2016		(689,304)	296,084	34,991	(358,229)	2,534,890	2,176,661
Representing:							
— 2016 proposed final dividends		—	—	—	—	109,048	109,048
— Others		(689,304)	296,084	34,991	(358,229)	2,425,842	2,067,613
		(689,304)	296,084	34,991	(358,229)	2,534,890	2,176,661

25. Reserves (continued)

(i) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under Accounting Standards for Business Enterprises issued by Ministry of Finance on 15 February 2006 (the "PRC GAAP") to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the company's issued capital after such issuance. The current year profit appropriation represented the Company's profit appropriation to statutory surplus.

(ii) The opening balance as at 1 January 2015 was mainly resulted from the re–organisation in 2005, when the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its net assets reported under PRC accounting regulations as at 30 September 2004 into 1,756,000,000 shares of RMB1 each, while the net assets reported under HKFRSs as at 30 September 2004 were lower than the transferred amounts; and the establishment of Xiamen Terminal Group in 2013, when the XPHG injected certain port assets into the Group.

(iii) The movements mainly represented the financial impact of the acquisition of Shihusha. (Note 37)

(iv) The deduction in 2015 represents the transaction cost incurred for the injection of the ports assets by the Company, as a part of capital injection, into Xiamen Terminal Group.

26. Revenues and segment information

(a) Revenues and other income

The Group's revenues (representing turnover) and other income are analysed as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Revenues	**8,483,998**	6,915,686
Other income		
Government subsidies	**47,675**	43,848
Dividend income	**1,161**	4,332
Rental income	**47,687**	59,793
Others	**21,668**	17,413
	118,191	125,386
Total	**8,602,189**	7,041,072

(b) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the chairman and the chief executive officer that makes strategic decisions.

The chief operating decision-maker considers the business from service/product perspective and assesses the performance of the following segments: (1) container loading and unloading and storage business; (2) bulk/general cargo loading and unloading business; (3) ancillary value-added port services; (4) manufacturing and selling of building materials; and (5) trading business of merchandise. As all of the Group's activities are conducted in the PRC, virtually all of the Group's revenues and operating profits are earned within the PRC and all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns. As such, management did not evaluate segment on geographical basis.

26. Revenues and segment information (continued)

(b) Segment information (continued)

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

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

26. Revenues and segment information (continued)

(b) Segment information (continued)

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

	For the year ended 31 December 2015 (Restated, Note 37)					
	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading business of merchandise RMB'000	Total RMB'000
Total segment revenues	1,389,036	609,192	1,099,012	341,174	3,698,202	7,136,616
Inter-segment revenues	—	—	(220,930)	—	—	(220,930)
Revenues	1,389,036	609,192	878,082	341,174	3,698,202	6,915,686
Operating profit	465,883	316,318	156,353	40,421	16,814	995,789
Finance income						53,897
Finance costs						(135,537)
						914,149
Shares of profits less losses of joint ventures	34,268	—	(9,006)	—	—	25,262
Share of profits less losses of associates	63	—	1,944	2,367	—	4,374
Profit before income tax expense						943,785
Income tax expense						(205,032)
Profit for the year						738,753
Other information						
Depreciation	190,793	55,220	65,587	4,998	5,457	322,055
Amortisation	53,000	9,102	8,921	108	2,918	74,049
Net provision for/(reversal of) impairment of						
— inventories	644	—	—	532	196	1,372
— receivables and advances to suppliers	(148)	(28)	7,618	(927)	16,083	22,598

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment information provided to management for the reportable segments as at 31 December 2016 and 31 December 2015 is as follows: (continued)

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Ancillary value-added port services RMB'000	Manufacturing and selling of building materials RMB'000	Trading business of merchandise RMB'000	Total RMB'000
As at 31 December 2016						
Segment assets	9,465,334	2,964,632	2,732,170	213,472	1,459,953	16,835,561
Include:						
Interest in joint ventures	822,339	—	73,500	—	—	895,839
Interests in associates	10,706	—	40,741	7,417	—	58,864
Additions to non-current assets	197,848	225,854	219,577	4,302	5,675	653,256
Segment liabilities	491,189	877,056	1,058,559	121,582	653,098	3,201,484
As at 31 December 2015 (Restated, Note 37)						
Segment assets	8,523,801	2,937,445	2,342,320	242,071	1,184,734	15,230,371
Include:						
Interest in joint ventures	1,099,902	—	78,442	—	—	1,178,344
Interests in associates	14,003	—	38,850	7,070	—	59,923
Additions to non-current assets	89,714	778,602	179,022	6,677	2,129	1,056,144
Segment liabilities	314,637	871,437	322,356	100,970	658,073	2,267,473

The chief operating decision-maker assesses the performance of the operating segments based on operating profit. Finance income and costs are not included in the result for each operating segment that is reviewed by the chief operating decision-maker. Other information provided, except as noted below, to the chief operating decision-maker is measured in a manner consistent with that in the financial statements.

Segment assets mainly exclude deferred income tax assets and available-for-sale financial assets. These are part of the reconciliation to total balance sheet assets.

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable and borrowings. These are part of the reconciliation to total balance sheet liabilities.

26. Revenues and segment information (continued)

(b) Segment information (continued)

Sales between segments are carried out on terms agreed by the parties involved. The revenue from external parties reported to the management meeting is measured in a manner consistent with that in the consolidated income statement.

