



秦皇岛港股份有限公司

QINHUANGDAO PORT CO., LTD.*

(a joint stock limited liability company incorporated in the People's Republic of China)
Stock Code : 3369



ANNUAL REPORT 2016

* For identification purposes only



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DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“A Share Issue”	the proposed initial public issue of no more than 558,000,000 A Shares by the Company, which will be listed on the SSE
“A Share(s)”	the ordinary share(s) proposed to be issued by the Company under the A Share Issue, which are subscribed for in RMB
“AGM” or “Annual General Meeting”	the annual general meeting or its adjourned meetings of the Company to be held at 10:00 am on Friday, 16 June 2017 at Qinhuangdao Sea View Hotel, 25 Donggang Road, Haigang District, Qinhuangdao, Hebei Province, PRC
“Articles of Association”	the articles of association of the Company
“Audit Committee”	the audit committee of the Board
“Berth”	area for mooring of vessels on the shoreline. A berth means one designated place for a vessel to moor
“Board of Directors” or “Board”	the board of directors of the Company
“Bulk cargo”	loose commodity cargo that is transported in volume or size
“Cangzhou Bohai”	Cangzhou Bohai Port Co., Ltd.* (滄州渤海港務有限公司), a company incorporated in the PRC with limited liability on 31 October 2007
“Cangzhou Mineral”	Cangzhou Huanghuagang Mineral Port Co., Ltd.* (滄州黃驊港礦石港務有限公司), a company incorporated in the PRC with limited liability on 10 April 2012
“Caofeidian Coal”	Tangshan Caofeidian Coal Port Co., Ltd.* (唐山曹妃甸煤炭港務有限公司), a company incorporated in the PRC with limited liability on 29 October 2009
“Caofeidian Port”	Caofeidian Port Zone in Tangshan Port, Tangshan City, Hebei Province
“Caofeidian Shiye”	Tangshan Caofeidian Shiye Port Co., Ltd.* (唐山曹妃甸實業港務有限公司), a company incorporated in the PRC with limited liability on 4 September 2002
“Company”	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 31 March 2008
“Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法)
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Dry bulk”	solid commodity cargo comprised of major dry bulk (coal, metal ore and grain) and other dry bulk commodities such as sugar, cement and fertilizer

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“GDP”	gross domestic product
“Global Offering”	the issuance of H Shares of the Company by way of Hong Kong public offering and international offering in 2013
“Group”, “the Group”, “us” or “we”	the Company and all of its subsidiaries (unless the context otherwise requires)
“harbour”	a port of haven where ships may anchor
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HPG” or “Controlling Shareholder”	Hebei Port Group Co., Ltd.* (河北港口集團有限公司), previously known as Qinhuangdao Port Group Co., Ltd.* (秦皇島港務集團有限公司), holds 61.11% equity interest of the Company
“HPG Finance”	Hebei Port Group Finance Company Limited* (河北港口集團財務有限公司), a company incorporated in the PRC with limited liability on 10 July 2014
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed and dealt in, on the Stock Exchange
“Huanghua Port”	Huanghua Port in Cangzhou City, Hebei Province
“Independent Third Party(ies)”	An individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any director, supervisor, controlling shareholder, substantial shareholder and chief executive officer of the Company and its subsidiaries or any of their respective associates
“Listing”	Listing of our H Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Non-competition Agreement and Undertaking”	the non-competition agreement dated 25 December 2008, entered into between the Controlling Shareholder and the Company, which was re-entered on 12 September 2010 between the Controlling Shareholder and the Company, and was further amended on 11 July 2013, and the non-competition undertakings issued by HPG on 25 September 2010 and 10 August 2015, respectively
“PRC” or “China”	the People’s Republic of China which, for the purpose of this report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Qinhuangdao Port”	Qinhuangdao Port in Qinhuangdao City, Hebei Province
“QPG”	Qinhuangdao Port Group Co., Ltd.* (秦皇島港務集團有限公司), which was changed to Hebei Port Group Co., Ltd.* (河北港口集團有限公司) on 6 July 2009
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Terminal”	a major construction of a harbour which is designated for mooring vessels, loading and unloading cargoes and boarding travelers
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the Company Law
“TEU” or “container”	a box made of aluminum, steel or fiberglass and used to transport by ship, rail or barge. The standardized dimension (i.e one TEU) is twenty feet in length, eight feet and six inches in height and eight feet in width
“the Previous Year or “2015”	the year ended 31 December 2015
“the Year”, “the Reporting Period” or “2016”	the year ended 31 December 2016
“Tianjin Port”	Tianjin Port in Tianjin City
“Tianjin Port Group”	Tianjin Port (Group) Co., Ltd.* (天津港(集團)有限公司), a company incorporated under the laws of the PRC with limited liability
“Throughput”	a measure of the volume of cargo handled by a port. Where cargoes are transhipped, each unloading and loading process is measured separately as part of throughput
“Shuicao Railway Project”	a construction project including Jishugang Railway from the Shuichang mine area to the Caofeidian port area, which is located within Tangshan City with the Muchangkou station (Beishui line) at its north and the Caofeidian port area at its south and has a full length of 120.671 km
“2017”	the year ending 31 December 2017

* For identification purpose only

CORPORATE INFORMATION

OFFICIAL NAME OF THE COMPANY

秦皇島港股份有限公司

ENGLISH NAME OF THE COMPANY

QINHUANGDAO PORT CO., LTD.*

LEGAL REPRESENTATIVE

Mr. CAO Ziyu (曹子玉)

BOARD OF DIRECTORS

(1) Executive Directors

Mr. CAO Ziyu (曹子玉)
Mr. WANG Lubiao (王錄彪)
Mr. MA Xiping (馬喜平)

(2) Non-executive Directors

Mr. LI Jianping (李建平)
Mr. MI Xianwei (米獻煒)

(3) Independent Non-executive Directors

Mr. LI Man Choi (李文才)
Mr. ZHAO Zhen (趙振)
Ms. ZANG Xiuqing (臧秀清)
Mr. HOU Shujun (侯書軍)

BOARD COMMITTEES

(1) Audit Committee

Ms. ZANG Xiuqing (臧秀清) (Chairwoman)
Mr. MI Xianwei (米獻煒)
Mr. LI Man Choi (李文才)

(2) Remuneration and Appraisal Committee

Mr. HOU Shujun (侯書軍) (Chairman)
Ms. ZANG Xiuqing (臧秀清)

(3) Nomination Committee

Mr. ZHAO Zhen (趙振) (Chairman)
Mr. LI Jianping (李建平)
Ms. ZANG Xiuqing (臧秀清)

(4) Strategy Committee

Mr. CAO Ziyu (曹子玉) (Chairman)
Mr. MI Xianwei (米獻煒)
Mr. ZHAO Zhen (趙振)
Mr. HOU Shujun (侯書軍)

SUPERVISORY COMMITTEE

(1) Supervisors

Mr. NIE Yuzhong (聶玉中)
Mr. BU Zhouqing (卜周慶)
Mr. LIU Simang (劉巴莽)

(2) Employee Representative Supervisors

Mr. CAO Dong (曹棟)
Ms. CHEN Linyan (陳林燕)

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CORPORATE INFORMATION

COMPANY SECRETARY

Mr. ZHANG Nan (張楠)

AUTHORIZED REPRESENTATIVES

Mr. MA Xiping (馬喜平)

Mr. ZHANG Nan (張楠)

AUDITORS

Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower Oriental Plaza,
No 1 East Chang An Avenue Dongcheng District,
Beijing, the PRC

LEGAL ADVISORS AS TO HONG KONG LAW

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

REGISTERED ADDRESS

35 Haibin Road Qinhuangdao
Hebei Province, the PRC

HEADQUARTERS

35 Haibin Road Qinhuangdao
Hebei Province, the PRC

PRINCIPAL PLACE OF BUSINESS

35 Haibin Road Qinhuangdao
Hebei Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22th Floor, World-Wide House
19 Des Voeux Road Central
Central, Hong Kong

PRINCIPAL BANKERS

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

H SHARE REGISTRAR IN HONG KONG

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

COMPANY WEBSITE

www.portqhd.com

STOCK CODE

3369

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of the Group for the year ended 31 December 2016.

ANALYSIS OF THE MACROECONOMIC CONDITION

During the Year, the global economic growth continued to slow down, the potential economic growth rate also decreased. The continuous increase of global debt, which rendered the international financial market more vulnerable, together with the rising trend of trade protectionism, posed more risks and challenges to the world economy. Affected by the general trend of the world economy, the commodity prices experienced sharp fluctuation, and recorded a relatively large increase in the second half of the year. During the same period, the PRC comprehensively implemented the supply side structural reform and registered a GDP growth of 6.7% throughout the year, with economic operation remaining within a reasonable range and economic structure optimizing. However, affected by factors such as the deep-rooted structural problems and the complex and ever-changing global economy, the PRC economic growth was under the pressure of continuous slowdown.

PERFORMANCE OF MAJOR BUSINESS

During the Year, the Group encountered unprecedented and daunting challenges, and was severely and adversely affected by the decrease in demand for coal in South China, profound change in the pattern of coal transportation industry, intensive competition from the ports in Bohai Rim and other unfavourable factors. Affected by the foregoing, the Group recorded substantial decrease in its main cargo, the coal, and the operating results were also significantly affected.

During the Year, the Group has achieved a total throughput for all types of cargoes of 313 million tonnes, representing a decrease of 15.51% as compared with 2015. The throughput of coals, metal ores, oil and liquefied chemicals, containers and the general and other cargoes amounted to 177 million tonnes, 113 million tonnes, 3.31 million tonnes, 13.25 million tonnes and 6.42 million tonnes, respectively. The Group has achieved an operating income of RMB4,911 million, representing a decrease of 28.72% as compared with RMB6,890 million for the corresponding period last year. The net profit attributable to owners of the parent company amounted to RMB365 million, representing a decrease of 72.85% as compared with RMB1,344 million for the corresponding period last year.

BUSINESS REVIEW

As one of the largest public port operator for major dry bulk cargoes in the world and one of the most important ore port operators in the Bohai Rim, the Group provides customers with coal, metal ores, oil/liquefied chemicals, dry bulk cargoes, containers and related logistics services and port value-added and related services.

Facing the new external environment, the Group grasped the new normal, seized new opportunities and faced new challenges. The Group kept centering on economic benefits, deepened the cooperation with major customers and form strategic alliance to control the downward trend in production in full force and actively cultivate new profit growth drivers. The ports in Qinhuangdao, Tangshan and Cangzhou formed healthy interaction and mutual support relationship which further improved the cargoes portfolio and strengthened the ability of sustainable development.

CHAIRMAN'S STATEMENT

For coal business, the Company comprehensively implemented marketing initiatives to retain the cargo sources effectively through market segmentation and target marketing. The Company also strengthened the production organization to seize the favourable opportunities from price stabilization in coal market and maximized the throughput capacity of the ports, which significantly enhanced the loading and unloading efficiency at the ports. Based on the customers' need, the Company developed the automatic coal blending system, which significantly increased the coal blending quality. For metal ore business, the Group fully capitalized on the strategic geographical advantages of Huanghua Port and Caofeidian Port to consolidate the existing cargo sources and develop new cargo sources, and recorded increase in metal ore throughput on a year-on-year basis. In respect of oil and liquefied chemicals, the Group made every effort to organize production and sourcing, and commenced the construction of premises under customs supervision to create favourable conditions for the development of cargo sources in the future. In respect of container business, the Group was granted the qualification of a port for imported fruits, opened the direct line for container freight train from Qinhuangdao South to Erenhot (border) and developed several new shipping lines with throughput reaching a new peak.

CAPITAL OPERATION

During the Year, the Group strived to push forward the listing of A Shares. In particular, we seized the favourable opportunity of acceleration in the approving procedures of IPO in the second half of 2016 by strengthening the organization of internal operation and external reporting and communication to expedite and facilitate the progress of A Shares listing. At the next stage, the Group will keep up the good work and endeavor to complete the A Shares listing as soon as possible and establish a capital platform of A Shares plus H Shares, so as to carry out comprehensive transformation and upgrade by fully leveraging on the international and domestic capital markets, thereby providing powerful support to the continuous and healthy development of the Group.

OUTLOOK AND PROSPECTS

In 2017, with the guidance from the national energy policies and the supply side structural reform, the wide adoption of clean energy such as hydroelectric power, nuclear power and wind power will further squeeze the demand for thermal coal, and more efforts will be made in cutting the excessive capacity of steel, coal and cement industries. PRC's economic trend of growing at a slow yet steady pace with favourable momentum will be further strengthened. Facing both challenges and opportunities, the Group will implement various measures to facilitate the reform, development, transition and upgrade, make proactive and important contribution to the national energy transportation sector and facilitate the government to regulate and balance the coal market.

2017 is of critical importance to the Company in maintaining continuous, stable and health development in the new competition among the ports. The Group will continue to focus on economic benefits with the aim of reform, improve the operation management and strive to achieve continuous, stable and health growth of results to create a stable return for the Shareholders. Meanwhile, based on the target of regaining the leading position in coastal ports, we will expedite the strategic transition and upgrade and facilitate the construction of metal ore and oil terminals at Huanghua Port and other major projects to strengthen our competitiveness and lay a solid foundation for the long-term development.

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

Qinhuangdao Port Co., Ltd.

Cao Ziyu

Chairman

15 March 2017

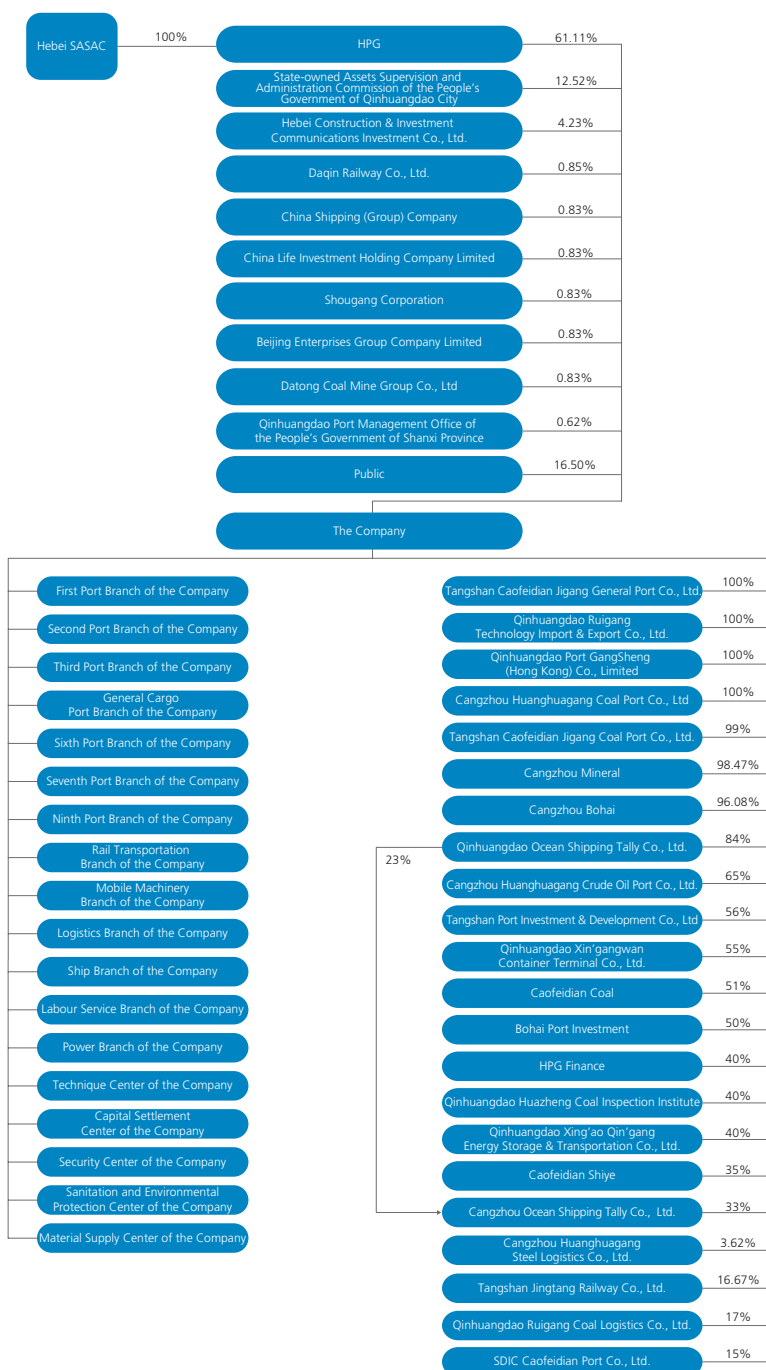
FINANCIAL HIGHLIGHTS

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Summary of income statement					
Revenue	4,911,006	6,889,894	7,223,103	7,189,172	6,477,771
Gross profit	1,337,569	2,810,968	3,146,107	3,143,453	2,923,931
Total profit	485,281	1,713,418	2,557,383	2,195,985	1,803,856
Net profit attributable to owners of the parent company	365,029	1,344,490	1,980,145	1,764,362	1,384,661
Basic/diluted earnings per share (RMB cents)	7.26	26.73	39.37	40.88	32.39
Summary of balance sheet					
Cash and bank balances	1,857,033	2,483,302	3,095,476	5,945,267	3,492,887
Net current liabilities	1,987,701	1,089,841	1,632,545	2,021,188	1,001,971
Total assets	26,290,687	27,170,291	28,136,779	29,241,743	23,204,069
Interest-bearing bank borrowings	11,266,402	11,584,954	11,010,089	10,763,459	9,919,610
Gearing ratio (%)	51.82%	52.00%	52.31%	55.38%	55.05%
Net assets per Share (RMB)	2.27	2.35	2.43	2.36	2.17
Return on net assets (%)	3.14%	11.18%	16.42%	19.29%	15.91%
Summary of cash flow statement					
Net cash flows from operating activities	1,488,869	2,321,238	2,983,811	2,869,195	2,159,773
Net cash flows from investing activities	-85,788	-2,042,456	-3,172,428	-2,244,831	-2,556,847
Net cash flows from financing activities	-1,645,427	-1,813,707	-2,479,954	1,487,048	1,879,099
Net increase in cash and cash equivalents	-226,651	-1,525,783	-2,635,117	2,094,469	-2,276,295

All financial data is presented according to the China Accounting Standards for Business Enterprises.

SHAREHOLDING STRUCTURE OF THE GROUP

As at 31 December 2016, the shareholding structure of the Group was as follows:



Note 1: The Company increased the capital in Cangzhou Bohai, its subsidiary by RMB104,400,000.00 during 2016, which increased the shareholding of the Company therein by 0.15%. The industrial and commercial registration for such change of shareholding was completed in January 2017.

Note 2: The controlling shareholder of Cangzhou Huanghuagang Steel Logistics Co., Ltd. increased the capital of such company by RMB596,854,300 during 2016, which decreased the shareholding of the Company therein from 12.94% to 3.62%. The industrial and commercial registration for such change of shareholding was completed in January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) INDUSTRY OVERVIEW

(1) Overview of Port Industry in the PRC

In 2016, PRC's port industry generally maintained a stable operation and grew at a steady pace with favourable momentum. The major indexes of port throughput showed a trend of "from low in the first half to high in the second half". According to relevant statistics, in 2016, the throughput of cargoes in PRC's ports above designated size reached 11.8 billion tonnes, representing a year-on-year increase of 3.2% and a rebound of 1.3% in growth rate as compared with last year. The growth rate maintained at 2.3% in the first three quarters, and increased significantly to 5.8% in the fourth quarter. In particular, the throughput of cargoes in coastal ports above designated size reached 8.081 billion tonnes, representing a year-on-year increase of 3% and a rebound of 2% in growth rate as compared with last year.

(2) Overview of Port Coal Industry in the PRC

The PRC issued relevant policies related to capacity cut during 2016. In particular, the implementation of production limitation policies such as "276 working days limitation and production in strict compliance with statutory capacity" had direct impact on the production volume of coal. The total production volume of raw coal by all coal production enterprises in PRC amounted to 3.364 billion tonnes, representing a year-on-year decrease of 9.4%, and the supply of coal continued to decrease. Total throughput of coal in the PRC amounted to 1.9 billion tonnes, representing a year-on-year decrease of 4.7%.

(3) Overview of Port Metal Ore Industry in the PRC

In 2016, with the combined effect of various expectations and policy signals, the PRC steel industry showed improvement, which drove the increase in demand for metal ores and rebound of the unloading amount of imported metal ores at major coastal ports. In 2016, the imported iron ores and concentrates of the PRC amounted to 1.024 billion tonnes, representing a year-on-year increase of 7.5%, and reaching the billion mark for the first time.

(4) Overview of Port Oil Industry in the PRC

In 2016, affected by the decrease in both international oil price and production capacity of domestic oil fields, the crude oil production volume of the PRC amounted to 198 million tonnes, representing a year-on-year decrease of 7.3%, the consumption of refined oil in the PRC amounted to 289 million tonnes, representing a year-on-year increase of 5.0%. The output of local private refineries increased significantly, which boosted the importation of crude oil. Under such circumstances, the imports of crude oil in the PRC hit a new high, and inward volume of imported crude oil at major coastal ports increased significantly, which contributed to the pick-up of port throughput.

Source: NDRC website, website of the General Administration of Customs of the PRC, Shanghai Shipping Exchange, China Industry and Economic News Web (中國產業經濟信息網)

MANAGEMENT DISCUSSION AND ANALYSIS

(II) RESULTS OF OPERATION AND FINANCIAL PERFORMANCE

(1) Revenue

We provide highly integrated port services including stevedoring, stacking, warehousing, transportation and logistics services. We handle various types of cargoes mainly including coal, metal ores, oil and liquefied chemicals, containers and general cargoes. We also provide value-added services including towing, tallying and coal blending.

During the Year, the revenue of the Group amounted to RMB4,911,006 thousand, representing a decrease of RMB1,978,888 thousand or approximately 28.72% as compared with the revenue of RMB6,889,894 thousand in 2015. Such decrease was mainly attributable to the decrease in cargoes of coal business affected by the continuous downturn in the market and the competition from surrounding ports; favourable lump sum rates of coal handling would be provided by the Group to strengthen the advantage in cargoes solicitation.

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

	For the year ended 31 December					
	2016		2015			
	Revenue (RMB'000)	Percentage of total revenue (%)	Revenue (RMB'000)	Percentage of total revenue (%)	Increase/ (decrease) (RMB'000)	Increase/ (decrease) (%)
Dry bulk	4,306,281	87.69	6,144,940	89.19	(1,838,659)	(29.92)
– Coal	3,530,506	71.89	5,332,184	77.39	(1,801,678)	(33.79)
– Metal ore	775,775	15.80	812,756	11.80	(36,981)	(4.55)
Oil and liquefied chemicals	65,561	1.33	105,511	1.53	(39,950)	(37.86)
Container	134,148	2.73	127,252	1.85	6,896	5.42
General and other cargoes	178,788	3.64	215,048	3.12	(36,260)	(16.86)
Others	226,228	4.61	297,143	4.31	(70,915)	(23.87)
Total	4,911,006	100.00	6,889,894	100.00	(1,978,888)	(28.72)

(2) Operating Costs

Our operating costs primarily includes labour costs, depreciation and amortization, power and fuel costs, repair and maintenance expenses, environmental protection and sewage charges and leasing expenses.

During the Year, the operating costs of the Group amounted to RMB3,573,437 thousand, representing a decrease of RMB505,489 thousand or approximately 12.39% as compared with the operating costs of RMB4,078,926 thousand in 2015. The decrease was mainly attributable to the year-on-year decrease in variable costs affected by the decreased throughput as well as the active implementation of measures of cost reduction and efficiency enhancement by the Group, which significantly decreased the controllable costs.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Gross Profit Margin

During the Year, the gross profit[#] of the Group amounted to RMB1,337,569 thousand, representing a decrease of RMB1,473,399 thousand or approximately 52.42% as compared with the gross profit of RMB2,810,968 thousand in 2015. The gross profit margin of the Group was 27.24% for the Year, representing a year-on-year decrease of approximately 13.56 percentage points as compared with 40.80% in 2015. Such decrease was mainly due to the fact that the Group recorded larger decrease in revenue than the decrease in operating costs as affected by the industry characteristic of large proportion of fixed costs.

[#] Gross profit is revenue less operating cost.

(4) Segment Analysis¹ (Business Review)

During the Year, the Group achieved a total cargo throughput of 312.76 million tonnes¹, representing a decrease of 57.4 million tonnes or approximately 15.51%, as compared with the throughput of 370.16 million tonnes¹ in 2015. The throughputs generated from each of the ports which we operate are as follows:

	For the year ended 31 December					
	2016		2015		Increase/ (decrease) (million tonnes)	Increase/ (decrease) (%)
	Throughput (million tonnes)	Percentage of total throughput (%)	Throughput (million tonnes)	Percentage of total throughput (%)		
Qinhuangdao Port ²	179.66	57.44	246.55	66.61	(66.89)	(27.13)
Caofeidian Port ³	73.11	23.38	80.42	21.72	(7.31)	(9.09)
Huanghua Port ⁴	59.99	19.18	43.19	11.67	16.80	38.90
Total	312.76	100.00	370.16	100.00	(57.4)	(15.51)

During the Year, the Group achieved a cargo throughput of 179.66 million tonnes⁵ in Qinhuangdao Port, representing a decrease of 66.89 million tonnes or approximately 27.13% from 246.55 million tonnes⁵ for 2015. The decrease was mainly due to the fact that the main cargo handled in Qinhuangdao Port was coal, and the coal throughput recorded year-on-year decrease as affected by the weak demand and supply of coal, the increase in the number of southbound transportation channels for coals from northern region and the intensified competition from surrounding ports,

The Group achieved a cargo throughput of 73.11 million tonnes⁶ in Caofeidian Port, representing a decrease of 7.31 million tonnes or approximately 9.09% from 80.42 million tonnes⁶ for 2015. The main reasons for the decrease are: Caofeidian Shiye was faced with various difficulties in 2016 including the intensifying competition for cargo sources between Jingtang Port and Caofeidian Port. The suspension of vessel berthing at Phase One 2# berth created significant impact on the operation of Caofeidian Shiye. In addition, the operation was also affected by the long downtime of the bucket unloader chain at Phase 2 of the metal ore terminal.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group achieved a cargo throughput of 59.99 million tonnes in Huanghua Port, representing an increase of 16.8 million tonnes or approximately 38.90% from 43.19 million tonnes for 2015. The increase was mainly because: (1) the throughput capacity of metal ore was increased due to the commencement of operation of the metal ore terminal at Huanghua Port; (2) we solicited the cargoes extensively and actively develop new cargo sources by communicating with our clients effectively and conducting various research and visits to enterprises in the hinterland; (3) the development of coal business facilitated the “metal ore – coal” pendulum transportation to create linkage between railways and ports, and developed and reinforced the intermodal transportation of ocean and rail; (4) we linked with Hanhuang Railway to launch the business of collecting coal from the train and distributing metal ore at the port, which laid a foundation for the future enhancement of capability of cargo collection and distribution by railway; and (5) we put great effort in developing new shipping lines, which increased the transfer amount of the port.

The cargo throughput of each type of cargoes we handled is set out below:

	For the year ended 31 December					
	2016		2015		Increase/ (decrease) (million tonnes)	Increase/ (decrease) (%)
	Throughput (million tonnes)	Percentage of total throughput (%)	Throughput (million tonnes)	Percentage of total throughput (%)		
Dry bulk ²	289.78	92.65	341.42	92.24	(51.64)	(15.13)
– Coal	177.04	56.60	230.41	62.25	(53.37)	(23.16)
– Metal ore	112.74	36.05	111.01	29.99	1.73	1.56
Oil and liquefied chemicals	3.31	1.06	7.01	1.89	(3.7)	(52.78)
Container ³	13.25	4.24	12.53	3.38	0.72	5.75
General and other cargoes ⁴	6.42	2.05	9.20	2.49	(2.78)	(30.22)
Total ¹	312.76	100.00	370.16	100.00	(57.4)	(15.51)

(i) Dry bulk cargoes handling services

Our dry bulk cargoes handling services mainly include coal and metal ores handling services. During the Year, the Group recorded a total dry bulk throughput of 289.78 million tonnes, representing a decrease of 51.64 million tonnes or approximately 15.13% from 341.42 million tonnes for 2015. The decrease was mainly due to the decrease in coal throughput at Qinhuangdao Port and metal ore throughput at Caofeidian Port.

During the Year, the Group achieved a total coal throughput of 177.04 million tonnes, representing a decrease of 53.37 million tonnes or approximately 23.16% from 230.41 million tonnes for 2015. Such decrease was mainly due to the fact that during the first half of 2016, with the weak demand for thermal coal in the PRC, increase of railway transportation channels, diversion of cargo resources, intensive competition among the coal port operators in Bohai Rim and the implementation of policy of excessive capacity cut in PRC’s coal industry, the Group’s business operation faced with relatively large difficulties. However, from the second half of 2016, the PRC’s macro economy stabilized and started to pick up, the steel and coal industries saw recovery in demand, which led to the continuous increase in the price of thermal coal in Bohai Rim. Meanwhile, the Group seized the favourable opportunities from the improvement of macro environment and market condition by increasing the marketing efforts and actively attracting customers externally and improving the production organization and service quality internally to safeguard the coal transportation in full force, and delivered outstanding performance as the “coal price stabilizer”, which reflected the strategic position of Qinhuangdao Port in national energy transportation sector. During the second half of 2016, the coal throughput of the Group increased by 14.2% from the first half of the year, thereby narrowing the decrease in coal throughput for the whole year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group achieved a total metal ores throughput of 112.74 million tonnes, representing an increase of 1.73 million tonnes or 1.56% from 111.01 million tonnes for 2015. Such increase was mainly due to the fact that the metal ore throughput of Huanghua Port recorded a significant year-on-year increase, which provided strong supplement to the year-on-year decrease in metal ore throughput of Caofeidian Port, thereby resulting in the year-on-year increase in metal ore throughput of the Group.

(ii) Oil and liquefied chemicals handling services

The Group recorded a total oil and liquefied chemicals throughput of 3.31 million tonnes during the Year, representing a decrease of 3.7 million tonnes or approximately 52.78% from 7.01 million tonnes for 2015. The Daqing crude oil transportation through Tieqin pipeline was stopped at the end of September 2015, which resulted in a relatively large gap in port oil cargo sources. In order to fill the gap in cargo sources, the Group focused on offshore oil and crude oil from asphalt plants, strived to coordinate with the customers to increase the transfer amount, meanwhile actively facilitated the construction of supervisory storage tank.

(iii) Container services

During the Year, the Group achieved better results in respect of the “dry bulk & general cargoes to containers” reform, development of cargo sources in hinterland, expansion of sea-rail intermodal transportation business and stabilization and development of shipping lines. As a result, during the Year, the Group recorded a total container throughput of 1,116,647 TEU, equivalent to a throughput of 13.25 million tonnes, representing increases in the number of containers handled and throughput of 113,971 TEU and 0.72 million tonnes, respectively, (i.e. approximately 11.37% and 5.75%, respectively) as compared with the number of containers handled and throughput of 1,002,676 TEU and 12.53 million tonnes for 2015, respectively.

(iv) General cargoes handling services

During the Year, the Group recorded a total throughput of general and other cargoes of 6.42 million tonnes, representing a decrease of 2.78 million tonnes or approximately 30.22% from 9.20 million tonnes for 2015. The decrease in general cargoes handling throughput was mainly attributable to the decrease in throughput of commodities such as fertilizer and grain affected by decrease in market demand as well as competition and share of cargo sources from surrounding ports.

(v) Ancillary port services and value-added services

We also provide a variety of ancillary port services and value-added services. Our ancillary port services include tugging, tallying, trans-shipping, and shipping agency services during the Year. Our value-added services mainly include towing, tallying, coal blending and tariff-free warehouse and export supervisory warehouse services. During the Year, the revenue of the Group from ancillary port services and value-added services amounted to RMB155,153 thousand, representing a year-on-year decrease of 29.75% as compared to the revenue from ancillary port services and value-added services of RMB220,858 thousand in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Note:

1. Throughput includes that of Caofeidian Shiye. Caofeidian Shiye operates terminals in Caofeidian Port and is a non-consolidated associate company of, and is 35% owned by, the Company. The Company is the largest shareholder of Caofeidian Shiye. During the Year, the throughput of Caofeidian Shiye was 73.11 million tonnes, consisting of 2.78 million tonnes of coal, 70.1 million tonnes of metal ores and 0.23 million tonnes of general cargoes.
2. Includes containers throughput. Using TEU as the measuring unit, the Group recorded a containers throughput of 515,482 TEU in Qinhuangdao Port during the Year.
3. Representing throughput from Caofeidian Shiye.
4. Includes containers throughput. Using TEU as the measuring unit, the Group recorded a containers throughput of 601,165 TEU in Huanghua Port during the Year.
5. The dry bulk cargoes we handle mainly consist of coal and metal ores.
6. During the Year, using TEU as the measuring unit, the Group recorded a containers throughput of 1,116,647 TEU.
7. General and other cargoes include grain, fertilizer, etc.

(5) Administrative Expenses and Selling Expenses

During the Year, our total administrative expenses and selling expenses amounted to RMB799,830 thousand, representing a decrease of RMB272,720 thousand or approximately 25.43% from RMB1,072,550 thousand for 2015. The decrease was mainly attributable to the fact that, on one hand, affected by the decrease in throughput, the Group took active measures of cost reduction and efficiency enhancement, which significantly decreased the administrative expense; on the other hand, since May 2016, the property tax, land use tax, vehicle use tax and stamp duty were reclassified to tax and surcharges for accounting purpose; in addition, early retirement benefits were also decreased as compared with 2015.

(6) Financial Costs

During the Year, our financial costs amounted to RMB258,568 thousand, representing a decrease of RMB38,405 thousand or approximately 12.93% from RMB296,973 thousand for 2015. The decrease was mainly attributable to the decrease in interest expense in 2016 due to multiple downward adjustments to the benchmark rate by the People's Bank of China since 2015.

(7) Investment Income

During the Year, our investment income amounted to RMB120,749 thousand, representing a decrease of RMB117,845 thousand or approximately 49.39% from RMB238,594 thousand for 2015. The decrease was mainly attributable to the decrease in profits generated by the enterprises which the Group invested in.

(8) Net Non-operating Revenue and Expenses

During the Year, our net non-operating revenue and expenses amounted to RMB136,636 thousand, representing an increase of RMB83,573 thousand or approximately 157.50% from RMB53,063 thousand for 2015. The increase was mainly attributable to the receipt of subsidy for the number of containers by the Group during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

(9) Income Tax Expense

Income tax expense of the Group decreased by RMB253,340 thousand to RMB113,716 thousand for the Year from RMB367,056 thousand for 2015, which was mainly due to the decrease in total taxable profits. The effective income tax rate of the Group increased to 23.43% for the Year from 21.42% for 2015, which was mainly due to the expiry of the tax preferential policy of “three-year exemption and three-year 50% reduction” enjoyed by Cangzhou Bohai during the Year.

(10) Net Profit

Net profit of the Group for the Year amounted to RMB371,565 thousand, representing a decrease of RMB974,797 thousand or 72.40% from RMB1,346,362 thousand for 2015. Our net profit attributable to owners of the parent for the Year amounted to RMB365,029 thousand, representing a decrease of RMB979,461 thousand or 72.85% from RMB1,344,490 thousand for 2015.

During the Year, net profit margin of the Group was approximately 7.57%, representing a decrease of 11.97 percentage points from approximately 19.54% for 2015.

(11) Earnings Per Share

Earnings per Share are calculated by dividing the net profit attributable to owners of the parent for the Year by the weighted average number of ordinary Shares in issue during the Year. Earnings per Share of the Group for the Year amounted to RMB0.07, representing a decrease of 74.07% from RMB0.27 for 2015. Please refer to Note V-45 to the financial statements in this annual report for the calculation of earnings per Share.

(12) Capital Structure, Cash Flows and Financial Resources

The Group's funds are mainly used for investment, operating costs, construction of berths and repayment of loans. The Group primarily relied on funds generated from operations and bank loans for our working capital requirement.

During the Year, net cash flows generated from operating activities amounted to RMB1,488,869 thousand, representing a decrease of RMB832,369 thousand or 35.86% as compared with the net cash inflows in 2015 (RMB2,321,238 thousand). Such decrease was mainly resulted from the decrease in revenue for the Year.

During the Year, net cash flows generated from investing activities amounted to RMB-85,788 thousand, representing an increase of RMB1,956,668 thousand or 95.80% as compared with RMB-2,042,456 thousand in 2015. Such increase was mainly resulted from the recovery of bank deposits with maturity of over three months during the Year.

