



大連港股份

DALIAN PORT (PDA) COMPANY LIMITED

大連港股份有限公司

(A sino-foreign joint stock limited company incorporated in the People's Republic of China)

(於中華人民共和國註冊成立之外商投資股份有限公司)

(Stock Code 股份代號 : 2880)



Annual Report 年報 2016





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General Information on the Company

1) Company Profile

Dalian Port (PDA) Company Limited (the “Company”) was established in Dalian City, Liaoning Province, the People’s Republic of China (the “PRC”) on 16 November 2005. The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 2880) and Shanghai Stock Exchange (stock code: 601880) on 28 April 2006 and 6 December 2010, respectively. The Company is the first port company listed in both the stock exchanges of Hong Kong and Shanghai.

Located at the entrance of Bohai Bay, with its proximity to major international shipping routes as compared to other ports in Bohai Bay and with deep water and ice-free port conditions, Dalian port is able to operate its terminals throughout the year.

As the consolidated operational platform for port and logistics services in Dalian port, the Company and its subsidiaries (collectively, the “Group”) are the biggest comprehensive port operator in the Three Northeastern Provinces of China (collectively, Heilongjiang Province, Jilin Province and Liaoning Province). The Group is principally engaged in the following businesses: 1) oil/liquefied chemicals terminal and related logistics services; 2) container terminal and related logistics services; 3) automobile terminal and related logistics and trading services; 4) ore terminal and related logistics services; 5) general cargo terminal and related logistics and trading services; 6) bulk grain terminal and related logistics and trading services; 7) passenger and roll-on, roll-off terminal and related logistics services; and 8) port value-added services and ancillary port operations.

In terms of oil/liquefied chemicals terminal and related logistics services, the Group is the first terminal operator approved by the Ministry of Communications of the PRC to provide transshipment services of imported crude oil for petrochemical enterprises in Dalian and Bohai rim. The Group has two 300,000dwt crude oil terminals (one of which can accommodate 450,000dwt crude oil vessels), the largest oil storage base in China, integrated multimodal transportation system comprising various transportation means such as water, road, railway and pipelines. The Group is an important oil/liquefied storage, transportation and distribution center in the Three Northeastern Provinces.

In terms of container terminal and related logistics services, the Group’s container terminals can accommodate the container vessels with a loading capacity of 150,000dwt. The shipping routes connected with the Group’s container terminals cover more than 100 major domestic and overseas ports. The Group has well established sea-to-rail intermodal transportation network and Bohai Rim feeder transshipment network. The Group’s container volume of sea-to-rail intermodal transportation is in the leading position among all ports in mainland China. The Group maintains its leading position in the industry of container transportation for foreign trade in Northeast China. The rapid growth of domestic trade is a strong driving force for the development of the Group’s container business for domestic trade.

In terms of automobile terminal and related logistics and trading services, Dalian port is one of the five automobile ports approved by the Chinese government to provide automobile import business. The Group’s automobile terminal can accommodate the largest Ro-Ro vessels in the world. Benefited from the rapid growth of automobile production and sales in China and the revitalisation of the automobile manufacturing base in the Three Northeastern Provinces and Dalian, the Group’s automobile terminal business has been growing rapidly.

General Information on the Company

In terms of ore terminal and related logistics services, the Group has two designated berths with the functions of sea transshipment and bonded distribution. The Group's ore terminal has obtained the approval to accommodate up to 350,000dwt vessels and its overall efficiency ranked the top among ports in mainland China. The Group has completed the reconstruction of ore terminal facilities in order to meet the requirements of berthing large-sized vessels. With the trend that more and more large-sized vessels will be put into operation, the Group will leverage on more advantages on its strategic location at the entrance of Bohai bay and nature condition of deep water.

In terms of general cargo terminal and related logistics and trading services, the Group is principally engaged in the provision of loading, discharging and logistics services for dry bulk cargoes including steel, coal and large equipments, and aims to develop as the transshipment base for fine steel, coal and equipments. The Group has expanded its general cargo terminal and related logistics businesses to Changxing Island and Zhuanghe area. These two areas, with important strategic locations, have strong driving force for future development.