Reportable segments' assets are reconciled to total assets as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Total segment assets	**16,835,561**	15,230,371
Add: Deferred income tax assets	**266,649**	270,681
Available-for-sale financial assets	**412,417**	206,233
Total assets per consolidated balance sheet	**17,514,627**	15,707,285

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Total segment liabilities	**3,201,484**	2,267,473
Add: Deferred income tax liabilities	**383,243**	347,582
Taxes payable	**79,960**	72,336
Borrowings	**3,540,967**	2,827,964
Total liabilities per consolidated balance sheet	**7,202,654**	5,515,355

27. Other gains — net

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Gain on disposal of property, plant and equipment and land use rights (a)	**98,985**	156,125
Gain on disposal of subsidiaries	**—**	9,157
Gain on remeasuring existing interest in XHICT on acquisition (Note 38)	**88,803**	—
Others	**452**	(2,298)
	188,240	162,984

(a) The Company, together with its subsidiaries, XPD, Xiamen Port Power Supply Service Co., Ltd. and Xiamen Port Domestic Shipping Agent Co., Ltd. entered into agreements ("Land Resumption Agreements") with Xiamen Land Development Centre regarding the resumption of land and certain assets situated thereon in Dongdu port area ("Land and Assets Resumption"), which took effect on 1 November 2012. Pursuant to the Land Resumption Agreements, the total compensation for the Land and Assets Resumption amounts to RMB1,086,614,353, which had been paid by Xiamen Land Development Centre by instalments.

In the year ended 31 December 2016, XPD has finished resumption, all compensation attributable to those surrendered assets have been collected. Disposal gain of RMB104,365,000 (including a compensation for early relocation) was recorded in the consolidated income statement. The remaining balance RMB93,642,000 has been paid by Xiamen Land Development Centre.

28. Employee benefit expenses

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Salaries, wages and bonuses	**688,320**	653,601
Welfare, medical and other expenses	**80,621**	79,415
Contributions to pension plans	**94,283**	95,567
Contributions to supplementary pension scheme	**17,406**	16,930
	880,630	845,513

(a) Pensions — defined contribution plans

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on 17% to 25% (2015: 16.0% to 24.8%) of the employees' monthly salaries and wages, depending on the applicable social security regulations. In addition, from 2008, the Group has also participated in a supplementary pension scheme under which the Group is required to make monthly payments to insurance companies for its existing qualifying employees. The Group has no further obligation for payments of retirement and other postretirement benefits beyond the above contributions. Contributions to these pension plans or scheme are expensed as incurred.

28. Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including three (2015:three) directors and one supervisor (2015:one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2015: one) individual (the "Individual") during the year are as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Basic salaries, housing allowances, other allowances and benefits-in-kind	276	285
Contributions to pension plans	71	72
Discretionary bonuses	515	478
	862	835

During the year, no emoluments were paid by the Company to the individual as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the Individual fall within the following bands:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000 (equivalent to RMB894,510)	1	1

(c) Details of remuneration payable to members of senior management of the Group presented by band during the Year are as follows:

Remuneration by band*	Number of people
RMB400,000–RMB600,000	2
RMB600,000–RMB800,000	2
RMB800,000–RMB1,000,000	2

* To the nearest RMB100,000

29. Expenses by nature

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Cost of inventories sold/consumed (Note 14)	**5,464,572**	4,041,075
Employee benefit expenses (Note 28)	**880,630**	845,513
Depreciation of		
— investment properties (Note 5)	**5,133**	4,343
— property, plant and equipment (Note 6)	**345,084**	317,712
Distribution, transportation and labour outsourcing	**494,673**	493,481
Business tax, stamp duty and real estate tax	**36,121**	48,335
Advertising and marketing expenses	**26,562**	24,507
Amortisation of		
— land use rights (Note 7)	**72,863**	65,415
— intangible assets (Note 8)	**8,746**	8,634
Operating lease rental in respect of property, plant and equipment	**140,898**	145,999
General office expenses	**30,665**	30,375
Repairs and maintenance	**79,426**	75,490
Insurance expenses	**11,596**	16,694
Net provision for/(reversal of) impairment of		
— inventories	**(4,467)**	1,372
— receivables and advances to suppliers	**44,929**	22,598
Auditors' remuneration	**5,027**	5,141
Dredging expense	**18,076**	13,119
Project subcontract expense	**9,008**	5,574
Others	**69,838**	42,890
Total cost of sales, selling and marketing expenses and general and administrative expenses	**7,739,380**	6,208,267

30. Finance income and costs

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Interest income	**60,139**	69,103
Net foreign exchange loss	**(19,766)**	(15,206)
	40,373	53,897
Interests on bank borrowings	**(122,001)**	(159,892)
Less: amounts capitalised	**15,906**	24,355
	(106,095)	(135,537)
Finance costs — net	**(65,722)**	(81,640)

Borrowing costs capitalised are related to the construction of property, plant and equipment. The weighted average interest rate on such capitalised borrowings for the year ended 31 December 2016 was 4.90% (2015: 6.20%) per annum.

31. Taxation

(a) Income tax expense

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

Approved by Xiamen Guo Shui Zhi Han [2008] No.1 issued by State Administration of Taxation Xiamen Branch, Xiamen Songyu Container Terminal Co., Ltd ("Songyu Terminal") is entitled to a five-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent five years, commencing from 2008. The income tax rate for the year ended 31 December 2016 is 12.5% (2015: 12.5%).

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

31. Taxation (continued)

(a) Income tax expense (continued)

Trend Wood Investments Limited ("Trend Wood") and Xiamen Ocean Shipping Agency Hongkong Limited ("Hong Kong Ocean Shipping Agency"), both being subsidiaries of the Company, are incorporated in Hong Kong, thus their applicable income tax rate is 16.5%.

Except for Songyu Terminal, Haiyu, Trend Wood and Hong Kong Ocean Shipping Agency, the Company and other subsidiaries of the Company are subjected to income tax rate of 25% for the year ended 31 December 2016 (2015: 25%).