During the Year, net cash flows from financing activities amounted to RMB-1,645,427 thousand, representing an increase of approximately RMB168,280 thousand or 9.28% as compared with RMB-1,813,707 thousand in 2015. Such increase was mainly attributable to the combined effect of decrease in net increase of bank borrowings as compared with last year and decrease in dividends distributed as compared with last year.

Due to the above reasons, as at 31 December 2016, the Group held a balance of cash and cash equivalents of approximately RMB1,149,806 thousand, representing a decrease of RMB226,651 thousand or 16.47% from RMB1,376,457 thousand as at 31 December 2015.

As at 31 December 2016, the gearing ratio (total liabilities divided by total assets) of the Group was 51.82%, decreased by 0.18 percentage point as compared with the gearing ratio of 52.00% as at 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Net cash flow generated from operating activities	1,488,869	2,321,238
Net cash flow generated from investing activities	-85,788	-2,042,456
Net cash flow generated from financing activities	-1,645,427	-1,813,707
Net increase in cash and cash equivalents	-226,651	-1,525,783
Cash and cash equivalents at the beginning of year	1,376,457	2,902,240
Cash and cash equivalents at the end of year	1,149,806	1,376,457

(13) Exchange Rate Risks

The operations of the Group mainly locate in the PRC, and substantially all of business assets, liabilities, operating revenue and expenses are denominated in or settled in RMB, while debts denominated in foreign currencies are mainly used to pay overseas agency fees. As such, the Group has not adopted any foreign exchange hedging arrangement.

(14) Bank Loans and Other Borrowings

As at 31 December 2016, the details of the Group's bank loans and other borrowings are set out in Notes V-19 to V-26 to the financial statements in this report.

(15) Pledge of Assets and Contingent Liabilities

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

(16) Capital Commitment

Details of the Group's capital commitment during the year are set out in Note XI to the financial statements of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

(17) Management of Working Capital

	31 December 2016	31 December 2015
Current ratio	0.56	0.74
Quick ration	0.47	0.65
Turnover days of trade receivables	12.20	10.23
Turnover days of trade payables	10.40	9.20

As at 31 December 2016, the Group's current ratio and quick ratio were 0.56 and 0.47, respectively, representing decreases as compared with the current ratio of 0.74 and quick ratio of 0.65 on 31 December 2015. The turnover days of trade receivables for 2016 was 12.20 days and the turnover days of trade payables was 10.40 days, representing an increase of 1.97 days and 1.20 days, respectively, as compared with 2015, which were still within reasonable levels.

(18) Overview of Major Investments

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

1. On 19 July 2016, Tangshan Jingtang Railway Co., Ltd. ("Jingtang Railway Co") (a 16.67% owned associated company of the Company) and China Railway Group Limited ("China Railway") entered into the General Contracting Agreement on Investment and Construction of Jishugang Railway Project from Newly Constructed Shuichang Mine Area to Caofeidian Port Area (the "General Contracting Agreement"). Under the General Contracting Agreement, China Railway shall invest in and construct the Shuicao Railway Project undertaken by Jingtang Railway Co and increase the capital of Jingtang Railway Co for no more than RMB2.9 billion to subscribe its equity interests. However, the Company and Beijing Shougang Resource Reuse Technology Co., Ltd., being the existing shareholders of Jingtang Railway Co shall repurchase the equity interests held by China Railway in Jingtang Railway Co within a specified period at the original cost. Accordingly, the Company shall undertake to China Railway to repurchase its equity interests in Jingtang Railway Co.
2. On 18 November 2016, Cangzhou Bohai Port Co., Ltd.* (a 96.08% owned subsidiary of the Company) established Cangzhou Bohai Jinji Container Terminal Co., Ltd.* (滄州渤海津冀集裝箱碼頭有限公司) with registered capital of RMB100 million, which became a wholly-owned subsidiary of Cangzhou Bohai Port Co., Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) MAJOR RISK FACTORS

The Group's business is subject to certain risks, which is broadly divided into (i) risks relating to the Group's business and our industry, which mainly include the decrease in domestic coal consumption, substitution of domestic coal by imported coal and competition from nearby ports and other port operators; and (ii) risks relating to business operation in the PRC, which mainly include the material and adverse effect on the Group's business from the changes in the economic, political or social conditions in the PRC and policies adopted by the PRC government. In 2016, the Group assessed and controlled the risks within a reasonable range in order to ensure the achievement of the Company's development target.

The Board has been directly responsible for the risk control of the Company and is also responsible for the establishment of an effective risk control environment which is in compliance with the laws and regulations. The Board is responsible for developing the Company's overall risk control objectives, risk control policies and internal control system, improving the Company's governance structure and tiered authority delegation system, and setting objectives for specific risk control activities.

In order to improve the risk management system, the Board has resolved to amend the terms of reference of the audit committee on 23 March 2016, whereby the responsibility for risk management of the Company has been delegated to the audit committee. Since then, the audit committee has been responsible for ensuring an effective risk management and internal control system of the Company is in place, reviewing the sufficiency of the Company's internal resources, employees' qualification, experience and training, and conducting research and study on matters related to risk management and internal control and reporting to the Board in this regard.

(IV) ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company has a relatively comprehensive environmental protection system in place covering various aspects such as environment management, pollutant monitoring and environmental protection assessment, which is an important basis for conducting environmental management.

The Company has a comprehensive pollution prevention and treatment system which includes dust prevention, controlling and removing system for dust from coal, mine and grain; desulfurization and dust removal device for boiler; and various kinds of wastewater treatment facilities. All the operation processes such as belt transmission, dumping, stacking, reclaiming and loading are equipped with a large number of sprinkling devices and dust removing devices as well as mobile sprinklers and dust collecting cars to ensure a clean environment in port areas.

The Company attaches great importance to environmental protection and invest into the construction and upgrade of pollution treatment and environmental protection facilities with an aim to continuously improve and enhance the regional environment quality.

In 2016, the sulphur dioxide emission of the Group decreased by 6.543 tonnes, representing a year-on-year decrease of 29.56% and the nitrogen oxide emission decreased by 1.269 tonnes, representing a year-on-year decrease of 29.56%, which reflected that progress had been achieved in reduction of pollutant emission.

Further details of this section are set out in the environmental, social and governance report for 2016 issued by the Company in accordance with the requirements of Appendix 27 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Company has been allocating system and staff resources to ensure continuing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the year ended 31 December 2016, to the best knowledge of the Directors, the Company has complied with the Company Law of the PRC, the Securities Law of the PRC, the Special Provisions of the State Council of the PRC for Share Offerings and Offshore Public Listing of Companies Limited by Share (《中華人民共和國國務院〈關於股份有限公司境外募集股份及上市的特別規定〉》), the Port Law of the PRC (《中華人民共和國港口法》), the Securities and Futures Ordinance, the Listing Rules and other relevant rules and regulations.

(VI) RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Our results and sustainable development is materially affected by the Group's relationships with its employees, customers and suppliers. As such, the Group commits to maintaining good relationships with its employees, customers and suppliers.

The Group highly values human resources management, offers competitive remuneration package and benefits not less favorable than those in the same territory and same industry and provides various training opportunities which meet the employees' working requirement and needs for long-term development in order to help the employees expand the career path and formulate career plans, thereby continuously optimizing human resources allocation and improving the human resources efficiency.

(VII) PROSPECTS

In 2017, the Company will continue to facilitate the issue and listing of A Shares in a steady pace, strive to achieve the target of listing in both PRC and Hong Kong markets, fully utilize the international and domestic capital markets and promote the integration of industrial business and capital operation in an innovative manner to facilitate the leap-forward development of the Company. With the continuous implementation of structural reform on the supply side of the PRC's coal industry, the Company will continue to give full play to the advantages in efficient collection at the port and stockpiling, further innovate the service supply, maintain strategic cooperation relationship with enterprises in the upstream and downstream and perform the function of China's "stabilizer of coal price" and the "reservoir for coal transportation from north to south". Meanwhile, active seize strategic opportunities in the cooperative development of Beijing, Tianjin and Hebei area, consolidate and improve the major businesses while expanding into other relevant industries, promote the enhancement of efficiency and effectiveness by strengthening basic management.

MANAGEMENT DISCUSSION AND ANALYSIS

In February 2017, the Ministry of Environmental Protection issued the Plan for Prevention and Control of Atmospheric Pollution in the Beijing-Tianjin-Hebei Region and the Surrounding Regions in 2017 (Draft for Public Consultation) (《京津冀及周邊地區2017年大氣污染防治工作方案》), which required that from the second half of 2017, the relevant ports in the Beijing-Tianjin-Hebei Region shall gradually stop the business of coal transfer by truck and adopt railway transportation for collection and distribution of coal at the ports, which will provide effective supplement to the cargo sources of Qinhuangdao Port, the main hub port of Daqin Railway. Meanwhile, the production capacity of Phase Two of coal terminal in Caofeidian of the Company will be further released, and the opening of Mengji Railway will provide stable cargoes supply to the coal terminal. In addition, the Company will fully capitalize on the geographical advantages of Caofeidian Port and Huanghua Port in wide coverage of economic hinterland by improving the functions of the ports and adjusting the cargoes portfolio to achieve synergy in the region. The Company will also leverage on the favourable opportunity of vigorous development in Hebei's container industry to consolidate and continue the expansion of sea-rail intermodal transportation business, proactively explore new shipping lines and further expand the cargoes sources of "dry bulk & general cargoes to containers".

For the next few years, based on the synergetic development strategy in Beijing-Tianjin-Hebei Region, the Company will implement various measures to enhance its profitability and ability in sustainable development with emphasis on the following strategies: adjust the port functions and cargoes portfolio, consolidate the coal business, strengthen the metal ore business and increase the oil business to boost the leap-forward development of general cargoes and containers business; deeply explore the port value-added services, integrate the business in upstream and downstream of the industrial chain and expand the logistics service system; allocate the resources with the link of capital, improve the network distribution of the domestic coastal ports and promote the development of internationalization; strengthen the port's linkage with and increase the port's contribution to urban society development to promote the integrative development of port, industry and city; facilitate the infrastructure construction, continue to enhance the level of technology and equipment and build a green harbour; strengthen the recognition on "talent thriving enterprise" and optimize the human resource structure; accelerate the progress of informatization and integration with application of information technologies such as the Internet of Things and cloud computing to build an intelligent port; and keep centering on economic benefits to create generous return for all Shareholders.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company during the period from 1 January 2016 to 31 December 2016.

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions of the Corporate Governance Code which were applicable to the Company during the Year. Save for the deviations disclosed in this report with reasons explained for the deviations, the Company has complied with the code provisions set out in the Corporate Governance Code during the Year.

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

BOARD

Duties and Division Responsibility

The Board shall act in the interests of all the Shareholders and shall be accountable to the general meeting. The Board shall mainly be responsible for: implementing the resolutions of the general meeting; determining the operation plan and investment program of the Company; formulating the annual financial budget plan and final accounting plan of the Company; formulating the profit distribution plan of the Company; determining the establishment of internal management bodies and formulating the basic management system of the Company. The Company has established four special committees under the Board to oversee specific matters of the Company, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee. The Board has delegated relevant duties to the respective committees, which are contained in the terms of reference of the relevant committees. Besides, the management of the Company will provide sufficient consultation to the Board and the Board committees when appropriate to facilitate the Directors in making informed decision.

Chairman of the Board and Chief Executive Officer

The Board is responsible for decision making on important matters of the Company and the management is authorised to manage the daily operation of the Company. The Company does not have the position of chief executive officer, whose duties are performed by the general manager. During the Year, Mr. Cao Ziyu and Mr. Tian Yunshan are the chairman of the Board and the general manager of the Company, respectively. The chairman of the Board and the general manager of the Company have clear division of duties. The chairman of the Board shall oversee the work of the Board and monitor the implementation of the resolutions adopted by the Board and the general manager shall coordinate the operation of the business of the Company under the supervision of the Board. On 28 February 2017, Mr. Tian Yunshan has resigned from the positions as executive Director and general manager of the Company due to the change of his work commitment. As it takes time for the appointment, before the Board appoints a new general manager on 15 March 2017, Mr. Cao Ziyu, the chairman of the Company, will temporarily perform the duties as the general manager. The Board and the management of the Company have confirmed that the Company will continue to comply with Code A.2.1 of the Corporate Governance Code.

Save as disclosed in the section "Biographical Details of Directors, Supervisors and Senior Management" in this annual report, there is no financial, business, family or other important relationship between the Directors, the chairman of the Board and the general manager.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD

As of 31 December 2016, the Board comprised ten Directors, including four executive Directors, Mr. Cao Ziyu (chairman), Mr. Tian Yunshan (general manager) (resigned on 28 February 2017), Mr. Wang Lubiao and Mr. Ma Xiping, two non-executive Directors, Mr. Li Jianping and Mr. Mi Xianwei, and four independent non-executive Directors, Mr. Li Man Choi, Mr. Zhao Zhen, Ms. Zang Xiuqing, Mr. Hou Shujun. The particulars of the Directors are set out in the section “Biographical Details of Directors, Supervisors and Senior Management” in this report.

During the Year, the Board had complied with the requirement of Rules 3.10(1) and 3.10(2) of the Listing Rules to have not less than three independent non-executive Directors, including at least an independent non-executive Director who has the relevant professional qualification or is an expert in accounting or financial management. Besides, in accordance with Rule 3.10A of the Listing Rules, not less than one third of the Directors shall be independent non-executive Directors. The Company currently have and had four independent non-executive Directors during the Year, representing four-tenth of the total number of Directors and was in compliance with relevant requirement.

In accordance with the Articles of Association, the Directors (including non-executive Directors) shall have a term of office of three years from the date of passing the resolution of the Shareholders' general meeting till the expiration of term of office of the Board. The Directors are eligible for re-election upon the expiration of term of office, provided that no independent non-executive Director shall serve consecutive terms for more than six years.

Positions in Other Companies held by Directors

Save as otherwise disclosed in this annual report, none of the Directors hold any directorship in other listed companies.

Time Commitment of Directors

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

TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

During the Year, all Directors have received trainings in the written form or by participating in seminars. The trainings were mainly about (i) the obligations of compliance with the Listing Rules by the directors, supervisors and senior management of companies listed in Hong Kong; and (ii) the compliance requirement for connected transaction of listed companies under the Listing Rules.

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

Meetings of the Board

According to the Articles of Association, the Board shall conduct at least four regular meetings per year, i.e. a meeting in each quarter. Written notice of regular Board meetings shall be delivered to all Directors and Supervisors 14 days before the meeting. Written notice of ad hoc Board meetings shall be delivered three days before the meeting. Notice of meeting shall contain the date, venue and duration of the meeting, matters and resolutions to be considered and the date of the notice. Unless otherwise specified by the Articles of Association, more than half of the number of Directors shall form a quorum of a Board meeting. A Director who is unable to attend Board meeting may appoint another Director to attend on his behalf as a proxy by a power of attorney which shall

CORPORATE GOVERNANCE REPORT

contain the name and capacity of the proxy and the scope and duration of the appointment. No Director shall vote on any resolution for himself or on behalf of other Directors if he has interest in the parties or matters in relation to the resolution. An ad hoc Board meeting may be conducted by video conferencing, telephone conferencing and by written resolution. Any Director who fails to attend a Board meeting in person or by proxy shall be deemed to have waived his voting rights. The Board shall prepare minutes of Board meetings to record the matters resolved. The minutes shall be initialed by all Directors who have attended the meeting and the person who has prepared the minutes.

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

During the Year, Directors convened six regular meetings on 23 March 2016, 16 June 2016, 30 August 2016, 18 October 2016, 18 November 2016 and 9 December 2016, respectively, at which resolutions regarding the 2015 annual results and the 2016 interim results were considered.

The attendance record of Directors at the Board meetings convened during the Year is as follows:

Name	Number of meetings attended/ Number of meetings held during Directors' term of office	Number of meetings attended by entrusting other Directors	Attendance rate
Executive Directors			
– Cao Ziyu (<i>Chairman</i>) (appointed as an executive Director of the Company on 18 October 2016)	3/3	0	100%
– Xing Luzhen (<i>former Chairman</i>) (resigned as an executive Director of the Company on 18 October 2016)	2/3	1	100%
– Tian Yunshan (resigned as an executive Director of the Company on 28 February 2017)	6/6	0	100%
– Wang Lubiao	6/6	0	100%
– Ma Xiping	6/6	0	100%
Non-executive Directors			
– Zhao Ke (resigned as a non-executive Director of the Company on 18 October 2016)	2/3	1	100%
– Li Jianping	6/6	0	100%
– Mi Xianwei	6/6	0	100%
Independent Non-executive Directors			
– Li Man Choi	5/6	1	100%
– Zhao Zhen	6/6	0	100%
– Zang Xiuqing	6/6	0	100%
– Hou Shujun	6/6	0	100%

CORPORATE GOVERNANCE REPORT

During the Year, the Company held two general meetings. The attendance record of Directors at the general meetings during the Year is as follows:

Name	Number of meetings attended/Number of meetings held during Directors' term of office	Attendance rate
<i>Executive Directors</i>		
– Cao Ziyu (<i>Chairman</i>) (appointed as an executive Director of the Company on 18 October 2016)	1/1	100%
– Xing Luzhen (<i>former Chairman</i>) (resigned as an executive Director of the Company on 18 October 2016)	1/1	100%
– Tian Yunshan (resigned as an executive Director of the Company on 28 February 2017)	2/2	100%
– Wang Lubiao	2/2	100%
– Ma Xiping	2/2	100%
<i>Non-executive Directors</i>		
– Zhao Ke (resigned as a non-executive Director of the Company on 18 October 2016)	0/1	0%
– Li Jianping	2/2	100%
– Mi Xianwei	2/2	100%
<i>Independent Non-executive Directors</i>		
– Li Man Choi	2/2	100%
– Zhao Zhen	2/2	100%
– Zang Xiuqing	2/2	100%
– Hou Shujun	2/2	100%

CORPORATE GOVERNANCE REPORT

Board Committees

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

During the Year, the attendance record of Directors at each Board committee is as follows:

Name	Number of meetings attended/Number of meetings held during Directors' term of office			
	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee
Executive Directors				
– Cao Ziyu (<i>Chairman</i>) (appointed as an executive Director of the Company on 18 October 2016)	–	–	–	–
– Xing Luzhen (<i>former Chairman</i>) (resigned as an executive Director of the Company on 18 October 2016)	–	–	–	–
– Tian Yunshan (resigned as an executive Director of the Company on 28 February 2017)	–	–	–	–
– Wang Lubiao	–	–	–	–
– Ma Xiping	–	–	–	–
Non-executive Directors				
– Zhao Ke (resigned as a non-executive Director of the Company on 18 October 2016)	–	–	–	–
– Li Jianping	–	–	1/1	–
– Mi Xianwei	0/4	–	–	–
Independent Non-executive Directors				
– Li Man Choi	4/4	–	–	–
– Zhao Zhen	–	–	1/1	–
– Zang Xiuqing	4/4	–	1/1	–
– Hou Shujun	–	–	–	–

Audit Committee

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

As of 31 December 2016, the Audit Committee comprises three Directors, including Ms. Zang Xiuqing, Mr. Li Man Choi and Mr. Mi Xianwei. Ms. Zang Xiuqing, the independent non-executive Director, acts as chairman of the committee. All members of the Audit Committee are non-executive Directors and Ms. Zang Xiuqing and Mr. Li Man Choi are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

During the Year, the Audit Committee convened meetings on 23 March 2016 and 30 August 2016 to review the financial results of the Group for year ended 31 December 2015 and for the six months ended 30 June 2016 before the same were submitted to the Board.

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

Remuneration and Appraisal Committee

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

As of 31 December 2016, the Remuneration and Appraisal Committee comprises three Directors. On 28 February 2017, Mr. Tian Yunshan resigned as the executive Director, general manager, member of Remuneration and Appraisal Committee and Strategy Committee of the Company. Prior to the resignation of Mr. Tian Yunshan, the members of the Remuneration and Appraisal Committee included independent non-executive Directors Mr. Hou Shujun and Ms. Zang Xiuqing, and executive Director Mr. Tian Yunshan during the Year. Independent non-executive Directors represent a majority in the committee. Mr. Hou Shujun, an independent non-executive Director, acts as chairman of the committee. After the resignation of Mr. Tian Yunshan, the number of members of the Remuneration and Appraisal Committee will be reduced from three to two, and is therefore unable to meet the requirements set out in the terms of reference of the Remuneration and Appraisal Committee. In order to meet the requirements of the terms of reference of the Remuneration and Appraisal Committee, the Company is currently aiming to appoint a new member of the Remuneration and Appraisal Committee as soon as practicable.

In accordance with paragraph B.1.5 of the Corporate Governance Code, the remunerations of the senior management by remuneration band for the year ended 31 December 2016 are set out below:

No. (notes)	Remuneration band (RMB)	Numbers of persons
1	0 – 500,000	15
2	500,001 – 1,000,000	6
3	1,000,001 – 1,500,000	0

Notes:

No.1 includes 9 Directors and 6 Supervisors and 0 member of the senior management;
No.2 includes 3 Directors, 0 Supervisor and 3 members of the senior management; and
No.3 includes 0 Director, 0 Supervisor and 0 member of the senior management.

Further details of the remunerations of the Directors and the five highest-paid employees as required under Appendix 16 to the Listing Rules are disclosed in Note XIII-3 to XIII-4 to the financial statements for the Year.

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

As of 31 December 2016, the Nomination Committee comprises three Directors, including independent non-executive Directors Mr. Zhao Zhen and Ms. Zang Xiuqing, and non-executive Director Mr. Li Jianping during the Year. The independent non executive Directors represent a majority in the committee. Mr. Zhao Zheng, an independent non-executive Director, acts as chairman of the committee.

During the Year, the Nomination Committee has mainly performed the following work: to assess and advise the Board on suitability of the nominees who was nominated as the Directors, Supervisors and senior management of the Company during the Year, and review the composition of the Board in accordance with the requirement of the Diversified Membership Policy of the Board. The Nomination Committee has held one meeting in total and all members attended the meeting.

During the Year, the Nomination Committee held one meeting on 29 August 2016 to finish the work above.

Strategy Committee

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

As of 31 December 2016, the Strategy Committee comprises five Directors. On 28 February 2017, Mr. Tian Yunshan resigned as the executive Director, general manager, member of Remuneration and Appraisal Committee and Strategy Committee of the Company. Prior to the resignation of Mr. Tian Yunshan, the members of the Strategy Committee included two executive Directors, one non-executive Director and two independent non-executive Directors during the Year, namely Mr. Cao Ziyu, chairman of the Board, Mr. Tian Yunshan, general manager, Mr. Mi Xianwei, Mr. Zhao Zhen and Mr. Hou Shujun. Mr. Cao Ziyu, chairman of the Board, acts as chairman of the committee.

CORPORATE GOVERNANCE REPORT

Diversification of the Board

In accordance with the board member diversification requirement of the Listing Rules, the Board has adopted the Diversified Membership Policy of the Board. The Nomination Committee has reviewed the composition of the Board in accordance with the Listing Rules and concluded that the composition of the Board is in compliance with the diversification requirements of the Listing Rules in terms of age, education background, industry experience, geographical location and duration of service. Members of the Board are set out in the following table:

Name	Age	Education	Industry Experience	Location	Duration of service (since)
Executive Directors					
– Cao Ziyu (<i>Chairman</i>) (appointed as an executive Director of the Company on 18 October 2016)	50	University graduate	Management	Hebei, China	October 2016
– Xing Luzhen (<i>former Chairman</i>) (resigned as an executive Director of the Company on 18 October 2016)	62	University graduate	Transportation, port operation	Hebei, China	March 2008
– Tian Yunshan (resigned as an executive Director of the Company on 28 February 2017)	54	University graduate	Port operation	Hebei, China	January, 2015
– Wang Lubiao	54	Master	Port operation	Hebei, China	April, 2012
– Ma Xiping	49	Master	Port operation	Hebei, China	July, 2013
Non-executive Directors					
– Zhao Ke (resigned as a non-executive Director of the Company on 18 October 2016)	61	Master	Port operation	Hebei, China	March, 2008
– Li Jianping	55	Master	Port operation	Hebei, China	June, 2014
– Mi Xianwei	52	Master	Construction, investment	Hebei, China	June, 2015
Independent Non-executive Directors					
– Li Man Choi	56	Master	Accounting, audit	Hong Kong	July, 2013
– Zhao Zhen	51	Master	Law	Beijing, China	June, 2014
– Zang Xiuqing	54	Master	Education	Hebei, China	June, 2015
– Hou Shujun	54	Master	Education	Tianjin, China	June, 2015

DIRECTOR

Appointment and Re-election of Directors

Directors (including non-executive Directors and independent non-executive Directors) shall be elected by general meeting with a term of office of three years from the date of passing the resolution of the general meeting and till the expiration of term of office of the Board. The Directors are eligible for re-election upon the expiration of term of office, provided that no independent non-executive Director shall serve consecutive terms for more than six years.

The chairman and vice chairman of the Board shall be elected and removed by over half of the members of the Board, with a term of office of three years, and may be re-elected upon the expiration of term.

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

CORPORATE GOVERNANCE REPORT

None of the Directors has entered or proposed to enter into a service contract with any member of the Group other than those which would be expired within one year or the relevant employer could terminate within one year without the payment of compensation (except statutory compensation).

Nomination of Directors

In accordance with the Articles of Association, the candidates of Directors shall be nominated or recommended by the existing Board or in the form of proposal by the Shareholders separately or jointly holding over 3% of the shares of the Company. The Board shall verify the qualifications and conditions of the candidates of Directors and a written resolution should be proposed at the general meeting for approval after the candidate of Director is determined by proposal.

Independence of Independent Non-executive Directors

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

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

Securities Transaction by Directors and Supervisors

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for securities transactions by the Directors and Supervisors to regulate the securities transactions of the Directors and Supervisors. After specific enquiries, all Directors and Supervisors have confirmed that they have complied with the provisions of the Model Code during the Year.

Directors' Responsibilities on Financial Statements

The Directors have the responsibility to prepare the financial statements for the year ended 31 December 2016 to give a true and fair view of the affairs of the Company and the Group and the results and cash flow of the Group.

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

SHAREHOLDERS AND GENERAL MEETINGS

Particulars of the Controlling Shareholder and the Ultimate Controlling Shareholder

The Controlling Shareholder of the Company is HPG, a state-owned company under the State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province.

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

CORPORATE GOVERNANCE REPORT

Shareholdings of the substantial shareholders and details of the Non-competition Agreement and Undertaking of the Controlling Shareholder during the Year are set out in the “Report of the Board of Directors” in this report.

General Meetings

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

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

During the Reporting Period, the Company convened one annual general meeting and one extraordinary general meeting. For details of proposals and resolutions considered at the meetings, please refer to the relevant announcements posted on the websites of the Stock Exchange and the Company.

CONTROL SYSTEM

Supervisory Committee

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

The authority and duties of the Supervisory Committee include but not limited to (1) to review the financial statements, business report and profit distribution plan prepared by the Board and may retain certified accountant or certified auditor to review the financial information; (2) to supervise the financial activities of the Company; (3) to demand the rectification of acts of the Directors, general manager and senior management which are against the interests of the Company; and (4) to exercise other power, authority and duties in accordance with the Articles of Association.

The Supervisory Committee currently comprises five members, including three Supervisors elected by the Shareholders (Mr. Nie Yuzhong, Mr. Bo Zhouqing and Mr. Liu Simang) and two Supervisors elected by employees (Mr. Cao Dong and Ms. Chen Linyan). Mr. Nie Yuzhong acts as chairman of the Supervisory Committee. Supervisors who are representatives of the Shareholders shall be elected and removed by Shareholders’ general meeting. Supervisors who are representatives of employees shall be elected and removed by employee conference, employee general meeting or other democratic procedures. Each Supervisor shall have a term of three years from the date of approval by Shareholders’ general meeting or employee conference subject to termination upon expiry of the session of the Supervisory Committee. Supervisors are eligible for re-election.

Particulars of the Supervisors are set out in the section “Biographical Details of Directors, Supervisors and Senior Management” of this report.

During the Reporting Period, the Supervisory Committee convened regular meetings on 6 April 2016 and 26 August 2016, respectively, at which proposals including the 2015 Work Report of the Supervisory Committee of Qinhuangdao Port Co., Ltd. was reviewed. The work of the Supervisory Committee is set out in the Report of Supervisory Committee in this annual report.

CORPORATE GOVERNANCE REPORT

Internal Control and Risk Management

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

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

- clear division of the authorities of the general meeting of the Shareholders, the Board, the chairman of the Board and the general manager to avoid the centralisation of authority;
- stringent authority delegation, division and supervision system to ensure the security and proper use of funds;
- collective decision is required for major investment and the proposal, evaluation, decision and implementation procedures are under strict control to minimise investment risks;
- invitation of non-state-owned entities to participate in major projects or services of the Group is under strict control and the Directors and senior management are prohibited to have any paid positions outside the Group;
- to promote the transparency of the management and operation through the implementation of “Three Major One Important” policy so as to prevent the Directors and senior management from fraud and bribe;
- the entire procurement procedure from application, approval, contracting, procurement, inspection and delivery and payment is improved through the improvement of purchase procedure and payment monitoring process to eliminate any loophole in procurement;
- the size, structure and sources of funding as well as the use of significant amount of fund are also under strict control to minimise finance costs and ensure the efficient use of funds; and
- there are highly regulated procedures for connected transactions to specify the preliminary appraisal by independent Directors before submitting for approval by the Board.

During the Year, the above procedures were effectively implemented. The internal control system was improved to strengthen the risk prevention and internal control capabilities. The Audit Committee has been reviewing the risk management and internal control system of the Company regularly, whilst such duties were not specified in the written terms of reference of the Audit Committee. To comply with amendments of Listing Rules while considering the schedule of Board meetings, the Company thereby, through the Board meeting held on 23 March 2016, approved the amendment of the terms of reference of the Audit Committee, of which duties of the Audit Committee regarding the risk management are specified. The above did not have a material and significant effect on the Company’s corporate governance. In addition, the Audit Committee will continue to review and evaluate the effectiveness of the risk management and internal control system of the Group and to report the findings to the Board. The Board will review and evaluate the risk management and internal control system at least once a year to ensure that no material internal control loophole exists.

A self-evaluation report has been prepared by the Board in respect of the risk management and internal control matters of the Company during the Reporting Period. The Board has reviewed the control system of the Company and is of the view that during the Reporting Period, such system was effective and the management of the Company should further perfect its risk management and internal control system to promote the improvement of its corporate governance

CORPORATE GOVERNANCE REPORT

AUDITORS AND THEIR REMUNERATIONS

Ernst & Young Hua Ming LLP was appointed by the Company as the auditors of the Company for 2016. The appointments shall expire upon conclusion of the annual general meeting. The Board is authorized to determine the remuneration of the auditors which is in line with market practice.

For the year ended 31 December 2016, the fees paid to external auditors for interim review and annual audit services (annual audit services for subsidiaries included) were RMB4,198,113.21.

Save as disclosed above, during the Year, the Group did not pay any fee to Ernst & Young Hua Ming LLP for non-audit services. The Audit Committee is satisfied that the independence of the auditors is not affected by the non-audit services provided in 2016.

COMPANY SECRETARY

Ms. Kwong Yin Ping, Yvonne (“**Ms. Kwong**”), a joint company secretary of the Company, has resigned as a joint company secretary of the Company on 9 December 2016, with effect from 12 December 2016. The Stock Exchange has confirmed that Mr. Zhang Nan (“**Mr. Zhang**”), the other joint company secretary of the Company, meets certain requirements in relation to the qualification of the company secretary under Rule 3.28 and Rule 8.17 of the Listing Rules and is qualified to act as the sole company secretary. Therefore, Mr. Zhang became the sole company secretary of the Company since 12 December 2016.

Mr. Zhang joined the Company in 2002 and has more than 14 years legal and securities management related experience. He is familiar with the operation of the Board and the Company and is currently the deputy manager of the Board office.

Particulars of Mr. Zhang are set out in the section “Biographical Details of Directors, Supervisors and Senior Management” in this report.

Both of Mr. Zhang and Ms. Kwong have confirmed that they have received not less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules during the Year.

SHAREHOLDERS’ RIGHTS AND INVESTOR RELATIONSHIP

Convening of Extraordinary General Meeting

In accordance with the Articles of Association, the Shareholders of the Company may demand, convene, chair, attend or attend by proxy general meetings and exercise voting rights thereat.

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

- (1) Shareholder(s), separately or jointly, holding in aggregate not less than 10% voting Shares of the Company may sign one or more written requests of the same format and content to demand the Board to convene extraordinary general meeting or class shareholders’ meeting with explanation of the purpose of the meeting. Upon receipt of the request, the Board shall convene the extraordinary general meeting or class shareholders’ meeting as soon as possible. The number of Shares held by the abovementioned Shareholders shall be based on the number of Shares as of the date on which the Shareholders put forward such written request.
- (2) Where the Board fails to issue notice to convening the meeting within 30 days upon receipt of the above written request, Shareholders proposing such request may convene a meeting by their own within four months upon receipt of the request by the Board. The convening procedures shall as much as possible be equivalent to the procedures for meeting convened by the Board.

CORPORATE GOVERNANCE REPORT

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

Enquiry to the Board

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

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

Procedures for Proposal at the General Meeting

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

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

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

Amendment of Constitutional Documents

During the Year, the Company amended the Articles of Association in June and October 2016. For details of the amendments, please refer to the relevant announcements on the websites of the Stock Exchange and the Company.

Communication with Investors and Investor Relationship

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

DIRECTORS

(1) Executive Directors

Mr. CAO Ziyu (曹子玉), aged 50, holds a university degree. Mr. CAO has been appointed as the party committee secretary of the Company since August 2016. He has served as the party committee secretary of HPG since July 2016 and the director and chairman of HPG since August 2016. Before assuming the above positions, Mr. CAO acted as the deputy director of the office of the management committee of Qinhuangdao Economic & Technological Development Zone and the director of the policy research office of the management committee of Qinhuangdao Economic & Technological Development Zone from April 1995 to December 1995 and from December 1995 to June 1998, respectively. From June 1998 to February 2002, Mr. CAO served as the deputy secretary-general of municipal party committee of Qinhuangdao and concurrently acted as the deputy secretary-general of party committee of Ngari Prefecture, Tibet from July 1998 to June 2001. From February 2002 to October 2002 and from October 2002 to March 2003, he served as the deputy director of the propaganda department and head of the lecturer team of the municipal party committee of Qinhuangdao, respectively. Mr. CAO acted as the deputy secretary of party committee and district mayor of Beidaihe District of Qinhuangdao and concurrently served as the director of the management committee of Beidaihe Economic & Technological Development Zone from March 2003 to December 2004. Mr. CAO served as the deputy secretary of party committee and district mayor of Beidaihe District of Qinhuangdao from December 2004 to January 2006 and the secretary of party committee of Beidaihe District of Qinhuangdao from January 2006 to May 2008. From May 2008 to December 2012, he served as member of the standing committee of municipal party committee of Qinhuangdao and the secretary of party committee of Beidaihe District. From December 2012 to January 2014, Mr. CAO served as member of the standing committee of municipal party committee and secretary of the politics and law committee of Qinhuangdao. From January 2014 to July 2016, he served as member of the standing committee of municipal party committee and executive vice mayor of Handan.

Mr. WANG Lubiao (王錄彪), aged 54, an executive Director, deputy party secretary and secretary of discipline committee of the Company. Mr. Wang graduated from Northwest Institute of Telecommunication Engineering (西北電訊工程學院) in 1983 with a bachelor's degree in engineering in radio communication and graduated from Yanshan University (燕山大學) in September 2004 with a master's degree of engineering in control engineering. He has a professional qualification of senior engineer. Mr. Wang joined the Qinhuangdao Port Authority (秦皇島港務局) (the predecessor of HPG) in August 1983. He has over 30 years of working experience in port operation. He has served various intermediate and senior management positions for approximately 20 years. Mr. Wang served as the deputy general manager and member of the party committee of the Company as well as the manager of the Sixth Port Branch since December 2009, deputy general manager and member of the party committee of the Company since July 2011, executive Director, deputy general manager and member of the party committee of the Company since April 2012. Since August 2014 to present, he served as an executive Director, deputy party secretary and secretary of discipline committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. MA Xiping (馬喜平), aged 49, an executive Director, deputy general manager, a member of the party committee and the secretary to the Board of the Company. Mr. Ma received a bachelor's degree in law in major of economic law from Renmin University of China (中國人民大學) in 1990, obtained a master's degree in administration in science and engineering from Yanshan University (燕山大學) in 2003, and has a professional qualification of senior economist. Mr. Ma started his career in July 1990 in the Qinhuangdao Port Authority (秦皇島港務局) and now has over 20 years of working experience in port industry. Moreover, he has served various intermediate and senior management positions for approximately 15 years. Mr. Ma has been serving as the deputy general manager and a member of the party committee since April 2012. He has served as an executive Director since July 2013. He has concurrently served as secretary to the Board since March 2008.