In terms of bulk grain terminal and related logistics and trading services, the Group, as the most competitive grain transshipment center in the Northeastern, has established a comprehensive logistics operation system and fulfilled the transformation from traditional loading and discharging services provider to modern logistics services provider. The growth of grain transportation in the Three Northeastern Provinces of China will accelerate the volume increase of the Group's dry grain terminal and related logistics business.

In terms of passenger and roll-on, roll-off terminal and related logistics services, the Group's passenger and roll-on, roll-off terminal is located at the north end of Golden Waterway in Bohai bay and the Group has long been in a leading position among the ports in China in terms of its business scale. The Group has gradually been consolidating the passenger and roll-on, roll-off businesses in Dalian port so as to expand its business scale and develop as a major passenger and roll-on, roll-off terminal in Bohai rim.

In terms of port value-added and ancillary port operations, the Group provides services such as tugging, tallying, IT, port logistics, construction management and supervision services, and power supply. The Group has a leading tugboat fleet among the ports in China. The advanced port IT operational system, consummate port multi-modal transportation system and complete port industrial chains provide crucial support for the Group to develop high-end logistics businesses.

The Group intends to leverage on its favorable natural conditions and competitive strengths in operations and management to develop and expand its business. The Group will play an important role in developing Dalian into an international shipping center in Northeast Asia and the development of Liaoning Coastal Economic Zone. The Group aims to develop into a pioneering port operator and comprehensive logistics service provider in Northeast Asia, with regional development potentials and international competitiveness.

General Information on the Company

2) General Information on the Company

- | | | |
|----|---|---|
| 1. | Chinese name | 大連港股份有限公司 |
| | Abbreviated Chinese name | 大連港 |
| | English name | Dalian Port (PDA) Company Limited |
| | Abbreviated English name | Dalian Port |
| 2. | Legal representative | Zhang Yiming |
| 3. | Contact person | |
| | Joint Company Secretary/
Secretary to the Board of Directors | Wang Jilu |
| | | Address: Room 2618, Xingang Commercial Building,
Jingang Road, Dalian International Logistics Park Zone,
Liaoning Province, the PRC
Telephone: 86 411 87599899
Facsimile: 86 411 87599854
E-mail: wangjilu@dlport.cn |
| | Joint Company Secretary/Qualified Accountant | Mr. Lee, Kin Yu Arthur
Address: Room 2618, Xingang Commercial Building,
Jingang Road, Dalian International Logistics Park Zone,
Liaoning Province, the PRC
Telephone: 86 411 87599866
Facsimile: 86 411 87599854
E-mail: lijr@dlport.cn |
| 4. | Registered office | Xingang Commercial Building, Dayao Bay, Dalian Free
Trade Zone, the PRC |
| | Postal Code | 116600 |
| | Place of Business and Postal Code in PRC | Xingang Commercial Building, Jingang Road, Dalian
International Logistics Park Zone, Liaoning Province,
the PRC (116601) |
| | Place of Business in Hong Kong | 36th Floor, Tower Two, Times Square, 1 Matheson Street,
Causeway Bay, Hong Kong |
| | Company website | www.dlport.cn |
| | Company e-mail | ir@dlport.cn |