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

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
PRC corporate income tax	**215,099**	196,089
Deferred income tax charge (Note 13)	**1,322**	8,943
	216,421	205,032

31. Taxation (continued)

(a) Income tax expense (continued)

The difference between the actual income tax charge in the consolidated income statement and the amounts which would result from applying the enacted tax rate to profit before income tax expense can be reconciled as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Profit before income tax expense	**1,021,337**	943,785
Less: share of profits less losses of joint ventures	**(36,348)**	(25,262)
Less: share of profits less losses of associates	**338**	(4,374)
	985,327	914,149
Tax calculated at the applicable tax rate of 25% (2015: 25%)	**246,332**	228,537
Effect of preferential tax rate of:		
— Haiyu	**(21,224)**	(25,818)
— Songyu Terminal	**(11,531)**	(11,674)
Income not subject to income tax	**(163)**	(12,303)
Expenses not deductible for income tax purposes	**1,596**	549
Tax losses which no deferred tax assets were recognised	**26,039**	22,885
Business Combination (Note 38)	**(22,201)**	—
Others	**(2,427)**	2,856
Income tax expense	**216,421**	205,032

32. Dividends

	2016 RMB'000	2015 RMB'000
Proposed final dividends		
— Domestic share	**69,580**	69,580
— H share	**39,468**	39,468
	109,048	109,048

The dividends declared in 2016 and 2015 were RMB109,048,000 (RMB4 cents per share) and RMB109,048,000 (RMB4 cents per share) respectively.

At a Board meeting held on 24 March 2017, the directors of the Company proposed a final dividend of RMB4 cents per share (tax inclusive) for the year ended 31 December 2016. This proposed dividend is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting to be held on 15 June 2017, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

33. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the year ended 31 December 2016 of RMB319,342,000 (2015: RMB319,495,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2015: 2,726,200,000) shares.

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

34. Notes to consolidated statement of cash flows

(a) Reconciliation of profit before income tax expense to net cash generated from operations:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Profit before income tax expense	**1,021,337**	943,785
Adjustments for:		
— Share of profits less losses of associates	**338**	(4,374)
— Share of profits less losses of joint ventures	**(36,348)**	(25,262)
— Depreciation of property, plant and equipment	**345,084**	317,712
— Depreciation of investment properties	**5,133**	4,343
— Amortisation of land use rights	**72,863**	65,415
— Amortisation of intangible assets	**8,746**	8,634
— Gain on disposal of property, plant and equipment	**(98,985)**	(156,125)
— Provision for impairment of inventories	**(4,467)**	1,372
— Provision for impairment of receivables	**44,929**	22,598
— Dividend income	**(1,161)**	(4,332)
— Interest income	**(60,139)**	(69,103)
— Interest expenses	**106,095**	135,537
— Unrealised foreign exchange gain	**3,103**	1,920
— Business combination	**(88,803)**	—
	1,317,725	1,242,120
Changes in working capital:		
— Accounts and notes receivable	**(146,228)**	43,938
— Other receivables and prepayments	**(17,231)**	20,855
— Inventories	**(202,478)**	127,013
— Accounts and notes payable	**(37,922)**	(148,164)
— Other payables and accruals	**207,001**	(50,735)
Net cash generated from operations	**1,120,867**	1,235,027

For the year ended 31 December 2016, there are no other significant non-cash transactions. (2015: Nil)

35. Commitments

(a) Capital commitments

The Group's capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Purchases of property, plant and equipment	**272,767**	562,801

Committed capital expenditure as at 31 December 2016 mainly related to the construction and upgrade of port and storage infrastructure, acquisitions of new loading, other machineries and freighters, renovation of buildings and acquisition of land use rights.

(b) Commitment for equity investment

	2016 RMB'000	2015 RMB'000
Acquisition of target equity interest (Note 43)	**138,337**	—

On 16 December 2016, XCTG (a non-wholly owned subsidiary of the Company) has entered into the acquisition agreement with Initial Sun Limited ("Initial Sun"), pursuant to which XCTG has agreed to acquire 20% equity interest in Xinhaida from Initial Sun at the cash consideration of RMB138,336,800. (the "Acquisition")

Xinhaida was a Sino-foreign equity joint venture established in 2008 in the PRC principally engaged in terminal operations and other related services in Xiamen. Before the Acquisition, the equity interests of Xinhaida are held by Trend Wood as to 46%, Xiamen Haicang Investment Group Co., Ltd. as to 34% and Initial Sun as to 20% respectively and was accounted for as a joint venture of the Group.

35. Commitments (continued)

(c) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases on property, plant and equipment are as follows:

	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Not later than 1 year	**92,020**	88,536
Later than 1 year and not later than 5 years	**177,967**	206,802
Later than 5 years	**34,175**	53,763
	304,162	349,101

(d) Commitment for deposit of BT project

As at 31 December 2016, the total investment commitment for BT project is estimated to be approximately RMB20,300,000. Details are set out in Note 16(b).

36. Contingent liabilities

As at 31 December 2016, the Group have no significant contingent liabilities (2015: Nil).

37. Business combination under common control

On 29 June 2016, XPD, a subsidiary of the Company, entered into an equity interest transfer agreement with XPHG, and subsequently entered into a supplemental agreement on 12 August 2016 (collectively the "Agreements'). Pursuant to the Agreements, XPD will acquire 51% equity interest of Xiamen Port Group Shihushan Terminal Company Limited ("Shihushan") from XPHD at a cash consideration of RMB716,494,000 ("Acquisition of Shihushan").RMB214,948,000 has been paid in 2016, RMB501,546,000 will be paid in 2017.

37. Business combination under common control (continued)

Shihushan is principally engaged in the loading and unloading of bulk cargos storage and transportation agent for domestic cargo. Pursuant to the agreements and approve from relevant governmental authorities, the Acquisition of Shihushan was completed on 21 November 2016.

The Group has applied merger accounting as prescribed in Note 2.2(a) to account for the business combinations under common control. Shihushan has been under control of XPHG from its start of operation in 2002. Therefore, the financial information of Shihushan has been combined in the consolidated financial statements of the Company as if the combination had occurred since then. The comparative amounts in the consolidated financial statements are restated accordingly.