(2) Non-executive Directors

Mr. LI Jianping (李建平), aged 55, a non-executive Director of the Company and the party secretary of Qinhuangdao State-owned Assets Operation Holdings Limited (秦皇島市國有資產經營控股有限公司). Mr. Li graduated from Yanshan University in 1989, majoring in Electric Drive and Automation. Mr. Li has a master's degree and is a senior electronics engineer. Since 1989, Mr. Li has worked for Qinhuangdao Acrylic Fibre Plant (秦皇島腈綸廠) and served as electric workshops assistant and vice officer, deputy head of equipment and power division, deputy chief engineer of electric professionals and officer of engineer room of production department and deputy factory director and factory director. He has been the chairman, general manager and deputy party secretary of 秦皇島奧萊特腈綸有限公司 since May 2005. He has been the deputy general manager of Qinhuangdao Bawei Construction Investment Group Limited since March 2014, and the party secretary of Qinhuangdao State-owned Assets Operation Holdings Limited (秦皇島市國有資產經營控股有限公司) since January 2015. Mr. Li has been a non-executive Director of the Company since June 2014.

Mr. MI Xianwei (米獻煒), aged 52, a non-executive Director of the Company and a director and the general manager of Hebei Communications Investment and a member of the communist party of the PRC. Mr. Mi graduated from Nankai University with a PhD degree of economics in 2002. Mr. Mi served as the deputy general manager of HECIC Water Investment Co., Ltd. from June 2008 to March 2013, the general manager of the investment and development department of Hebei Construction & Investment Group Co., Ltd. from March to October 2013 and the general manager of HECIC Microcredit Co., Ltd. (河北建投小額貸款股份有限公司) from October 2013 to April 2015. He serves as the vice president of Tangshan Port Group Co., Ltd.* (唐山港集團股份有限公司) (a company listed on the Shanghai Stock Exchange since July 2010, stock code: 601000) since May 2015. Mr. Mi has been a non-executive Director of the Company since June 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(3) Independent Non-executive Directors

Mr. LI Man Choi (李文才), aged 56, an independent non-executive Director of the Company. He obtained his Honours Diploma in Accounting from the Hong Kong Baptist University in 1986, his master's degree in Business Administration from Brunel University, United Kingdom in 1997 and his master's degree of Science in Accounting and Management Science from the University of Southampton, United Kingdom in 1998. He is a Hong Kong Certified Public Accountant, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and a fellow of the Association of Chartered Certified Accountants. Mr. Li has approximately 30 years of practical experience in accounting. Mr. Li has been a partner of Shinewing Certified Public Accountants LLP since September 2016. Mr. Li has been serving as an independent non-executive Director of the Company since July 2013. Moreover, Mr. Li also serves as the independent non-executive director of Beijing Digital Telecom Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 6188).

Mr. ZHAO Zhen (趙振), aged 51, a Chinese lawyer, is currently an independent non-executive Director and a senior partner of Beijing Far East Law Firm (北京市遠東律師事務所). He also serves as the vice president, chairman of the Legal Working Committee, vice chairman of the Investment and Financing Research Committee and the director of Industry Credit Rating Office of China Communication Enterprise Management Association. Mr. Zhao graduated from the Law School of Renmin University of China (中國人民大學) in 1989 and was awarded a master of laws degree from Renmin University of China in 2000. Mr. Zhao served as the deputy section chief of Supervision Bureau under the Ministry of Transport and an assistant to lawyer of China Lawyer Service Center (中國律師事務中心). He has been a lawyer and a senior partner in Beijing Far East Law Firm since 1996. Mr. Zhao has served as an independent director of Huabei Expressway Co., Ltd. (華北高速股份有限公司) (a company listed on the Shenzhen Stock Exchange; stock code: 000916) from 2002 to 2008, and an independent director of Guangxi Wuzhou Communications Co., Ltd. (廣西五洲交通股份有限公司) (a company listed on the Shanghai Stock Exchange; stock code: 600368) from 2009 to 2013. Subsequently, he was appointed as an independent director of Shandong Aofu Environmental Protection Technology Co., Ltd. (山東奧福環保科技股份有限公司) in April 2015 and was appointed as an independent director of Guangxi Wuzhou Communications Co., Ltd. (廣西五洲交通股份有限公司) (listed on the SSE, stock code: 600368) in the same month. Mr. Zhao has been an independent non-executive Director of the Company since June 2014.

Ms. ZANG Xiuqing (臧秀清), aged 54, is currently an independent non-executive Director of the Company, a professor of Yanshan University, and the financial supervisor of Qinhuangdao Rongxuan Machinery Manufacturing Co., Ltd. Ms. Zang has been a teacher at Yanshan University since 1984, serving as a trainee assistant teacher, an assistant teacher, a lecturer, an associate professor and a professor. During the period from October 2004 to March 2005, Ms. Zang studied at Brunel University in the UK as a visiting scholar. During the period from March 2005 to March 2007, Ms. Zang served as an external director of Qinhuangdao Lihua Starch Co., Ltd. (秦皇島驪驊澱粉股份有限公司); during the period from September 2006 to September 2009, Ms. Zang served as a director of the third Fiscal Society of Qinhuangdao (秦皇島市第三屆財政學會理事); and since January 2007 till now, Ms. Zang served as the financial supervisor of Qinhuangdao Rongxuan Machinery Manufacturing Co., Ltd.; and from October 2007 to October 2010, she served as an external director of Qinhuangdao Jihua 3544 Shoe Co., Ltd. (秦皇島際華3544鞋業有限公司). Ms. Zang graduated from the School of Economics and Management of Yanshan University in June 2010 majoring in science and engineering with a PhD degree in management. Ms. Zang has been an independent non-executive Director of the Company since June 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. HOU Shujun (侯書軍), aged 54, is currently an independent non-executive Director of the Company, the director of the Institute of Vibration Engineering (振動工程研究所) of Hebei University of Technology and a professor and a doctoral tutor of the School of Mechanical Engineering. During the period from July 1987 to October 1990, Mr. Hou had been a teacher of mechanical faculty in Hebei University of Technology, and from November 1990 to March 1994, he worked in the Shijiazhuang Mining Machinery Laboratory of the Ministry of Electrical and Electronics Industry (機電部石家莊礦山機械研究室), serving as an engineer, the director of research office; from April 1994 to July 2007, Mr. Hou was a teacher at Hebei University of Science and Technology, serving as a lecturer, an associate professor, and a professor. During the period from January 2002 to January 2003, Mr. Hou studied at the Swansea University and the University of Leeds in the UK as a visiting scholar. In November 2003, Mr. Hou founded the Institute of Vibration Engineering of Hebei University of Science and Technology, and acted as its director, and also acted as a professor in the College of Mechanical Engineering of Hebei University of Technology since July 2007. In November 2007, Mr. Hou founded the Institute of Vibration Engineering of Hebei University of Technology, and has acted as its director till now. He was elected as a doctoral tutor in May 2013. Mr. Hou graduated from Tianjin University in July 1999 majoring in general mechanics with a PhD degree of engineering. Mr. Hou has been an independent non-executive Director of the Company since June 2015.

SUPERVISORS

(1) Supervisors

Mr. NIE Yuzhong (聶玉中), aged 48, a Supervisor and the chairman of the Supervisory Committee. Mr. Nie graduated from the Department of Management Engineering of Wuhan Institute of Water Transport Engineering (武漢水運工程學院) in 1989, majoring in Science and Technology Information Management. He received a bachelor's degree of Arts from University of International Business and Economics (對外經濟貿易大學) in 2005 and obtained a master's degree in Business Administration from Xiamen University (廈門大學) in 2009. He is a senior economist and a senior political engineer. Mr. Nie has served as deputy general manager and general manager of Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島外輪代理有限公司), party secretary and secretary of the Discipline Committee of the Ninth Port Branch, and served as a manager of the Ninth Port Branch since July 2011. He was appointed as a Supervisor and the chairman of the Supervisory Committee since June 2014.

Mr. BU Zhouqing (卜周慶), aged 48, a Supervisor of the Company the director of the Finance Department of HPG and a senior accountant. Mr. Bu graduated from Changsha Communications University with a bachelor's degree in the finance and accounting in July 1992. He held various leadership positions in the Qinhuangdao Port Authority (秦皇島港務局) (the predecessor of HPG) and Qinhuangdao Port Group Co., Ltd., and has acted as the deputy director of the Finance Department of the Company, the deputy director of the Finance Department of HPG, the director of the Finance Department of Hebei Port Group Service Management Co., Ltd. (河北港口集團服務管理公司) since December 2008. Mr. Bu served as the director of the Finance Department of the Company from July 2011 to June 2014, and has served as the director of the Finance Department of HPG since June 2014. He has been a Supervisor of the Company since June 2015.

Mr. LIU Simang (劉日莽), aged 44, a Supervisor of the Company. Mr. Liu graduated from Northeastern University at Qinhuangdao (東北大學秦皇島分校) in 1994 and obtained a master's degree in Business Administration (MBA) from Yanshan University in 2008 and holds a qualification as an accountant. Mr. Liu has been working since 1994 and has served as a salesman and sales manager of Qinhuangdao Yida Food Co., Limited (秦皇島益達食品有限公司), deputy general manager of Qinhuangdao Hairun Food Co., Limited (秦皇島市海潤食品有限公司), vice officer and officer of Asset Management Department and administration officer of Qinhuangdao Commerce and Trade State-owned Assets Investment and Operation Limited (秦皇島市商貿國有資產投資經營有限公司), and vice officer and deputy general manager of preparatory group of Qinhuangdao State-owned Assets Operation Holdings Limited (秦皇島市國有資產經營控股有限公司). He has been the deputy general manager of Qinhuangdao Bawei Construction Investment Group Limited since March 2014. Mr. Liu was appointed as a Supervisor of the Company in June 2014. He was also appointed as a member of the party committee, director and deputy general manager of Qinhuangdao State-owned Assets Operation Holdings Limited (秦皇島市國有資產經營控股有限公司) since November 2014.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(2) Employee Representative Supervisors

Mr. CAO Dong (曹棟), aged 48, an employee representative Supervisor of the Company. Mr. Cao received a bachelor's degree in economics in financial economics from Hebei University (河北大學) in July 1991 and a master's degree in software engineering from the University of Electronic Science and Technology of China (電子科技大學) in December 2011. He has the professional qualification of a senior accountant. Mr. Cao was deputy director of the Investment Center of QPG, deputy manager of general affairs office of construction headquarters of Caofeidian of QPG and deputy director of the audit department of the Company. He has served as director of the audit department of the Company since March 2012. Mr. Cao has served as an employee representative Supervisor of the Company since August 2010. Mr. Cao also served as a supervisor of China Merchants Securities Co., Ltd. (招商證券股份有限公司) (listed on the Shanghai Stock Exchange in November 2009; stock code: 600999) from September 2013 to May 2014, and has been its director since May 2014.

Ms. CHEN Linyan (陳林燕), aged 49, is currently an employee representative of the Company, the vice chairwoman of the labour union of both HPG and the Company. With a university degree and a professional qualification of senior economist, Ms. Chen has once served as the secretary of the planning and statistics section (計統科), the secretary, vice section chief and section chief of labour section (勞資科) of the Sixth Port Branch (第六港務分公司) of Qinhuangdao Port Group Co., Ltd. (秦皇島港務集團有限公司). She was appointed as the vice director of the Labour Department (勞資部) of Qinhuangdao Port Group Co., Ltd. in April 2003, the vice director of the Human Resources Department of Qinhuangdao Port Group Co., Ltd. in March 2007, the vice director of the Human Resources Department (Organization Department of the Party Committee) of the Company in April 2008, the director of the Human Resources Department (Organization Department of the Party Committee) of the Company in May 2009, the vice chairwoman of the labour union of HPG in January 2016. She has been serving as the vice chairwoman of the labour union of both HPG and the Company since July 2016 and an employee representative of the Company since September 2016.

SENIOR MANAGEMENT

Mr. HE Zhenya (何振亞), aged 54, the deputy general manager and a member of the party committee of the Company. He has been engaged as a senior engineer by the Company. Mr. He graduated from China University of Mining and Technology (中國礦業大學), formerly known as China Institute of Mining and Technology (中國礦業學院), in 1986 with a bachelor's degree in engineering in metals and heat treatment and obtained a master's degree in engineering in machinery engineering from Yanshan University (燕山大學) in 2006. He joined the Qinhuangdao Port Authority in 1988 and acquired over 25 years of port industry experience. In the past 10 years, he held various intermediate and senior management positions and has extensive business and management experience. Since December 2009, he has been serving as the deputy general manager and a member of the party committee of the Company. From December 2009 to July 2011, he was also the manager of the Ninth Port Branch of the Company.

Mr. GUO Xikun (郭西錕), aged 52, the deputy general manager, the chief financial officer and a member of the party committee of the Company. He has the professional qualification of a senior accountant. He completed the postgraduate course in business management of Guanghua School of Management of Peking University (北京大學光華管理學院) and obtained a master's degree of EMBA from Beijing Jiaotong University (北京交通大學). Mr. Guo joined the Qinhuangdao Port Authority in 1988 and have since been engaged in finance-related work. He has over 25 years of experience in financial management and port industry related areas. In the past 15 years, he served in various intermediate and senior management positions. Since December 2009, he has served as chief financial officer and a member of the party committee of the Company, and was appointed as the deputy general manager of the Company on 22 August 2014. He has served as a director of Hebei Port Group Finance Company Limited (河北港口集團財務有限公司) since July 2014 and the vice chairman of Hebei Port Group Finance Co., Ltd. Since October 2016. Mr. Guo previously served as a supervisor of China Merchants Securities Co., Ltd. (招商證券股份有限公司) (listed on the Shanghai Stock Exchange in November 2009; stock code: 600999) from December 2001 to May 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. YANG Wensheng (楊文勝), aged 48, the general manager of the Company. Mr. Yang graduated from Shanghai Railway Institute (上海鐵道學院) with a bachelor's degree in July 1991 and he is a senior economist. He joined the Qinhuangdao Port Authority in 1991 and has since then been engaged in port operation related work. He had served as the section chief of the production section of the Railway Transport Company of the Qinhuangdao Port Authority (秦皇島港務局鐵運公司), the deputy manager of Rail Transportation Branch of Qinhuangdao Port Group Co., Ltd. (秦皇島港務集團有限公司), the deputy director of the production department of Qinhuangdao Port Group Co., Ltd. (秦皇島港務集團有限公司), the general manager of Qinren Sea Transportation Co., Ltd. (秦仁海運有限公司) and the manager of the Second Port Branch of the Company. Mr. Yang served as the director of the production department of the Company from September 2012 to January 2015, and was appointed as the deputy general manager of the Company on 22 August 2014. He concurrently served as the chairman of Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (a subsidiary of the Company) since April 2016, and was appointed as the general manager of the Company on 15 March 2017.

COMPANY SECRETARY

Mr. ZHANG Nan (張楠), aged 37, the deputy director of the general office of the Board, the representative for securities affairs and the joint company secretary of the Company. He obtained a bachelor's degree in law majoring in economic law from Heilongjiang University (黑龍江大學) in July 2002. He is a registered corporate lawyer and a registered corporate legal advisor. He is a certified enterprise risk manager and has the qualification certificates of securities practice, secretary to the board of directors, securities affairs representative, independent director as well as financial and tax intermediate professional and technical position. Mr. Zhang has served as the deputy director of the general office of the Board and the representative for securities affairs of the Company since November 2013. He has been the joint company secretary of the Company since August 2013, and has been the sole company secretary of the Company since 12 December 2016 when Ms. Kwong Yin Ping, Yvonne, the other joint company secretary of the Company, resigned from her position.

REPORT OF THE BOARD OF DIRECTORS

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

PRINCIPAL BUSINESS

As at the date of this report, the Group provides integrated port services including stevedoring, stacking, warehousing, transportation and logistics services. The various types of cargo we handled mainly include (i) dry bulk cargoes (including coal and metal ores), (ii) oil and liquefied chemicals, (iii) containers and (iv) general cargo and other goods.

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

FINANCIAL POSITION AND RESULTS

Financial position as at 31 December 2016 and profit of the Year of the Group are set out in pages 65 to 67 of this report.

DIVIDENDS

As the Company is actively pushing ahead the progress of the A Shares IPO and the same has entered the crucial phase. In order to actively facilitate and ensure that the Company will complete the A Shares IPO as scheduled and safeguard the interest of the Company and all Shareholders as a whole, the Board has suggested not to distribute the profits (dividends) for the year ended 31 December 2016 ("2016 Final Dividends") tentatively, which will be accounted for as the accumulated retained profits (dividends) of the Company. Upon the completion of the A Shares IPO of the Company, the retained profits (dividends) will be shared by all Shareholders holding the Shares of the Company after the A Shares IPO in proportion to their respective shareholdings. In the earliest period available for profit distribution after the A Shares IPO of the Company, the Company will propose the distribution of dividends at the general meeting in accordance with the requirements of the Articles of Association of the Company and relevant regulatory requirements. The matters in relation to tentatively not distributing the profits (dividends) for 2016 will be submitted to the Annual General Meeting and class shareholders' meeting proposed to be convened by the Company on 16 June 2017 for approval.

The AGM of the Company will be held on Friday, 16 June 2017. In order to determine the holders of H Shares who will be entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 17 May 2017 to Friday, 16 June 2017 (both days inclusive), during which period no transfer of Shares will be registered. In order for the holders of H Shares of the Company to qualify for attending the 2016 AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 16 May 2017.

REPORT OF THE BOARD OF DIRECTORS

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of the Company has been listed and traded on the Stock Exchange since 12 December 2013. After deducting related expenses, the net proceeds of the Company from the Global Offering amounted to HK\$3,823 million. During the Year, the use of proceeds from the Global Offering was in line with the usage disclosed in the Prospectus.

FIXED ASSETS AND CONSTRUCTION IN PROGRESS

Details of fixed assets and construction in progress of the Group in the Year are set out in Note V-11 and V-12 to the financial statements in this annual report.

UNDISTRIBUTED PROFITS AT THE END OF THE YEAR

Details of the undistributed profits of the Group in the Year are set out in “Consolidated Statement of Changes in Equity” in this annual report. As at 31 December 2016, undistributed profits at the end of the Year distributable to Shareholders amounted to approximately RMB832,687 thousand.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, revenue from the sales to the five largest customers by the Group accounted for approximately 47.07% of the total turnover of the Group, among which, revenue from the sales to the largest customer accounted for approximately 14.79% of the total turnover of the Group.

During the Year, our purchases made from the five largest suppliers of goods or services (i.e. our non-capital goods suppliers) accounted for 12.29% of operating cost of the Group, among which, our purchases made from the largest supplier of non-capital goods accounted for 4.55% of the operating cost of the Group; our purchases made from the five largest equipment and construction service suppliers (i.e. our capital goods suppliers) amounted to RMB486,589 thousand, among which, our purchases made from the largest equipment and construction service supplier amounted to RMB174,758 thousand.

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

CAPITAL COMMITMENT

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

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of business performance of each of the major subsidiaries, joint ventures and associates of the Company are set out in Note VII-1 to VII-3 to the financial statements in this annual report.

DONATION

The charity and other donations of the Group made during the Year amounted to approximately RMB202 thousand.

REPORT OF THE BOARD OF DIRECTORS

CONNECTED TRANSACTIONS

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

As HPG Finance is the subsidiary of HPG and 60% of its equity is owned by HPG, HPG Finance is an associate of HPG and also the connected person of the Company.

For details of the connected transactions of the Group during the Year, please refer to Note X-1 to X-9 to the financial statements.

During the Year, the Group entered into the following transactions and arrangements with connected persons as defined in the Listing Rules:

NON-EXEMPT CONNECTED TRANSACTIONS

The Group has not carried out any connected transactions not exempted from Rule 14A.76(1) of the Listing Rules with the connected persons during the Year.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group, HPG and HPG Finance have carried out the following continuing connected transactions not exempted from Rule 14A.76(1) of the Listing Rules during the Year:

(A) Lease Agreement

The Company and HPG entered into a lease agreement on 25 December 2008 which was renewed on 28 March 2011 (“**Old Lease Agreement**”) in respect of the lease of certain assets which include land, buildings, facilities and equipment from HPG to us. The Old Lease Agreement was valid from 31 March 2008 to 31 December 2013. On 11 July 2013, the Company and HPG entered into a supplemental agreement to the Old Lease Agreement, which extended its term to 31 December 2015, with effect from the execution date of the supplemental agreement. On 23 March 2016, the Company and HPG entered into a new lease agreement, which was valid from 1 January 2016 to 31 December 2018. Pursuant to the new lease agreement, HPG leases to us certain facilities, equipment and properties related to our operations in the western zone of Qinhuangdao Port, which include office buildings, stacking yards, roads, power supply and lighting equipment, office facilities and instruments, and a majority of which are immovable properties. For details of the new lease agreement, please refer to the Company’s announcement dated 23 March 2016.

The total rental fee paid to HPG by the Group pursuant to the lease agreement during the Year was RMB97,401 thousand.

REPORT OF THE BOARD OF DIRECTORS

(B) General Services Agreement

The Company entered into a general services agreement with HPG on 25 December 2008 which was renewed on 28 March 2011 (the “**Old General Services Agreement**”). On 11 July 2013, the Company entered into a supplemental agreement to the general services agreement with HPG, which extended the term of the Old General Service Agreement to 31 December 2015, with effect from the execution date of the supplemental agreement. On 23 March 2016, the Company and HPG entered into a new general service agreement, which was valid from 1 January 2016 to 31 December 2018. The new general services agreement serves as a framework agreement containing the scope of goods and services, transaction principle, stipulation on the formulation of annual procurement and estimation plan, pricing terms and policies in respect of the goods and services to be provided under the new general services agreement.

Pursuant to the Old General Services Agreement, HPG and/or its subsidiaries shall provide a wide range of services for the Group, which include (i) social services such as employee training, medical services, printing and other relevant or similar services; (ii) office and logistics services such as property services, office leasing, office supplies and other daily supplies leasing, water and heat supply, hygiene, greening and other relevant or similar services; and (iii) production services such as labour services, equipment manufacturing, survey and design, supervisory services, vehicle and other equipment leasing, port construction, property development, entrusted construction, port engineering maintenance and communication services, reclaimed water supply, goods and resource supply and other relevant or similar services, while the Group shall provide HPG and/or its subsidiaries with the following services: general port services, port electricity management services, transportation services, software services, labor services, leasing services, resources supply services and other relevant or similar services. For details of the new general services agreement, please refer to the Company’s announcement dated 23 March 2016.

(C) Financial Services Framework Agreement

On 17 November 2014, the Company (on behalf of itself and its subsidiaries) entered into the old financial services framework agreement (“**Old Financial Services Framework Agreement**”) with HPG Finance, pursuant to which HPG Finance agreed to provide the financial services to the Group. Such agreement shall take effect till 31 December 2016. On 23 March 2016, the Company and HPG Finance entered into a new financial services framework agreement, which extended the term of the Old Financial Services Framework Agreement to 31 December 2018, and replaced the Old Financial Services Framework Agreement with retrospective effect from 1 January 2016. The new financial services framework agreement as a framework agreement containing the scope of financial services provided by HPG Finance, transaction principle, annual caps and pricing terms and policies.

Pursuant to the new financial services framework agreement, the financial services to be provided by HPG Finance to the Group include: (i) Deposit Taking Services, (ii) Loan Services, and (iii) Other Financial Services. For details of the new financial services framework agreement, please refer to the relevant announcement on the websites of the Stock Exchange and the Company.

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

- (1) in the ordinary and usual course of business of the Company;
- (2) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms or not, on terms no less favorable than those available to or from independent third parties; and
- (3) in accordance with the relevant agreements governing the transactions and on terms that are fair and reasonable and in interests of the Company and the Shareholders as a whole.

REPORT OF THE BOARD OF DIRECTORS

According to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules". The auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The above continuing connected transactions:

- (1) have been, in all material respects, effected in accordance with pricing policies specified under the respective agreements relating to the transactions;
- (2) have been, in all material respects, entered into on the terms of the respective agreements relating to the transactions; and
- (3) do not exceed the annual caps as disclosed in relevant announcements.

The related party transactions (which also constituted connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules) set out in Note X to the financial statements are in compliance with the disclosure requirement under Chapter 14A of the Listing Rules.

EMPLOYEES, REMUNERATION POLICY AND PENSION SCHEME

Staff costs of the Group during the Year amounted to RMB2,094,169 thousand. For details of employees, remuneration policy and pension scheme of the Company, please refer to Note V-22 and V-27 to the financial statements.

SHARE CAPITAL

As at 31 December 2016, the total issued share capital of the Company amounted to RMB5,029,412,000, which divided into 5,029,412,000 Shares with a nominal value of RMB1.00 each, including:

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

Details of changes in share capital of the Company during the Year are set out in Note V-29 to the financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE BOARD OF DIRECTORS

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES OF THE COMPANY

As at 31 December 2016, so far as the Directors and Supervisors are aware, other than the Directors, Supervisors and the senior management of the Company, the following persons had or deemed to have an interest or short position in the Shares, underlying Shares and debentures which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Name of Shareholders	Number of Shares held	Capacity	Class of Share	Approximate percentage of the total number of relevant class of issued share capital of the Company	Approximate percentage to total issued share capital of the Company	Long position/ short position
State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province	3,073,364,204 (note 1)	Interest of controlled corporation	Domestic Share	73.18%	61.11% (note 4)	Long position
HPG	3,073,364,204 (note 1)	Beneficial owner	Domestic Share	73.18%	61.11% (note 4)	Long position
Qinhuangdao Municipal People's Government State-owned Assets Supervision and Administration Commission	629,824,026	Beneficial owner	Domestic Share	15.00%	12.52%	Long position
Hebei Construction & Investment Communications Investment Co., Ltd.	212,692,830	Beneficial owner	Domestic Share	5.06%	4.23%	Long position
Fosun Holdings Limited	44,839,500 (note 2)	Interest of controlled corporation	H Share	5.40%	0.89%	Long position
Fosun International Holdings Ltd.	44,839,500 (note 2)	Interest of controlled corporation	H Share	5.40%	0.89%	Long position
Fosun International Limited	44,839,500 (note 2)	Interest of controlled corporation	H Share	5.40%	0.89%	Long position
Guo Guangchang	44,839,500 (note 2)	Beneficial owner	H Share	5.40%	0.89%	Long position
China Shipping (Group) Company	44,296,500 (note 3)	Interest of controlled corporation	H Share	5.34%	0.88%	Long position
China Shipping (Hong Kong) Holdings Co., Limited	44,296,500 (note 3)	Interest of controlled corporation	H Share	5.34%	0.88%	Long position
China Shipping Ports Development Co., Ltd.	44,296,500 (note 3)	Beneficial owner	H Share	5.34%	0.88%	Long position

REPORT OF THE BOARD OF DIRECTORS

Notes:

1. State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province is the controlling shareholder of HPG, therefore, was deemed to be interested in 3,073,364,204 Shares of the Company under the SFO;
2. Guo Guangchang (the direct controlling shareholder of Fosun International Holdings Ltd.), Fosun International Holdings Ltd. (the direct controlling shareholder of Fosun Holdings Limited), Fosun Holdings Limited (the direct controlling shareholder of Fosun International Limited) were deemed to be interested in 44,839,500 Shares of the Company respectively under the SFO; and
3. China Shipping (Group) Company (direct controlling shareholder of China Shipping (Hong Kong) Holdings Co., Limited) and China Shipping (Hong Kong) Holdings Co., Limited (direct controlling shareholder of China Shipping Terminal Development (H.K.) Co., Ltd.) were deemed to be interested in 44,296,500 Shares of the Company respectively under the SFO.
4. HPG, the controlling shareholder of the Company, increased its shareholding in the Company by 5,143,500 Shares through Hebei Port Group International (Hong Kong) Co., Ltd., its wholly-owned subsidiary, during the period from 15 June 2016 to 22 November 2016.

Save as disclosed above, as of 31 December 2016, to the best knowledge of our Directors and Supervisors, none of other persons (other than Directors, Supervisors and senior management of the Company) had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

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

To the best knowledge of our Directors, as of 31 December 2016, none of our Directors, or Supervisors or chief executive and their respective associates had, or was deemed to have, any interest or short position in Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPURCHASE, SALES AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLIC FLOAT

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

REPORT OF THE BOARD OF DIRECTORS

NON-COMPETITION AGREEMENT AND UNDERTAKING BY THE CONTROLLING SHAREHOLDER

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

DIRECTORS AND SUPERVISORS

During the Year and as at the date of this report, the Directors and Supervisors of the Company include:

Executive Directors

Mr. Cao Ziyu (appointed on 18 October 2016)
Mr. Xing Luzhen (resigned on 18 October 2016)
Mr. Tian Yunshan (resigned on 28 February 2017)
Mr. Wang Lubiao
Mr. Ma Xiping

Non-executive Directors

Mr. Zhao Ke (resigned on 18 October 2016)
Mr. Li Jianping
Mr. Mi Xianwei

Independent Non-executive Directors

Mr. Li Man Choi
Mr. Zhao Zhen
Ms. Zang Xiuqing
Mr. Hou Shujun

Supervisors

Mr. Nie Yuzhong
Mr. Bu Zhouqing
Mr. Liu Simang

Employee Representative Supervisors

Mr. Cao Dong
Mr. Zhang Jun (resigned on 29 September 2016)
Ms. Chen Linyan (appointed on 29 September 2016)

REPORT OF THE BOARD OF DIRECTORS

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DETAILS

Changes in Directors, Supervisors and Senior Management during the Year

On 29 September 2016, Ms. Chen Linyan was elected as an Employee Representative Supervisor at the democratic joint meeting of the employee representative congress (職工代表大會民主聯席會) held on the same date.

On 18 October 2016, the Company held an extraordinary general meeting and approved the appointment of Mr. Cao Ziyu as an executive Director. On the same date, Mr. Cao Ziyu was appointed as the Chairman of the Company and the chairman of Strategy Committee.

On 29 September 2016, Mr. Zhang Jun resigned as an Employee Representative Supervisor of the Company with effect from the same date.

On 18 October 2016, the following resignations came in effect:

1. Mr. Xing Luzhen resigned as an executive Director, the Chairman and the chairman of Strategy Committee; and
2. Mr. Zhao Ke resigned as a non-executive Director and the vice chairman.

On 28 February 2017, Mr. Tian Yunshan resigned as the executive Director, general manager, member of Remuneration and Appraisal Committee and Strategy Committee of the Company with effect from the same date.

Changes in Directors, Supervisors and Senior Management subsequent to the Year and up to the Date of this Report

On 15 March 2017, Mr. Yang Wensheng was appointed as the general manager of the Company. Subsequent to the year and up to the date of this report, save as disclosed above, there was no other change in our Directors, Supervisors and senior management.

Save as disclosed in this report, there was no change in any information discloseable and disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the Year.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

REPORT OF THE BOARD OF DIRECTORS

INTERESTS IN CONTRACTS OF SIGNIFICANCE OF DIRECTORS AND SUPERVISORS

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

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

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

REMUNERATION OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

Details of remuneration of Directors, Supervisors and the five highest paid individuals in the Year are set out in Note XIII-3 to XIII-4 to the financial statements in this annual report.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

During the Year, the Company has purchased liability insurance valid for the Year for Directors, Supervisors and senior management of the Company.

THE BOARD AND BOARD COMMITTEES

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

REPORT OF THE BOARD OF DIRECTORS

MATERIAL LITIGATION AND ARBITRATION

Background of the Lawsuit with Shanxi Province

Reference is made to the chapter in relation to the litigation in the Prospectus. On 22 January 1986, the Qinhuangdao Port Management Bureau of Minister of Transportation (the predecessor entity of HPG) and the Planning Committee of Shanxi Province (the “Parties”) entered into an agreement (the “Investment Agreement”) pursuant to which Shanxi Province would invest RMB70 million to RMB80 million in the construction of three berths at the Wu Ji (戊己) terminals in Qinhuangdao Port, including any ancillary projects. In return, Shanxi Province would be granted favorable terms in coal or general cargo handling services during the investment period and after the construction of the three berths. In addition, Shanxi Province would have ownership rights in the three berths in proportion to its investments, and the three berths would be jointly operated by the Parties. After the execution of the Investment Agreement, the Planning Committee and Economic Committee of Shanxi Province established the Port Construction Command office of Shanxi Province in Qinhuangdao (“Shanxi Port Construction Command”), which was responsible for managing Shanxi Province’s investments in the Wu Ji terminals. From 1986 through 1988, Shanxi Province paid an aggregate amount of RMB40 million for construction of the Wu Ji terminals. However, the construction work did not commence on time, and the Parties agreed to utilize the invested RMB40 million for the construction of other terminals of the Qinhuangdao Port.

Due to changes in national policies, the improvement of transportation capabilities was not included in the National Railway and Port Transportation Plan. Meanwhile, the approval for the construction of Wu Ji terminals was not obtained until August 1997. During this period, the national exemption policies on investment in underwater infrastructure changed, which caused a significant increase in the required investment amount by Shanxi Province. This change in policy broke the foundation of the Parties’ cooperation, and Shanxi Province ceased to invest in Qinhuangdao Port. The Parties held a number of negotiations to settle the amount of RMB40 million already invested by Shanxi Province, but no agreement has been reached.

In April 2011, Shanxi Port Construction Command initiated a civil lawsuit (the “Lawsuit with Shanxi Province”) in the Hebei Province High Court against HPG and the Company, as co-defendants, claiming that the Investment Agreement had terminated and that HPG and the Company should return to them a total loss of approximately RMB144.9 million, which includes the investment principal, accrued interests and management fees.

HPG has committed on 16 April 2012 that they will reimburse to the Group all damages, if and to the extent incurred by the Group, in connection with Lawsuit with Shanxi Province.

On 5 July 2016, Shanxi Port Construction Command, HPG and the Company entered into a settlement agreement (the “Settlement Agreement”), pursuant to which the parties agreed to conditionally terminate the Investment Agreement. The Company does not incur any compensation liability under the Settlement Agreement.

On 21 July 2016, the Hebei Province High Court issued a civil mediation certificate confirming the Settlement Agreement.

On 23 September 2016, State-owned Assets Supervision & Administration Commission of the People’s Government of Hebei Province issued the Reply on Matters Related to the Transfer of Certain Shares in Qinhuangdao Port Co., Ltd. by HPG (《關於河北港口集團轉讓所持部分秦皇島港股份有限公司股份有關問題的批覆》) (Ji Guo Zi Fa Chan Quan Guan Li [2016] No. 96) to approved such equity transfer.

REPORT OF THE BOARD OF DIRECTORS

On 16 November 2016, HPG and Qinhuangdao Port Management Office of the People's Government of Shanxi Province ("Shanxi Port Office") (the transferee designated by Shanxi Port Construction Command) entered into the Equity Transfer Agreement, pursuant to which HPG agreed to transfer 30,950,000 Shares of the Company (representing 0.62% of the total share capital of the Company) to Shanxi Port Office.

On 14 December 2016, China Securities Depository & Clearing Corporation Limited ("China Securities Depository") issued the Share Registration and Transfer Confirmation Letter (《過戶登記確認書》) and the Register Management of Holders (《持有人名冊管理》), Shanxi Port Office has registered to the China Securities Depository as a corporate shareholder holding 30,950,000 Shares of the Company.

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

AUDIT COMMITTEE

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

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

AUDITORS

The Company has appointed Ernst & Young Hua Ming LLP as the auditors of the Company to audit the financial statements for the Year.

BUSINESS REVIEW, RISK FACTORS FACED BY THE COMPANY AND MEASURES

Details of the business review, risk factors faced by the Company and measures is included in the "Management Analysis and Discussion" section in this report. The abovementioned "Management Discussion and Analysis – Major Risk Factors" forms part of this report.

SUMMARY OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT FOR 2016

The Company will issue a separate environmental, social and governance report for 2016 (the summary of which is set out in this section) in accordance with the requirements of Appendix 27 of the Listing Rules,

The Company regards the environment, society and governance as an indispensable part of its gene, and endeavors to create economic interests as well as environmental and social benefits. The Company values the communication with relevant stakeholders. Through conference, media analysis, peer comparison and other methods, the Company identifies its important stakeholders, which include government and regulatory authorities, shareholders, customers and partners, environment, industry, employees, community and media, and has established various communication channels with the stakeholders to hear their voices, strengthen the strategic cooperation with major customers, respond to the wishes and demands from the stakeholders in a sincere manner and actively assume a variety of social responsibilities.