General Information on the Company

5. Designated newspapers for information disclosure of the Company
Website designated by the China Securities Regulatory Commission for publishing the A share annual reports
Website for publishing the H share annual report
Place for collection of annual report
- China Securities Daily, Shanghai Securities Daily, Securities Times, and Securities Daily
www.sse.com.cn
- www.hkexnews.hk
Room 2601, Xingang Commercial Building, Jingang Road, Dalian International Logistics Park Zone, Liaoning Province, the PRC
6. Places of listing
Stock abbreviations
Stock codes
- | | |
|-------------------------|--------------------------|
| Shanghai Stock Exchange | Hong Kong Stock Exchange |
| Dalian Port | Dalian Port |
| 601880 (Shanghai) | 2880 (Hong Kong) |
7. A share registrar and transfer office
H share registrar and transfer office
- China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Computershare Hong Kong Investor Services Limited
8. Auditors
- PricewaterhouseCoopers Zhong Tian LLP
Address: 11/F PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai City, the PRC
9. Other information
- Legal counsel (as to Hong Kong law)
Morrison & Foerster
33/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong
- Legal counsel (as to PRC law)
Liaoning Huaxia Law Firm
5th floor, Liyuan Mansion, 16 Mingze Street, Zhongshan District, Dalian City, Liaoning Province, the PRC
- Major bankers
Industrial and Commercial Bank of China
Agricultural Bank of China
China Construction Bank
Bank of China
Bank of Communications

General Information on the Company

3) Business Milestones in the Past 12 Months

January

- The “Samsung Route” international container train line from Dalian to Kaluga, Russia was put into operation for the first time, marking the official launch of the China-South Korea-Russia international golden logistics corridor where the Group plays a crucial role as “bridge and tie”.

February

- The Company convened the first extraordinary general meeting for the year 2016.
- The Dalian Commodity Exchange officially established a bonded delivery warehouse designated for iron ores in the Company, which further strengthened the Company’s capability in providing value-added services.

March

- The Company announced the annual results for the year 2015.

May

- The Company was rated as a “Four-Star Green Port in China”, making the Company one of the first companies that have won such honor in China.
- The Group has launched various innovative businesses such as refrigerated train lines and multimodal transport which were successfully included into the first batch of national multimodal (sea-to-rail-to-highway) transport demonstration projects.

June

- The Company convened the annual general meeting for the year 2015.
- The Group passed the navigation safety evaluation of Liaoning Maritime Safety Administration for the relevant berths of the oil terminal, and obtained the qualification to accommodate 450,000dwt crude oil vessels, the Company has since become the first port and shipping enterprise in North China with the qualification to accommodate ultra large crude carriers (ULCC) from all over the world.
- The first Certificate on the Places of Origins and Hygiene of Aquatic Goods for International Transshipment (國際中轉水產品貨物原產地證明及衛生證書) in China was issued in Dalian Port, marking a new breakthrough in the international refrigerated storage and transshipment business of the Group.

General Information on the Company

August

- The Company announced the interim results for the year 2016.
- China's first "cross-border train with full refrigerated containers" departed from Dalian Port to Moscow, setting a precedent for the relevant business in China.
- The "Research and Development Project on the Key Technologies of the Beidou-based Intelligent and Comprehensive Navigation Information Service System" (基於北斗的智能航運信息綜合服務系統關鍵技術研究與應用), which was independently carried out by the Group, was evaluated to be "internationally advanced in terms of technology" at the achievement examination conference held by China Institute of Navigation. As per the statistics, the fuel cost per container dropped by 9.97% on average after such system was put into service.

September

- FAW Logistics entered into a cooperation agreement with Automobile Terminal, a subsidiary of the Group, pursuant to which, FAW Logistics undertook to take Automobile Terminal under the Group as the only shipping port in Northeast China, thus providing a guarantee on the source of supplies and a development space for the expansion of the Company's relevant business.

November

- The Company convened the second extraordinary general meeting for the year 2016.
- The Group smoothly passed the acceptance review of Liaoning Entry-Exit Inspection and Quarantine Bureau on the demonstration port for in-bound grain, and managed to shorten the time needed for the custom clearance of grain products by at least 10 days, which was expected to contribute additional RMB10.0 billion in terms of commodity value for Dalian port every year.

December

- The Company's annual throughput of crude oil and oil chemicals exceeded 50 million tonnes for the first time, setting the highest record ever in its history.
- The Company handled 569,900 wheeled commercial vehicles throughout the year, hitting another historical high in the throughput of automobile segment.
- The Company accommodated 13 ultra large ore carriers of 400,000 dwt in total throughout the year, and unloaded 4.76 million tonnes of ores accumulatively, laying a solid foundation for the Group to build its ore terminal into the ore distribution center in Northeast Asia.
- The Company won the award of "Top 50 Proactive Supervisory Committees of Listed Companies" (上市公司監事會積極進取50強).