Upon the completion of the Acquisition of Shihushan, the Company effectively owned Shihushan as to 28.12%. The excess of the consideration of Acquisition of Shihushan and the effective interests in Shihushan has been recorded in equity.

No significant adjustments were made to the net assets and net profit/(loss) of Shihushan as a result of the common control combinations to achieve consistency of accounting policies.

37. Business combination under common control (continued)

The reconciliation of the effect arising from the business combinations under common control on the consolidated statements of financial position of the Group as at 31 December 2016 and 2015 is as follows:

The consolidated balance sheet as at 31 December 2016:

	The Group without Shihushan RMB'000	Shihushan RMB'000	Adjustments Note(a) RMB'000	Consolidated RMB'000
Investment in Shihushan	716,494	—	(716,494)	—
Other assets — net	8,895,759	699,720	716,494	10,311,975
Net Assets	9,612,253	699,720	—	10,311,975
Share Capital	(2,726,200)	(40,000)	40,000	(2,726,200)
Reserve	(1,652,731)	(659,720)	135,790	(2,176,661)
Non-controlling interests	(5,233,322)	—	(175,790)	(5,409,112)
	(9,612,253)	(699,720)	—	(10,311,973)

The consolidated balance sheet as at 31 December 2015:

	The Group without Shihushan RMB'000	Shihushan RMB'000	Adjustments Note(a) RMB'000	Consolidated RMB'000
Net Assets	9,402,939	788,991	—	10,191,930
Share capital	(2,726,200)	(40,000)	40,000	(2,726,200)
Reserve	(2,164,718)	(748,991)	523,329	(2,390,380)
Non-controlling interests	(4,512,021)	—	(563,329)	(5,075,350)
	(9,402,939)	(788,991)	—	(10,191,930)

(a) The above adjustments represent adjustments to eliminate the paid-up capital of Shihushan against the Group's investment costs in Shihushan and the intra-group balance as at 31 December 2015 and 2016.

38. Business combinations

On 28 November 2016, Xiamen Container Terminal Group Co.,Ltd. ("XCTG"), (a non-wholly owned subsidiary of the Company) entered into an agreement with Hutchison Ports Haicang Ltd ("HHC") in relation to XHICT, the equity interest of which is owned by XCTG as to 51% and by HHC as to 49%. Pursuant to the agreement, XCTG and HHC agreed that they will act in accordance with the agreed mechanism, the effect of which is that XCTG is able to exercise control over XHICT. No consideration has been and shall be given by the Group for the arrangements contemplated under the agreement. As a result, XHICT is accounted for as a subsidiary of the Group and the entering of the agreement is business combination not under common control.

The following table summarises consideration paid for, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

Consideration: At 28 November 2016	RMB'000
Fair value of equity interest held by the Group before the business combination	391,718
Total consideration	**391,718**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2,512
Land use rights (Note 7)	296,647
Intangible assets (Note 8)	33,649
Property, plant and equipment (Note 6)	728,847
Deferred tax asset (Note 13)	61
Trade and other payables	(90,275)
Deferred tax liability (Note 13)	(29,244)
Total identifiable net assets	**942,197**
Non-controlling interest	(461,676)
Gain on remeasuring existing interest in XHICT on acquisition (Note 27)	**88,803**

The group recognised a gain of RMB88,803,000 as a result of measuring at fair value its 51% equity interest in held by the Group before the business combination. The gain is included in other gains in the group's consolidated income statement for the year ended 31 December 2016.

39. Significant related party transactions

The Company is controlled by XPHG, the parent company, which is in turn subject to the control of the PRC Government.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, during the year ended 31 December 2016 and balances arising from these significant related party transactions.

(a) During the year, save as disclosed elsewhere in the notes in the consolidated financial statements, the Group had the following significant transactions with related parties:

	Note	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Transactions with parent company			
Revenue			
Power supply and maintenance and electrical equipment maintenance	(i)	**33,745**	22,910
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	**29,029**	28,469
Transactions with fellow subsidiaries			
Revenue			
Port services	(i)	**33,565**	26,192
Trading sales	(i)	**1,473**	4,009
Transportation service	(i)	**1,062**	1,656
Tally Service	(i)	**2,465**	2,515
Operating lease rental in respect of land, port facilities and office premises	(i)	**504**	—
Expenses			
Office and property management	(i)	**12,629**	14,064
Operating lease rental in respect of land, port facilities and office premises	(i)	**2,901**	2,058
Comprehensive service fee	(i)	**22,817**	24,384
Labour service fee	(i)	**42,674**	36,797
Information Services	(i)	**14,795**	16,098
Project Management Services	(i)	**6,308**	7,302
Others			
Purchases of property, plant and equipment	(i)	**112,745**	64,380

39. Significant related party transactions (continued)

(a) During the year, save as disclosed elsewhere in the notes in the consolidated financial statements, the Group had the following significant transactions with related parties (continued):

	Note	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Transaction with joint ventures			
Revenues			
Power supply and maintenance and electrical equipment maintenance	(i)	**12,177**	9,980
Transportation	(i)	**36,588**	33,291
Operating lease rental in respect of land, port facilities and office premises	(i)	**9,150**	9,082
Loading and unloading services rendered	(i)	**81,346**	37,598
Inspection service	(i)	**3,378**	4,917
Tally service	(i)	**401**	845
Expenses			
Project management	(i)	**117,120**	106,871
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(i)	**120,380**	39,192
Expenses			
Purchases of commercial goods	(i)	**39,796**	38,761

(i) Transactions rendered to the related parties were carried out on terms that were mutually agreed among the involved parties.