REPORT OF THE BOARD OF DIRECTORS

Qinhuangdao Port is a major hub port for the PRC's coal transportation from north to south and from west to east as well as an important energy reservoir, and is a key port operator to ensure the safety of national energy transportation. The Company applies integrative operating systems with high automation level to enhance the efficiency of unloading from the trucks and loading to the vessels, which improves the throughput capacity of the port. The Company closely cooperates with railway, marine, pilotage and other relevant authorities and promotes the integration and sharing of information to achieve smooth operation of unloading arrangement as well as reasonable and orderly docking of vessels, thereby improving the service ability and quality of the Company. The Company strives to establish a regional port network with features of reasonable location distribution between ports, comprehensive functions and coordinated development, so as to strengthen the ports' service ability and driving force on regional economy, interaction between ports and cities and industry upgrade.

The Company attaches great importance to environmental protection and implements the strategy of clean production and green growth throughout the corporate development process by establishing comprehensive rules and systems for environmental protection and facilities and systems for pollution prevention and control in order to minimize the adverse impact on the environment during the production and provision of services. Meanwhile, the Company continuously promotes energy saving, emission reduction and development of green transportation, and strives to become a low energy consumption and environment-friendly enterprise. In 2016, the Company was recognized as one of the first "China Green Port (Four Stars)" and "Asia Pacific Green Port", and became one of the first PRC coal terminals admitted in the "Green Port Award System for Asia Pacific Ports" in Asia.

By upholding the philosophy of "people-oriented and caring for employees", the Company practically safeguards the legitimate rights and interests of the employees, provides competitive remuneration and favourable benefits, establishes a comprehensive talent cultivation mechanism, continuously expand the career path of employees, actively organizes corporate culture construction and carries out a variety of leisure activities of employees to enable all employees to share the development results of the Company. The Company proactively integrates the performance of social responsibilities with corporate development by eagerly participating in social welfare activities, actively contributing to poverty alleviation and voluntary services and striving to improve the public's well-being, so as to facilitate the harmonious and mutual development of the Company and the society.

By order of the Board

Cao Ziyu

Chairman

Qinhuangdao, Hebei, PRC

15 March 2017

REPORT OF SUPERVISORY COMMITTEE

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

EVALUATION ON THE BEHAVIOUR AND PERFORMANCE OF THE BOARD AND SENIOR MANAGEMENT IN 2016

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

OVERVIEW OF THE MEETINGS OF SUPERVISORY COMMITTEE

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

1. On 6 April 2016, the Supervisory Committee held its first meeting. At the meeting, the 2015 Financial Statements of Qinhuangdao Port Co., Ltd. (《秦皇島港股份有限公司2015年度財務決算報告》), the Proposals on 2016 Fixed Asset Investment of Qinhuangdao Port Co., Ltd. (《秦皇島港股份有限公司2016年度固定資產投資計劃》) and the Resolution on 2015 Profit Distribution of Qinhuangdao Port Co., Ltd. (《關於秦皇島港股份有限公司2015年度利潤分配的議案》) were considered and approved. In addition, the resolution in relation to the 2015 Work Report of the Supervisory Committee of Qinhuangdao Port Co., Ltd. (《秦皇島港股份有限公司監事會2015年度工作報告》) was also considered and approved by the Supervisory Committee.
2. On 26 August 2016, the second meeting of the Supervisory Committee was held in which the 2015 Supervision and Inspection Report of the Supervisory Committee of Qinhuangdao Port Co., Ltd. (《秦皇島港股份有限公司監事會2015年度監督檢查報告》) was considered and approved.

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

1. to understand and supervise the research and decision-making details as well as procedures of major issues by attending important meetings, such as the Board meetings, general meetings, operation meetings of general manager, and regular and monthly meetings in relation to administrative affairs.
2. to understand and supervise the operation of the Company through extensive project review and inspection in line with its annual supervision emphasis.
3. to facilitate the active and proper performance of duties by Directors and senior management through supervision and clear separation of roles of Directors and senior management.
4. to integrate supervision into daily operation with an emphasis on financial, investment and operation aspects so as to promptly respond to any problems identified.

REPORT OF SUPERVISORY COMMITTEE

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

INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT ISSUES IN YEAR 2016

(A) Compliance of the Company

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

(B) Financial Position and Annual Report of the Company

The Supervisory Committee duly reviewed and discussed the audited financial statements of the Company for 2016 and considered that it gave an objective, true, reasonable view in compliance with the laws, regulations and the Articles of Association of the Company. It also gave a complete and objective picture of the Company without any false representations, misleading statements or material omissions.

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

(C) Use of Proceeds

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

(D) Supervision and Review on Connected Transactions

The Supervisory Committee carried out supervision and review on connected transactions (including continuing connected transactions) during the Year. No connected transactions were found to be unfair and detrimental to the interests of the Company and the Shareholders as a whole.

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

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

REPORT OF SUPERVISORY COMMITTEE

PROSPECTS OF THE SUPERVISORY COMMITTEE FOR 2017

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

By Order of the Board

NIE Yuzhong

Chairman

AUDITORS' REPORT

Ernst & Young Hua Ming (2017) Shen Zi No. 61063699_E02

To the Shareholders of Qinhuangdao Port Co., Ltd.:

I. AUDIT OPINION

We have audited the financial statements of Qinhuangdao Port Co., Ltd., which comprise the statement of financial position for the Group and the Company as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated cash flow statement for 2016, and notes to the relevant financial statements.

In our opinion, the financial statements of Qinhuangdao Port Co., Ltd. as attached herewith are prepared in accordance with the provisions of Enterprise Accounting Standards to a material extent, and give a fair view of the financial position of the Group and the Company as at 31 December 2016, and of its financial performance and its consolidated cash flows for 2016.

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with the provisions of the Standards on Auditing for Certified Public Accountants in China. Our responsibilities under those standards are further described in the section of *Certified Public Accountants' Responsibilities for the Audit of the Consolidated Financial Statements* under this audit report. We are independent of Qinhuangdao Port Co., Ltd. in accordance with the *Code of Ethics for Certified Public Accountants in China*, and we have fulfilled our other ethical responsibilities accordingly. We believe that the audit evidences we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Set against this background are our responses to these matters and how they are addressed in our audit.

We have performed our responsibilities described in the section of *Certified Public Accountants' Responsibilities for the Audit of the Consolidated Financial Statements* under this report, which include the liabilities related to these key audit matters. Correspondingly, our audit includes audit procedures designed to assess where there are risks of material misstatement risks for these financial statements. The results deriving from our audit, including the procedures to address the following key audit matters, formed a basis for the audit opinion of the financial statements as a whole.

AUDITORS' REPORT (CONTINUED)

Ernst & Young Hua Ming (2017) Shen Zi No. 61063699_E02

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment of fixed assets	
<p>As at 31 December 2016, the carrying amounts of fixed assets as included in the consolidated financial statements were RMB13,403 million, which had provided with the impairment of fixed assets of approximately RMB6.25 million. The Management shall judge at the end of the year where there is any evidence of impairment occurred. If there are evidences of impairment, the Management shall estimate its recoverable amount and conduct an impairment test. The impairment test of the fixed assets, to a considerable extent, is relied on the judgement and estimates made by the Management. For example, the cash flow to be generated from the group that such asset is belonged to and the estimate of discount rate. Such estimates are subject to impact on the market in future and the judgement on economic environment. Different estimates and assumptions applied shall have very significant impact on the recoverable amount of the fixed assets.</p>	<p>Our audit procedures are mainly comprised of the assessment by the Management to the group that such asset is belonged to and the reasonableness of the key assumptions that we have adopted in conducting the impairment test. We mainly check whether the rate of growth used in the cash flow forecast meet the forecast of the Management and the long term strategic development plan of the Company, and whether it is consistent with the development of the industry and the position of the economic environment. In addition, under the assistance of the internal assessment experts, we review the discount rate adopted by the Management for the cash flow is appropriate or not. At the same time, we check the disclosures related to note 3.18 – Asset Impairment, note 28 – Significant Accounting Judgement and Estimates and note 5.11 – Fixed Assets and Impairment of Fixed Assets.</p>
Recognition of revenue	
<p>In 2016, Qinhuangdao Port Co., Ltd. and its subsidiaries (hereinafter referred to as Qinhuangdao Port Group) realized operating income of RMB4,911 million in total, of which income from harbor operations such as loading and unloading of goods and depot accounted for approximately 99% to the revenue of the Group. As to the provision of loading and unloading of goods and depot as harbor operations, Qinhuangdao Port Group applies contracting fee mechanism in collecting revenue from its customers. As disclosed in the accounting policies under note 3.22 to the financial statements, Qinhuangdao Port Group recognizes labour income in accordance to completion percentage method, where the results of labour transactions can be reliability estimated. As to the determination of completion percentage on the year end date, it requires the judgement and estimate of the Management.</p>	<p>Our audit procedures are mainly to inspect whether the disclosures for the policies regarding recognition of revenue are adequate, and to understand whether the estimates and judgement made by the Management on the total costs are reasonable, and re-calculate according the completion percentage method. We have tested the control over the revenue process, and performed substantial testing procedures, including selection of sample customer contracts and review the key terms, so as to assess whether the accounting treatment is appropriate or not. At the same time, we check the disclosures related to note 3.22 and note 5.34 related to revenue.</p>

AUDITORS' REPORT (CONTINUED)

Ernst & Young Hua Ming (2017) Shen Zi No. 61063699_E02

IV. OTHER INFORMATION

The management of Qinhuangdao Port Co., Ltd. (hereinafter referred to as the "Management") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management is responsible for the preparation of the financial statements that give a fair view in accordance with the provisions of Enterprise Accounting Standards, and for such internal control as the Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the ability of Qinhuangdao Port Co., Ltd. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless under the circumstances of liquidation, cessation of operation or lack of other realistic alternatives.

The Management is responsible for overseeing the financial reporting process of Qinhuangdao Port Co., Ltd.

VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' REPORT (CONTINUED)

Ernst & Young Hua Ming (2017) Shen Zi No. 61063699_E02

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (2) 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Qinhuangdao Port Co., Ltd. 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 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 Qinhuangdao Port Co., Ltd. to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Qinhuangdao Port Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Management 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.

AUDITORS' REPORT (CONTINUED)

Ernst & Young Hua Ming (2017) Shen Zi No. 61063699_E02

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Meng Dong

Beijing, PRC

Chinese Certified Public Accountant: Zhang Yan

15 March 2017

CONSOLIDATED BALANCE SHEET

31 December 2016

RMB

Assets	Note V	31 December 2016	31 December 2015
Current assets			
Cash and bank balances	1	1,857,032,961.56	2,483,302,306.65
Bills receivable	2	90,586,781.68	83,760,965.06
Accounts receivable	3	150,073,233.50	178,236,586.19
Prepayments	4	11,598,283.84	5,347,566.22
Interest receivable		–	24,225.00
Other receivables	5	34,203,954.23	19,316,925.30
Inventories	6	215,326,590.41	197,221,032.56
Other current assets	7	209,777,381.25	198,769,174.41
Total current assets		2,568,599,186.47	3,165,978,781.39
Non-Current assets			
Available-for-sale financial assets	8	710,376,014.95	710,376,014.95
Long-term equity investments	9	1,543,221,888.47	1,505,195,201.36
Investment properties	10	6,137,950.00	6,286,150.00
Fixed assets	11	13,402,745,892.92	11,007,187,787.64
Construction in progress	12	5,830,993,955.38	9,655,820,466.36
Intangible assets	13	2,009,739,741.54	934,630,231.45
Long-term prepaid expenses	14	2,563,538.59	3,586,952.39
Deferred tax assets	15	164,567,852.82	175,566,609.12
Other non-current assets	17	51,740,649.66	5,662,384.75
Total non-current assets		23,722,087,484.33	24,004,311,798.02
Total assets		26,290,686,670.80	27,170,290,579.41

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2016

RMB

Liabilities and shareholders' equity	Note V	31 December 2016	31 December 2015
Current liabilities			
Short-term borrowings	19	1,545,000,000.00	1,450,000,000.00
Accounts payable	20	102,726,569.27	100,933,703.32
Deposits received	21	472,335,724.01	387,831,826.28
Employee benefits payable	22	85,000,711.31	117,489,734.18
Taxes payable	23	34,730,467.55	64,247,956.26
Interest payable	24	15,296,378.10	17,522,440.97
Dividends payable		608.34	2,309.54
Other payables	25	1,244,623,623.17	1,438,689,342.57
Non-current liabilities due within one year	26	1,056,586,108.28	679,102,320.56
Total non-current liabilities		4,556,300,190.03	4,255,819,633.68
Non-current liabilities			
Long-term borrowings	26	8,664,816,348.70	9,455,851,621.98
Long-term employee benefits payable	27	71,807,543.84	65,492,908.50
Deferred income	28	332,110,009.53	352,227,786.10
Total non-current liabilities		9,068,733,902.07	9,873,572,316.58
Total liabilities		13,625,034,092.10	14,129,391,950.26
Shareholders' equity			
Share capital	29	5,029,412,000.00	5,029,412,000.00
Capital reserve	30	4,506,377,828.61	4,506,903,112.81
Other comprehensive income	44	4,623,646.56	1,788,437.76
Special reserve	31	18,615,022.77	10,884,608.51
Surplus reserve	32	1,044,974,250.76	1,015,722,853.98
Retained profit	33	832,687,475.08	1,251,321,607.34
Total equity attributable to shareholders of the parent		11,436,690,223.78	11,816,032,620.40
Minority interests		1,228,962,354.92	1,224,866,008.75
Total shareholders' equity		12,665,652,578.70	13,040,898,629.15
Total liabilities and shareholders' equity		26,290,686,670.80	27,170,290,579.41

The accompanying notes of the financial statements form part of these financial statements

The financial statements have been signed by:

Legal representative:

Cao Ziyu

Person in charge of
Business operation:

Yang Wensheng

Chief financial officer:

Guo Xikun

Head of accounting
department:

Xie Hui

CONSOLIDATED INCOME STATEMENT

For the year ended 2016

RMB

	Note V	2016	2015
Revenue	34	4,911,006,419.74	6,889,894,269.46
Less: Operating costs	34	3,573,437,467.42	4,078,925,529.15
Tax and surcharges	35	67,178,488.18	35,269,099.09
Selling expenses		114,270.81	24,168.19
Administrative expenses	36	799,715,940.01	1,072,525,456.51
Financial costs	37	258,567,697.13	296,972,798.07
Asset impairment loss	38	(15,903,389.84)	(15,583,682.92)
Add: Investment income	39	120,749,116.36	238,593,530.24
Including: investment income from associates And joint ventures		111,809,735.32	171,912,497.39
Operating profits		348,645,062.39	1,660,354,431.61
Add: Non-operating income	40	141,203,894.42	68,487,321.11
Including: Gain on disposal of non-current assets		1,261,030.26	3,633,926.03
Less: Non-operating expenses	41	4,568,160.64	15,423,935.82
Including: Losses on disposal of non-current assets		1,832,124.80	9,970,696.17
Total profit		485,280,796.17	1,713,417,816.90
Less: Income tax expenses	43	113,715,781.36	367,055,676.40
Net profit		371,565,014.81	1,346,362,140.50
Net profit attributable to shareholders of the parent		365,029,064.52	1,344,490,396.47
Minority interests		6,535,950.29	1,871,744.03
Other comprehensive income, net of tax			
Other comprehensive income attributable to the shareholders of the parent, net of tax			
Other comprehensive income that may be reclassified subsequently to profit or loss	44	2,835,208.80	1,788,437.76
Exchange differences arising from translation of foreign currency denominated financial statements		-	-
Total comprehensive income		374,400,223.61	1,348,150,578.26
Including:			
Total comprehensive income attributable to the shareholders of the parent		367,864,273.32	1,346,278,834.23
Total comprehensive income attributable to minority shareholders		6,535,950.29	1,871,744.03
Earnings per share			
Basic and diluted earnings per share	45	0.07	0.27

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 2016

RMB

	Equity attributable to shareholders of the parent							Total shareholders' equity		
	Note V	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits		Sub-total	Minority interests
I. Current year's opening balance		5,029,412,000.00	4,506,903,112.81	1,788,437.76	10,884,608.51	1,015,722,853.98	1,251,321,607.34	11,816,032,620.40	1,224,866,008.75	13,040,898,629.15
II. Changes during the year										
(I) Total comprehensive income										
1. Net profit		-	-	-	-	-	365,029,064.52	365,029,064.52	6,535,950.29	371,565,014.81
2. Other comprehensive income		-	-	2,835,208.80	-	-	-	2,835,208.80	-	2,835,208.80
(II) Contributions from Shareholders										
1. Capital injection to subsidiaries		-	(525,284.20)	-	-	-	-	(525,284.20)	525,284.20	-
(III) Profit distribution										
1. Appropriation to Surplus reserves		-	-	-	-	29,251,396.78	(29,251,396.78)	-	-	-
2. Distribution to shareholders	33	-	-	-	-	-	(754,411,800.00)	(754,411,800.00)	(2,851,883.40)	(757,263,683.40)
(IV) Special reserve										
1. Accrual		-	-	-	72,633,833.05	-	-	72,633,833.05	751,940.99	73,385,774.04
2. Usage		-	-	-	(64,903,418.79)	-	-	(64,903,418.79)	(864,945.91)	(65,768,364.70)
III. Current year's closing balance		5,029,412,000.00	4,506,377,828.61	4,623,646.56	18,615,022.77	1,044,974,250.76	832,687,475.08	11,436,690,223.78	1,228,962,354.92	12,665,652,578.70

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 2016

RMB

	Equity attributable to shareholders of the parent							Total shareholders' equity	
	Note V	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits		Sub-total
I. Current year's opening balance	5,029,412,000.00	4,506,903,112.81	-	21,544,992.62	884,205,714.39	1,798,642,550.46	12,240,708,370.28	1,177,066,945.45	13,417,775,315.73
II. Changes during the year									
(I) Total comprehensive income									
1. Net profit	-	-	-	-	-	1,344,490,396.47	1,344,490,396.47	1,871,744.03	1,346,362,140.50
2. Other comprehensive income	-	-	1,788,437.76	-	-	-	1,788,437.76	-	1,788,437.76
(II) Contributions from shareholders									
1. Establishment of New subsidiaries	-	-	-	-	-	-	-	44,000,000.00	44,000,000.00
2. Capital injection to subsidiaries	-	-	-	-	-	-	-	2,720,000.00	2,720,000.00
(III) Profit distribution									
1. Appropriation to surplus reserves	-	-	-	-	131,517,139.59	(131,517,139.59)	-	-	-
2. Distribution to shareholders	33	-	-	-	-	(1,760,294,200.00)	(1,760,294,200.00)	(320,000.00)	(1,760,614,200.00)
(IV) Special reserve									
1. Accrual	-	-	-	73,691,974.58	-	-	73,691,974.58	677,555.24	74,369,529.82
2. Usage	-	-	-	(84,352,358.69)	-	-	(84,352,358.69)	(1,150,235.97)	(85,502,594.66)
III. Current year's Closing balance	5,029,412,000.00	4,506,903,112.81	1,788,437.76	10,884,608.51	1,015,722,853.98	1,251,321,607.34	11,816,032,620.40	1,224,866,008.75	13,040,898,629.15

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 2016

RMB

	Note V	2016	2015
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		5,254,116,611.58	7,172,413,227.64
Cash received relating to other operating activities		120,589,663.57	100,925,013.22
Sub-total of cash inflows		5,374,706,275.15	7,273,338,240.86
Cash paid for goods and services		995,345,659.61	1,111,538,919.23
Cash paid to and on behalf of employees		2,053,421,154.44	2,427,371,514.76
Cash paid for all taxes		364,964,899.52	944,174,184.23
Cash paid relating to other operating activities		472,105,714.53	469,015,290.25
Sub-total of cash outflows		3,885,837,428.10	4,952,099,908.47
Net cash flows from operating activities	46	1,488,868,847.05	2,321,238,332.39
II. Cash flows from investing activities			
Cash received from return of investment		1,681,860,540.00	213,020,800.00
Cash received from disposal of other entities		113,939,381.04	206,656,807.85
Net cash received from disposal of fixed assets, Intangible assets and other long-term assets		1,814,848.53	4,084,336.98
Cash received relating to other investing activities		14,959,700.00	68,073,000.00
Sub-total of cash inflows		1,812,574,469.57	491,834,944.83
Cash paid for acquisition of fixed assets, Intangible assets and other long-term assets		604,150,723.44	1,437,131,331.20
Cash paid for investments		1,294,212,000.00	1,097,160,000.00
Sub-total of cash outflows		1,898,362,723.44	2,534,291,331.20
Net cash flows from investing activities		(85,788,253.87)	(2,042,456,386.37)

The accompanying notes of the financial statements form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 2016

RMB

	Note V	2016	2015
III. Cash flows from financing activities			
Cash received from capital contribution		–	46,720,000.00
Including: cash received from capital contribution by minority shareholders to subsidiaries		–	46,720,000.00
Cash received from borrowings		4,312,380,701.00	3,339,080,161.00
Sub-total of cash inflows		4,312,380,701.00	3,385,800,161.00
Cash paid for repayments of borrowings		4,630,932,186.56	2,764,232,853.76
Cash paid for distribution of dividends or profits and for interest expenses		1,324,575,751.54	2,433,974,129.69
Including: dividends paid to minority shareholders by subsidiaries		2,851,883.40	320,000.00
Cash paid relating to other financing activities		2,300,000.00	1,300,000.00
Sub-total of cash outflow		5,957,807,938.10	5,199,506,983.45
Net cash flows from financing activities		(1,645,427,237.10)	(1,813,706,822.45)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		15,695,298.83	9,142,313.03
V. Net increase in cash and cash equivalents		(226,651,345.09)	(1,525,782,563.40)
Add: Balance of cash and cash equivalents at the beginning of the year		1,376,457,026.65	2,902,239,590.05
VI. Balance of cash and cash equivalents at the end of the year	46	1,149,805,681.56	1,376,457,026.65

The accompanying notes of the financial statements form part of these financial statements

BALANCE SHEET

31 December 2016

RMB

Assets	Note XIV	31 December 2016	31 December 2015
Current assets			
Cash and bank balances		839,733,284.63	1,199,009,028.77
Bills receivable		86,284,633.00	80,461,519.44
Accounts receivable	1	123,374,821.76	160,791,672.57
Prepayments		4,865,150.66	1,394,571.21
Other receivables	2	4,427,790.55	6,084,467.62
Inventories		180,890,398.89	184,081,916.52
Other current assets		28,568,552.92	6,843,817.12
Total current assets		1,268,144,632.41	1,638,666,993.25
Non-current assets			
Available-for-sale financial assets	3	562,752,357.95	562,752,357.95
Long-term equity investments	4	7,179,556,343.29	7,053,952,610.31
Investment properties		6,137,950.00	6,286,150.00
Fixed assets		4,969,636,812.10	5,551,259,522.13
Construction in progress		145,241,792.26	68,387,450.36
Intangible assets		398,118,095.69	407,323,430.54
Deferred tax assets		124,258,205.30	132,672,352.34
Other non-current assets		51,580,621.66	5,463,625.00
Total non-current assets		13,437,282,178.25	13,788,097,498.63
Total assets		14,705,426,810.66	15,426,764,491.88

The accompanying notes of the financial statements form part of these financial statements

BALANCE SHEET (CONTINUED)

31 December 2016

RMB

Liabilities and shareholders' equity	31 December 2016	31 December 2015
Current liabilities		
Short-term borrowings	1,500,000,000.00	1,410,000,000.00
Accounts payable	61,475,406.02	55,227,856.76
Deposits received	426,161,404.76	355,113,884.37
Employee benefits payable	81,609,086.49	111,009,627.26
Taxes payable	3,258,146.76	59,183,636.25
Interest payable	2,538,937.50	3,133,487.50
Dividends payable	608.34	2,309.54
Other payables	220,178,347.55	226,304,983.55
Non-current liabilities due within one year	570,000,000.00	328,000,000.00
Total current liabilities	2,865,221,937.42	2,547,975,785.23
Non-current liabilities		
Long-term borrowings	–	570,000,000.00
Long-term employee benefits payable	71,807,543.84	65,492,908.50
Deferred income	332,110,009.53	352,227,786.10
Total non-current liabilities	403,917,553.37	987,720,694.60
Total liabilities	3,269,139,490.79	3,535,696,479.83
Shareholders' equity		
Share capital	5,029,412,000.00	5,029,412,000.00
Capital reserve	4,500,194,317.96	4,500,194,317.96
Special reserve	17,813,244.99	10,696,105.01
Surplus reserve	1,044,835,905.99	1,015,584,509.21
Retained profit	844,031,850.93	1,335,181,079.87
Total shareholders' equity	11,436,287,319.87	11,891,068,012.05
Total liabilities and shareholders' equity	14,705,426,810.66	15,426,764,491.88

The accompanying notes of the financial statements form part of these financial statements

INCOME STATEMENT

For the year ended 2016

RMB

	Note XIV	2016	2015
Revenue	5	3,764,653,465.29	5,829,744,310.38
Less: Operating costs	5	2,773,164,164.38	3,334,999,482.32
Business tax and surcharges		59,104,784.97	30,008,527.64
Administrative expenses		707,658,959.64	995,044,593.13
Financial costs		71,499,397.88	97,589,617.05
Asset impairment loss		(16,503,663.35)	(17,272,684.87)
Add: Investment income	6	124,685,693.74	237,946,307.98
Including: Investment income from associates and joint ventures		119,765,693.74	177,016,307.98
Operating profits		294,415,515.51	1,627,321,083.09
Add: Non-operating income		73,526,807.62	67,416,124.93
Including: Gain on disposal of non-current assets		1,255,192.00	3,633,926.03
Less: Non-operating expenses		4,528,248.90	15,272,582.62
Including: Losses on disposal of non-current assets		1,801,076.46	9,966,281.48
Total profit		363,414,074.23	1,679,464,625.40
Less: Income tax expenses		70,900,106.39	364,293,229.54
Net profit		292,513,967.84	1,315,171,395.86
Other comprehensive income, net of tax		-	-
Total comprehensive income		292,513,967.84	1,315,171,395.86

The accompanying notes of the financial statements form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 2016 and 2015

RMB

2016

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I. Current year's opening balance	5,029,412,000.00	4,500,194,317.96	10,696,105.01	1,015,584,509.21	1,335,181,079.87	11,891,068,012.05
II. Changes during the year						
(I) Total comprehensive income	-	-	-	-	292,513,967.84	292,513,967.84
(II) Profit distribution						
1. Appropriation to surplus reserves	-	-	-	29,251,396.78	(29,251,396.78)	-
2. Distribution to shareholders	-	-	-	-	(754,411,800.00)	(754,411,800.00)
(III) Special reserve						
1. Accrual	-	-	62,042,177.71	-	-	62,042,177.71
2. Usage	-	-	(54,925,037.73)	-	-	(54,925,037.73)
III. Current year's closing balance	5,029,412,000.00	4,500,194,317.96	17,813,244.99	1,044,835,905.99	844,031,850.93	11,436,287,319.87

2015

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained profits	Total Shareholders' equity
I. Current year's opening balance	5,029,412,000.00	4,500,194,317.96	10,188,279.91	884,067,369.62	1,911,821,023.60	12,335,682,991.09
II. Changes during the year						
(I) Total comprehensive income	-	-	-	-	1,315,171,395.86	1,315,171,395.86
(II) Profit distribution						
1. Appropriation to surplus reserves	-	-	-	131,517,139.59	(131,517,139.59)	-
2. Distribution to shareholders	-	-	-	-	(1,760,294,200.00)	(1,760,294,200.00)
(III) Special reserve						
1. Accrual	-	-	65,884,817.75	-	-	65,884,817.75
2. Usage	-	-	(65,376,992.65)	-	-	(65,376,992.65)
III. Current year's closing balance	5,029,412,000.00	4,500,194,317.96	10,696,105.01	1,015,584,509.21	1,335,181,079.87	11,891,068,012.05

The accompanying notes of the financial statements form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 2016

RMB

	Note XIV	2016	2015
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		4,037,670,742.49	6,014,398,082.16
Cash received relating to other operating activities		58,311,656.44	64,418,588.37
Sub-total of cash inflows		4,095,982,398.93	6,078,816,670.53
Cash paid for goods and services		689,449,775.87	822,813,124.99
Cash paid to and on behalf of employees		1,843,589,709.07	2,245,852,076.68
Cash paid for all taxed		311,105,232.67	907,303,887.83
Cash paid relating to other operating activities		389,891,052.01	421,515,476.68
Sub-total of cash outflows		3,234,035,769.62	4,397,484,566.18
Net cash flows from operating activities		861,946,629.31	1,681,332,104.35
II. Cash flows from investing activities			
Cash received from return of investment		825,500,540.00	70,000,000.00
Cash received from investment income		111,698,912.55	200,930,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,802,419.98	4,070,252.08
Cash received relating to other investing activities		14,959,700.00	68,073,000.00
Sub-total of cash inflows		953,961,572.53	343,073,252.08
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		183,701,158.07	152,825,789.29
Cash paid for investments		659,400,000.00	952,475,000.00
Sub-total of cash outflows		843,101,158.07	1,105,300,789.29
Net cash flows from investing activities		110,860,414.46	(762,227,537.21)

The accompanying notes of the financial statements form part of these financial statements

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 2016

RMB

	Note XIV	2016	2015
III. Cash flows from financing activities			
Cash received from borrowings		1,990,000,000.00	1,710,000,000.00
Sub-total of cash inflows		1,990,000,000.00	1,710,000,000.00
Cash paid for repayments of borrowings		2,228,000,000.00	2,113,924,178.80
Cash paid for distribution of dividends or profits and for interest expenses		854,659,097.53	1,894,528,903.26
Cash paid relating to other financing activities		2,300,000.00	1,300,000.00
Sub-total of cash outflow		3,084,959,097.53	4,009,753,082.06
Net cash flows from financing activities		(1,094,959,097.53)	(2,299,753,082.06)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		12,876,309.62	7,366,835.15
V. Net increase in cash and cash equivalents		(109,275,744.14)	(1,373,281,679.77)
Add: Balance of cash and cash equivalents at the beginning of the year		398,793,748.77	1,772,075,428.54
VI. Balance of cash and cash equivalents at the end of the year		289,518,004.63	398,793,748.77

The accompanying notes of the financial statements form part of these financial statements

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

I. GENERAL INFORMATION

Qinhuangdao Port Co., Ltd. (the “Company”) is a joint stock company with limited liability incorporated in Hebei province, the People’s Republic of China on 31 March 2008. The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) on 12 December 2013. The office address and headquarter of the Company is located at 35 Haibin Road, Qinhuangdao, Hebei Province.

The main operating activities of the Company and its subsidiaries (collectively referred to as the “Group”) are: provision of terminal facilities for vessels and provision of port services such as loading and discharging, stacking, warehousing, transportation, container stacking and less than container load services; other port related services such as tugboat service, lease and repair of harbour facilities, equipment and machinery, cargo weighing, freight forwarding, port tallying and provision of power and electrical engineering services; and import and export services of goods. The Group’s port services mainly handle coal and metal ores as well as other types of cargo including oil and liquefied chemicals and general cargo and containers.

The parent and ultimate parent of the Group is Hebei Port Group Co., Ltd. (“HPG”), which was established in the People’s Republic of China.

These financial statements have been approved by the board of directors of the Company by resolutions on 15 March 2017. Pursuant to the Articles of Association of the Company, these financial statements will be proposed to the general meeting for consideration and approval.

The consolidation scope of these consolidated financial statements is determined on the basis of control, the changes in which during the year please refer to Note VI. Changes in Consolidation Scope.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued and amended subsequently by the Ministry of Finance (collectively referred to as “Accounting Standards for Business Enterprises”).

As of 31 December 2016, the Group’s net current liabilities amounted to approximately RMB1.987 billion, of which current assets amounted to approximately RMB2.569 billion and current liabilities amounted approximately RMB4.556 billion. In preparing the financial statements, the management have considered the Group’s sources of liquidity, and believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements. Accordingly, the financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

These financial statements have been prepared under the historical cost convention. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group adopts specific accounting policies and accounting estimates according to the actual production and management features, which include provision for bad debt of receivables, accounting method for inventories, provision for fixed assets depreciation and intangible assets amortization.

1. Statement of Compliance with Accounting Standards for Business Enterprises

These financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and present fairly and fully the financial position of the Company and the Group as at 31 December 2016 and their financial performance and cash flows for 2016.

2. Accounting Period

The accounting year for the Group is from 1 January to 31 December of each calendar year.

3. Functional Currency

The Group's reporting and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB yuan.

The reporting currencies of the subsidiaries of the Group operating overseas are subject to their respective principal economic environment, and will be denominated in RMB for the preparation of the financial statements.

4. Business Combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations under common control and business combinations not under common control.

Business combinations under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the merging party, while that other entity participating in the combination is the merged party. The combination date is the date on which the merging party effectively obtains control of the merged party.

Assets and liabilities (including goodwill arising from the acquisition of the merged party by the ultimate controller) that are obtained by the merged party in a business combination under common control shall be accounted for based on their carrying amounts in the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Business Combinations (continued)

Business combinations not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Where the aggregate of the fair value of the consideration paid (or the fair value of the equity securities issued) and fair value of equity interest in the acquiree held before the acquisition date exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognised as goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the consideration paid (or the fair value of the equity securities issued) and fair value of equity interest in the acquiree held before the acquisition date is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, reassessment of the measurement of these items is conducted first, if the sum of the fair value of this consideration and other items mentioned above is still lower than the fair value of the net assets acquired, the difference is recognised in profit or loss for the current period.

5. Consolidated Financial Statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2016 of the Company and all of its subsidiaries. A subsidiary is an entity (including an enterprise, a separable part of an investee, a structural body controlled by the Company, etc.) that is controlled by the Company.

In preparation of consolidated financial statements, the subsidiaries use the same accounting year and accounting policies as those of the Company. All assets, liabilities, interests, income, fees and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of losses for the current period attributed to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against minority interests.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated Financial Statements (continued)

For subsidiaries acquired through a business combination not under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. In preparing consolidated financial statements, adjustments shall be made to the subsidiaries' financial statements based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries acquired through a business combination under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the beginning of the combination year. In preparing consolidated financial statements, adjustments shall be made to related items of prior year's financial statements, as if the reporting entities after the combination had existed from the date when the combining entities first came under control of the ultimate controlling party.

Where change in relevant facts and conditions lead to the change in one or more control elements, the Group will re-evaluate its control over the investee.

Change in non-controlling interests that does not result in the loss of control over the subsidiary is accounted for as an equity transaction.

6. Classifications of Joint Arrangement and Joint Operations

Joint arrangement is classified as joint operations and joint ventures. Joint operation refers the joint arrangement which the joint venture parties entitled to the underlying assets of the relevant arrangement and assumed liabilities of the joint arrangements. Joint venture refers the joint arrangement which the joint venture party only entitled to the right of the net assets of the arrangements.

The joint venture parties recognise in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; its expenses, including its share of any expenses incurred jointly.

7. Cash and Cash Equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand for payment purposes. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Foreign Currency Transactions and Translation of the Financial Statements Prepared in Foreign Currencies

The Group translates the amounts of foreign currency transactions occurred into its functional currency

Foreign currency transactions are recorded on initial recognition, in their functional currencies, by applying to the foreign currency amounts at the spot exchange rates at the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rates at the balance sheet date. All the resulting exchange differences are taken to profit or loss for the current period, except for those relating to foreign currency borrowings specifically for acquisition and construction of qualifying assets, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rates prevailing on the transaction dates, while the amounts denominated in the functional currencies do not change. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rates prevailing at the date on which the fair values are determined. The exchange differences thus resulted are recognised in profit or loss or as other comprehensive income for the current period, depending on the nature of the non-monetary item.

For foreign operations, the Group translates all amounts of functional currencies into RMB for the preparation of the financial statements. For assets and liabilities in the balance sheet, spot exchange rates at the balance sheet date are used for translation, while, for shareholder's equity, spot exchange rates prevailing on the transaction dates are adopted for items other than "undistributed profit". For items of income and expenses in the income statement, average exchange rates for the period during which the transactions occur are adopted. Translation differences of functional currencies resulting from the translations mentioned above are recognised as other comprehensive income. For the disposal of foreign operations, other comprehensive incomes relating to foreign operations transfer to profit or loss for the current period for disposal, subject to the ratio of disposal.

Foreign currency cash flows and cash flows of overseas subsidiaries are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

9. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognises and writes off a financial asset (or part of a financial asset, or part of a group of similar financial assets) from its account and balance sheet when the following conditions are met:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial Instruments (continued)

Recognition and derecognition of financial instruments (continued)

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognised in profit or loss for the current period.

Regular way purchases or sales of financial assets are recognised and derecognised on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period as specified by regulations or conventions in the marketplace. Trade date is the date that the Group commits to purchase or sell the asset.

Classification and measurement of financial assets

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and derivatives designated as effective hedging instruments. A financial asset is recognised initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss for the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognised.