Chairman's Statement

Dear shareholders,

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

In 2016, the global economy continued its recovery at a slow speed and in an unbalanced manner, and the global trade showed differentiated growth in different segments. China continued to top all the other countries worldwide in terms of the growth of macro economy, and the transformation and upgrading of its economic structure had been continuously advanced in the direction of active adaption and comprehensive reform. The year-round gross domestic product (GDP) reached RMB74.41 trillion, with a year-on-year growth of 6.7%.

Operating Results and Dividend

Under the new normal of economic development in China, the domestic economy presented new characteristics of optimised speed, optimised structure and changed drivers in general. Benefiting from the economic vitality generated after the implementation of various policies such as the supply-side reform, the port industry experienced continuously upgraded transformation, with near-port industries and value-added services greatly improved. On a year-round basis, the growth of cargo throughput handled by China's large-scale ports remained stable with a sign for slowing down, and the throughput of certain goods in the same period dropped slightly.

In 2016, the Group's net profit attributable to shareholders of the parent amounted to RMB531,012,717.43, representing a year-on-year increase of 9.6%. To better reward the Shareholders, the Board has recommended the payment of cash dividends of RMB0.15 (tax included) per each 10 shares for the year 2016.

Business Review

As the integrated platform for port and logistics services in Dalian port, the Group is the largest comprehensive port operator in Northeast China, mainly engaging in oil/liquefied chemicals terminal and related logistics services and trading services (Oil Segment), container terminal and related logistics services (Container Segment), automobile terminal and related logistics and trading services (Automobile Terminal Segment), ore terminal and related logistics services (Ore Segment), general cargo terminal and related logistics and trading services (General Cargo Segment), bulk grain terminal and related logistics and trading services (Bulk Grain Segment), passenger and roll-on, roll-off terminal and related logistics services (Passenger and Ro-Ro Segment) and value-added and ancillary port operations (Value-added Services Segment).

Despite the complicated and volatile economy, the Group has completed its annual production tasks in a satisfactory manner through its efforts in various aspects.

Chairman's Statement

For the Oil Segment, riding on the opportunities of falling international oil prices and gradual liberalization of the use of imported crude oil, the Group fully leveraged its combined advantages of deep-water ports and storage capacity to deepen multi-level cooperation with oil product enterprises and maintain the share of its imported crude oil throughput in Northeast China. For the Container Segment, the Group actively promoted the construction of Maritime Silk Road, fully implemented the Bohai Rim strategy and actively built a transshipment system centering on Bohai Rim and opening to Northeast Asia, which strongly guaranteed the steady rise of container throughput at the terminal. Meanwhile, following the “One Belt, One Road” initiative of the central government, the Group made greater efforts in innovation, initiated cross-border and domestic refrigerated container train lines and actively explored the market share by utilizing multimodal transportation system. For the Automobile Terminal Segment, while streamlining the business structure and developing the service brand, the Group continued to promote in-depth cooperation with several automobile manufacturing enterprises and relying on the rapid development of automobile trading and near-port industries, it has successfully maintained a 100% market share for the fifth consecutive year in the commercial vehicles roll-on, roll-off industry in the northeast. For the Ore Segment, by virtue of the regional advantages, the Group innovatively developed the ore mixing business, focused on building up an iron ore distribution center in Bohai Rim region and continued to facilitate the construction of the near-port iron ore processing industrial base of the Group along Bohai Rim region. For the General Cargo Segment, closely capturing the opportunities brought by the national policy adjustments and starting with cargoes such as coal, the Group was devoted to the innovation of logistics mode and achieved significant progress in market development. For the Bulk Grain Segment, while continuing to enhance the port logistics services, the Group managed to improve the construction of its logistics system by closely following the market needs, reduce charges of full logistical services for customers and win the recognition of the market by upgrading the service level. For the Passenger Segment, while stepping up the effort in market exploration, the Group focused on the development of tourism-related forward-looking business and developed new ticket-selling mode based on e-commerce platforms to actively acquire customers, which has created a favourable prospect for the more diversified business development.