39. Significant related party transactions (continued)

(b) The balances with related parties of the Group at the balance sheet dates are as follows:

	Note	2016 RMB'000	2015 RMB'000 (Restated, Note 37)
Balances with parent company			
Accounts receivable		**110**	523
Other receivables and prepayments	(i)	**280**	60,734
Dividend payable		**3,111**	5,216
Accounts payable	(i)	**110,011**	120,616
Other payables and accruals		**501,596**	40,078
Balances with fellow subsidiaries			
Accounts receivable	(i)	**14,142**	15,607
Other receivables and prepayments	(i)	**2,573**	8,826
Accounts payable	(i)	**50,813**	15,802
Other payables and accruals	(i)	**20,627**	45,756
Balances with joint ventures			
Accounts receivable	(i)	**57,368**	27,806
Other receivables and prepayments	(i)	**441,445**	238,631
Accounts payable	(i)	**65,448**	21,582
Other payables and accruals		**64,300**	144
Balances with associates			
Accounts receivable		**543**	274
Other receivables and prepayments	(i)	**—**	10
Accounts payable		**436**	408
Other payables and accruals	(i)	**3,211**	3,235
Balances with non-controlling shareholders of subsidiaries			
Dividends payable	(i)	**421,323**	219,938
Balances with other related parties			
Accounts receivable	(i)	**16,450**	16,480
Other receivables and prepayments		**1,646**	864
Accounts payable		**—**	10
Other payables and accruals	(ii)	**883**	7,801

39. Significant related party transactions (continued)

(b) The balances with related parties of the Group at the balance sheet dates are as follows (continued):

(i) As at 31 December 2016, except for an entrusted loan amounted of RMB440,000,000 to a joint venture (Note 16(d)), the remaining balances with the parent company, associates, fellow subsidiaries, joint ventures and non-controlling shareholders of subsidiaries are unsecured, interest free and have no fixed terms of repayment or subject to agreed credit terms for trade receivables.

(ii) As at 31 December 2016, the balance referred to port construction fee collected on behalf of Xiamen Port Authority and the balance is unsecured, interest free and has no fixed terms of repayment.

(c) Key management compensation:

	2016 RMB'000	2015 RMB'000
Emoluments	**2,016**	2,140
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,647**	2,095
Contributions to pension plans	**549**	617
Discretionary bonuses	**2,944**	3,337
	7,156	8,189

40. Particulars of subsidiaries, joint ventures and associates

(a) Subsidiaries

As at 31 December 2016, the Company had direct and indirect interests in the following subsidiaries:

Name	Type of legal entity	Issued share/paid-in capital 2016 (RMB'000)	Issued share/paid-in capital 2015 (RMB'000)	Attributable equity interests 2016 Directly held	Attributable equity interests 2016 Indirectly held	Attributable equity interests 2015 Directly held	Attributable equity interests 2015 Indirectly held	Principal activities
Listed								
Xiamen Port Development Co., Ltd. ("XPD")	Joint stock limited company	531,000	531,000	55.13%	—	55.13%	—	Container loading and unloading for domestic trade and bulk/general cargo loading and unloading for both domestic and international trade
Unlisted								
China Ocean Shipping Agency Xiamen Co., Ltd. ("Ocean Shipping Agency")#	Limited liability company	30,000	30,000	—	33.08%	—	33.08%	Shipping agency services for international vessels
Xiamen Waili Tally Co.,Ltd. #	Limited liability company	17,000	17,000	—	47.41%	—	47.41%	Tallying of cargo and container services
Xiamen Port Shipping Co., Ltd.	Limited liability company	135,000	135,000	10%	49.62%	10%	49.62%	Tugboat berthing and unberthing
Xiamen Port Logistics Co., Ltd. ("XPL")	Limited liability company	65,000	65,000	—	55.26%	—	55.26%	Container deposit, land transport, international freight agency
Xiamen Port Domestic Shipping Agency Co., Ltd. #	Limited liability company	2,000	2,000	—	44.10%	—	44.10%	Shipping agency services for domestic trade
Xiamen Port Group Power Supply Service Co., Ltd.	Limited liability company	10,000	10,000	100%	—	100%	—	Operation and management of the equipment at the transformer substation
Xiamen Road and Bridge Building Materials Corporation Ltd.	Limited liability company	70,000	70,000	—	52.37%	—	52.37%	Manufacturing, processing and selling of building materials

40. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital 2016 (RMB'000)	Issued share/paid-in capital 2015 (RMB'000)	Attributable equity interests 2016 Directly held	Attributable equity interests 2016 Indirectly held	Attributable equity interests 2015 Directly held	Attributable equity interests 2015 Indirectly held	Principal activities
Unlisted (continued)								
Xiamen Penavico International Freight and Forwarding Co., Ltd. #	Limited liability company	12,000	12,000	—	33.08%	—	33.08%	Agency services for import and export of products/technology, international and domestic agency services
Xiamen Penavico Navigation Co., Ltd. #	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Domestic transportation agency and labour services
Xiamen Penavico Customs Broker Co., Ltd. #	Limited liability company	5,000	5,000	—	33.08%	—	33.08%	Agency services for customs declaration
Xiamen Penavico Logistics Co., Ltd. #	Limited liability company	3,800	3,800	—	33.08%	—	33.08%	Agency services for imports and exports of products and technology and operations of bonded warehouse
Xiamen Penavico Air Freight Co., Ltd. #	Limited liability company	8,000	8,000	—	33.08%	—	33.08%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd.	Limited liability company	35,000	35,000	—	55.25%	—	55.25%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Ganghua Container Service Co., Ltd.	Limited liability company	6,630	6,630	50%	27.63%	50%	27.63%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd.	Limited liability company	81,000	81,000	—	55.17%	—	55.17%	Container deposit, land transport
Xiamen Port Trading Co., Ltd.	Limited liability company	85,000	85,000	—	55.13%	—	55.13%	Commodity export agency and sales
Xiamen Port Hailuda Building Material., Ltd. #	Limited liability company	7,000	7,000	—	44.10%	—	44.10%	Manufacturing, processing and selling of building materials
Xiamen Waili Logistics Management Co., Ltd. #	Limited liability company	300	300	—	47.41%	—	47.41%	Container deposit, land transport and logistics management

40. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital 2016 (RMB'000)	Issued share/paid-in capital 2015 (RMB'000)	Attributable equity interests 2016 Directly held	Attributable equity interests 2016 Indirectly held	Attributable equity interests 2015 Directly held	Attributable equity interests 2015 Indirectly held	Principal activities
Unlisted (continued)								
Xiamen Port Haicang Container Inspection Services Co., Ltd. ("Haicang Container Inspection")#	Limited liability company	1,000	1,000	—	44.81%	—	44.81%	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection
Sanming Port Development Co., Ltd. # (Changed from "Samming Lugang Logistics Co., Ltd.")	Limited liability company	135,000	135,000	—	44.10%	—	44.10%	Freight forwarding and agency business, warehousing services, packing and processing, logistics and distribution and logistics information consulting services
Sanming Port Logistics Co., Ltd #	Limited liability company	10,000	10,000	—	44.10%	—	44.10%	National and international freight agency,cargo storage, deposit and packing services
Sanming Port Construction Co., Ltd #	Limited liability company	10,000	10,000	—	44.10%	—	44.10%	Construction and operation of the relevant projects of Sanming land-based port
Ji'an Port Development Logistics Co., Ltd. (Changed from "Ji'an Lugang Logistics Co., Ltd.")	Limited liability company	70,000	70,000	—	55.13%	—	55.13%	Freight forwarding and agency business, warehousing services and logistics information services
Fuzhou Haiying Port Co., Ltd.	Limited liability company	15,000	15,000	100.00%	—	100.00%	—	Container loading and unloading, stacking and storage management, container packing and unpacking
Zhangzhou City Gulei Port Development Co., Ltd. #	Limited liability company	100,000	100,000	—	38.59%	—	38.59%	Port supporting services, investment and development
Zhangzhou Gulei Harbour Highway Co., Ltd.	Limited liability company	40,000	40,000	—	55.13%	—	55.13%	Road construction,port supporting services, investment and development
Xiamen Hailong Terminal Co., Ltd.	Limited liability company	450,000	450,000	—	55.13%	—	55.13%	Terminal construction and development
Chaozhou Port Development Co., Ltd. #	Limited liability company	144,000	144,000	—	38.59%	—	38.59%	Port supporting services, investment and development

40. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

		Issued share/paid-in capital		Attributable equity interests				
		2016	2015	2016		2015		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Unlisted (continued)								
Xiamen Port Wine Co., Ltd. #	Limited liability company	8,000	8,000	—	38.59%	—	38.59%	Wholesale of pre-packaged food; import and export of merchandise and technology
Sanming Port Customs Declaration Co., Ltd. #	Limited liability company	1,500	1,500	—	44.10%	—	44.10%	Customs Declaration services
Shanghai Haiheng Industrial Co., Ltd.	Limited liability company	10,000	10,000	—	55.13%	—	55.13%	Trading
Xiamen Agency Cruise Agency Co., Ltd.#	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Belt tightening pulley agency services for domestic trade
Zhangzhou City Longchi Port Development Co., Ltd.#	Limited liability company	45,000	20,000	—	30.32%	—	30.32%	Port supporting services, investment and development
Xiamen Terminal Group	Limited liability company	2,436,604	2,436,604	59.45%	0.3%	59.45%	0.3%	Container loading and unloading services
Xiamen Hairun Container Terminal Co., Ltd&	Limited liability company	10,000	—	—	59.75%	—	—	Container loading and unloading services
Zhangzhou City Gulei Tugboat Co., Ltd.	Limited liability company	50,000	50,000	—	64.7%	—	64.7%	Port logistics
Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal")#	Limited liability company	1,680,000	1,680,000	—	44.81%	—	44.81%	Container loading and unloading services
Hainan Xiagang Tugboat Co., Ltd. #	Limited liability company	72,000	72,000	—	49.62%	—	49.62%	Operation of port tugboat
Ji'an Port Logistics Co., Ltd. ("Jian Logistics")& ("Ji'an Port Logistics")	Limited liability company	10,000	10,000	—	55.13%	—	55.13%	National and domestic merchandise agency, keeping and warehousing service
Xiamen Gangjixing Transportation Co., Ltd. ("Gangjixing Transportation")& ("Xiamen Gangjixing") #	Limited liability company	9,500	9,500	—	28.14%	—	28.14%	Container transport
Xiamen Haicang International Container Terminal Ltd. ("XHICT") #*	Limited liability company	555,515	555,515	—	30.46%	—	—	Container loading and unloading for international trade

40. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

		Issued share/paid-in capital		Attributable equity interests				
		2016	2015	2016		2015		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Unlisted (continued)								
Xiamen Port Shihushan Terminal Co., Ltd #*	Limited liability company	40,000	40,000	—	28.12%	—	28.12%	Container loading and unloading for international trade
Xiamen Port Haiyu Terminal Co., Ltd #*	Limited liability company	462,000	462,000	—	28.12%	—	28.12%	Container loading and unloading for international trade
Xiamen Port Haiyi Terminal Co., Ltd#*	Limited liability company	278,000	278,000	—	28.12%	—	28.12%	Container loading and unloading for international trade
Xiamen Port Shihushan Terminal Labour Services Co., Ltd #*	Limited liability company	740	740	—	28.12%	—	28.12%	Labour Services
Unlisted and incorporated in Hong Kong								
Trend Wood Investments Limited ("Trend Wood")	Limited liability company	HKD1	HKD1	—	59.75%	—	59.75%	Investment holding
Xiamen Ocean Shipping Agency (Hongkong) Limited ("Hong Kong Ocean Shipping Agency")#	Limited liability company	HKD1,000,000	HKD1,000,000	—	33.08%	—	33.08%	Shipping agency services for international vessels

The directors of the Company consider that the Group has control over these companies through its representatives on the board of directors and voting power in these companies.