The subsequent measurement of financial assets depends on its category as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss for the current period. A financial asset held for trading is the financial asset that meets one of the following conditions: the financial asset is acquired for the purpose of selling in a short term; the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss for the current period. Dividend income or interest income related to financial assets at fair value through profit or loss is credited to profit or loss for the current period.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial Instruments (continued)

Classification and measurement of financial assets (continued)

The subsequent measurement of financial assets depends on its category as follows: (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment and derecognition are recognised in profit or loss for the current period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortization or impairment are recognised in profit or loss for the current period.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as any of the above categories at initial recognition. After initial recognition, available-for-sale financial assets are measured at fair value. The discount or premium is amortised using the effective interest method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income, except that impairment losses and foreign exchange gains or losses resulted from monetary financial assets are recognised as profit or loss for the current period, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss previously recognised is transferred to profit or loss for the current period. Dividends or interest income relating to an available-for-sale financial asset are recognised in profit or loss for the current period.

Investments in equity instruments without a quoted price from an active market and whose fair value cannot be reliably measured, are carried at cost.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into the following categories: financial liabilities at fair value through profit or loss, other financial liabilities and derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the amount initially recognised.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial Instruments (continued)

Classification and measurement of financial liabilities (continued)

The subsequent measurement of financial liabilities depends on its category as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following conditions: the financial liability is assumed for the purpose of repurchasing it in a short term; the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; the financial liability is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss for the current period.

Other financial liabilities

After initial recognition, such kind of financial liabilities are measured at amortised cost by using the effective interest method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied: the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; the Group intends either to settle on a net basis, or to realise the financial assets and settle the financial liabilities simultaneously.

Impairment of financial assets

The Group assesses the carrying amount of every financial asset at the balance sheet date. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the financial asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset. Objective evidence that a financial asset is impaired includes: significant financial difficulty of the issuer or obligor; a breach of contract by the obligor, such as a default or delinquency in interest or principal payments; a higher probability that the obligor will enter bankruptcy or other financial reorganisation; and observable data indicating that there is a measurable decrease in the estimated future cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial Instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

If impairment on a financial asset has incurred, the carrying amount of the asset is reduced through an allowance amount to the present value of expected future cash flows (excluding future credit losses that have not been incurred). Impairment is recognised in profit or loss for the current period. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Subsequent to the Group's recognition of impairment loss on a financial asset carried at amortised cost, the interest income is measured by applying the discounting rate in the future cash flows estimation when measuring the impairment loss.

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognised in profit or loss for the current period if there is objective evidence of impairment. For a financial asset that is not individually significant, it is individually assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets for which an impairment loss is individually recognised is not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If, subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss for the current period. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been at the date of reversal had the impairment loss not been provided for.

Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset is impaired, the accumulated losses arising from decline in fair value previously recognised in other comprehensive income are removed and recognised in profit or loss for the current period. The accumulated losses that removed from other comprehensive income are the difference between the initial acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed with the amount of the reversal recognised in profit or loss for the current period.

Financial assets carried at cost

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of expected future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss for the current period. Once an impairment loss is recognised, it is not reversed.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial Instruments (continued)

Transfers of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognises the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group does not derecognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transactions as follows: if the Group has not retained control, it derecognises the financial asset and recognises any resulting assets or liabilities; if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability

When the entity's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity's continuing involvement is the lower of the carrying amount of the asset and finance guarantee amount. The finance guarantee amount refers to the maximum amount of the consideration received that the entity could be required to repay

10. Receivables

Receivables that are individually significant and are provided for bad debts on individual basis

As at the balance sheet date, accounts receivable and other receivables greater than RMB10 million are considered as individually significant and are subject to separate impairment assessment. If there is objective evidence that an impairment loss has been incurred, an impairment loss is recognised and a bad debt provision is made based on the shortfall of the present value of estimated future cash flows as compared to the carrying amount of the receivables

Receivables for which provision of bad debts made by portfolio of credit risk characteristics

The Group determines the receivables group based on the aging as the credit risk characteristics. The provisions for bad debts of accounts receivable and other receivables are recorded based on the aging analysis and the accrual percentages are stated as follows:

	Accounts receivable Percentage of provision (%)	Other receivables Percentage of provision (%)
Within 1 year	5	5
1 to 2 years	10	10
2 to 3 years	30	30
Over 3 years	100	100

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables (continued)

Receivables that are individually insignificant but are provided for bad debts on individual basis

As at the balance sheet date, accounts receivable and other receivables falling below RMB10 million but with objective evidence that an impairment loss may have been incurred, are individually assessed for impairment loss. The impairment loss is recognised and bad debt provision is made based on the difference between the present value of future cash flows and the carrying amount of the receivables.

11. Inventories

Inventories include raw materials, fuels, spare parts, low-cost consumables, finished goods.

Inventories are initially carried at the actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined by using the weighted average method. Low-cost consumables and spare parts are amortised by using one-off amortisation method.

The Group adopts perpetual inventory system.

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss for the current period. If factors that previously resulted in the provision for decline in value of inventories no longer exist and result in the net realisable value higher than their carrying amount, the amount of the write-down is reversed to the extent of the amount of the provision for the inventories and is recognised in profit or loss for the current period.

Net realisable value is the estimated selling price in the ordinary course of business deducted by the estimated costs to completion, the estimated selling expenses and the related taxes. Provision is considered on a category basis for inventories in large quantity and with relatively low unit prices and on an individual basis for all other inventories.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term Equity Investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates.

Long-term equity investments were initially recorded at initial investment cost on acquisition. For long-term equity investments acquired through the business combination of entities under common control, the initial investment cost shall be the share of carrying value of the owners' equity of the merged party at the date of combination as stated in the consolidated financial statements of the ultimate controlling party. Any difference between the initial investment cost and the carrying value of the consideration for the combination shall be dealt with by adjusting the capital reserve (if the capital reserve is insufficient for setting off the difference, such difference shall be further set off against retained profits). Upon disposal of the investment, other comprehensive income prior to the date of combination shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss upon disposal of the investment. Items which remain long-term equity investments after the disposal shall be accounted for on a pro-rata basis, while items reclassified as financial instruments following the disposal shall be accounted for in full. For long-term equity investments acquired through the business combination of entities not under common control, the initial investment cost shall be the cost of combination (for business combinations of entities not under common control achieved in stages through multiple transactions, the initial investment cost shall be the sum of the carrying value of the equity investment in the acquired party held prior to the date of acquisition and new investment cost incurred as at the date of acquisition). The cost of combination shall be the sum of assets contributed by the acquiring party, liabilities incurred or assumed by the acquiring party and the fair value of equity securities issued. Upon disposal of the investment, other comprehensive income recognised under the equity method held prior to the date of acquisition shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss upon disposal of the investment. Items which remain long-term equity investments after the disposal shall be accounted for on a pro-rata basis, while items reclassified as financial instruments following the disposal shall be accounted for in full. The accumulated fair value change of equity investments held prior to the date of acquisition and included in the other comprehensive income as financial instruments shall be transferred in full to current profit and loss upon the change to cost accounting. The initial investment cost of long-term equity investments other than those acquired through business combination shall be recognized in accordance with the following: for those acquired by way of cash payments, the initial investment cost shall be the consideration actually paid plus expenses, tax amounts and other necessary outgoings directly related to the acquisition of the long-term equity investments; for those acquired by way of issuance of equity securities, the initial investment cost shall be the fair value of the equity securities issued; for those acquired by the swap of non-monetary assets, initial investment cost is determined based on Accounting Standard for Business Enterprises No. 7 – Swap of Non-monetary Assets.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term Equity Investments (continued)

For a long-term equity investment where the Company can exercise control over the investee, the Company uses the cost accounting method in the Company's financial statements. Control refers to having the power over the investee, the entitlement to variable returns through the participation in the relevant activities of the investee, and the ability to affect the amount of returns by using its power over the investee.

Under the cost method, the long-term equity investment is measured at its initial investment cost. For addition or reduction of investments, the cost of long-term equity investments is adjusted. Cash dividends or profits declared to be distributed by the investee should be recognised as investment income in the current period.

The equity method is adopted in accounting for long-term equity investments when the Group holds joint control, or exercises significant influence on the investee. Joint control is the relevant agreed sharing of control over an arrangement, and relevant activities of such arrangement shall be decided upon the unanimous consent of the parties sharing control. Significant influence is the power to participate in decision making in the financial and operating policies of the investee but is not the power to control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, such excess is included in the initial investment cost of the long-term equity investment. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises, upon acquisition of the long-term equity investment, its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses, except that the assets invested or disposed of constitute a business, after making appropriate adjustments to the investee's net profits based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its associates and joint ventures, attributable to the investor according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognised in full). The carrying amount of the long-term equity investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group shall discontinue recognizing its share of the losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance forms part of the Group's net investment in the investee are reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. The Group also adjusts the carrying amount of long-term equity investments for other changes in shareholders' equity of the investees (other than the net profits or losses, other comprehensive income and profit allocation of the investee), and includes the corresponding adjustment in equity.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term Equity Investments (continued)

On disposal of the long-term equity investments, the difference between book value and actual proceeds received is recognized in profit or loss for the current period. For long-term equity investments under equity method, when the use of the equity method is discontinued, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred in full to current profit and loss. If the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee and transferred to current profit and loss on a pro-rata basis. Shareholders' equity recognised as a result of changes in shareholders' equity other than the net profits or losses, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss on a pro-rata basis.

13. Investment Properties

An investment property is a property held to earn rentals or for capital appreciation or both. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

An investment property is measured initially at its cost. If the economic benefits relating to an investment property will probably flow in and the cost can be reliably measured, subsequent costs incurred for the property is included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss for the period in which they are incurred.

The Group uses the cost model for subsequent measurement of its investment properties. The accounting policy for depreciation or amortisation of investment properties is the same as that for buildings and land use rights.

14. Fixed Assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for a fixed asset that meets the recognition criteria shall be included in its cost, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditures shall be recognised in profit or loss for the period during which they are incurred.

Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the assets is considered. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any other directly attributable expenditure for bringing the asset to working condition for its intended use.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Fixed Assets (continued)

Depreciation of fixed assets is calculated using the straight-line method. The useful lives, estimated net residual value ratio and annual depreciation rate of fixed assets are as follows:

	Useful life	Estimated net residual value ratio	Annual depreciation rate
Buildings	20 – 35 years	3%	2.77 – 4.85%
Terminal facilities	20 – 30 years	3%	3.23 – 4.85%
Machinery and equipment	6 – 20 years	3%	4.85 – 16.17%
Vessels and transportation equipment	6 – 10 years	3%	9.70 – 16.17%
Office and other equipment	6 years	3%	16.17%

Where individual component parts of an item of fixed assets have different useful lives or provide benefits to the enterprise in different patterns, different depreciation rates are applied.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end, and makes adjustments if necessary.

15. Construction in Progress

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowed funds before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets or intangible assets when the asset is ready for its intended use.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Borrowing Costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowings. Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised. Other borrowing costs are recognised in profit or loss for the current period. Assets qualifying for capitalisation refer to fixed assets necessarily taking a substantial period of time for acquisition or construction to get ready for their intended use.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset are being incurred;
- (2) borrowing costs are being incurred;
- (3) activities relating to the acquisition or construction of the asset that are necessary to prepare the asset for its intended use have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired or constructed becomes ready for its intended use. Any borrowing costs subsequently incurred are recognised in profit or loss for the current period.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) where funds are borrowed for a specific purpose, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any temporary interest earned from deposits or investment income.
- (2) where funds are borrowed for a general purpose, the amount of interest to be capitalised is determined by multiplying the weighted average of the excess amounts of accumulated expenditure on asset over the expenditure of specific-purpose borrowings by the weighted average interest rate.

Capitalisation of borrowing costs is suspended when the acquisition or construction of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use, while the interruption lasts for more than three consecutive months. Borrowing costs incurred during these periods are recognised as expenses in profit or loss for the current period until the acquisition or construction is resumed.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible Assets

An intangible asset shall be recognised only when its related economic benefits will probably flow to the Group and its costs can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

The useful life of an intangible asset is determined according to the period over which it is estimated to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when the period over which the asset is estimated to generate economic benefits for the Group is uncertain.

The useful lives of the intangible assets are as follows:

	Useful lives
Land use rights	40 – 50 years
Sea area use rights	50 years
Software	5 – 10 years

The Group accounts for its land use rights and sea area use rights as intangible assets. For buildings such as plants that are developed and constructed by the Group, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

Intangible assets with finite useful lives are amortised over the useful lives on the straight-line basis. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at the end of each year.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Asset Impairment

The impairment of an asset other than inventories, deferred income tax and financial assets is determined as follows:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group will estimate the recoverable amount of the asset and perform test for impairment. Goodwill arising from a business combination is tested for impairment at least at the end of each year, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less disposal costs and the present value of the future cash flows estimated to be derived from the asset. The Group estimates the recoverable amount on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent from cash inflows of other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is recognised in profit or loss for the current period and a provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or a set of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding goodwill for impairment, i.e., it determines the recoverable amount and recognises any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, and the carrying amount of the related asset group or set of asset groups is compared to its recoverable amount. If the recoverable amount of the asset group or set of asset groups is less than its carrying amount, the amount of the impairment loss will be reduced firstly by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, based on the proportion of the carrying amount of each asset.

Once the above asset impairment loss is recognised, it cannot be reversed in the subsequent accounting periods.

19. Long-term Prepaid Expenses

Long-term prepaid expenses are amortised on a straight-line basis over the beneficial period.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Employee Benefits

Employee benefits are all forms of considerations given by the Group in exchange for services rendered by its employees or for the termination of employment. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits provided by the Group to employees' spouse, children, dependents, families of deceased employees and other beneficiaries also belong to employee benefits.

Short-term employee benefits

In the accounting period which services are rendered by the employees, short-term employee benefits are actually recognised as liabilities and charged to profit or loss or related costs of assets for the current period.

Post-employment benefits (defined contribution plans)

Employees of the Group participate in the endowment insurance and unemployment insurance plans managed by local governments as well as enterprise annuity, and the relevant expenditure is recognised, when incurred, in the cost of relevant asset or profit or loss for the current period.

Termination benefits

Where the Group provides termination benefits to its employees, the employee remuneration liabilities arising from termination benefits are recognised in profit or loss for the current period upon the occurrence of the earlier of the following: termination benefits provided as a result of termination of employment plan or downsizing proposal cannot be unilaterally withdrawn by an entity; or reorganisation-related costs or expenses involving payment of termination benefits are recognised by an entity.

Other long-term employee benefits

Other long-term benefits provided to the employees are net debt liabilities or net assets of other long-term employee benefits recognised or measured according to the requirements applicable to post-employment benefits. Changes arising from the measurement will be recognised in profit or loss or cost of relevant assets for the current period.

21. Provisions

Except for contingent consideration and contingent liability assumed in a business combination not under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- (3) the amount of the obligation can be measured reliably.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Provisions (continued)

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

22. Revenues

Revenue shall be recognised only when the associated economic benefits will probably flow to the Group, with its amount being measured reliably, and all of the following conditions are satisfied.

Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised according to the percentage of completion, or otherwise, the revenue is recognised to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; the associated economic benefits will probably flow to the Group; the stage of completion of the transaction can be measured reliably; and the costs incurred and to be incurred for the transaction can be measured reliably. The stage of completion is determined by the proportion that costs incurred to date bear to the estimated total costs of the transaction. The total service revenue on a transaction involving the rendering of services is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except those unfair considerations received or receivable under contract or agreement.

Revenue from the sales of goods

The Group recognises the revenue from the sales of goods when it has transferred the significant risks and rewards of ownership of the goods to the buyer, and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sales of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except those unfair considerations received or receivable under contract or agreement. Where the consideration receivable under contract or agreement is deferred so that the arrangement is in substance of a financing nature, the amount of revenue arising on the sales of goods is measured at the fair value of the consideration receivable.

Lease income

Rental income from operating leases is recognised on a straight-line basis over the lease term. Contingent rental incomes are credited to profit or loss in the current period in which they actually arise.

Interest income

Interest income is determined according to the length of time for which the Group's cash is in use by other parties and the effective interest rate.

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Government Grants

Government grants are recognised when all respective conditions will be complied with and the grant will be received. The government grant is measured as the amount received or receivable where it takes the form of a cash asset, or at fair value where it is not a cash asset. Where the fair value cannot be reliably determined, it should be measured at nominal value.

In accordance with the stipulations of the government documents, government grants applied towards acquisition or construction or the formation of long-term assets in other manners are asset-related government grants. Those unspecified in the documents refer to the exercise of judgement based on the basic conditions for receiving the asset-related grant applied towards acquisition or construction or the formation of long-term assets in other manners. All other grants are recognised as income-related government grants.

Government grants, relating to income and applied towards reimbursement of related costs or losses in subsequent periods, are recognised as deferred income and taken to profit or loss for the period in which the related costs are recognised. Government grants, applied towards reimbursement of related costs or losses already incurred, are directly recognised in profit or loss for the current period. Asset-related grant is recognised as a deferred income and credited in profit or loss for the current period and allocated over the expected useful life of the relevant asset by equal instalment. Where the grant is measured at nominal value, it is directly recognised in profit or loss for the current period.

24. Income Tax

Income tax comprises current and deferred income tax. Income tax is recognised as an expense or income in profit or loss for the current period, or otherwise recognised directly in shareholders' equity if it arises from goodwill on a business combination or relates to a transaction or event which is recognised directly in shareholders' equity.

The Group measures a current tax liability or asset arising from the current and prior periods based on the amount of income tax estimated to be paid or returned and calculated in accordance with the requirements of relevant tax laws.

The Group recognises deferred tax based on temporary differences using balance sheet liability method. Temporary differences are differences between the carrying amount of assets or liabilities in the balance sheet and their tax base on the balance sheet date. Temporary differences also include the differences between the carrying amounts and tax bases of items not recognised as assets or liabilities where the tax base can be calculated according to the relevant tax regulations.

NOTES TO FINANCIAL STATEMENTS

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Income Tax (continued)

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

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss.
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred income tax asset is recognised for deductible temporary differences, and unused deductible tax losses and tax credits that can be carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, deductible tax losses and tax credits can be utilised, except:

- (1) where the deductible temporary difference arises from a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible tax loss.
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred income tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised in the future.

At the balance sheet date, deferred income tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is recovered or the liability is settled, according to the requirements of tax laws. The measurement of deferred income tax assets and deferred income tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that taxable profit is no longer sufficient in future periods to allow the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recovered.

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

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Lease

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

In the case of being the lessee of an operating lease

Rental payments under an operating lease are recognised on a straight-line basis over the lease terms, and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rental payments are charged to profit or loss in the period in which they actually arise.

In the case of being the lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease terms through profit or loss. Contingent rental incomes are credited to profit or loss in the period in which they actually arise.

26. Profit Distribution

Cash dividend of the Company is recognised as a liability upon being approved in the shareholders' general meeting.

27. Production Safety Expense

Production safety expense appropriated pursuant to the related regulations is recognised in the cost of the relevant products or in profit or loss for the current period, and also in the specialised reserve. The cost shall be handled according to whether a fixed asset is formed. The cost incurred through expenditure will be reduced directly from the specialised reserve. The cost incurred for a fixed asset shall be pooled and recognised as a fixed asset when it reaches the working condition for its intended use; meanwhile an equivalent amount shall be deducted from the specialised reserve and recognised as accumulated depreciation.

28. Significant Accounting Judgments and Estimates

The preparation of the financial statements requires the management to make judgments, estimates and assumptions that will affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Uncertainty of estimation

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may cause a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are discussed below.

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III. MAJOR ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Significant Accounting Judgments and Estimates (continued)

Uncertainty of estimation (continued)

Useful lives and residual values of fixed assets

The Group's management determines the estimated useful lives and residual values of fixed assets and related depreciation charges. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets with similar nature and functions. It can change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives and residual values are less than previous estimations, or it will write off or write down the fixed assets technically obsolete or abandoned or sold.

Impairment of accounts receivable and other receivables

The impairment of accounts receivable and other receivables is based on the evaluation of the collectability of the outstanding accounts receivable and other receivables. The management's judgment and estimation are required in the recognition of the impairment of accounts receivable and other receivables. Provisions for impairment will be made where there is objective evidence that such receivables are not collectible. If the actual results or future expectation differ from the original estimate, such differences will affect the carrying amount of accounts receivable and other receivables and bad debt provisions/reversal in the period in which the estimate changes.

Allowance for inventories

Allowance for inventories represents the provision for impairment of the slow moving inventories based on their ages. The management's judgments and estimates are required for determining inventory impairment on the basis of clear evidence, purpose of holding the inventories, effect of subsequent events and other factors. The difference between the actual outcome and original estimate will affect the carrying amount of inventories and provision and reversal of decline in value of inventories during the estimated revision period.

Impairment of non-current assets other than financial assets (other than goodwill)

The Group assesses whether there are any indication of impairment for all non-current assets other than financial assets at the balance sheet date. Non-current assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. Impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less disposal costs and the present value of the future cash flows. The calculation of the fair value less disposal costs is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When present value of future cash flows calculations are undertaken, the management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred income tax assets

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgments are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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IV. TAXATION

1. Major Categories of Taxes and Respective Tax Rates

Value-added tax ("VAT")	–	The Group is subject to VAT at tax rate of 17% on the taxable sales. The Group's related port service revenues are taxable to output VAT at tax rate of 6%, and is levied after deducting deductible input VAT for the current period.
Business tax	–	It is levied at 5% of the taxable business turnover. The business tax is replaced by VAT since 1 May 2016.
City maintenance and construction tax	–	It is levied at 7% of VAT and business tax paid actually
Enterprise income tax	–	It is levied at 25% on the taxable profit, except for certain subsidiaries of the Group established in Mainland China which enjoy tax preferences. Income tax rate for overseas subsidiaries is 16.5%.
Property tax	–	It is calculated at a tax rate of 1.2% based on 70% of costs of properties or a tax rate of 12% based on rental income of the properties.
Land use tax	–	It is levied in accordance with unit tax amount prescribed in the tax law based on the actual area of land used by the taxpayer.

2. Tax Preferences

Enterprise income tax

According to the Implementation Rules of the PRC Enterprise Income Tax Law (Order No.512 of the State Council) and the Circular on the Implementation of the Catalogue of the Key Public Infrastructure Projects Supported by the State and Entitled for Preferential Tax Treatment (《國家稅務總局關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》) (Guo Shui Fa [2009] No.80), Cangzhou Bohai Port Co., Ltd., Cangzhou Huanghuagang Mineral Port Co., Ltd. and Tangshan Caofeidian Coal Port Co., Ltd. are eligible for tax preferences for public infrastructure projects under key support of the State. Income derived by such companies from the investment in, and the operation of, public infrastructure projects under key support from the State is eligible for a tax exemption for the first year to the third year, and a 50% reduction in enterprise income tax for the fourth year to the sixth year, starting from the year in which the project first generates operating income. Cangzhou Bohai Port Co., Ltd., Cangzhou Huanghuagang Mineral Port Co., Ltd. and Tangshan Caofeidian Coal Port Co., Ltd. first generated their respective operating income in 2010, 2014 and 2015, respectively, and started to be entitled to the tax preferences of enterprise income tax.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank Balances

	31 December 2016	31 December 2015
Cash on hand	278,244.38	52,597.44
Bank deposits	1,856,754,717.18	2,483,249,709.21
	1,857,032,961.56	2,483,302,306.65
Less: Restricted bank deposits	215,280.00	9,685,280.00
Time deposits with maturity of more than three months	707,012,000.00	1,097,160,000.00
Cash and cash equivalents	1,149,805,681.56	1,376,457,026.65

As at 31 December 2016, the ownership of the bank deposits of the payment guarantee deposits amounting to RMB215,280.00 (31 December 2015: RMB215,280.00) of the Group due to project construction and the deposit of letter of credit. As at 31 December 2016, the Group had no other cash and bank balances with restricted ownership (31 December 2015: RMB9,470,000.00).

As at 31 December 2016, the cash and bank balances deposited overseas by the Group were equivalent to RMB71,437,892.06 (31 December 2015: RMB71,098,613.02).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term time deposits vary from 3 months to 1 year depending on the cash requirements of the Group and earn interest at the respective deposit rates.

2. Bills Receivable

	2016	2015
Commercial acceptance notes	–	6,000,000.00
Bank acceptance notes	90,586,781.68	77,760,965.06
	90,586,781.68	83,760,965.06

As at 31 December 2016, no bills receivable of the Group was pledged (31 December 2015: nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Bills Receivable (continued)

Bills receivable which were endorsed but undue as at the balance sheet date were as follows:

	31 December 2016		31 December 2015	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	59,155,255.64	–	8,250,000.00	–

3. Accounts Receivable

The credit period of accounts receivable is usually not more than 90 days. The accounts receivable bear no interest.

The aged analysis of accounts receivable is normally presented based on relevant invoice and notice of payment. An aged analysis of the accounts receivable is as follows:

	31 December 2016	31 December 2015
Within 1 year	98,365,895.68	103,126,175.89
1 to 2 years	19,247,272.52	89,158,637.28
2 to 3 years	55,999,134.47	32,827.71
Over 3 years	1,655,441.05	1,655,441.05
	175,267,743.72	193,973,081.93
Less: Provision for bad debts of accounts receivable	25,194,510.22	15,736,495.74
	150,073,233.50	178,236,586.19

The movements in the provision for bad debts of accounts receivable are as follows:

	Opening balance	Provision for the year	Reversal during the year	Write-off during the year	Closing balance
2016	15,736,495.74	9,481,896.23	(23,881.75)	–	25,194,510.22
2015	13,220,501.10	2,688,797.52	(172,802.88)	–	15,736,495.74

NOTES TO FINANCIAL STATEMENTS

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts Receivable (continued)

	31 December 2016				31 December 2015			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Amount	Percentage (%)	Amount	Percentage of provision (%)
Provision for bad debts by credit risk characteristics group								
Within 1 year	98,365,895.68	56.12	4,720,335.72	5	103,126,175.89	53.17	5,157,274.95	5
1 to 2 years	19,247,272.52	10.98	1,954,983.87	10	89,158,637.28	45.96	8,913,931.43	10
2 to 3 years	55,999,134.47	31.95	16,863,749.58	30	32,827.71	0.02	9,848.31	30
Over 3 years	1,655,441.05	0.95	1,655,441.05	100	1,655,441.05	0.85	1,655,441.05	100
	175,267,743.72	100.00	25,194,510.22		193,973,081.93	100.00	15,736,495.74	

As at 31 December 2016 and 31 December 2015, the Group performed the impairment test in respect of single accounts receivable that was significant, and considered there was no need for the provision for bad debts separately. The Group grouped these accounts receivable and made the provision for bad debts in the method of ageing analysis.

4. Prepayments

An aged analysis of prepayments is as follows:

	31 December 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	10,256,772.09	88.43	5,338,863.21	99.83
1 to 2 years	1,337,058.61	11.53	5,153.01	0.10
2 to 3 years	4,453.14	0.04	3,550.00	0.07
	11,598,283.84	100.00	5,347,566.22	100.00

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables

An aged analysis of other receivables is as follows:

	31 December 2016	31 December 2015
Within 1 year	35,126,863.69	5,687,571.24
1 to 2 years	455,660.37	13,545,467.77
2 to 3 years	568,892.06	2,414,592.10
Over 3 years	653,260.84	25,631,421.24
	36,804,676.96	47,279,052.35
Less: Provision for bad debts of other receivables	2,600,722.73	27,962,127.05
	34,203,954.23	19,316,925.30

The movements in provision for bad debts of other receivables are as follows:

	Opening balance	Provision for the year	Reversal during the year	Write-off during the year	Closing balance
2016	27,962,127.05	145,274.71	(25,506,679.03)	–	2,600,722.73
2015	46,061,804.61	1,323,532.57	(19,423,210.13)	–	27,962,127.05

The Group's adoption of the aged analysis method in provision for bad debts of other receivables is as follows:

	31 December 2016				31 December 2015			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Amount	Percentage (%)	Amount	Percentage of provision (%)
Within 1 year	35,126,863.69	95.44	1,741,728.23	5	5,687,571.24	12.03	248,445.48	5
1 to 2 years	455,660.37	1.24	45,566.04	10	13,545,467.77	28.65	1,352,878.82	10
2 to 3 years	568,892.06	1.55	160,167.62	30	2,414,592.10	5.11	729,381.51	30
Over 3 years	653,260.84	1.77	653,260.84	100	25,631,421.24	54.21	25,631,421.24	100
	36,804,676.96	100.00	2,600,722.73		47,279,052.35	100.00	27,962,127.05	

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other Receivables (continued)

Other receivables by nature are as follows:

	31 December 2016	31 December 2015
Equity transfer consideration	–	25,500,540.00
Government grants	30,682,300.00	12,019,600.00
Deposits	1,577,456.90	4,225,252.46
Utilities	–	1,463,716.24
Others	4,544,920.06	4,069,943.65
	36,804,676.96	47,279,052.35

As at 31 December 2016, the government grants receivable were as follows:

	Grant project	Amount	Payment date	Expected receiving time, amount and basis
Administration Commission of Bohai New Zone in Cangzhou City	Subsidy to container amount	30,682,300.00	Within 1 year	Bo Xin Guan Zi [2012] No. 25 (渤新管字[2012]25號) Expected to receive in 2017

As at 31 December 2015, the government grants receivable were as follows:

	Grant project	Amount	Payment date	Expected receiving time, amount and basis
Administration Commission of Bohai New Zone in Cangzhou City	Subsidy to container amount	12,019,600.00	1 to 2 years	Bo Xin Guan Zi [2012] No. 25 (渤新管字[2012]25號) Expected to receive in 2016

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

	31 December 2016			31 December 2015		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Materials	69,551,118.56	-	69,551,118.56	79,654,821.21	-	79,654,821.21
Fuels	5,363,206.95	-	5,363,206.95	6,306,216.48	-	6,306,216.48
Spare parts	135,333,392.63	-	135,333,392.63	108,369,833.83	-	108,369,833.83
Low-cost consumables	3,640,572.81	-	3,640,572.81	1,847,101.90	-	1,847,101.90
Finished goods	1,438,299.46	-	1,438,299.46	1,043,059.14	-	1,043,059.14
	215,326,590.41	-	215,326,590.41	197,221,032.56	-	197,221,032.56

7. Other Current Assets

	2016	2015
Deductible input VAT	183,012,119.14	187,893,216.70
Prepaid enterprise income tax	26,765,262.11	10,875,957.71
	209,777,381.25	198,769,174.41

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Available-for-sale Financial Assets

	2016	2015
Available-for-sale equity instruments	710,376,014.95	710,376,014.95

As at 31 December 2016, the equity investments held by the Group in unlisted companies in the PRC are stated at cost. The Group does not intend to dispose of these investments. The details are as follows:

Investee	Shareholding	31 December 2015	Increase in the year	Decrease in the year	31 December 2016	Cash dividend for the year
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	15.00%	498,000,000.00	-	-	498,000,000.00	2,400,000.00
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	17.00%	34,000,000.00	-	-	34,000,000.00	-
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司) (Note)	3.62%	30,752,357.95	-	-	30,752,357.95	-
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	10.00%	701,747.00	-	-	701,747.00	-
Tangshan Caofeidian Coal Stacking and Blending Co., Ltd. (唐山曹妃甸動力煤儲配有限公司)	16.00%	65,040,000.00	-	-	65,040,000.00	-
Tangshan Caofeidian Tugboat Co., Ltd. (唐山港曹妃甸拖船有限公司)	18.03%	81,881,910.00	-	-	81,881,910.00	3,236,502.00
Total		710,376,014.95	-	-	710,376,014.95	5,636,502.00

Investee	Shareholding	31 December 2014	Increase in the year	Decrease in the year	31 December 2015	Cash dividend for the year
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	15.00%	498,000,000.00	-	-	498,000,000.00	59,250,000.00
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	17.00%	34,000,000.00	-	-	34,000,000.00	-
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	12.94%	30,752,357.95	-	-	30,752,357.95	-
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	10.00%	701,747.00	-	-	701,747.00	-
Tangshan Caofeidian Coal Stacking and Blending Co., Ltd. (唐山曹妃甸動力煤儲配有限公司)	16.00%	65,040,000.00	-	-	65,040,000.00	-
Tangshan Caofeidian Tugboat Co., Ltd. (唐山港曹妃甸拖船有限公司)	18.03%	81,881,910.00	-	-	81,881,910.00	3,179,181.18
Total		710,376,014.95	-	-	710,376,014.95	62,429,181.18

Note: Due to the unilateral capital contribution by controlling shareholders of Cangzhou Huanghuagang Steel Logistics Co., Ltd. in 2016, shareholding of the Company therein decreased from original 12.94% to 3.62%

As at 31 December 2016 and 31 December 2015, the management of the Company considered that provision for impairment of available-for-sale financial assets was not necessary.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term Equity Investments

2016

Equity method:	Increase/(decrease) during the year						Year-end provision for impairment
	Opening balance	Increase in investment	Share of (losses)/profits	Declaration of cash dividend	Other equity movements	Provision for impairment	
Joint ventures							
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	99,285,990.07	-	(10,080,594.01)	-	-	-	89,205,396.06
Sub-total	99,285,990.07	-	(10,080,594.01)	-	-	-	89,205,396.06
Associates							
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢行)	932,604.68	-	(932,604.68)	-	-	-	-
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	211,146,190.86	-	6,765,321.16	-	-	-	217,911,512.02
Tangshan Caodeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,004,030,593.63	-	122,282,549.18	(105,000,000.00)	3,216,951.79	-	1,024,530,094.60
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興秦港能源儲運有限公司)	20,000,000.00	-	-	-	-	-	20,000,000.00
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	73,388,752.49	-	(5,350,747.60)	-	-	-	68,038,004.89
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	35,960,996.42	-	(1,025,803.69)	-	-	-	34,935,192.73
Gangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	60,450,073.21	28,000,000.00	151,614.96	-	-	-	88,601,688.17
Sub-total	1,405,909,211.29	28,000,000.00	121,890,329.33	(105,000,000.00)	3,216,951.79	-	1,454,016,492.41
Total	1,505,195,201.36	28,000,000.00	111,809,735.32	(105,000,000.00)	3,216,951.79	-	1,543,221,888.47

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term Equity Investments (continued)

2015

	Increase/(decrease) during the year						Year-end provision for impairment
	Opening balance	Increase in investment	Share of (losses)/profits	Declaration of cash dividend	Other equity movements	Provision for impairment	
Equity method:							
Joint ventures							
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	100,000,000.00	-	(714,009.93)	-	-	-	99,285,990.07
Sub-total	100,000,000.00	-	(714,009.93)	-	-	-	99,285,990.07
Associates							
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	2,250,388.06	-	(1,317,783.38)	-	-	-	932,604.68
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	203,167,579.17	-	7,978,611.69	-	-	-	211,146,190.86
Tangshan Caodeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	970,978,558.80	-	170,803,747.12	(140,000,000.00)	2,248,287.71	-	1,004,030,593.63
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興秦港能源儲運有限公司)	20,000,000.00	-	-	-	-	-	20,000,000.00
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	73,346,265.51	-	42,486.98	-	-	-	73,388,752.49
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	37,130,435.93	-	(1,169,439.51)	-	-	-	35,960,996.42
Gangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	64,161,188.79	-	(3,711,115.58)	-	-	-	60,450,073.21
Sub-total	1,371,034,416.26	-	172,626,507.32	(140,000,000.00)	2,248,287.71	-	1,405,909,211.29
Total	1,471,034,416.26	-	171,912,497.39	(140,000,000.00)	2,248,287.71	-	1,505,195,201.36

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Investment Properties

Land use right

Investment properties measured under the cost method:

	2016	2015
Cost		
Opening balance and Closing balance	7,410,000.00	7,410,000.00
Accumulated depreciation		
Opening balance	1,123,850.00	975,650.00
Provision for the year	148,200.00	148,200.00
Closing balance	1,272,050.00	1,123,850.00
Carrying amounts		
Opening balance	6,286,150.00	6,434,350.00
Closing balance	6,137,950.00	6,286,150.00

The above investment properties are all in PRC and held under medium term lease.

As at 31 December 2016, the above investment properties were all leased out under operating leases.