Prospects

In 2017, there will be uncertainties in the prospects of global economic recovery. Under the current complicated and volatile economic situation, the development of the major economies is expected to continue to show different patterns. 2017 is the year for the in-depth implementation of the “Thirteenth Five-Year-Plan” of China, which means the adjustment of domestic economic and industrial structure and the business model innovation will step into a critical stage of comprehensive reform and breakthroughs at key points, which will also bring new opportunities and challenges to the development of the port industry. Meanwhile, it should be further noted that, with the comprehensive and in-depth implementation of the “Thirteenth Five-Year-Plan”, various national strategic plans and beneficial policies will help to build a higher and wider platform for the coastal regions to fully take part in strategic cooperation in the global economy and enhance the level of development in the cross-border economic cooperation zones. This will undoubtedly continue to consolidate the Group's crucial position as the “bridgehead” for the opening up of the northeast area and provide more favorable policy support and room of development to the growth of the Group and the prosperity of the regional economy. It is believed that the synchronised implementation of a series of national strategies, such as the national supply-side structural reform and the “One Belt, One Road” strategies including building up a maritime ocean power, establishing free trade zones and revitalising the old industrial bases in Northeast China, will vigorously facilitate the port industry to enter into the new normal of sustainable development.

Chairman's Statement

The Group's major hinterland includes the three northeastern provinces of China, the eastern region in Inner Mongolia and the Bohai Rim region. Our businesses mainly cover oil products, containers, wheeled commercial vehicles, iron ore, coal, steel, grain, bulk and general cargo as well as passenger and roll-on and roll-off operations. With a comprehensive range of cargo types in its operations, the Group has stronger capabilities in business extension. The Group expects that the total throughput will continue to maintain a steady growth. In particular, the oil and chemical business will continue to maintain a steady growth when international oil price continues to fall while the automobile and container businesses will maintain a steady rise. Meanwhile, the Group will also continue to focus on building its comprehensive logistics service platform and integrated industrial, commerce and trading service platform, and position itself to tap into economic trends. By facilitating the construction of supply chain service system and strengthening the collaboration with both upstream and downstream enterprises such as collaboration between port service enterprises and railway enterprises, port service enterprises and shipping enterprises and among port service enterprises to enrich its industrial chain value, the Group will customize all-in-one solutions including logistics, trading and financial businesses for customers by making use of our port's own comprehensive advantages. Supply chain and logistics chain systems will be further consolidated by continuous extension into new businesses and development of new products, aiming at enhancing the overall level of revenue of the Group and generating desirable returns for our shareholders.

Lastly, on behalf of the Board, I would like to express my heartfelt gratitude to the shareholders and business partners of the Group for their confidence in and support to the Group in the past year, and also my sincere thanks to all the staff of the Group for their dedication and diligence.