& Established during the year ended 31 December 2016.

* The entities has been included in the consolidation scope of the Group consolidated financial statements in 2016 due to business combination.

40. Particulars of subsidiaries, joint ventures and associates (continued)

(b) Joint ventures

As at 31 December 2016, the Group had interests in the following joint ventures:

Name	Paid-in capital 2016 (RMB'000)	Paid-in capital 2015 (RMB'000)	Proportion of ownership held by the Group and profit sharing 2016	Proportion of ownership held by the Group and profit sharing 2015	Proportion of voting rights held by the Group 2016	Proportion of voting rights held by the Group 2015	Principal activities
Xiamen International Container Terminals Ltd. ("XICT")	1,148,700	1,148,700	51%	51%	56%	56%	Container loading and unloading for international trade
Xiamen Port YCH Logistics Co., Ltd. ("XPYCH")	146,250	146,250	62%	62%	60%	60%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Port Container Co., Ltd. ("XPC")	5,000	5,000	51%	51%	60%	60%	Container loading and unloading for international trade
Xiamen Port Baohe Logistics Co., Ltd. ("XPBL")	6,000	6,000	35%	35%	43%	43%	Container deposit, land transport, international freight agency
Xiamen Haicang XinHaiDa Container Terminals Co., Ltd. ("XinHaiDa")	756,000	756,000	46%	46%	46%	46%	Terminal operation and rendering of relevant port services
Fuzhou Mawei Shipping Co., Ltd.	9,000	9,000	51%	51%	51%	51%	Container liner shipping
Xiamen Ocean Shipping Agency All-Trans Logistic Co., Ltd ("Xiamen Agency All-Trans ")	37,882	37,882	49%	49%	49%	49%	Container deposit, land transport, international freight agency

40. Particulars of subsidiaries, joint ventures and associates (continued)

(c) Associates

As at 31 December 2016, the Group had interests in the following associates:

Name	Type of legal entity	Issued share/paid-in capital 2016 (RMB'000)	Issued share/paid-in capital 2015 (RMB'000)	Attributable equity interests 2016	Attributable equity interests 2015	Principal activities
Unlisted						
Xiamen Penavico Tungya Logistics Co., Ltd.	Sino-foreign cooperative joint venture	18,000	18,000	50%	50%	Provision of storage services
Quanzhou Qing Meng Logistics Co., Ltd.	Limited liability company	10,000	10,000	40%	40%	Provision of container storage, traffic and maintenance services
Xiamen Sandeli Container Storage Co., Ltd.	Limited liability company	10,000	10,000	45%	45%	Provision of container transit, storage, cleaning and maintenance services; and import and export customs declaration services
Xiamen Jida Building Materials Technology Co., Ltd.	Limited liability company	1,500	1,500	40%	40%	Manufacturing, processing and selling of building materials
Sanming Port construction Co.,Ltd.	Limited liability company	5,000	5,000	35%	35%	Construction and operation of the relevant projects of Sanming land-based port
Xiamen China United Tally Co.,Ltd*	Limited liability company	1,200	—	40%	—	Tallying of cargo and container services

* Acquired during the year ended 31 December 2016.

40. Particulars of subsidiaries, joint ventures and associates (continued)

(c) Associates (continued)

Except for Trend Wood and Hong Kong Ocean Shipping Agency which are incorporated in Hong Kong, all other subsidiaries, joint ventures and associates are incorporated in the PRC.

The operations of all subsidiaries (except for Trend Wood and Hong Kong Ocean Shipping Agency), joint ventures and associates are principally carried out in the PRC.

Except for XPD which is a listed company in the PRC, all subsidiaries, joint ventures and associates are private companies having substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, joint ventures and associates referred to in this report represent the English translation of the Chinese names of these companies for identification purpose only as no English names have been registered.

41. Balance sheet and reserve movement of the Company

	Note	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Investment property		**37,344**	31,151
Property, plant and equipment		**164,038**	178,983
Land use rights		**49,601**	50,773
Intangible assets		**—**	25
Investments in subsidiaries		**5,313,592**	5,313,592
Interests in joint ventures		**4,285**	4,285
Available-for-sale financial assets		**109,777**	73,268
Long-term receivables and prepayments		**55,731**	55,731
Deferred income tax assets		**625**	625
Total non-current assets		**5,734,993**	5,708,433
Current assets			
Available-for-sale financial assets		**300,000**	—
Accounts and notes receivable		**4,116**	4,476
Other receivables and prepayments		**963,200**	162,533
Restricted cash		**80**	80
Cash and cash equivalents		**44,536**	50,036
Total current assets		**1,311,932**	217,125
Total assets		**7,046,925**	5,925,558
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,726,200**	2,726,200
Reserves	(a)	**2,124,904**	2,110,755
Total equity		**4,851,104**	4,836,955
LIABILITIES			
Non-current liabilities			
Borrowings		**37,002**	78,391
Long-term payables and advances		**386**	386
Deferred income tax liabilities		**22,911**	13,783
Total non-current liabilities		**60,299**	92,560
Current liabilities			
Other payables and accruals		**148,307**	127,495
Borrowings		**1,987,215**	868,548
Taxes payable		**—**	—
Total current liabilities		**2,135,522**	996,043
Total liabilities		**2,195,821**	1,088,603
Total equity and liabilities		**7,046,925**	5,925,558