As at 31 December 2016, the Group has no investment properties pending certificates of property ownership (31 December 2015: nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Fixed Assets

2016

	Buildings	Terminal facilities	Machinery and equipment	Vessels and transportation equipment	Office and other equipment	Total
Cost						
1 January 2016	2,902,849,663.25	7,431,040,336.37	7,412,516,280.18	457,834,667.72	211,285,292.31	18,415,526,239.83
Purchase	327,490.00	-	19,547.01	437,164.36	519,251.56	1,303,452.93
Transferred from construction in progress	1,031,170,034.72	1,289,446,043.74	1,086,266,624.98	7,778,918.53	24,592,685.95	3,439,254,307.92
Reclassification	6,958,143.72	5,046,352.00	(10,816,220.90)	-	(1,188,274.82)	-
Transferred to construction in progress due to renovation and retrofitting	(132,800.00)	-	(114,513.00)	-	-	(247,313.00)
Disposal for the year	(84,196.00)	-	(29,660,127.39)	(3,219,186.34)	(2,987,065.25)	(35,950,574.98)
31 December 2016	3,941,088,335.69	8,725,532,732.11	8,458,211,590.88	462,831,564.27	232,221,889.75	21,819,886,112.70
Accumulated depreciation						
1 January 2016	903,473,198.69	1,438,514,110.99	4,589,984,822.12	304,797,044.44	165,318,973.71	7,402,088,149.95
Provision for the year (Note)	141,803,722.80	307,788,242.95	538,560,737.83	41,335,621.62	13,048,729.14	1,042,537,054.34
Reclassification	673,739.00	448,704.74	(386,097.40)	-	(736,346.34)	-
Transferred to construction in progress due to renovation and retrofitting	(59,577.23)	-	(111,077.61)	-	-	(170,654.84)
Disposal for the year	(81,670.12)	-	(27,524,924.18)	(3,122,610.75)	(2,834,589.41)	(33,563,794.46)
31 December 2016	1,045,809,413.14	1,746,751,058.68	5,100,523,460.76	343,010,055.31	174,796,767.10	8,410,890,754.99
Provision for impairment						
1 January 2016	-	-	6,162,977.29	-	87,324.95	6,250,302.24
Write off for the year	-	-	(837.45)	-	-	(837.45)
31 December 2016	-	-	6,162,139.84	-	87,324.95	6,249,464.79
Carrying amounts of fixed assets						
31 December 2016	2,895,278,922.55	6,978,781,673.43	3,351,525,990.28	119,821,508.96	57,337,797.70	13,402,745,892.92
1 January 2016	1,999,376,464.56	5,992,526,225.38	2,816,368,480.77	153,037,623.28	45,878,993.65	11,007,187,787.64

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Fixed Assets (continued)

2015

	Buildings	Terminal facilities	Machinery and equipment	Vessels and transportation equipment	Office and other equipment	Total
Cost						
1 January 2015	2,782,995,709.25	7,407,358,422.30	7,392,679,632.52	449,199,834.91	205,217,783.99	18,237,451,382.97
Purchase	33,046.00	-	125,512.64	2,748,271.84	1,488,189.61	4,395,020.09
Transferred from construction in progress	119,820,908.00	23,681,914.07	113,834,939.31	10,642,060.97	6,641,760.71	274,621,583.06
Transferred to construction in progress due to renovation and retrofitting	-	-	(28,325,969.00)	-	-	(28,325,969.00)
Disposal for the year	-	-	(65,797,835.29)	(4,755,500.00)	(2,062,442.00)	(72,615,777.29)
31 December 2015	2,902,849,663.25	7,431,040,336.37	7,412,516,280.18	457,834,667.72	211,285,292.31	18,415,526,239.83
Accumulated depreciation						
1 January 2015	776,363,119.63	1,142,514,070.84	4,074,273,916.21	267,541,986.52	150,393,417.70	6,411,086,510.90
Provision for the year (Note)	127,110,079.06	296,000,040.15	595,499,706.03	41,867,892.92	16,887,894.13	1,077,365,612.29
Transferred to construction in progress due to renovation and retrofitting	-	-	(26,575,475.98)	-	-	(26,575,475.98)
Disposal for the year	-	-	(53,213,324.14)	(4,612,835.00)	(1,962,338.12)	(59,788,497.26)
31 December 2015	903,473,198.69	1,438,514,110.99	4,589,984,822.12	304,797,044.44	165,318,973.71	7,402,088,149.95
Provision for impairment						
1 January 2015	-	-	8,569,150.20	-	87,324.95	8,656,475.15
Write off for the year	-	-	(2,406,172.91)	-	-	(2,406,172.91)
31 December 2015	-	-	6,162,977.29	-	87,324.95	6,250,302.24
Carrying amounts of fixed assets						
31 December 2015	1,999,376,464.56	5,992,526,225.38	2,816,368,480.77	153,037,623.28	45,878,993.65	11,007,187,787.64
1 January 2015	2,006,632,589.62	6,264,844,351.46	3,309,836,566.11	181,657,848.39	54,737,041.34	11,817,708,396.92

Note: In 2016, depreciation of RMB1,887,334.21 (2015: RMB2,320,935.22) provided for machinery and equipment directly related to the construction of construction in progress of the Group was capitalised in construction in progress.

As at 31 December 2016, the Group has no fixed assets which were temporarily idle (31 December 2015: nil).

As at 31 December 2016, the Group has no fixed assets pending certificates of property ownership (31 December 2015: nil).

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Fixed Assets (continued)

The carrying amount of the fixed assets leased out under operating leases are as follows:

	31 December 2016	31 December 2015
Terminal facilities	456,601,509.14	842,393,325.64
Machinery and equipment	7,577,035.47	25,118,876.98
Buildings	15,867,417.68	16,347,134.12
Vessels and transportation equipment	15,214.50	110,332.47
Office and other equipment	44,910.74	8,270.38
	480,106,087.53	883,977,939.59

12. Construction in Progress

	31 December 2016			31 December 2015		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Phase 1 of metal ores terminal project in the bulk cargo area of Huanghua Port	643,570,588.45	-	643,570,588.45	4,713,322,622.32	-	4,713,322,622.32
Phase 2 of coal terminal project in Caofeidian	4,896,360,788.56	-	4,896,360,788.56	4,633,263,190.17	-	4,633,263,190.17
Commencing project of complex port zone in Huanghua Port	111,326,263.42	-	111,326,263.42	220,310,366.09	-	220,310,366.09
Construction project of wind-proof net for coal stacking yards	34,538,527.23	-	34,538,527.23	715,800.00	-	715,800.00
Renovation project for reutilisation of wastewater with dust	-	-	-	13,953,619.38	-	13,953,619.38
Sewage treatment for Phase One and Two coal project	29,741,243.00	-	29,741,243.00	16,337,266.00	-	16,337,266.00
Retrofitting of dry fog dust suppression of dumpers	14,537,587.51	-	14,537,587.51	9,048,197.76	-	9,048,197.76
Others	100,918,957.21	-	100,918,957.21	48,869,404.64	-	48,869,404.64
Total	5,830,993,955.38	-	5,830,993,955.38	9,655,820,466.36	-	9,655,820,466.36

Management of the Company is of the opinion that no provision for impairment of construction in progress was necessary as at the balance sheet date.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in Progress (continued)

2016

	Budget	Opening Balance	Increase in the year	Transferred from fixed assets or intangible assets during the year	Transferred to fixed assets and intangible assets during the year	Closing balance	Source of funds	Percentage of accumulated project input to budget (%)
Phase 2 of coal terminal project in Caofeidian	5,428,903,500.00	4,633,263,190.17	263,214,619.76	-	(117,021.37)	4,896,360,788.56	Loans from financial institutes and self-owned capital	91
Phase 1 of metal ores terminal project in the bulk cargo area of Huanghua Port	5,790,815,353.83	4,713,322,622.32	187,033,049.58	22,492,900.65	(4,279,277,984.10)	643,570,588.45	Fund raised, loans from financial institutes and self-owned capital	85
Commencing project of complex port zone in Huanghua Port	7,555,702,691.90	220,310,366.09	78,901,489.94	-	(187,885,592.61)	111,326,263.42	Loans from financial institutes and self-owned capital	87
Construction project of wind-proof net for coal stacking yards	378,000,000.00	715,800.00	33,822,727.23	-	-	34,538,527.23	Self-owned capital	72
Renovation project for reutilization of wastewater with dust	32,020,000.00	13,953,619.38	10,025,946.66	-	(23,979,566.04)	-	Self-owned capital	79
Sewage treatment for Phase One and Two coal project	33,790,000.00	16,337,266.00	13,403,977.00	-	-	29,741,243.00	Self-owned capital	88
Retrofitting of dry for dust suppression of dumpers	19,480,000.00	9,048,197.76	5,489,389.75	-	-	14,537,587.51	Self-owned capital	75
Others	640,633,613.85	48,869,404.64	130,577,343.76	76,658.16	(78,604,449.35)	100,919,957.21		
Total	19,879,345,159.58	9,655,820,466.36	722,468,543.68	22,569,558.81	(4,569,864,613.47)	5,830,993,955.38		

NOTES TO FINANCIAL STATEMENTS

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in Progress (continued)

2015

	Budget	Opening Balance	Increase in the year	Transferred from fixed assets during the year	Transferred to fixed assets and intangible assets during the year	Closing balance	Source of funds	Percentage of accumulated project input to budget (%)
Phase 2 of coal terminal project in CaoFeidian	5,428,903,500.00	4,313,504,767.56	321,781,121.05	-	(2,022,698.44)	4,633,263,190.17	Loans from financial institutes and self-owned capital	86
Phase 1 of metal ores terminal project in the bulk cargo area of Huanghua Port	5,790,815,353.83	4,535,296,611.47	179,066,429.65	-	(1,040,418.80)	4,713,322,622.32	Fund raised, loans from financial institutes and self-owned capital	81
Commencing project of complex port zone in Huanghua Port	7,555,702,691.90	201,654,577.63	18,655,788.46	-	-	220,310,366.09	Loans from financial institutes and self-owned capital	87
Reinforcing renovation for structures of terminals	57,600,000.00	8,051,858.07	11,656,708.00	-	(19,708,566.07)	-	Self-owned capital	81
Stackers for Phase Three coal project	54,000,000.00	35,957,093.28	8,031,462.25	-	(43,988,555.53)	-	Self-owned capital and other resources	81
Construction project of wind-proof net for coal stacking yards	378,000,000.00	94,021,567.00	528,540.00	-	(93,834,307.00)	715,800.00	Self-owned capital	63
Renovation of dumper for Phase Four coal project	425,000,000.00	8,468,571.93	39,714,279.58	-	(47,418,940.33)	763,911.18	Loans from financial institutes, self-owned capital and other resources	88
Renovation project for reutilization of wastewater with dust	32,020,000.00	13,996,250.62	1,147,902.94	-	(1,190,534.18)	13,953,619.38	Self-owned capital	47
Sewage treatment for Phase One and Two coal project	33,790,000.00	245,737.70	16,091,528.30	-	-	16,337,266.00	Self-owned capital	48
Retrofitting of dry for dust suppression of dumpers	19,480,000.00	130,220.75	8,917,977.01	-	-	9,048,197.76	Self-owned capital	46
Others	933,470,750.00	43,353,443.08	68,735,290.53	1,750,493.02	(65,733,733.17)	48,105,493.46		
Total	20,708,782,295.73	9,254,680,699.09	674,327,027.77	1,750,493.02	(274,937,753.52)	9,655,820,466.36		

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Construction in Progress (continued)

2016

	Progress of project	Accumulated amounts of capitalized interest	Including: Capitalised interest for the year	Ratio of capitalised interest for the year
Phase 2 of coal terminal project in Caofeidian	91%	776,545,743.10	160,529,802.59	4.41%-6.15%
Phase 1 of metal ores terminal project in the bulk cargo area of Huanghua Port	85%	467,647,203.93	107,158,241.33	3.92%-5.31%
		1,244,192,947.03	267,688,043.92	

2015

	Progress of project	Accumulated amounts of capitalized interest	Including: Capitalised interest for the year	Ratio of capitalised interest for the year
Phase 2 of coal terminal project in Caofeidian	86%	616,015,940.51	170,906,449.12	4.51%-6.68%
Phase 1 of metal ores terminal project in the bulk cargo area of Huanghua Port	81%	360,488,962.60	157,062,135.14	4.14%-6.84%
		976,504,903.11	327,968,584.26	

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Intangible Assets

2016

	Land use rights	Software	Sea area use rights	Total
Cost				
1 January 2016	602,401,542.75	73,666,808.14	422,319,780.50	1,098,388,131.39
Purchase for the year	290,568.58	21,359.22	1,928,365.74	2,240,293.54
Transferred from construction in progress	1,089,092,245.05	41,518,060.50	–	1,130,610,305.55
Transferred to construction in progress	–	–	(23,119,470.00)	(23,119,470.00)
Disposal for the year	–	1,340,880.00	–	1,340,880.00
31 December 2016	1,691,784,356.38	113,865,347.86	401,128,676.24	2,206,778,380.48
Accumulated amortization				
1 January 2016	88,739,231.84	62,233,080.52	12,785,587.58	163,757,899.94
Provision for the year (Note)	20,157,884.60	7,236,160.47	7,854,143.28	35,248,188.35
Transferred to construction in progress	–	–	(626,569.35)	(626,569.35)
Disposal for the year	–	1,340,880.00	–	1,340,880.00
31 December 2016	108,897,116.44	68,128,360.99	20,013,161.51	197,038,638.94
Carrying amounts				
31 December 2016	1,582,887,239.94	45,736,986.87	381,115,514.73	2,009,739,741.54
1 January 2016	513,662,310.91	11,433,727.62	409,534,192.92	934,630,231.45

NOTES TO FINANCIAL STATEMENTS

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Intangible Assets (continued)

2015

	Land use rights	Software	Sea area use rights	Total
Cost				
1 January 2015	602,401,542.75	73,175,191.71	401,069,625.50	1,076,646,359.96
Purchase for the year	–	175,445.97	21,250,155.00	21,425,600.97
Transferred from construction in progress	–	316,170.46	–	316,170.46
31 December 2015	602,401,542.75	73,666,808.14	422,319,780.50	1,098,388,131.39
Accumulated amortization				
1 January 2015	76,048,342.88	55,435,209.88	4,921,394.15	136,404,946.91
Provision for the year (Note)	12,690,888.96	6,797,870.64	7,864,193.43	27,352,953.03
31 December 2015	88,739,231.84	62,233,080.52	12,785,587.58	163,757,899.94
Carrying amounts				
31 December 2015	513,662,310.91	11,433,727.62	409,534,192.92	934,630,231.45
1 January 2015	526,353,199.87	17,739,981.83	396,148,231.35	940,241,413.05

Note: In 2016, amortisation of RMB3,546,793.20 (2015: RMB3,556,408.06) provided for intangible assets directly related to the construction of construction in progress of the Group was capitalised in construction in progress.

As at 31 December 2016, the Group was in the process of applying for the land use right certificate of a reclaimed land with carrying amount of RMB1,089,092,245.05 (31 December 2015: nil).

As at 31 December 2016, the Group has no intangible assets which were from internal research and development (31 December 2015: nil).

The land use rights above are all in PRC and held under medium term lease.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term Deferred Expenses

2016

	Opening balance	Increase in the year	Amortization in the year	Closing balance
Dredging costs	3,210,413.37	–	(675,876.48)	2,534,536.89
Others	376,539.02	–	(347,537.32)	29,001.70
	3,586,952.39	–	(1,023,413.80)	2,563,538.59

2015

	Opening balance	Increase in the year	Amortization in the year	Closing balance
Dredging costs	–	3,379,382.49	(168,969.12)	3,210,413.37
Others	141,850.09	1,035,950.00	(801,261.07)	376,539.02
	141,850.09	4,415,332.49	(970,230.19)	3,586,952.39

15. Deferred Tax Assets

Deferred tax assets without taking into consideration the offsetting balance are as follows:

	31 December 2016		31 December 2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Government grants	332,110,009.53	83,027,502.30	352,227,786.10	88,056,946.48
Asset impairment provision	24,349,007.04	6,087,251.76	41,294,236.84	10,323,559.21
Unpaid employee bonus	–	–	10,000,000.00	2,500,000.00
Accrued early retirement schemes	139,990,311.60	34,997,577.90	127,025,459.68	31,756,364.92
Difference between tax base and accounting base of fixed assets	161,822,083.44	40,455,520.86	171,718,954.04	42,929,738.51
	658,271,411.61	164,567,852.82	702,266,436.66	175,566,609.12

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Deferred Tax Assets (continued)

Deductible temporary differences and deductible losses of deferred tax assets which are not recognised are as follows:

	31 December 2016	31 December 2015
Deductible temporary differences	3,446,225.91	2,404,385.95
Deductible losses	81,881,263.61	76,113,254.59
	85,327,489.52	78,517,640.54

The deductible losses of the deferred tax assets which are not recognised will expire in the following years:

	31 December 2016	31 December 2015
2016	–	19,726,111.82
2017	19,217,134.49	19,217,134.49
2018	15,394,012.12	15,394,012.12
2019	11,426,185.85	11,935,851.02
2020	9,840,145.14	9,840,145.14
2021	26,003,786.01	–
	81,881,263.61	76,113,254.59

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Asset Impairment Provision

2016

	Opening balance	Provision for the year	Decrease during The year		Closing balance
			Reversal	Write-off	
Provision for bad debts					
Including: Accounts receivable	15,736,495.74	9,481,896.23	(23,881.75)	–	25,194,510.22
Other receivable	27,962,127.05	145,274.71	(25,506,679.03)	–	2,600,722.73
Fixed assets impairment provision	6,250,302.24	–	–	(837.45)	6,249,464.79
	49,948,925.03	9,627,170.94	(25,530,560.78)	(837.45)	34,044,697.74

2015

	Opening balance	Provision for the year	Decrease during The year		Closing balance
			Reversal	Write-off	
Provision for bad debts					
Including: Accounts receivable	13,220,501.10	2,688,797.52	(172,802.88)	–	15,736,495.74
Other receivable	46,061,804.61	1,323,532.57	(19,423,210.13)	–	27,962,127.05
Fixed assets impairment provision	8,656,475.15	–	–	(2,406,172.91)	6,250,302.24
	67,938,780.86	4,012,330.09	(19,596,013.01)	(2,406,172.91)	49,948,925.03

17. Other Non-current Assets

	2016	2015
Prepayments for engineering equipment expenses	51,740,649.66	5,662,384.75

18. Assets with Restricted Ownership

As at 31 December 2016, except for the guarantee deposits of RMB215,280.00 (Note V-1), the Group had no other assets with restricted ownership (31 December 2015: guarantee deposits of RMB9,685,280.00).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Short-term Borrowings

	31 December 2016	31 December 2015
Unsecured borrowings	1,545,000,000.00	1,450,000,000.00

As at 31 December 2016, the interest rate of the above borrowing ranged from 3.92% to 4.13% per annum (31 December 2015: 3.92% to 4.59%).

As at 31 December 2016, the Group has no overdue borrowings (31 December 2015: nil).

20. Accounts Payable

The accounts payable are interest-free and the terms are usually 90 days.

Aged analysis of accounts payable are calculated based on the date of invoice or bill. An aged analysis of accounts payable is as follows:

	31 December 2016	31 December 2015
Within 1 year	95,957,194.00	91,756,115.28
1 to 2 years	2,327,506.87	2,803,638.78
2 to 3 years	2,078,466.36	1,425,165.09
Over 3 years	2,363,402.04	4,948,784.17
	102,726,569.27	100,933,703.32

As at 31 December 2016 the Group has no significant accounts payable aging more than 1 year (31 December 2015: nil).

21. Deposits Received

	31 December 2016	31 December 2015
Port handling fees	469,155,549.92	383,174,305.31
Weighing fees	3,071,716.70	4,619,393.77
others	108,457.39	38,127.20
	472,335,724.01	387,831,826.28

As at 31 December 2016, the Group had no significant deposits received aging more than 1 year (31 December 2015: nil).

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31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Employee Benefits Payable

2016

	Opening balance	Accrued	Paid	Closing balance
Short-term employee benefits	55,952,055.31	1,674,516,247.45	1,713,670,775.45	16,797,527.31
Post-employment benefits (defined contribution plans)	5,127.68	330,509,321.41	330,494,032.85	20,416.24
Early retirement schemes due within one year (27 of Note V)	61,532,551.19	82,828,759.20	76,178,542.63	68,182,767.76
	117,489,734.18	2,087,854,328.06	2,120,343,350.93	85,000,711.31

Short-term employee benefits are as follows:

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	27,006,921.46	1,046,606,906.89	1,073,613,828.35	–
Staff welfare	–	106,635,910.21	106,635,910.21	–
Social insurance	30,809.32	132,949,380.43	132,980,189.75	–
Including: Medical insurance	30,691.05	107,741,430.07	107,772,121.12	–
Work injury insurance	118.27	17,053,931.34	17,054,049.61	–
Maternity insurance	–	8,154,019.02	8,154,019.02	–
Housing funds	19,573,183.47	188,541,241.50	196,537,171.02	11,577,253.95
Union fund and employee education fund	5,811,291.68	28,722,015.71	30,297,493.56	4,235,813.83
Short-term paid leaves	–	14,260,538.03	14,260,538.03	–
Other short-term employee benefits	3,529,849.38	156,928,117.68	159,473,507.53	984,459.53
	55,952,055.31	1,674,516,247.45	1,713,670,775.45	16,797,527.31

Defined contribution plans are as follows:

	Opening balance	Accrued	Paid	Closing balance
Basic pension	–	274,169,282.27	274,169,282.27	–
Unemployment insurance	5,127.68	15,259,809.27	15,264,936.95	–
Enterprise annuity contribution (Note)	–	40,080,229.87	41,059,813.63	20,416.24
	5,127.68	330,509,321.41	330,494,032.85	20,416.24

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Employee Benefits Payable (continued)

2015

	Opening balance	Accrued	Paid	Closing balance
Short-term employee benefits	85,534,076.30	2,092,991,597.13	2,122,573,618.12	55,952,055.31
Post-employment benefits (defined contribution plans)	5,127.68	357,126,281.84	357,126,281.84	5,127.68
Early retirement schemes due within one year (27 of Note V)	–	98,803,017.47	37,270,466.28	61,532,551.19
	85,539,203.98	2,548,920,896.44	2,516,970,366.24	117,489,734.18

Short-term employee benefits are as follows:

	Opening balance	Accrued	Paid	Closing balance
Salaries, bonuses, allowances and subsidies	62,034,621.00	1,377,602,630.67	1,412,630,330.21	27,006,921.46
Staff welfare	–	115,625,159.29	115,625,159.29	–
Social insurance	30,809.32	129,760,296.13	129,760,296.13	30,809.32
Including: Medical insurance	30,691.05	105,580,638.98	105,580,638.98	30,691.05
Work injury insurance	118.27	14,448,788.61	14,448,788.61	118.27
Maternity insurance	–	9,730,868.54	9,730,868.54	–
Housing funds	16,213,551.68	231,819,611.23	228,459,979.44	19,573,183.47
Union fund and employee education fund	4,442,594.20	37,025,759.33	35,657,061.85	5,811,291.68
Short-term paid leaves	–	16,975,448.36	16,975,448.36	–
Other Short-term employee benefits	2,812,500.10	184,182,692.12	183,465,342.84	3,529,849.38
	85,534,076.30	2,092,991,597.13	2,122,573,618.12	55,952,055.31

Defined contribution plans are as follows:

	Opening balance	Accrued	Paid	Closing balance
Basic pension	–	271,705,072.26	271,705,072.26	–
Unemployment insurance	5,127.68	20,046,535.40	20,046,535.40	5,127.68
Enterprise annuity contribution (Note)	–	65,374,674.18	65,374,674.18	–
	5,127.68	357,126,281.84	357,126,281.84	5,127.68

Note: The Group operates a defined contribution pension scheme, which requires payments of fixed contribution to independent fund. According to the pension scheme, the highest payment shall not exceed the national regulations, which is within 8% of prior year's total payroll. The total payment made by the enterprise and employees shall not exceed 12% of prior year's total payroll. On July 2016 and before, the Group's payment was calculated at 5% of prior year's total payroll. Since August 2016, the proportion of contribution from the Group has decreased to 0.5% of the total payroll of prior year.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Taxes Payable

	31 December 2016	31 December 2015
Value-added tax	351,407.02	16,337,972.46
Business tax	–	626,883.48
Enterprise income tax	29,857,892.61	1,014,273.42
City maintenance and construction tax	44,880.52	1,198,710.91
Education surcharge	32,057.50	854,455.82
Individual income tax	4,307,096.05	16,470,696.48
Land use tax	–	27,741,935.13
Others	137,133.85	3,028.56
	34,730,467.55	64,247,956.26

24. Interest Payable

	31 December 2016	31 December 2015
Interest on bank borrowings	15,296,378.10	17,522,440.97

25. Other Payables

	31 December 2016	31 December 2015
Engineering equipment expenses	1,165,832,001.92	1,307,871,027.05
sewage charges of dust	46,866,685.90	59,204,943.37
Facilities leasing expenses	–	16,153,500.00
Others	31,924,935.35	55,459,872.15
	1,244,623,623.17	1,438,689,342.57

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Other Payables (continued)

As at 31 December 2016, significant other payables aging more than 1 year are as follows:

	Sums payable	Outstanding reason
Engineering equipment expenses payable	748,345,572.03	Not yet settled

As at 31 December 2015, significant other payables aging more than 1 year are as follows:

	Sums payable	Outstanding reason
Engineering equipment expenses payable	961,867,081.53	Not yet settled

26. Long-term Borrowings

	31 December 2016	31 December 2015
Unsecured borrowings	9,721,402,456.98	10,134,953,942.54
Less: long-term borrowings due within one year	1,056,586,108.28	679,102,320.56
Non-current portion	8,664,816,348.70	9,455,851,621.98

As at 31 December 2016, the interest rate of the above borrowings ranged from 4.28% to 6.15% per annum (31 December 2015: 4.28% to 6.68%).

Analysis on the maturity date of long term borrowings is as follows:

	31 December 2016	31 December 2015
Within 1 year (including 1 year) or repayable on demand	1,056,586,108.28	679,102,320.56
Within 2 years (including 2 years)	845,665,434.98	1,757,615,441.28
Within 3 to 5 years (including 3 years and 5 years)	3,032,716,648.60	2,712,123,952.04
Over 5 years	4,786,434,265.12	4,986,112,228.66
	9,721,402,456.98	10,134,953,942.54

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Long-term Employee Remuneration Payable

Other long-term employee benefits

	31 December 2016	31 December 2015
Early retirement schemes payable	139,990,311.60	127,025,459.69
Including: amount due within one year	68,182,767.76	61,532,551.19
Non-current portion	71,807,543.84	65,492,908.50

Change in early retirement schemes payable are as follows:

	2016	2015
Early retirement schemes		
Opening balance	127,025,459.69	–
Increase in the year	89,143,394.54	164,295,925.97
Decrease in the year	(76,178,542.63)	(37,270,466.28)
Closing balance	139,990,311.60	127,025,459.69

Expected early retirement schemes payable of the Group in the future are as follows:

	2016	2015
Undiscounted amount		
Within 1 year	68,182,767.76	61,532,551.19
1 year to 2 years	39,870,377.39	39,402,514.24
2 years to 3 years	19,340,746.72	18,813,290.54
Over 3 years	20,429,585.62	13,491,337.28
Unrecognised financing cost	147,823,477.49 (7,833,165.89)	133,239,693.25 (6,214,233.56)
Less: Amount due within one year	139,990,311.60 68,182,767.76	127,025,459.69 61,532,551.19
Long-term employee remuneration payable	71,807,543.84	65,492,908.50

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Long-term Employee Remuneration Payable (continued)

Due to implementation of institutional reform, the Group has executed early retirement plan ("Early retirement") since 2015. Eligible employees may retire from their posts on a voluntary basis. The Group has the obligation to pay early retirement pension for those early retired employees in the next 1 year to 10 years until the employees reach their statutory retirement age. The wages for early retirement are determined according to certain proportion of the average monthly wages of the early retired employees in the previous year before their official early retirement. Once confirmed, the wages for early retirement would remain unchanged for the coming years. In the meantime, the Company will make provision and pay for insurance and housing fund for those employees under local requirement for social insurance. In considering the future payment obligations of early retirement pension for employees participating in the early retirement plan, the Group recognized in the administrative expenses on a one-off basis in accordance with discounted China bond and government bond yields. As at 31 December 2015 and 2016, it is expected to recognize employee remuneration payable in the amount payable within 12 months.

28. Deferred Income

	31 December 2016	31 December 2015
Government grants in relation to assets		
Special environmental subsidy	190,974,176.22	191,545,286.11
Subsidy for retrofitting of contingency coal storage depot	138,250,000.00	157,750,000.00
Technology center project funds	2,437,499.98	2,554,166.66
Others	68,333.33	78,333.33
Government grants in relation to income		
Technology center project funds	380,000.00	300,000.00
	332,110,009.53	352,227,786.10

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Deferred Income (continued)

As at 31 December 2016, liabilities items related to government grants are as follows:

	Opening balance	Increase in the year	Recognised in non-operating revenue in the year	Decrease due to disposal of subsidiaries	Closing balance	Related to assets/income
Special environmental subsidy	191,545,286.11	14,879,700.00	15,450,809.89	-	190,974,176.22	Related to assets
Retrofitting of contingency coal storage depot	157,750,000.00	-	19,500,000.00	-	138,250,000.00	Related to assets
Technology center project funds	2,554,166.66	-	116,666.68	-	2,437,499.98	Related to assets
Others	78,333.33	-	10,000.00	-	68,333.33	Related to assets
Technology center project funds	300,000.00	80,000.00	-	-	380,000.00	Related to income
	352,227,786.10	14,959,700.00	35,077,476.57	-	332,110,009.53	

As at 31 December 2015, liabilities items related to government grants are as follows:

	Opening balance	Increase in the year	Recognised in non-operating revenue in the year	Decrease due to disposal of subsidiaries	Closing balance	Related to assets/income
Special environmental subsidy	137,400,344.96	67,673,000.00	13,528,058.85	-	191,545,286.11	Related to assets
Retrofitting of contingency coal storage depot	176,575,000.00	-	18,825,000.00	-	157,750,000.00	Related to assets
Technology center project funds	2,287,500.00	400,000.00	133,333.34	-	2,554,166.66	Related to assets
Others	88,333.33	-	10,000.00	-	78,333.33	Related to assets
Technology center project funds	300,000.00	-	-	-	300,000.00	Related to income
	316,651,178.29	68,073,000.00	32,496,392.19	-	352,227,786.10	

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Share Capital

	31 December 2016		31 December 2015	
	RMB	Percentage (%)	RMB	Percentage (%)
HPG	3,073,364,204.00	61.108	3,104,314,204.00	61.723
Daqin Railway Co., Ltd.	42,750,000.00	0.850	42,750,000.00	0.850
China Shipping (Group) Company	41,995,588.00	0.835	41,995,588.00	0.835
China Life Investment Holding Company Limited	41,995,588.00	0.835	41,995,588.00	0.835
Shougang Group	41,995,588.00	0.835	41,995,588.00	0.835
Beijing Enterprises Group Company Limited	41,995,588.00	0.835	41,995,588.00	0.835
Datong Coal Mine Group Co., Ltd.	41,995,588.00	0.835	41,995,588.00	0.835
Hebei Construction & Investment Communications Investment Co., Ltd.	212,692,830.00	4.229	212,692,830.00	4.229
Qinhuangdao Municipal People's Government State-owned Assets Supervision and Administration Commission	629,824,026.00	12.523	629,824,026.00	12.523
Overseas shareholders	829,853,000.00	16.500	829,853,000.00	16.500
Qinhuangdao Port Management Office of the People's Government of Shanxi Province (note)	30,950,000.00	0.615	–	–
	5,029,412,000.00	100.000	5,029,412,000.00	100.000

Note: Please refer to Note X. Related Party Relationships and Transactions.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Capital Reserve

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	4,499,014,774.98	–	–	4,499,014,774.98
Others (Note)	7,888,337.83	–	(525,284.20)	7,363,053.63
	4,506,903,112.81	–	(525,284.20)	4,506,377,828.61

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Share premium	4,499,014,774.98	–	–	4,499,014,774.98
Others	7,888,337.83	–	–	7,888,337.83
	4,506,903,112.81	–	–	4,506,903,112.81

Note: Other capital reserve decreased during 2016 mainly due to the unilateral capital contributions from the Company to its subsidiary Cangzhou Bohai Port Co., Ltd (滄州渤海港務有限公司) causing the shareholding changed, which in turn resulting in a decrease of RMB525,284.20 of capital reserve.

31. Special Reserve

2016

	Opening balance	Amount accrued in the year	Amount utilised in the year	Closing balance
Production safety expense	10,884,608.51	72,633,833.05	(64,903,418.79)	18,615,022.77

2015

	Opening balance	Amount accrued in the year	Amount utilised in the year	Closing balance
Production safety expense	21,544,992.62	73,691,974.58	(84,352,358.69)	10,884,608.51

Pursuant to the Notice on Issue of Administrative Measures of Withdrawal and Use of Corporate Production Safety Expenses (《關於印發<企業生產安全費用提取和使用管理辦法>的通知》) (Cai Qi [2012] No.16) issued by the Ministry of Finance of the PRC together with the State Administration of Work Safety, the Group started to accrue the safety production expenses from 2012.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Surplus Reserve

2016

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	1,015,722,853.98	29,251,396.78	–	1,044,974,250.76

2015

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	884,205,714.39	131,517,139.59	–	1,015,722,853.98

According to the requirements of the Company Law and the Articles of Association of the Company, the Company is required to appropriate 10% of its net profits to the statutory surplus reserve. In the event that the accumulated statutory surplus reserve of the Company has reached above 50% of the registered capital of the Company, additional appropriation will not be needed.

After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserves. Upon approval, discretionary surplus reserves can be used to make up for accumulated losses or to increase the share capital.

33. Retained Profits

	2016	2015
Retained profits at the beginning of the year	1,251,321,607.34	1,798,642,550.46
Net profit attributable to shareholders of the parent	365,029,064.52	1,344,490,396.47
Less: Appropriation to statutory surplus reserve	29,251,396.78	131,517,139.59
Cash dividend payable for common shares (Note)	754,411,800.00	1,760,294,200.00
Retained profits at the end of the year	832,687,475.08	1,251,321,607.34

Note: Pursuant to the Resolution on 2015 Profit Distribution deliberated at the fourth meeting of the third session of the Board of Qinhuangdao Port Co., Ltd.* held on 23 March 2016, the Company proposed to pay a cash dividend totaling RMB754,411,800.00 to all the Shareholders, which is calculated based on 5,029,412,000 Shares in issue and RMB0.15 per share (inclusive of tax). The abovementioned dividend distribution plan was approved on the Annual General Meeting held on 16 June 2016.

Pursuant to the Resolution on 2014 Profit Distribution deliberated at the nineteenth meeting of the second session of the Board of Qinhuangdao Port Co., Ltd.* held on 23 March 2015, the Company proposed to pay a cash dividend totaling RMB1,760,294,200.00 to all the Shareholders, which is calculated based on 5,029,412,000 Shares in issue and RMB0.35 per share (inclusive of tax). The abovementioned dividend distribution plan was approved on the Annual General Meeting held on 9 June 2015.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Operating Revenue and Cost

Revenue, which is also the Group's turnover, represents the net invoice value of goods sold net of sales returns and trade discounts; the value of the services rendered; and the gross rental income received and receivable by the Group during the Year.

	2016	2015
Revenue from the principal operations	4,904,260,244.47	6,881,535,434.59
Revenue from other operations	6,746,175.27	8,358,834.87
	4,911,006,419.74	6,889,894,269.46

	2016	2015
Cost of the principal operations	3,572,279,935.67	4,073,929,342.20
Cost of other operations	1,157,531.75	4,996,186.95
	3,573,437,467.42	4,078,925,529.15

Revenue is as follows:

	2016	2015
Revenue from service in relation to coal and relevant products	3,530,506,462.24	5,332,183,755.34
Revenue from service in relation to metal ore and relevant products	775,774,688.40	812,756,414.47
Revenue from service in relation to general and other cargoes	178,787,790.27	215,048,479.16
Revenue from container service	134,147,860.30	127,252,358.53
Revenue from service in relation to liquefied cargoes	65,560,843.64	105,510,641.48
Revenue from others	226,228,774.89	297,142,620.48
	4,911,006,419.74	6,889,894,269.46

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Tax and Surcharges

	2016	2015
Business tax	697,372.79	1,583,201.58
Urban maintenance and construction tax and education surcharge	17,311,931.50	33,685,897.51
Tenure tax	42,243,871.34	–
Property tax	5,657,621.81	–
Stamp duty	1,031,225.64	–
Vehicle use tax	236,465.10	–
	67,178,488.18	35,269,099.09

Please refer to Note IV. Taxation for tax base of tax and surcharge.

In 2016, according to the requirements of the Regulations on Accounting Treatment of VAT (《增值稅會計處理規定》) (Cai Hui [2016] No.22), the Group changed the item of “business tax and surcharges” in the income statement to “tax and surcharges”. The property tax, land use tax, vehicle use tax, stamp duty and other relevant taxes incurred during the operation activities of the enterprises from 1 May 2016 shall be accounted for in “tax and surcharges” instead of “administrative expenses”, and those incurred before 1 May 2016 shall be accounted for in “administrative expenses”.