Dalian Port (PDA) Company Limited
ZHANG Yiming
Chairman

23 March 2017

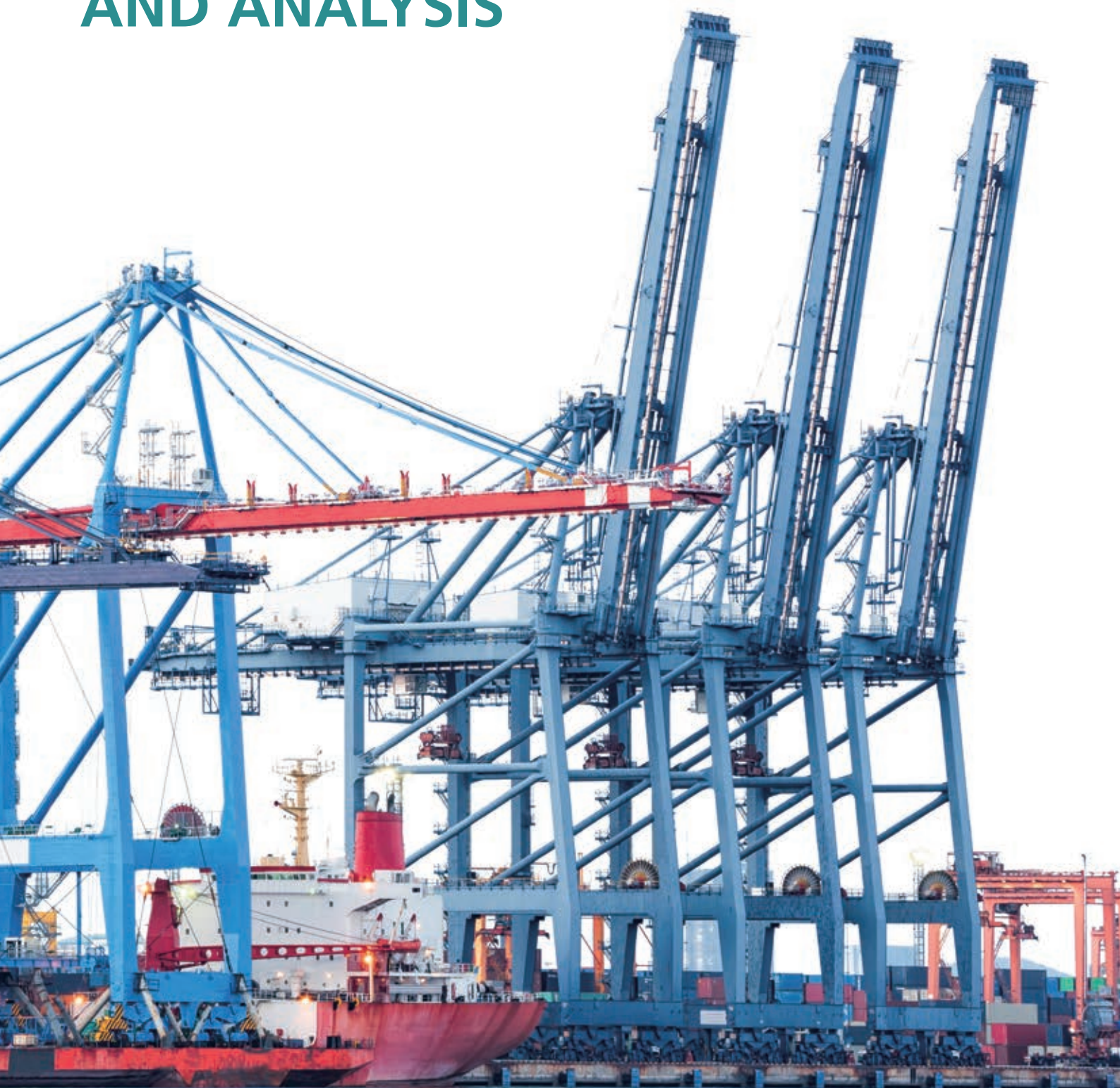
Financial Highlights

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>	Changes (%)
Highlights of Income Statement			
Revenue	12,814,484	8,886,167	44.2%
Gross profit	1,387,422	1,454,512	-4.6%
Operating profit	598,043	461,118	29.7%
Net profit attributable to owners of the parent	531,013	484,333	9.6%
Basic earnings per share (RMB)	0.042	0.048	-12.5%
Highlights of Balance Sheet			
Cash and bank balances	6,741,279	2,933,298	129.8%
Net current assets	3,014,860	1,347,451	123.7%
Total assets	31,902,065	29,129,890	9.5%
Borrowings	10,549,202	11,303,901	-6.7%
Net debt-to-equity ratio (%)	20.0	54.0	-63.0%
Net assets value per share (RMB)	1.38	3.17	-56.5%
Return on equity (%)	3.11	3.49	-10.9%
Highlights of Cash Flow Statement			
Net cash generated from operating activities	2,066,384	1,930,698	7.0%
Net cash used in investing activities	-406,714	-1,686,796	75.9%
Net cash generated from financing activities	1,764,880	233,924	654.5%
Net increase in cash and cash equivalents	3,647,160	481,853	656.9%