Cai Liqun
Director

Chen Zhaohui
Director

41. Balance sheet and reserve movement of the Company (continue)

(a) Reserve movement of the Company

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	(61,484)	281,827	38,070	258,413	1,965,139	2,223,552
Fair value gain on available-for-sale financial assets	—	—	3,280	3,280	—	3,280
— Gross	—	—	4,374	4,374	—	4,374
— Related deferred income tax	—	—	(1,094)	(1,094)	—	(1,094)
Profit for the year	—	—	—	—	47,495	47,495
2014 final dividends	—	—	—	—	(163,572)	(163,572)
Profit appropriation	—	4,706	—	4,706	(4,706)	—
Balance at 31 December 2015	(61,484)	286,533	41,350	266,399	1,844,356	2,110,755
Representing:						
— 2015 proposed final dividends	—	—	—	—	109,048	109,048
— Others	(61,484)	286,533	41,350	266,399	1,735,308	2,001,707
	(61,484)	286,533	41,350	266,399	1,844,356	2,110,755
Balance at 1 January 2016	**(61,484)**	**286,533**	**41,350**	**266,399**	**1,844,356**	**2,110,755**
Fair value gain on available-for-sale financial assets	**—**	**—**	**27,382**	**27,382**	**—**	**27,382**
— Gross	**—**	**—**	**36,509**	**36,509**	**—**	**36,509**
— Related deferred income tax	**—**	**—**	**(9,127)**	**(9,127)**	**—**	**(9,127)**
Profit for the year					**95,815**	**95,815**
2015 final dividends	**—**	**—**	**—**	**—**	**(109,048)**	**(109,048)**
Profit appropriation	**—**	**9,581**	**—**	**9,581**	**(9,581)**	**—**
Balance at 31 December 2016	**(61,484)**	**296,114**	**68,732**	**303,362**	**1,821,542**	**2,124,904**
Representing:						
— 2016 proposed final dividends	**—**	**—**	**—**	**—**	**109,048**	**109,048**
— Others	**(61,484)**	**296,114**	**68,732**	**303,362**	**1,712,494**	**2,015,856**
	(61,484)	**296,114**	**68,732**	**303,362**	**1,821,542**	**2,124,904**

42. Emoluments of directors, supervisors and Board secretary

The emoluments received by individual director, supervisor and Board secretary are as follows:

Year ended 31 December 2016

Name (*)	Emoluments RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Lin Kaibiao	—	276	71	515	862
Fang Yao	—	297	71	419	788
Ke Dong	—	402	76	431	909
Cai Liqun	—	252	71	253	576
Chen Zhaohui	—	273	72	450	795
Non-executive Directors:					
Zheng Yongen	105	—	—	—	105
Chen Dingyu	105	—	—	—	105
Fu Chengjing	105	—	—	—	105
Huang Zirong	105	—	—	—	105
Independent Non-executive Directors:					
Liu Feng	105	—	—	—	105
Lin Pengjiu	105	—	—	—	105
You Xianghua	88	—	—	—	88
Ji Wenyuan	88	—	—	—	88
Jin Tao	88	—	—	—	88
Supervisors:					
Yu Mingfeng	66	—	—	—	66
Zhang Guixian	66	—	—	—	66
Liao Guosheng	378	49	60	345	832
Wu Weijian	336	42	68	282	728
Tang Jinmu	66	—	—	—	66
Xiao Zuoping	66	—	—	—	66
Board Secretary:					
Cai Changzhen	144	56	60	249	509
	2,016	1,647	549	2,944	7,156

* Directors, supervisors and Board secretary are listed by their positions as at 31 December 2016.

42. Emoluments of directors, supervisors and Board secretary (continued)

Year ended 31 December 2015

Name (*)	Emoluments RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Lin Kaibiao	—	285	72	478	835
Fang Yao	—	299	72	346	717
Ke Dong	—	415	74	397	886
Cai Liqun	—	379	65	345	789
Chen Zhaohui	—	275	70	370	715
Non-executive Directors:					
Zheng Yongen	105	—	—	—	105
Chen Dingyu	105	—	—	—	105
Fu Chengjing	105	—	—	—	105
Huang Zirong	9	277	72	397	755
Independent Non-executive Directors:					
Liu Feng	105	—	—	—	105
Xu Hongquan	221	—	—	—	221
Lin Pengjiu	105	—	—	—	105
Huang Shumeng	105	—	—	—	105
Shao Zheping	105	—	—	—	105
Supervisors:					
Yu Mingfeng	66	—	—	—	66
Zhang Guixian	66	—	—	—	66
Liao Guosheng	359	51	55	370	835
Wu Weijian	336	55	67	271	729
Tang Jinmu	66	—	—	—	66
Xiao Zuoping	66	—	—	—	66
Board Secretary:					
Yang Hongtu	216	59	70	364	708
	2,140	2,095	617	3,337	8,189

* Directors, supervisors and Board secretary are listed by their positions as at 31 December 2015.

42. Emoluments of directors, supervisors and Board secretary (Continued)

During the year, no directors or supervisors of the Company have waived their emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

43. Subsequent events

a) On 13 February 2017, the Acquisition of Xinhaida was completed after the approval from relevant governmental authorities. Upon the completion of the Acquisition, Xinhaida has been accounted for as a subsidiary of the Group. (Note 35(b))

b) On 24 March 2017, Zhangzhou City Gulei Port Development Co., Ltd. ("Gulei Port Development"), an indirect subsidiary of the Company, entered into an construction contract with the contractor CCCC Third Navigational Engineering Bureau Co., Ltd. in relation to the construction of berths North No. 1 and No. 2 in Gulei operation area of Zhangzhou City, Fujian Province at a total consideration of RMB637,530,000. The expected construction period for the above construction works is 30 months. The relevant consideration would be paid directly to the contractor by Gulei Port Development in accordance with the requirements of the contract. For details of the above transactions, please refer to the Company's announcement dated 24 March 2017.

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