36. Administrative Expenses

	2016	2015
Payroll	504,622,307.03	602,332,325.25
Early retirement schemes (Note V,27)	89,143,394.54	164,295,925.97
Depreciation and amortisation	58,379,208.49	64,402,806.73
Tax expenses (Note V,35)	19,317,181.26	90,586,887.76
Rental expenses	8,645,617.17	31,722,634.02
Repair and maintenance expenses	14,713,035.74	16,749,241.24
Office charges	13,233,941.71	16,082,719.26
Epidemic prevention expenses	9,459,139.23	10,284,659.10
Travel expenses	8,483,626.63	9,777,992.81
Business entertainment expenses	5,528,777.37	4,386,270.94
Auditors' remuneration	4,198,113.21	3,584,905.66
Others	63,991,597.63	58,319,087.77
	799,715,940.01	1,072,525,456.51

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Financial Cost

	2016	2015
Interest expense	563,473,101.47	666,385,181.57
Including: Interest on bank loans wholly repayable within five years	392,033,576.44	442,252,790.12
Less: Interest income	26,280,523.75	38,670,366.63
Less: Capitalised interest	267,688,043.92	327,968,584.26
Foreign exchange gains	(11,248,887.43)	(3,228,578.70)
Others	312,050.76	455,146.09
	258,567,697.13	296,972,798.07

The amount of capitalised interest for borrowings has been included in construction in progress.

38. Asset Impairment Loss

	2016	2015
Provision for bad debts	(15,903,389.84)	(15,583,682.92)

39. Investment Income

	2016	2015
Dividend income on holding available-for-sale financial assets	5,636,502.00	62,429,181.18
Income from long-term equity investments under equity method	111,809,735.32	171,912,497.39
Including: investment income from associates	121,890,329.33	172,626,507.32
investment income from joint ventures	(10,080,594.01)	(714,009.93)
Interest income from financial products	3,302,879.04	4,251,851.67
	120,749,116.36	238,593,530.24

All of the above investment income of the Group was derived from non-listing investment.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Non-operating Income

	2016	2015
Gain on disposal of non-current assets	1,261,030.26	3,633,926.03
Including: Gain on disposal of fixed assets	1,261,030.26	3,633,926.03
Government grants	135,607,152.97	60,873,392.97
Others	4,335,711.19	3,980,002.11
	141,203,894.42	68,487,321.11

Government grants credited to profit or loss for the current period are as follows:

	2016	2015	Related to assets/income
Retrofitting of contingency coal storage depot	19,500,000.00	18,825,000.00	Related to assets
Container subsidy (Note 1)	66,670,300.00	–	Related to income
Special environmental subsidy	15,450,809.89	13,528,058.85	Related to assets
Employment subsidy (Note 2)	31,889,278.36	27,410,040.00	Related to income
Others	2,096,764.72	1,110,294.12	
	135,607,152.97	60,873,392.97	

Note 1: Such government subsidy was the subsidy for the number of containers recognized by Cangzhou Bohai. According to the Notice on Issue of Preferential Policy for Supporting the Development of Container Industry in Huanghua Port and the Implementation Rules of Grant of Subsidy under the Preferential Policy for the Development of Container Industry in Huanghua Port (《關於印發〈關於支持黃驊港集裝箱產業發展的優惠政策〉和的通知》) (Bo Xin Guan Zi [2012] No.25) issued by the Administration Commission of Bohai New Zone in Cangzhou City in March 2012, in order to support the development of container industry in Huanghua Port, subsidy of RMB100 per TEU will be granted to the companies engaged in operation of container terminal based on the container throughput.

Cangzhou Bohai applied for the subsidy for number of containers in accordance with the above documents, and recognized the non-operating income based on the approval form of container subsidy approved by the government.

Note 2: Pursuant to the Opinion on the Use of Unemployment Insurance Benefits and Employment Subsidy (《關於使用失業保險金援企穩崗的意見》) (Ji Zheng Ban Han [2014] No. 18) issued by the General Office of the People's Government of Hebei Province, employment subsidy or social insurance subsidy will be granted out of the unemployment insurance fund to the enterprises which take active measures to stabilize the employment. Subsidy period is 6 months per year, and the subsidy amount is calculated based on 50% of the employees participated in the unemployment insurance and the minimum standard of unemployment insurance in Qinhuangdao City. As the applying entity, HPG will make aggregate application to the Bureau of Human Resources & Social Security of Qinhuangdao for the employment subsidy of all branch offices and subsidiaries (including the Group) under HPG on an annual basis, and deliver the subsidy to its branch offices and subsidiaries based on their respective number of employees participated in the unemployment insurance. The government subsidy received by the Group which were applied by HPG on its behalf were RMB31,889,278.36 and RMB27,410,040.00, respectively, in 2016 and 2015.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Non-operating Expenses

	2016	2015
Losses on disposal of non-current assets	1,832,124.80	9,970,696.17
Including: Losses on disposal of fixed assets	1,832,124.80	9,970,696.17
Late Payment	2,419,125.06	5,308,458.53
External donation	202,000.00	2,000.00
Others	114,910.78	142,781.12
	4,568,160.64	15,423,935.82

42. Expense by Nature

The supplemental information to the Group's operating costs, administrative expenses and selling expenses by nature are as follows:

	2016	2015
Payroll (Note)	2,015,372,700.48	2,530,698,183.15
Depreciation and amortisation	1,073,522,729.08	1,099,959,652.23
Power and fuel costs	222,417,877.59	300,753,879.03
Consumption expense of machinery	155,581,236.69	154,249,760.44
Rental expenses	146,724,198.10	161,109,033.37
Environmental protection and sewage charges	142,897,444.80	191,939,013.62
Repair and maintenance expenses	276,238,146.37	307,731,064.65
Tax	19,317,181.26	90,586,887.76
Others	321,196,163.87	314,447,679.60
	4,373,267,678.24	5,151,475,153.85

Note: Payroll for 2016 included early retirement schemes of RMB89,143,394.54(2015:RMB164,295,925.97). Please refer to 27 of Note V Long-term Employee benefits payable for details.

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Income Tax Expense

	2016	2015
Current income tax expenses	102,717,025.06	394,597,483.82
Deferred income tax expenses	10,998,756.30	(27,541,807.42)
	113,715,781.36	367,055,676.40

The relationship between income tax expenses and the total profit is as follows:

	2016	2015
Total profit	485,280,796.17	1,713,417,816.90
Income tax expenses at the statutory tax rate	121,320,199.04	428,354,454.23
Effect of different tax rates of subsidiaries	(12,219.06)	(4,451,473.66)
Income not subject to tax	(1,409,125.50)	(15,607,295.30)
Investment income from associates and joint ventures	(27,952,433.83)	(42,978,124.35)
Expenses not deductible for tax	5,763,926.96	3,744,694.81
Utilising deductible losses not recognised in previous years	(241,673.49)	(4,355,745.72)
Unrecognised deductible losses	6,500,946.51	2,397,649.39
Adjustments in respect of income tax of previous years	8,518,714.22	2,696,460.65
Others	1,227,446.51	(2,744,943.65)
	113,715,781.36	367,055,676.40

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Other Comprehensive Income

Accumulated balance of other comprehensive income attributable to the parent company in the balance sheet:

	1 January 2016	Increase/ (decrease)	31 December 2016
Exchange differences arising from translation of foreign currency denominated financial statements	1,788,437.76	2,835,208.80	4,623,646.56
	1 January 2015	Increase/ (decrease)	31 December 2015
Exchange differences arising from translation of foreign currency denominated financial statements	–	1,788,437.76	1,788,437.76

Amount of other comprehensive income in the income statement for the current period:

	Amount before tax	Less: Transfer to profit or loss previously recognized	Less: Income tax	Attributable to the parent company	Attributable to minority interest
2016					
Exchange differences arising from translation of foreign currency denominated financial statements	2,835,208.80	–	–	2,835,208.80	–
2015					
Exchange differences arising from translation of foreign currency denominated financial statements	1,788,437.76	–	–	1,788,437.76	–

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue. The number of newly issued ordinary shares is calculated and determined based on the specific terms of issuance contracts from the date of the consideration receivable (normally the stock issue date).

The calculation of the basic earnings per share is as follows:

	2016	2015
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	365,029,064.52	1,344,490,396.47
Shares		
Weighted average number of ordinary shares in issue	5,029,412,000.00	5,029,412,000.00

The Company had no dilutive potential ordinary shares in issue during 2016 (2015: nil).

46. Supplemental Information to Statement of Cash Flows

(1) Supplemental information to statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

	2016	2015
Net profit	371,565,014.81	1,346,362,140.50
Add: Asset impairment loss	(15,903,389.84)	(15,583,682.92)
Fixed assets depreciation	1,040,649,720.13	1,075,044,677.07
Amortisation of intangible assets	31,701,395.15	23,796,544.97
Amortisation of investment property	148,200.00	148,200.00
Amortisation of long-term deferred expenses	1,023,413.80	970,230.19
Amortisation of deferred income	(35,077,476.57)	(32,496,392.19)
Losses on disposal of fixed assets, intangible assets and other long-term assets	571,094.54	6,336,770.14
Financial costs	284,536,170.12	335,188,018.61
Investment income	(120,749,116.36)	(238,593,530.24)
Decrease/(increase) in deferred income tax assets	10,998,756.30	(27,541,807.42)
(Increase)/increase in inventories	(18,105,557.85)	2,440,899.70
(Increase)/decrease in other current assets	(11,008,206.84)	6,974,689.06
(Increase)/decrease in operating receivables	(56,425,317.95)	33,178,388.35
Increase/(decrease) in operating payables	543,690.06	(181,605,460.88)
Increase/(decrease) in special reserve	4,400,457.55	(13,381,352.55)
Net cash flows from operating activities	1,488,868,847.05	2,321,238,332.39

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Supplemental Information to Statement of Cash Flows (continued)

(1) Supplemental information to statement of cash flows (continued)

Net movements in cash and cash equivalents:

	2016	2015
Balances of cash at end of the year	1,149,805,681.56	1,376,457,026.65
Less: Balances of cash at beginning of the year	1,376,457,026.65	2,902,239,590.05
Net increase in cash and cash equivalents	(226,651,345.09)	(1,525,782,563.40)

(2) Cash and cash equivalents

	2016	2015
Cash	1,149,805,681.56	1,376,457,026.65
Including: Cash on hand	278,244.38	52,597.44
Bank deposits on demand	1,149,527,437.18	1,376,404,429.21
Balance of cash and cash equivalents at the end of the year	1,149,805,681.56	1,376,457,026.65

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Foreign Currency Monetary Items

	31 December 2016			31 December 2015		
	Original currency	Exchange rate	Translated RMB	Original currency	Exchange rate	Translated RMB
Cash and bank balances						
US\$	5,206,977.92	6.9370	36,120,415.57	5,225,639.00	6.4936	33,932,069.33
EUR	488.74	7.3068	3,571.13	3.74	7.0952	26.54
HK\$	236,374,619.10	0.8945	211,439,460.53	240,828,199.27	0.8378	201,761,048.77
Dividend payable						
HK\$	680.08	0.8945	608.34	2,756.67	0.8378	2,309.54
Accounts payable						
US\$	73,979.71	6.9370	513,197.25	42,472.65	6.4936	275,800.40
JPY	–	0.0596	–	47,977.74	0.0539	2,586.00
HK\$	1,387,552.42	0.8945	1,241,179.52	–	–	–
Other payables						
HK\$	61,643.43	0.8945	55,140.66	–	–	–
Other receivables						
HK\$	980.08	0.8945	876.69	67,689.10	0.8378	56,708.57
US\$	10,000.00	6.9370	69,384.10	–	–	–
Taxes payable						
HK\$	47,995.92	0.8945	42,932.83	–	–	–

VI. CHANGES IN CONSOLIDATION SCOPE

1. Other Reasons for the Changes of the Combination Scope

New subsidiaries:

	Nature of business	Total percentage of shareholdings held by the Group	Date of establishment
Tangshan Caofeidian Jigang General Port Co., Ltd.	Loading and unloading services	100.00%	22 September 2016
Cangzhou Bohai Jinji Container Terminal Co., Ltd.	Loading and unloading services	100.00%	18 November 2016

Save for the subsidiaries newly established during the year, the scope of the consolidated financial statements is consistent with that of previous year.

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VII. INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

The subsidiaries of the Company are as follows:

	Place of principal business	Place of incorporation	Nature of business	Registered capital RMB'0000	Percentage of shareholding	
					Direct (%)	Indirect (%)
Subsidiaries acquired through the equity contribution from HPG during the establishment of the Company						
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	Qinhuangdao city	Qinhuangdao city	Accessories sales	1,000	100.00	-
Qinhuangdao Xin'gangwan Container Terminal Co.Ltd (秦皇島港新港灣集裝箱碼頭有限公司)	Qinhuangdao city	Qinhuangdao city	Loading and unloading services	40,000	55.00	-
Cangzhou Bohai Port Co., Ltd (滄州渤海港務有限公司) (Note VII-2)	Cangzhou city	Cangzhou city	Loading and unloading services	255,100	96.08	-
Subsidiaries acquired through establishment or investment						
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	Tangshan city	Tangshan city	Loading and unloading services	180,000	51.00	-
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	Cangzhou city	Cangzhou city	Loading and unloading services	196,000	98.47	-
Cangzhou Ocean Shipping Tally Co., Ltd. (滄州中理外輪理貨有限公司)	Cangzhou city	Cangzhou city	Cargo tallying services	500	33.00	23.00
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	Tangshan city	Tangshan city	Loading and unloading services	5,000	99.00	-
Cangzhou Huanghuagang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司)	Cangzhou city	Cangzhou city	Loading and unloading services	5,000	65.00	-
Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (秦皇島港港盛(香港)有限公司)	Hong Kong	Hong Kong	International trade	HK\$50,000,000	100.00	-
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	Tangshan city	Tangshan city	Port investment	200,000	56.00	-
Cangzhou Huanghuagang Coal Port Co., Ltd. (滄州黃驊港煤炭港務有限公司)	Cangzhou city	Cangzhou city	Loading and unloading services	5,000	100.00	-
Tangshan Caofeidian Ocean Shipping Tally Co., Ltd. (唐山曹妃甸中理外輪理貨有限公司)	Tangshan city	Tangshan city	Cargo tallying services	300	-	100.00
Handan Ocean Shipping Tally Co., Ltd. (邯鄲中理理貨有限公司)	Handan city	Handan city	Cargo tallying services	200	-	100.00
Cangzhou Bohai Jinji Container Terminal Co., Ltd.	Cangzhou city	Cangzhou city	Loading and unloading services	10,000	-	100.00
Tangshan Caofeidian Jigang General Port Co., Ltd.	Tangshan city	Tangshan city	Loading and unloading services	5,000	100.00	-
Subsidiaries acquired through the merger of enterprises under common control						
Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島中理外輪理貨有限責任公司)	Qinhuangdao city	Qinhuangdao city	Cargo tallying services	1,274.04	84.00	-

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (continued)

Subsidiaries with significant minority interests are as follows:

2016

	Percentage of shareholding of minority shareholders	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated minority interests at the end of year
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	49.00%	1,585,885.98	–	887,737,734.56

2015

	Percentage of shareholding of minority shareholders	Profit or loss attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated minority interests at the end of year
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	49.00%	1,557,798.78	–	886,151,848.58

The following table illustrates the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	31 December 2016	31 December 2015
Current assets	247,795,124.79	257,447,170.65
Non-current assets	5,097,506,158.30	4,835,119,673.05
Total assets	5,345,301,283.09	5,092,566,843.70
Current liabilities	772,241,272.03	555,418,327.36
Non-current liabilities	2,761,350,348.70	2,728,675,355.98
Total liabilities	3,533,591,620.73	3,284,093,683.34
Revenue	–	–
Net profit	3,236,502.00	3,179,181.18
Total comprehensive income	3,236,502.00	3,179,181.18
Net cash flows from operating activities -	–	–

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Transactions resulting in changes in equity attributable to shareholders in subsidiaries with no effect on right of control

In 2016, the Company made capital injection of RMB104,400,000.00 to its subsidiary Cangzhou Bohai Port Co., Ltd. and increased the Company's shareholding by 0.15%. Such transaction resulted in the increase of RMB525,284.20 in minority interests and decrease of RMB525,284.20 in capital reserve in the consolidated financial statements.

3. Interests in Joint Ventures and Associates

	Place of principal business	Place of incorporation	Nature of business	Registered capital RMB'0000	Percentage of shareholding (%)		Accounting treatment
					Direct	Indirect	
Joint ventures							
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	Tianjin City	Tianjin City	Investment and development	200,000	50.00	-	Equity method
Associates							
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Qinhuangdao city	Qinhuangdao city	Quality inspection	400	40.00	-	Equity method
Hebei Port Group Finance Co., Ltd. (河北港口集團財務有限公司)	Qinhuangdao city	Qinhuangdao city	Financial services	50,000	40.00	-	Equity method
Tangshan Caofeidian Shiye Port Co., Ltd., (唐山曹妃甸實業港務有限公司)	Tangshan City	Tangshan City	Loading and unloading services	200,000	35.00	-	Equity method
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興秦港能源儲運有限公司)	Qinhuangdao city	Qinhuangdao city	Energy services	5,000	40.00	-	Equity method
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	Handan city	Handan city	Logistic services	80,000	-	20.00	Equity method
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	Tangshan City	Tangshan City	Railway construction and operation	120,000	16.67	-	Equity method
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Cangzhou City	Cangzhou City	Tugging services	26,331.77	-	35.00	Equity method

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in Joint Ventures and Associates (continued)

The following table sets forth the financial information of Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司) (“Bohai Jin-Ji”), a significant joint venture of the Group and Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司) (“Tianjin Port Group”) in consideration of opportunities for strategic development of synergetic development in Beijing, Tianjin and Hebei, which was established in 2014. The Group adopted equity method to measure as there is no significant difference between the accounting policy of Bohai Jin-Ji and that of the Group.

	31 December 2016	31 December 2015
Current assets	177,841,354.49	198,335,604.53
Including: Cash and cash equivalents	177,836,154.49	197,886,404.53
Non-current assets	643,742.38	513,634.42
Total assets	178,485,096.87	198,849,238.95
Current liabilities	74,304.75	277,258.82
Non-current liabilities	-	-
Total liabilities	74,304.75	277,258.82
Owners' equity	178,410,792.12	198,571,980.13
Share of net assets in proportion to shareholding	89,205,396.06	99,285,990.07
Carrying amount of investment	89,205,396.06	99,285,990.07
	2016	2015
Revenue	-	-
Administrative expense	5,502,921.04	3,979,816.05
Financial cost – interest income	1,473,239.08	2,552,694.39
Financial cost – interest expense	-	-
Income tax expense	-	-
Net loss	(20,161,188.01)	(1,428,019.87)
Other comprehensive income	-	-
Total comprehensive income	(20,161,188.01)	(1,428,019.87)

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in Joint Ventures and Associates (continued)

The following table sets forth the financial information of Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司) (“Caofeidian Shiye”) and Hebei Port Group Finance Company Limited (河北港口集團財務有限公司) (“Finance Company”), which are the significant associates of the Group. Located in Caofeidian Port Zone, Caofeidian Shiye was established in 2002 and it provides strong support to the Group for its development into one of the most important port operators in Bohai Rim. Hebei Port Finance Company was established in 2014 and it provides the Group with financial services including deposit-taking, loan-offering and settlement services. The Group adopted equity method to measure as there is no significant difference between the financial policy of these companies and that of the Group.

2016

	Caofeidian Shiye	Finance Company
Current assets	1,986,630,964.96	4,323,026,010.44
Including: Cash and cash equivalents	595,827,049.47	3,106,954,406.97
Non-current assets	5,670,232,830.38	88,449,066.70
Total assets	7,656,863,795.34	4,411,475,077.14
Current liabilities	2,300,675,241.08	3,866,696,297.09
Non-current liabilities	2,387,775,968.57	–
Total liabilities	4,688,451,209.65	3,866,696,297.09
Minority interest	41,183,743.97	–
Equity attributable to shareholders of the parent	2,927,228,841.72	544,778,780.05
Share of net assets in proportion to shareholding	1,024,530,094.60	217,911,512.02
Carrying amount of investment	1,024,530,094.60	217,911,512.02

	Caofeidian Shiye	Finance Company
Revenue	1,459,075,154.66	91,282,423.44
Administrative expense	146,471,291.70	–
Financial cost- interest income	6,318,330.51	–
Financial cost- interest expense	204,533,507.31	–
Income tax expense	69,359,963.12	5,669,695.22
Net profit	348,259,660.31	16,913,302.89
Including: Net profit attributable to the parent	349,378,711.95	16,913,302.89
Other comprehensive income	–	–
Total comprehensive income	348,259,660.31	16,913,302.89
Dividend received	105,000,000.00	–

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in Joint Ventures and Associates (continued)

2015

	Caofeidian Shiye	Finance Company
Current assets	1,714,733,151.67	3,098,059,288.73
Including: Cash and cash equivalents	410,507,562.82	2,769,516,019.78
Non-current assets	5,976,706,011.12	7,116,701.17
Total assets	7,691,439,162.79	3,105,175,989.90
Current liabilities	2,530,558,494.74	2,577,310,512.74
Non-current liabilities	2,279,021,339.74	–
Total liabilities	4,809,579,834.48	2,577,310,512.74
Minority interest	13,200,489.36	–
Equity attributable to shareholders of the parent	2,868,658,838.95	527,865,477.16
Share of net assets in proportion to shareholding	1,004,030,593.63	211,146,190.86
Carrying amount of investment	1,004,030,593.63	211,146,190.86
	Caofeidian Shiye	Finance Company
Revenue	1,704,076,518.47	81,823,588.11
Financial cost- interest income	6,357,222.05	–
Financial cost- interest expense	272,803,364.77	–
Income tax expense	65,807,011.79	6,664,800.22
Net profit	494,054,719.97	19,946,529.23
Including: Net profit attributable to the parent	488,010,706.10	19,946,529.23
Other comprehensive income	–	–
Total comprehensive income	494,054,719.97	19,946,529.23
Dividend received	140,000,000.00	–

NOTES TO FINANCIAL STATEMENTS

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in Joint Ventures and Associates (continued)

The following table sets forth the aggregated financial information of joint ventures and associates that are insignificant to the Group:

	31 December 2016	31 December 2015
Joint ventures		
Total carrying amount of investment	–	–
Total amount of the following items calculated in the Group's equity proportion		
Net profit	–	–
Other comprehensive income	–	–
Total comprehensive income	–	–
Associates		
Total carrying amount of investment	211,574,885.79	190,732,426.80
Total amount of the following items calculated in the Group's equity proportion:		
Net profit	(7,157,541.01)	(6,155,851.49)
Other comprehensive income	–	–
Total comprehensive income	(7,157,541.01)	(6,155,851.49)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets

	31 December 2016		31 December 2015	
	Loans and receivables	Available-for-sale financials assets	Loans and receivables	Available-for-sale financials assets
Cash and bank balances	1,857,032,961.56	–	2,483,302,306.65	–
Bills receivable	90,586,781.68	–	83,760,965.06	–
Accounts receivable	150,073,233.50	–	178,236,586.19	–
Interests receivable	–	–	24,225.00	–
Other receivables	3,521,654.23	–	7,297,325.30	–
Available-for-sale financial assets	–	710,376,014.95	–	710,376,014.95
	2,101,214,630.97	710,376,014.95	2,752,621,408.20	710,376,014.95

NOTES TO FINANCIAL STATEMENTS

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Financial Instruments by Category (continued)

Financial liabilities

	31 December 2016 Other financial liabilities	31 December 2015 Other financial liabilities
Short-term borrowings	1,545,000,000.00	1,450,000,000.00
Accounts payable	102,726,569.27	100,933,703.32
Interest payable	15,296,378.10	17,522,440.97
Dividends payable	608.34	2,309.54
Other payables	1,193,825,877.83	1,375,527,596.45
Non-current liabilities due within one year	1,056,586,108.28	679,102,320.56
Long-term borrowings	8,664,816,348.70	9,455,851,621.98
	12,578,251,890.52	13,078,939,992.82

2. Transfer of Financial Assets

Continuing involvement in transferred financial assets derecognised generally

As at 31 December 2016, the Group has endorsed bank acceptance notes with a carrying amount of RMB59,155,255.64 (31 December 2015: RMB8,250,000.00) to suppliers to settle the amounts payable. As at 31 December 2016, for notes due within 1 to 6 months, if acceptance banks dishonored the notes, endorsees shall have the right to turn to the Group for recourse ("Continuing Involvement") according to the Law of Bill. The Group considered that the acceptance banks of these notes were four major state-owned banks in the PRC, and the potential risk of being subject to recourse due to the banks' inability to pay was low. Therefore, the Group has derecognised carrying amounts of the notes and the related accounts payable that have been settled. The maximum loss and the undiscounted cash flow of Continuing Involvement and repurchase equal to the carrying amounts of the notes. The Group considers that the fair value of Continuing Involvement is insignificant.

In 2016 and 2015, the Group did not recognise any profit or loss at the date of transfer. The Group had no current or accumulated income or expense related to Continuing Involvement of financial assets which had been derecognised. The endorsement happens evenly throughout the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks Arising from Financial Instruments

The Group's principal financial instruments comprise bank borrowings and cash and bank balances etc. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. Risk management policies employed by the Group are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of accounts receivable are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant. For transactions that are not settled in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Department of Credit Control in the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, bills receivable, dividends receivable and other receivables, etc., arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customers. As at 31 December 2016, there is a concentration of specific credit risk within the Group as 39% and 67% (31 December 2015: 52% & 73%) of the Group's accounts receivables were due from the largest customer and the five largest customers respectively. The Group did not hold any collateral or other credit enhancements over the balances of accounts receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivables are disclosed in 3. Accounts receivables and 5. Other receivables of Note V.

As at 31 December 2016 and 31 December 2015, there are no amounts receivable that were neither past due nor impaired, and aging analysis on amounts receivable that were past due but not impaired of the Group.

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks Arising from Financial Instruments (continued)

Liquidity risk

The Group manages its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and expected cash flows from the Group's operations.

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various funding means, such as bank borrowings. As at 31 December 2016, 23% (31 December 2015: 18 %) of the Group's interest-bearing liabilities are due within one year.

The table below summarises the maturity profile of financial liabilities based on the undiscounted contractual cash flows:

31 December 2016

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
Accounts payable	-	102,726,569.27	-	-	102,726,569.27
Interest payable	-	15,296,378.10	-	-	15,296,378.10
Dividends payable	608.34	-	-	-	608.34
Other payables	27,993,875.91	1,165,832,001.92	-	-	1,193,825,877.83
Short-term borrowings	-	1,578,144,504.79	-	-	1,578,144,504.79
Non-current liabilities due within one year	-	1,082,472,113.65	-	-	1,082,472,113.65
Long-term borrowings	-	461,379,616.89	5,190,381,952.55	5,626,057,730.76	11,277,819,300.20
	27,994,484.25	4,405,851,184.62	5,190,381,952.55	5,626,057,730.76	15,250,285,352.18

31 December 2015

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
Accounts payable	-	100,933,703.32	-	-	100,933,703.32
Interest payable	-	17,522,440.97	-	-	17,522,440.97
Dividends payable	2,309.54	-	-	-	2,309.54
Other payables	67,656,569.40	1,307,871,027.05	-	-	1,375,527,596.45
Short-term borrowings	-	1,483,365,350.00	-	-	1,483,365,350.00
Non-current liabilities due within one year	-	694,430,604.57	-	-	694,430,604.57
Long-term borrowings	-	495,923,308.77	7,004,536,892.66	4,529,714,523.32	12,030,174,724.75
	67,658,878.94	4,100,046,434.68	7,004,536,892.66	4,529,714,523.32	15,701,956,729.60

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks Arising from Financial Instruments (continued)

Market risk

Interest rate risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The table below is a sensitivity analysis of interest rate risk. It reflects the impact on net profit or loss (through the impact on floating rate borrowings) and other comprehensive income net of tax when a reasonably possible change in interest rates occurs, with all other variables held constant.

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income, net of tax	Total increase/ (decrease) in shareholder's equity
2016				
RMB	50	(30,705,712.50)	–	(30,705,712.50)
RMB	(50)	30,705,712.50	–	30,705,712.50
2015				
RMB	50	(22,555,625.00)	–	(22,555,625.00)
RMB	(50)	22,555,625.00	–	22,555,625.00

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks Arising from Financial Instruments (continued)

Market risk (continued)

Exchange rate risk

The Group's exposure to the exchange rate risk relates primarily to the Group's foreign currency bank deposits, bank borrowings and H Share issue expenses (payable denominated in foreign currency). The table below is a sensitivity analysis of exchange rate risk. It reflects the impact on net profit or loss and other comprehensive income net of tax when a reasonably possible change in exchange rate of HK\$ and US\$ occurred, with all other variables held constant.

	Increase/ (decrease) in exchange rates	Increase/ (decrease) in net profit or loss	Increase/ (decrease) in other comprehensive income, net of tax	Total increase/ (decrease) in shareholder's equity
2016				
If the RMB strengthens against the HK\$	1%	(1,512,081.90)	(63,993.66)	(1,576,075.56)
If the RMB strengthens against the US\$	1%	(267,574.52)	–	(267,574.52)
If the RMB weakens against the HK\$	(1%)	1,512,081.90	63,993.66	1,576,075.56
If the RMB weakens against the US\$	(1%)	267,574.52	–	267,574.52
2015				
If the RMB strengthens against the HK\$	1%	(1,451,885.29)	(61,730.57)	(1,513,615.86)
If the RMB strengthens against the US\$	1%	(252,422.02)	–	(252,422.02)
If the RMB weakens against the HK\$	(1%)	1,451,885.29	61,730.57	1,513,615.86
If the RMB weakens against the US\$	(1%)	252,422.02	–	252,422.02

NOTES TO FINANCIAL STATEMENTS

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Capital Management

The primary objective of the Group's capital management is to ensure the Group's ability to operate as a going concern and maintain healthy capital structure so as to support business growth and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. During 2016 and 2015, there was no change in the Group's capital management objectives, policies or processes.

The Group manages its capital using leverage ratio, which is calculated by dividing net debts by the sum of adjusted capital and net debts. Net debts include accounts payable, other payables, short-term borrowings, non-current liabilities due within one year and long-term borrowings less cash and bank balances. It is the Group's policy to maintain its leverage ratio between 30% and 60%. The Group's net debt to equity ratio as at the balance sheet dates is as follows:

	31 December 2016	31 December 2015
Accounts payable	102,726,569.27	100,933,703.32
Other payables	1,244,623,623.17	1,438,689,342.57
Short-term borrowings	1,545,000,000.00	1,450,000,000.00
Non-current liabilities due within one year	1,056,586,108.28	679,102,320.56
Long-term borrowings	8,664,816,348.70	9,455,851,621.98
Less: Cash and bank balances	1,857,032,961.56	2,483,302,306.65
Net debt	10,756,719,687.86	10,641,274,681.78
Shareholders' equity	11,436,690,223.78	11,816,032,620.40
Capital and net debt	22,193,409,911.64	22,457,307,302.18
Net debt to equity ratio	48%	47%

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IX. DISCLOSURE OF FAIR VALUE

Fair Value Estimation

Management has assessed cash and bank balances, bills receivable, accounts receivable, short-term borrowings, accounts payable and non-current liabilities due within one year etc, and considers that their fair values approximate their carrying amounts due to the short term maturities of these instruments. The fair values of long-term borrowings approximate their carrying amounts due to their floating interest rates.

The Group's finance team is led by the finance manager, and is responsible for formulating policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the chief financial officer and the audit committee. At each balance sheet date, the finance team analyses movements in the fair value of financial instruments and determines the major inputs applicable to the valuation. The valuation must be reviewed and approved by the finance manager. For the purpose of preparing interim and annual financial statements, the finance team meets the audit committee twice a year to discuss the valuation procedures and results.

The fair value of financial assets and financial liabilities is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of long-term loans are calculated by discounting the future cash flows using market yields currently available for other financial instruments with similar contractual terms, credit risk and residual term as the discount rate. As at 31 December 2016 and 31 December 2015, the Group's exposure to non-performance risk associated with the long-term borrowings is assessed as insignificant.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent Company

	Place of registration	Nature of business	Registered capital RMB	Proportion of shareholding (%)	Proportion of votes (%)
HPG	Tangshan city	Integrated port service	8 billion	61.11	61.11

HPG is the ultimate holding company of the Company.

2. Subsidiaries

For details of the subsidiaries, please refer to 1. Interests in subsidiaries of Note VII.

3. Joint Ventures and Associates

For details of the joint ventures and associates, please refer to 3. Interests in joint ventures and associates of Note VII.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other Related Parties

Company name	Relationship with related parties
河北港口集團港口工程有限公司 Hebei Port Group Port Machinery Limited	A subsidiary of the controlling shareholder
(河北港口集團港口機械有限公司)	A subsidiary of the controlling shareholder
滄州渤海新區港口房地產開發有限公司 Qinhuangdao Fangyuan Port Project Survey Co., Ltd.	A subsidiary of the controlling shareholder
(秦皇島方圓港灣工程監理有限公司)	A subsidiary of the controlling shareholder
秦皇島方宇物業服務有限公司	A subsidiary of the controlling shareholder
秦皇島市藍港國際旅行社有限公司	A subsidiary of the controlling shareholder
秦皇島港韻會議服務有限公司	A subsidiary of the controlling shareholder
河北港口集團餐飲管理有限公司	A subsidiary of the controlling shareholder
秦皇島之海船務代理有限公司	A subsidiary of the controlling shareholder
Qinhuangdao Sea View (秦皇島海景酒店有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	A subsidiary of the controlling shareholder
China Ocean Shipping Agency Qinhuangdao	A subsidiary of the controlling shareholder
Penavico QHD Logistics Co., Ltd.	A subsidiary of the controlling shareholder
Cangzhou Bohai New Zone Far Trans Shipping Agency Company	A subsidiary of the controlling shareholder
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	A subsidiary of the controlling shareholder
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	A subsidiary of the controlling shareholder
河北港口集團檢測技術有限公司	A subsidiary of the controlling shareholder
秦皇島科正工程檢測有限公司	A subsidiary of the controlling shareholder
秦皇島易達岩土工程有限公司	A subsidiary of the controlling shareholder
唐山曹妃甸工業區之海船務代理有限公司	A subsidiary of the controlling shareholder
秦皇島秦仁海運有限公司	Other enterprises affected by the controlling shareholder
秦皇島東方石油有限公司	Other enterprises affected by the controlling shareholder
Qinhuangdao Winsway Petroleum Co., Ltd.	Other enterprises affected by the controlling shareholder
秦皇島晉遠船務代理有限公司	Other enterprises affected by the controlling shareholder
秦皇島益嘉船務代理有限公司	Other enterprises affected by the controlling shareholder
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	Other enterprises affected by the controlling shareholder
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	Other related party *
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司)	Other related party *
Qinhuangdao Jinhai Specialized Oil Industrial Co., Ltd. (秦皇島金海特種食用油工業有限公司)	Other related party *
Shenhua Huanghua Harbour Administration Corp. (Ltd)	Other related party *
Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	Other related party *
Daqin Railway Co., Ltd. (大秦鐵路股份有限公司)	Other related party *
Bank of Hebei Co., Ltd (河北銀行股份有限公司)	Other related party **

* Members of the Board of the Company also serve as members of the board of directors of the company.

** Members of the board of directors of HPG also serve as members of the board of directors of the company.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major Transactions between the Group and Related Parties

(1) Transactions concerning goods and services with related parties

Purchase of goods and receipt of services from related parties

	Type of goods or services (Note 1)	2016	2015
Transactions with the parent company			
HPG	Integrated service (Note 2)	45,753,225.49	44,099,848.02
Transactions with other related parties			
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	Repair and maintenance service	88,943,727.96	60,687,430.71
河北港口集團港口工程有限公司	Construction service	194,398,195.91	57,893,399.50
河北港口集團餐飲管理有限公司	Logistics service	10,982,781.63	25,746,648.80
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Supervisory	10,266,274.76	9,433,845.43
秦皇島方宇物業服務有限公司	Logistics service	11,800,129.12	8,707,668.82
滄州渤海新區港口房地產開發有限公司	Construction service	9,657,142.73	2,000,000.00
Qinhuangdao Port Elevator Co., Ltd.	Repair and maintenance service	1,733,153.80	1,621,642.74
Qinhuangdao Jinhai Oil Industrial Co., Ltd.	Logistics service	1,035,900.00	1,157,731.50
Qinhuangdao Sea View (秦皇島海景酒店有限公司)	Logistics service	546,731.65	687,145.83
Penavico QHD Logistics Co., Ltd.	Labor services	169,811.32	198,113.20
秦皇島市藍港國際旅行社有限公司	Logistics service	11,395.00	42,842.00
Daqin Railway Co., Ltd.	Logistics service	6,421.40	9,078.30
秦皇島港韻會議服務有限公司	Logistics service	9,000.00	5,860.00
Bank of Hebei Co., Ltd.	Financial settlement service	295.42	512.20
河北港口集團檢測技術有限公司	Examination and test services	3,691,422.71	–
秦皇島易達岩土工程有限公司	Construction and labor services	325,734.95	–
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	Logistics service	8,535.22	–
秦皇島科正工程檢測有限公司	Examination and test services	36,504.26	–
		333,623,157.84	168,191,919.03
		379,376,383.33	212,291,767.05

Note 1: Purchase of goods and receipt of services from related parties by the Group are carried out according to the terms of the agreements entered into between the Group and related parties.