Note: *Net debt-to-equity ratio = Net debt/Net assets*

* *The financial data is reported in accordance with the PRC Accounting Standard for Business Enterprises.*

MANAGEMENT DISCUSSION AND ANALYSIS



Management Discussion and Analysis

I. Operating Discussion and Analysis

In 2016, the global economy stayed in the recovery trajectory amid challenging and complex international situation. China experienced a slight slowdown in economic growth from last year due to such factors as insufficient market demand and de-capacity campaign. Total import and export of China for the year amounted to RMB24.33 trillion, representing a decrease of 0.9% as compared with 2015. The gross domestic product (GDP) of China for the year reached RMB74.41 trillion, up 6.7% from last year, suggesting a milder macroeconomic growth amid a slow growth of the worldwide macro-economy. Regionally, the economy of Northeast China remained undiversified as it relied heavily on the energy and raw material industries with underdeveloped modern manufacturing and service sectors. Against such backdrop, the Group deepened customer cooperation, strengthened system construction, extended service functions, and built up its comprehensive logistics service system and integrated industrial, commerce and trading platform at a fast pace, thereby achieving steady growth for production and operation of the port.

II. Status of Main Businesses during the Reporting Period

Overall Results Review

In 2016, the Group's net profit attributable to owners of the parent amounted to RMB531,012,717.43, representing a year-on-year increase of RMB46,679,435.96 or 9.6% from RMB484,333,281.47 in 2015. In 2016, the operating profits of the Automobile Segment, the Ore Segment, the Bulk Grain Segment and the Passenger Segment increased, and the optimised management of foreign currency assets also spurred performance growth. Meanwhile, due to changes in the economic situation and relevant policies, the operating profits of the Container Segment, the Oil Segment, the General Cargo Segment decreased slightly, coupled with a decline in government subsidies for container business. As such, the net profit attributable to owners of the parent grew by 9.6% year-on-year as a whole.

In 2016, the Group's basic earnings per share were RMB4.2 cents, representing a decrease of RMB0.6 cents or 12.5% as compared with RMB4.8 cents in 2015.

Changes in the principal components of the net profit are as follows:

Items	2016 (RMB)	2015 (RMB)	Change (%)
Net profit attributable to owners of the parent	531,012,717.43	484,333,281.47	9.6
Including:			
Revenue	12,814,483,861.14	8,886,167,093.15	44.2
Cost of sales	11,427,061,819.61	7,431,655,456.89	53.8
Gross profit (note 1)	1,387,422,041.53	1,454,511,636.26	-4.6
Gross profit margin (note 2)	10.8%	16.4%	Down by 5.6 percentage points
Administrative expenses	663,365,001.90	622,366,106.34	6.6
Financial expenses	256,884,038.08	520,637,955.03	-50.7
Investment income	181,161,310.22	189,328,170.46	-4.3
Income tax expenses	165,330,007.50	160,606,843.64	2.9

Note 1: Gross profit = Revenue – Cost of sales.

Note 2: Gross profit margin = (Revenue – Cost of sales)/Revenue.

Management Discussion and Analysis

In 2016, the Group's revenue increased by 44.2%, which was mainly driven by a year-on-year growth of 101.8% in the trading business. Excluding the trading income, revenue decreased by 0.7% on a year-on-year basis, mainly due to the decline in business volume of Bohai Rim branch and policy-driven reductions in certain storage rates and tugging rates, which were partially offset by the growth in container train business, the increase in throughput of bulk grain and the development of ore mixing business that enhanced the ability to boost revenue.