Note 2: Integrated service represents the General Services Agreement entered into by the Group and HPG. The scope of services includes office leasing, port engineering maintenance, supervising, maintenance and repair of equipment, water and electricity, heat supply and communication etc.

NOTES TO FINANCIAL STATEMENTS

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major Transactions between the Group and Related Parties (continued)

(1) Transactions concerning goods and services with related parties (continued)

Sales of goods and render of services to related parties

	Type of goods or services (Note)	2016	2015
Transactions with the parent company			
HPG	Electricity supply service	5,721,810.53	6,513,853.03
Transactions with joint ventures and associates			
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Towing service power supply and labor service and sampling and prototyping service	887,738.17	15,465,397.29
Qinhuangdao Huazheng Coal Inspection Institute		3,840,288.14	3,855,781.80
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	Labor and power supply service	3,532,977.25	2,835,807.45
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	Labor services	3,133,025.21	883,776.84
Tangshan Jingtang Railway Co., Ltd.	Labor services	179,056.44	516,467.03
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd.	Power supply service	100,022.08	216,298.04
Handan International Land Port Co., Ltd. (邯鄲國際陸港有限公司)	Equipment sales and sampling and prototyping service	290,211.09	76,190.85
		11,963,318.38	23,849,719.30

NOTES TO FINANCIAL STATEMENTS

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major Transactions between the Group and Related Parties (continued)

(1) Transactions concerning goods and services with related parties (continued)

Sales of goods and render of services to related parties (continued)

	Type of goods or services (Note)	2016	2015
Transactions with other related parties			
Qinhuangdao Ruigang Coal Logistics Co., Ltd.	Loading and unloading service	18,755,324.15	54,758,043.62
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司)	Loading and unloading service	45,801,936.16	51,398,598.17
秦皇島秦仁海運有限公司	Towing service, loading and unloading and tallying service	11,747,923.79	11,016,124.73
SDIC Caofeidian Port Co., Ltd.	Equipment sales and draft survey service	5,282,911.31	7,871,119.49
Qinhuangdao Sea View (秦皇島海景酒店有限公司)	Electricity supply service	2,554,293.48	2,350,675.00
Qinhuangdao Jinhai Specialized Oil Industrial Co., Ltd. (秦皇島金海特種食用油工業有限公司)	Loading and unloading service	647,555.67	1,007,191.52
河北港口集團港口工程有限公司	Electricity supply service	848,252.26	875,035.26
Shenhua Huanghua Harbour Administration Corp. (Ltd)	Towing service and equipment sales	406,807.95	753,269.00
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	Electricity supply service	995,402.80	552,850.00
秦皇島東方石油有限公司	Loading and unloading service	284,654.20	464,472.81
Qinhuangdao Winsway Petroleum Co., Ltd.	Electricity supply service	385,325.15	331,864.57
China Ocean Shipping Agency Qinhuangdao	Electricity supply service	230,512.58	235,232.65
Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	Electricity supply service	254,849.21	102,016.53
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Electricity supply service	83,610.80	96,803.03
河北港口集團餐飲管理有限公司	Electricity supply service	100,133.01	74,941.74
秦皇島方宇物業服務有限公司	Electricity supply service	17,308.69	17,453.06
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	Loading and unloading service	6,156,073.37	-
		94,552,874.58	131,905,691.18
		112,238,003.49	162,269,263.51

Note: Sale of goods and render of services to related parties by the Group are carried out according to the terms of the agreements entered into between the Group and related parties.

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major Transactions between the Group and Related Parties (continued)

(2) Leases with related parties

As lessor

	Category of leased assets	Rental income in 2016	Rental income in 2015
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	Machinery and equipment	–	521,319.66
秦皇島東方石油有限公司	Land use right	188,177.37	201,528.00
Qinhuangdao Winsway Petroleum Co., Ltd.	Land use right	61,908.89	66,420.00
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	Building	50,349.19	–
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	Machinery and equipment	–	11,697.44
河北港口集團港口工程有限公司	Land use right	2,310,810.81	2,565,000.00
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	Land use right	–	50,350.00
HPG	Machinery, equipment and building	17,398.20	–
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	Machinery and equipment	784,629.39	583,048.08
Total		3,413,273.85	3,999,363.18

As lessee

	Category of leased assets	Rental income in 2016	Rental income in 2015
HPG	Buildings and harbor facilities	88,156,514.22	97,342,204.60
HPG	Office buildings	19,105,258.79	21,000,555.38
HPG	Machinery and equipment	7,339,274.96	8,008,988.05
HPG	Vehicle	2,770,966.21	3,695,848.17
Daqin Railway Co., Ltd.	Land use right	–	47,198.00
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	Building	25,136.79	–
Total		117,397,150.97	130,094,794.20

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31 December 2016

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major Transactions between the Group and Related Parties (continued)

(2) Leases with related parties (continued)

In 2016, the Group and HPG entered into the lease contracts with terms of three years and one year, respectively, pursuant to which the Group leased the land, buildings and port facilities from HPG for production and operation. The annual rentals set out in the lease contracts were RMB104,900,000.00 and RMB11,733,500, respectively. At the beginning of 2016, the Group and HPG entered into a lease contract with a term of one year, pursuant to which the Group leased the buildings, vehicle and facilities from HPG for employees logistics support. The rental set out in the lease contract was RMB7,186,594.43.

The rentals from the assets leased out to or leased from related parties by the Group are based on the terms of the agreements entered into between the Group and related parties.

(3) Borrowings from related parties

31 December 2016

	Borrowing amount	Interest rate per annum	Commencement date	Maturity date
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	2,000,000.00	4.13%	20 June 2016	20 June 2017
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	3,000,000.00	4.13%	29 September 2016	28 September 2017
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	40,000,000.00	3.92% Benchmark rate	24 June 2016	23 June 2017
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	45,000,000.00	fall 10%	18 April 2016	17 April 2021

31 December 2015

	Borrowing amount	Interest rate per annum	Commencement date	Maturity date
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	50,000,000.00	4.14%	29 September 2015	26 November 2015
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	40,000,000.00	4.14%	21 September 2015	20 September 2016

Interest expenses paid

	2016	2015
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	3,547,077.49	808,450.00

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31 December 2016

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major Transactions between the Group and Related Parties (continued)

(4) Key management personnel

	2016	2015
Remuneration for key management personnel	5,314,695.57	5,760,792.48

(5) Transactions with other related parties

Trademark use right

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

Deposits in related parties

As at 31 December 2016, the balance of the Group's deposits in Hebei Port Group Finance Company Limited (河北港口集團財務有限公司) ("Finance Company") amounted to RMB1,242,684,642.93 (31 December 2015: RMB1,431,771,483.66). The interest income received from the Finance Company amounted to RMB20,225,114.60 in 2016 (2015: RMB16,120,170.31).

As at 31 December 2016, the Company had no deposit in Bank of Hebei Co., Ltd. (31 December 2015: RMB1,234,939.89). The interest income received from Bank of Hebei Co., Ltd. amounted to RMB18,437.76 in 2016 (2015: RMB15,051.62).

Agency business

Related agencies accept the port services provided by the Group on behalf of non-related third parties shipping companies, and pay port services fee on behalf of these shipping companies to the Group. Relevant agencies derive service income from non-related third parties they serve. Below are the amount settled between related agencies serving non-related third parties and the Group:

	2016	2015年
秦皇島之海船務代理有限公司	84,303,489.28	114,182,564.66
Penavico QHD Logistics Co., Ltd	36,616,140.79	30,214,896.39
China Ocean Shipping Agency Qinhuangdao	32,305,992.32	22,849,095.04
秦皇島益嘉船務代理有限公司	1,521,735.80	1,353,800.05
秦皇島晉遠船務代理有限公司	456,080.38	385,922.08
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	3,495,068.20	–
Cangzhou Bohai New Zone Far Trans Shipping Agency Company (滄州渤海新區泛航船務代理有限公司)	1,275,332.56	–
曹妃甸工業區之海船務代理有限公司	2,441.51	–
	159,976,280.84	168,986,278.22

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Major Transactions between the Group and Related Parties (continued)

(5) Transactions with other related parties (continued)

Others

In April 2011, the Port Construction Command Office of Shanxi Province in Qinhuangdao ("Shanxi Port Construction Command"), a third party, initiated a civil lawsuit in the Higher People's Court of Hebei Province against the Company and HPG, the parent company, as co-defendants, claiming that the agreement in relation to Qinhuangdao Port investment between Shanxi Provincial Government and HPG had been terminated and the Company and HPG should return, which includes the investment fund, accrued interest and management fees. HPG issued a commitment letter on 16 April 2012 whereby HPG committed to reimburse the Company for all losses in connection with the lawsuit.

Upon mediation from the Higher People's Court of Hebei Province, Shanxi Port Construction Command, HPG and the Group signed the Settlement Agreement on 5 July 2016, which agreed that HPG shall repay the principal and interest in total of RMB76,450,000 in relation to the investment of Shanxi Port Construction Command with the shares in equivalent value held in the issuer. Taking 11 May 2016 as the base date and based on the price determined as the weighted average trading price for 30 trading days prior to the base date, the number of shares for repayment shall be 30,950,000 shares, which accounted for 0.615% of the total share capital of the Company. Such shares will be transferred to Qinhuangdao Port Management Office of the People's Government of Shanxi Province ("Shanxi Port Office"), a public institution under the People's Government of Shanxi Province.

In November 2016, HPG and Shanxi Port Office entered into the Equity Transfer Agreement, pursuant to which HPG agreed to transfer 30,950,000 shares held in the issuer to Shanxi Port Office, and completed the share transfer registration procedures on 14 December 2016. After such share transfer, HPG's shareholding in the Company decreased from 61.723% to 61.108%.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Commitments Made between the Group and Related Parties

Capital commitments

	31 December 2016	31 December 2015
Contracted, but not provided for		
河北港口集團港口工程有限公司 Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	47,403,490.40 5,764,483.00	22,153,451.00 8,358,129.00
	53,167,973.40	30,511,580.00

Investment commitments

	31 December 2016	31 December 2015
Contracted, but not provided for		
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	780,000,000.00	200,000,000.00
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	900,000,000.00	900,000,000.00
Handan International Land Port Co., Ltd (邯鄲國際陸港有限公司)	86,670,000.00	86,670,000.00
Cangzhou Bohai New Zone Gangxing Tugboat Co., Ltd. (滄州渤海新區港興拖輪有限公司)	49,845,800.00	-
	1,816,515,800.00	1,186,670,000.00

NOTES TO FINANCIAL STATEMENTS

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Commitments Made between the Group and Related Parties (continued)

Lease commitments

	31 December 2016	31 December 2015
Within 1 year (including 1 year)	93,445,759.00	17,046,300.00
1 to 2 years (including 2 years)	93,445,759.00	16,153,500.00
2 to 3 years (including 3 years)	–	16,153,500.00
	186,891,518.00	49,353,300.00

In 2016, the Group and HPG entered into a lease contract with a term of three years, pursuant to which the Group leased the land, buildings, port facilities and equipment from HPG for production and operation. The annual rental set out in the lease contract was RMB104,900,000.00. In February 2017, the Group and HPG entered into a new lease contract with a term of two years in respect of the lease above, and the annual rental was adjusted to RMB93,445,759.00. The rental paid by the Group to related companies in respect of the lease assets are executed pursuant to the terms of the agreements entered into between the Group and the related parties.

7. The Parent Company and Subsidiaries

	31 December 2016	31 December 2015
Investment in subsidiaries		
Unlisted investments, at cost	5,787,247,006.66	5,677,847,006.66

The amounts due from and to subsidiaries of RMB9,059,481.90 (2015: RMB3,380,019.25) and RMB1,203,709.28 (2015: RMB31,140.61) under the items of current assets and current liabilities, respectively, were unsecured, non-interest bearing and repayable on demand or falling due within one year.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

8. Balances of Accounts Due from Related Parties

	31 December 2016		31 December 2015	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Accounts receivable				
<u>Due from the parent company</u>				
HPG	54,711.15	–	7,333.50	366.68
<u>Due from associates</u>				
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	6,071,103.39	738,533.30	3,159,189.00	239,121.45
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	30,729.37	–	–	–
	6,101,832.76	738,533.30	3,159,189.00	239,121.45
<u>Due from other related parties</u>				
China Ocean Shipping Agency Qinhuangdao (中國秦皇島外輪代理有限公司)	16,840,248.00	793.80	14,026,049.51	701,302.48
秦皇島之海船務代理有限公司 SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	15,610,181.00	954.00	11,994,750.00	599,737.50
2,905,595.65	150,081.53	2,788,325.21	143,606.74	
Qinhuangdao Jinhai Oil Industrial Co., Ltd. (秦皇島金海糧油工業有限公司)	5,105,273.00	78.10	1,821,718.00	91,085.90
秦皇島秦仁海運有限公司	1,668,426.50	5,086.50	1,196,847.52	59,842.38
Qinhuangdao Sea View (秦皇島海景酒店有限公司)	–	–	580,472.00	29,023.60
Penavico QHD Logistics Co., Ltd. 秦皇島益嘉船務代理有限公司	5,154,134.00	2,171.50	536,734.00	26,836.70
43,807.00	–	247,048.00	12,352.40	
Huanghua Foreign Ships Agency Co., Ltd. (黃驊港外輪代理有限公司)	152,633.00	7,631.65	203,301.00	10,165.05
秦皇島東方石油有限公司	49,172.00	–	–	–
秦皇島晉遠船務代理有限公司	2,114.00	–	121,353.85	6,067.69
Qinhuangdao Winsway Petroleum Co., Ltd.	45,358.00	–	38,778.00	1,938.90
Cangzhou Bohai New Zone Far Trans Shipping Agency Company Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	17,465.00	873.25	36,382.00	1,819.10
502,877.00	–	–	–	
Qinhuangdao Jinhai Specialized Oil Industrial Co., Ltd.	66,103.00	–	–	–
	48,163,387.15	167,670.33	33,591,759.09	1,683,778.44
	54,319,931.06	906,203.63	36,758,281.59	1,923,266.57

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

8. Balances of Accounts Due from Related Parties (continued)

	31 December 2016		31 December 2015	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivables				
<u>Due from associate</u> Cangzhou Bohai New Zone Far From Shipping Agency Company	–	–	38,391.34	1,919.57
<u>Due from other related parties</u> 河北港口集團港口工程有限公司	–	–	37,941.96	1,897.10
	–	–	76,333.30	3,816.67
Prepayments				
<u>Advances to the parent company</u> HPG	302,553.24	–	193,053.24	–
<u>Due to other related parties</u> 河北港口集團港口工程有限公司	2,881.86	–	–	–
河北港口集團餐飲管理有限公司	92,800.00	–	–	–
	398,235.10	–	193,053.24	–

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

9. Balances of Accounts Due to Related Parties

	2016	2015
Accounts payable		
<u>Due to the parent company</u>		
HPG	687,321.34	686,829.34
<u>Due to other related parties</u>		
河北港口集團港口工程有限公司	1,423,077.32	3,290,641.35
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	2,761,139.20	535,917.11
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	-	211,134.00
Qinhuangdao Port Elevator Co. Ltd.	2,525.00	20,750.00
	4,186,741.52	4,058,442.46
	4,874,062.86	4,745,271.80

NOTES TO FINANCIAL STATEMENTS

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

9. Balances of Accounts Due to Related Parties (continued)

	2016	2015
Other payables		
<u>Due to the parent company</u>		
HPG	35,583,375.40	51,756,911.85
<u>Due to associates</u>		
唐山曹妃甸實業港務有限公司	460,831.00	-
<u>Due to other related parties</u>		
河北港口集團港口工程有限公司	103,338,376.31	62,404,804.10
Qinhuangdao Fangyuan Port Project Survey Co., Ltd. (秦皇島方圓港灣工程監理有限公司)	9,301,862.58	10,521,405.23
Hebei Port Group Port Machinery Limited (河北港口集團港口機械有限公司)	13,034,473.25	4,337,334.08
Qinhuangdao Port Elevator Co., Ltd. (秦皇島港立電梯有限責任公司)	314,597.00	-
秦皇島科正工程檢測有限公司	18,292.00	-
秦皇島易達岩土工程有限公司	254,972.00	-
	126,262,573.14	77,263,543.41
	162,306,779.54	129,020,455.26
Receipts in advance		
<u>Advance from other related parties</u>		
Qinhuangdao Seaborne Coal Trading Market Co., Ltd. (秦皇島海運煤炭交易市場有限公司)	2,093,591.10	-
Qinhuangdao Ruigang Coal Logistics Co., Ltd. Han Huang Railway Co., Ltd. (邯黃鐵路有限責任公司)	646,309.00	822,790.10
Qinhuangdao Jinhai Oil Industrial Co.Ltd (秦皇島金海糧油工業有限公司)	132,229.51	430,403.07
唐山曹妃甸工業區之海船務代理有限公司	-	11,386.00
	17,412.00	-
	2,889,541.61	1,264,579.17
Interest payable		
<u>Due to associates</u>		
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	112,944.79	50,600.00

Accounts due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment

Note: in addition to the related party transactions with joint ventures and associates, other major transactions between the Group and its related parties also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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XI. COMMITMENTS

	31 December 2016	31 December 2015
Contracted, but not provided for		
Capital commitments	359,519,405.87	242,837,857.88
Investment commitments	1,816,515,800.00	1,186,670,000.00
	2,176,035,205.87	1,429,507,857.88

XII. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of approval for these financial statements, the Group had no events after the balance sheet date which were required to be disclosed.

XIII. OTHER IMPORTANT ITEMS

1. Segment Reporting

Operating segments

For management purpose, the Group is organised into business units based on their products and services, and has one reportable segment: provision of integrated port services. The Management monitors the operating results of its business units as a whole for the purpose of making decisions on resources allocation and performance assessment.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

1. Segment Reporting (continued)

Other information

Information about products and services

For the revenue classified by category, please refer to 34. Operating revenue and cost of Note V.

Geographical information

More than 90% of the Group's operations and customers are located in Mainland China; more than 90% of its revenue is generated from Mainland China; and all the non-current assets are located in Mainland China.

Information about major customers

In 2016, there were three (2015: three) sales customers which individually contributed over 10% of the Group's total revenue. The revenue from such customers were RMB726,267,072.41, RMB614,902,886.09 and RMB577,749,629.58, respectively (2015: RMB1,126,842,581.23, RMB695,481,475.33 and RMB693,012,801.02, respectively).

2. Leases

As lessee

Significant operating leases: according to the lease contracts entered into with lessors, the minimum lease payments under non-cancellable leases are as follows:

	31 December 2016	31 December 2015
Within 1 year (including 1 year)	93,698,659.00	17,394,700.00
1 to 2 years (including 2 years)	93,616,159.00	16,406,400.00
2 to 3 years (including 3 years)	170,400.00	16,323,900.00
Over 3 years	–	170,400.00
	187,485,218.00	50,295,400.00

As lessor

Fixed assets leased under operating leases are mainly port facilities such as stockpiling and machinery equipment leased out by the Group to third parties under the lease contracts renewed on a yearly basis. Please refer to Note V-11. Fixed Assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

3. Remunerations of Directors, Supervisors and Senior Management

	2016	2015
Fees	400,000.00	325,000.00
Other emoluments:		
Salaries and allowances	4,152,789.12	4,447,353.77
Pension scheme contributions	761,906.45	988,438.71
	4,914,695.57	5,435,792.48
	5,314,695.57	5,760,792.48

(1) Independent non-executive Directors

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

	2016	2015
Lee Man Choi	100,000.00	100,000.00
Yu Shulian	–	75,000.00
ZHAO Zhen	100,000.00	100,000.00
HOU Shujin	100,000.00	25,000.00
ZANG Xiuqing	100,000.00	25,000.00
SHI Rongyao	–	–
	400,000.00	325,000.00

There were no other remunerations payable to the independent non-executive Directors during the year (2015: nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

3. Remunerations of Directors, Supervisors and Senior Management (continued)

(2) Executive Directors, non-executive Directors and Supervisors

	2016	2015
Salaries and allowances:		
Executive Directors:		
XING Luzhen	–	–
TIAN Yunshan	619,948.95	629,943.25
WANG Lubiao	545,856.86	613,566.81
MA Xiping	545,784.86	612,066.81
CAO Ziyu	–	–
Non-executive Directors:		
ZHAO Ke	–	–
DUAN Gaosheng	–	–
Li Jianping	–	–
MI Xianwei	–	–
Supervisors:		
CAO Dong	405,923.02	445,600.63
YANG Jun	–	110,161.78
ZHANG Jun	177,643.47	255,277.32
LIU Simang	–	–
NIE Yuzhong	–	–
BU Zhouqing	–	–
WANG Yashan	–	–
CHEN Linyan	180,444.13	–
	2,475,601.29	2,666,616.60

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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XIII. OTHER IMPORTANT ITEMS (CONTINUED)

3. Remunerations of Directors, Supervisors and Senior Management (continued)

(2) Executive Directors, non-executive Directors and Supervisors (continued)

	2016	2015
Pension scheme contributions:		
Executive Directors:		
XING Luzhen	–	–
TIAN Yunshan	107,049.22	142,979.28
WANG Lubiao	103,860.70	141,261.72
MA Xiping	103,160.48	138,252.72
CAO Ziyu	–	–
Non-executive Directors:		
ZHAO Ke	–	–
DUAN Gaosheng	–	–
Li Jianping	–	–
MI Xianwei	–	–
Supervisors:		
CAO Dong	77,905.86	87,801.12
YANG Jun	–	33,784.05
ZHANG Jun	50,890.32	48,086.22
LIU Simang	–	–
NIE Yuzhong	–	–
BU Zhongqing	–	–
WANG Yashan	–	–
CHEN Linyan	16,690.23	–
	459,556.81	592,165.11

NOTES TO FINANCIAL STATEMENTS

31 December 2016

RMB

XIII. OTHER IMPORTANT ITEMS (CONTINUED)

3. Remunerations of Directors, Supervisors and Senior Management (continued)

(3) Senior management

	2016	2015
Salaries and allowances:		
HE Zhenya	586,424.79	614,840.56
YANG Wensheng	544,378.18	553,829.80
GUO Xikun	546,384.86	612,066.81
	1,677,187.83	1,780,737.17
Pension scheme contributions:		
HE Zhenya	104,230.59	139,347.36
YANG Wensheng	94,756.07	118,358.64
GUO Xikun	103,362.98	138,567.60
	302,349.64	396,273.60

4. Five Highest Paid Senior Management

The five highest paid employees during the year included three Directors (2015: three), details of whose remuneration are set out in 3. Remunerations of Directors, Supervisors and Senior Management of Note XIII. Details of remunerations of the remaining two non-director employees (2015: two) during the year are as follows:

	2016	2015
Salaries and allowances	1,132,809.65	1,226,907.37
Pension scheme contributions	207,593.57	277,914.96
	1,340,403.22	1,504,822.33

There was no agreement under which a director or senior management waived or agreed to waive any remuneration during the year.

The number of non-directors and non-supervisors whose remunerations fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to RMB1,000,000	2	2

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts Receivable

	31 December 2016	31 December 2015
Within 1 year	71,709,253.07	84,855,356.49
1 to 2 years	17,906,273.83	89,061,264.83
2 to 3 years	55,985,571.70	32,827.71
Over 3 years	1,655,441.05	1,655,441.05
	147,256,539.65	175,604,890.08
Less: provision for bad debts of accounts receivable	23,881,717.89	14,813,217.51
	123,374,821.76	160,791,672.57

The movements in the provision for bad debts of accounts receivable are as follows:

	Opening balance	Provision in the year	Reversal in the year	Write-off in the year	Closing balance
2016	14,813,217.51	9,068,500.38	-	-	23,881,717.89
2015	12,675,215.67	2,138,001.84	-	-	14,813,217.51

	31 December 2016				31 December 2015			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Provision for bad debts by credit risk characteristics								
Within 1 year	71,709,253.07	48.70	3,585,462.65	5	84,855,356.49	48.32	4,243,733.97	5
1 to 2 years	17,906,273.83	12.16	1,790,627.38	10	89,061,264.83	50.72	8,904,194.18	10
2 to 3 years	55,985,571.70	38.02	16,850,186.81	30	32,827.71	0.02	9,848.31	30
Over 3 years	1,655,441.05	1.12	1,655,441.05	100	1,655,441.05	0.94	1,655,441.05	100
	147,256,539.65	100.00	23,881,717.89		175,604,890.08	100.00	14,813,217.51	

As at 31 December 2016 and 31 December 2015, the Company performed the impairment test in respect of single accounts receivable that was significant, and considered that there was no need for the provision for bad debts separately. The Company grouped these accounts receivable and made the provision for bad debts in the method of ageing analysis.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other Receivables

An aged analysis of other receivables is as follows:

	31 December 2016	31 December 2015
Within 1 year	3,835,759.77	3,977,404.03
1 to 2 years	455,660.37	701,288.57
2 to 3 years	533,892.06	2,397,300.00
Over 3 years	653,260.84	25,631,421.24
	5,478,573.04	32,707,413.84
Less: Provision for bad debts of other receivables	1,050,782.49	26,622,946.22
	4,427,790.55	6,084,467.62

The movements in the provision for bad debts of other receivables are as follows:

	Opening balance	Provision in the year	Reversal in the year	Write-off in the year	Closing balance
2016	26,622,946.22	–	(25,572,163.73)	–	1,050,782.49
2015	46,033,632.93	–	(19,410,686.71)	–	26,622,946.22

The Group's adoption of the aged analysis method in provision for bad debts of other receivables is as follows:

	31 December 2016				31 December 2015			
	Carrying amount		Provision for the year		Carrying amount		Provision for the year	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	3,835,759.77	70.01	191,787.99	5	3,977,404.03	12.16	198,870.20	5
1 to 2 years	455,660.37	8.32	45,566.04	10	701,288.57	2.14	68,460.90	10
2 to 3 years	533,892.06	9.75	160,167.62	30	2,397,300.00	7.33	724,193.88	30
Over 3 years	653,260.84	11.92	653,260.84	100	25,631,421.24	78.37	25,631,421.24	100
	5,478,573.04	100.00	1,050,782.49		32,707,413.84	100.00	26,622,946.22	

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other Receivables (continued)

Other receivables by nature are as follows:

	31 December 2016	31 December 2015
Equity transfer consideration	–	25,500,540.00
Deposits	1,213,700.00	3,467,004.40
Others	4,264,873.04	3,739,869.44
	5,478,573.04	32,707,413.84

3. Available-for-sale Financial Assets

	31 December 2016	31 December 2015
Unlisted investment		
Available-for-sale equity instruments	562,752,357.95	562,752,357.95

As at 31 December 2016 and 2015, the domestic unlisted equity investments held by Group were measured at cost. The Group has no intention to dispose of these investments. The specific details are as follows:

Name of investee	31 December 2015	Increase in the year	Decrease in the year	31 December 2016
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	498,000,000.00	–	–	498,000,000.00
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	34,000,000.00	–	–	34,000,000.00
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	30,752,357.95	–	–	30,752,357.95
Total	562,752,357.95	–	–	562,752,357.95

Name of investee	31 December 2014	Increase in the year	Decrease in the year	31 December 2015
SDIC Caofeidian Port Co., Ltd. (國投曹妃甸港口有限公司)	498,000,000.00	–	–	498,000,000.00
Qinhuangdao Ruigang Coal Logistics Co., Ltd. (秦皇島睿港煤炭物流有限公司)	34,000,000.00	–	–	34,000,000.00
Cangzhou Huanghuagang Steel Logistics Co., Ltd. (滄州黃驊港鋼鐵物流有限公司)	30,752,357.95	–	–	30,752,357.95
Total	562,752,357.95	–	–	562,752,357.95

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term Equity Investments

2016

	Opening balance	Changes in the year				Closing carrying amount
		Increase in investment	Investment Income or loss under the equity method	Distribution of cash dividend	Other changes in equity	
Qinhuangdao Ocean Shipping Tally Co., Ltd. 秦皇島中理外輪理貨有限責任公司	12,085,383.72	-	-	-	-	12,085,383.72
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. 秦皇島瑞港技術進出口有限公司	10,125,275.79	-	-	-	-	10,125,275.79
Qinhuangdao Xin'gangwan Container Terminal Co., Ltd. (秦皇島港新港灣集裝箱碼頭有限公司)	219,521,347.15	-	-	-	-	219,521,347.15
Cangzhou Bohai Port Co., Ltd. (滄州渤海港務有限公司)	2,360,000,000.00	104,400,000.00	-	-	-	2,464,400,000.00
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	918,000,000.00	-	-	-	-	918,000,000.00
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	1,930,000,000.00	-	-	-	-	1,930,000,000.00
Cangzhou Huanghuagang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司)	32,500,000.00	-	-	-	-	32,500,000.00
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	49,500,000.00	-	-	-	-	49,500,000.00
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	56,000,000.00	-	-	-	-	56,000,000.00
Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (秦皇島港港盛(香港)有限公司)	40,115,000.00	-	-	-	-	40,115,000.00
Cangzhou Huanghuagang Coal Oil Port Co., Ltd. (滄州黃驊港煤炭港務有限公司)	50,000,000.00	-	-	-	-	50,000,000.00
Tangshan Caofeidian Jigang General Port Co., Ltd. (唐山曹妃甸冀港通用港務有限公司)	-	5,000,000.00	-	-	-	5,000,000.00
Total under cost method	5,677,847,006.66	109,400,000.00	-	-	-	5,787,247,006.66
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	99,285,990.07	-	(10,080,594.01)	-	-	89,205,396.06
Sub-total of joint ventures	99,285,990.07	-	(10,080,594.01)	-	-	89,205,396.06
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	932,604.68	-	(932,604.68)	-	-	-
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	211,146,190.86	-	6,765,321.16	-	-	217,911,512.02
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	1,004,030,593.63	-	122,282,549.18	(105,000,000.00)	3,216,951.79	1,024,530,094.60
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	20,000,000.00	-	-	-	-	20,000,000.00
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	35,960,996.42	-	(1,025,803.69)	-	-	34,935,192.73
Cangzhou Ocean Shipping Tally Co., Ltd. (滄州中理外輪理貨有限公司)	4,749,227.99	-	2,756,825.78	(1,778,912.55)	-	5,727,141.22
Sub-total of associates	1,276,819,613.58	-	129,846,287.75	(106,778,912.55)	3,216,951.79	1,303,103,940.57
Total under equity method	1,376,105,603.65	-	119,765,693.74	(106,778,912.55)	3,216,951.79	1,392,309,336.63
Total	7,053,952,610.31	109,400,000.00	119,765,693.74	(106,778,912.55)	3,216,951.79	7,179,556,343.29

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term Equity Investments (continued)

2015

	Opening balance	Changes in the year				Closing carrying amount
		Increase in investment	Investment Income or loss under the equity method	Distribution of cash dividend	Other changes in equity	
Qinhuangdao Ocean Shipping Tally Co., Ltd. (秦皇島中理外輪理貨有限責任公司)	7,045,383.72	5,040,000.00	-	-	-	12,085,383.72
Qinhuangdao Ruigang Technology Import & Export Co., Ltd. (秦皇島瑞港技術進出口有限公司)	10,125,275.79	-	-	-	-	10,125,275.79
Qinhuangdao Xin'gangwan Container Terminal Co., Ltd. (秦皇島港新港灣集裝箱碼頭有限公司)	219,521,347.15	-	-	-	-	219,521,347.15
Cangzhou Bohai Port Co., Ltd. (滄州渤海港務有限公司)	2,360,000,000.00	-	-	-	-	2,360,000,000.00
Tangshan Caofeidian Coal Port Co., Ltd. (唐山曹妃甸煤炭港務有限公司)	918,000,000.00	-	-	-	-	918,000,000.00
Cangzhou Huanghuagang Mineral Port Co., Ltd. (滄州黃驊港礦石港務有限公司)	1,930,000,000.00	-	-	-	-	1,930,000,000.00
Cangzhou Huanghuagang Crude Oil Port Co., Ltd. (滄州黃驊港原油港務有限公司)	32,500,000.00	-	-	-	-	32,500,000.00
Tangshan Caofeidian Jigang Coal Port Co., Ltd. (唐山曹妃甸冀港煤炭港務有限公司)	49,500,000.00	-	-	-	-	49,500,000.00
Tangshan Port Investment & Development Co., Ltd. (唐山港口投資開發有限公司)	-	56,000,000.00	-	-	-	56,000,000.00
Qinhuangdao Port GangSheng (Hong Kong) Co., Limited (秦皇島港港盛(香港)有限公司)	-	40,115,000.00	-	-	-	40,115,000.00
Cangzhou Huanghuagang Coal Oil Port Co., Ltd. (滄州黃驊港煤炭港務有限公司)	-	50,000,000.00	-	-	-	50,000,000.00
Total under cost method	5,526,692,006.66	151,155,000.00	-	-	-	5,677,847,006.66
Bohai Jin-Ji Port Investment and Development Company Limited (渤海津冀港口投資發展有限公司)	100,000,000.00	-	(714,009.93)	-	-	99,285,990.07
Sub-total of joint ventures	100,000,000.00	-	(714,009.93)	-	-	99,285,990.07
Qinhuangdao Huazheng Coal Inspection Institute (秦皇島華正煤炭檢驗行)	2,250,388.06	-	(1,317,783.38)	-	-	932,604.68
Hebei Port Group Finance Company Limited (河北港口集團財務有限公司)	203,167,579.17	-	7,978,611.69	-	-	211,146,190.86
Tangshan Caofeidian Shiye Port Co., Ltd. (唐山曹妃甸實業港務有限公司)	970,978,558.80	-	170,803,747.12	(140,000,000.00)	2,248,287.71	1,004,030,593.63
Qinhuangdao Xing'ao Qin'gang Energy Storage & Transportation Co., Ltd. (秦皇島興奧秦港能源儲運有限公司)	20,000,000.00	-	-	-	-	20,000,000.00
Tangshan Jingtang Railway Co., Ltd. (唐山京唐鐵路有限公司)	37,130,435.93	-	(1,169,439.51)	-	-	35,960,996.42
Cangzhou Ocean Shipping Tally Co., Ltd. (滄州中理外輪理貨有限公司)	1,994,046.00	1,320,000.00	1,435,181.99	-	-	4,749,227.99
Sub-total of associates	1,235,521,007.96	1,320,000.00	177,730,317.91	(140,000,000.00)	2,248,287.71	1,276,819,613.58
Total under equity method	1,335,521,007.96	1,320,000.00	177,016,307.98	(140,000,000.00)	2,248,287.71	1,376,105,603.65
Total	6,862,213,014.62	152,475,000.00	177,016,307.98	(140,000,000.00)	2,248,287.71	7,053,952,610.31

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31 December 2016

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XIV. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Operating Revenue and Cost

	2016	2015
Operating revenue	3,764,653,465.29	5,829,744,310.38

	2016	2015
Operating cost	2,773,164,164.38	3,334,999,482.32

Operating revenue is as follows:

	2016	2015
Revenue from service in relation to coal and relevant products	3,238,418,383.73	5,173,893,754.16
Revenue from service in relation to metal ore and relevant products	109,994,566.84	123,398,436.66
Revenue from service in relation to general and other cargoes	174,937,124.20	213,555,780.08
Revenue from service in relation to liquefied cargoes	65,560,843.64	105,510,641.48
Revenue from others	175,742,546.88	213,385,698.00
	3,764,653,465.29	5,829,744,310.38

6. Investment Income

	2016	2015
Dividend income on holding available-for-sale financial assets	2,400,000.00	59,250,000.00
Income from long-term equity investments under cost method	2,520,000.00	1,680,000.00
Income from long-term equity investments under equity method	119,765,693.74	177,016,307.98
Including: Investment income from associates	129,846,287.75	177,730,317.91
Investment income from joint ventures	(10,080,594.01)	(714,009.93)
	124,685,693.74	237,946,307.98