In 2016, the Group's cost of sales increased by 53.8%, mainly due to a year-on-year growth of 102.3% in trading business costs. Excluding the trading costs, cost of sales increased by 1.7%, mainly due to the increase in labor costs which was partially offset by the implementation of certain management measures such as optimization of shipping capacity allocation and reduction of energy consumption.

In 2016, the Group's gross profit decreased by 4.6% and gross profit margin dropped by 5.6 percentage points. Excluding the trading business, gross profit declined by 6.9% and gross profit margin dropped by 1.8 percentage points. Such drop was mainly due to the reductions in certain rates that cut down the gross profit margins of oil, general cargo, value-added and other business, which were partially offset by the expansion of the container train business and ore mixing business and the growth in the gross profit margin of the passenger business.

In 2016, the Group's administrative expenses increased by 6.6%, mainly due to the increase in labor costs.

In 2016, the Group's financial expenses decreased by 50.7%, mainly due to the increase in its capital stock after the new issue of H shares in the year, and proactive and effective operations such as optimised management of existing capital, early repayment of high-interest debts and synergy of funds at home and abroad that increased returns on existing capital, reduced comprehensive cost of capital and realised appreciation of foreign currency assets.

In 2016, the Group's investment income fell 4.3%, mainly due to the recognition of significant income from transfer of stocks and equities last year, and the investment returns from investees increased by 34.9%.

In 2016, the Group's income tax expenses increased by 2.9%, mainly due to the combined effect of the increase in revenue and the decrease in financial expenses.

Assets and Liabilities

As at 31 December 2016, the Group's total assets and net assets were RMB31,902,064,959.99 and RMB19,106,314,953.25, respectively. Net asset value per share was RMB1.38, representing a substantial decrease from RMB3.17 per share as at 31 December 2015, which was due to the Group's additional issue of H shares, dividend distribution, and share capital increase on account of transfer of capital reserve.

As at 31 December 2016, the Group's total liabilities amounted to RMB12,795,750,006.74, of which RMB10,549,201,789.14 was total outstanding borrowings. The gearing ratio was 40.11%, representing a slight decrease as compared with the corresponding period last year.

Management Discussion and Analysis

Financial Resources and Liquidity

As at 31 December 2016, the Group had a balance of cash and cash equivalents of RMB6,376,088,087.66, representing an increase of RMB3,647,159,904.15 as compared to 31 December 2015.

In 2016, the Group's net cash inflow generated from operating activities amounted to RMB2,066,383,960.31; net cash inflow from financing activities amounted to RMB1,764,879,533.10; and net cash outflow from investing activities amounted to RMB406,713,504.02. The Group maintained a strong financial position and a sound capital structure thanks to the strong cash flows from operating activities, the proceeds from bond issuance and private placement, redemption of entrusted investments, and the prudent approach to fixed asset and equity investments.

As at 31 December 2016, the Group's outstanding borrowings amounted to RMB10,549,201,789.14, comprising RMB5,969,229,217.31 repayable after one year, and RMB4,579,972,571.83 repayable within one year. The Group had appropriate size of debts and rational debt maturity structure with strong liquidity and stable sources of funds for debt repayment, thus guaranteeing its sustainable development in the financial sense.

As at 31 December 2016, net debt-to-equity ratio was 20.0% (31 December 2015: 54.0%).

As at 31 December 2016, the Group's unutilised bank line of credit amounted to RMB19,830 million.

Being listed on both the A-share and H-share markets, the Company enjoys valuable access to both domestic and overseas capital markets for financing.

The Group continues to closely monitor the interest rate and foreign exchange risks. Looking back on the year of 2016, the Group did not enter into any foreign exchange contract to hedge risks therefrom. Please refer to Section X "Financial Reporting" for further details about the interest rate and foreign exchange risks.

Management Discussion and Analysis

Use of Proceeds

The Company's net proceeds from the public offering of 762 million A Shares in 2010 ("A Share IPO") amounted to RMB2,772,091,519.47. As at 31 December 2016, the Company had utilised RMB2,382,160.1 thousand of the proceeds and the balance of the net proceeds was RMB389,931.4 thousand. In March 2016, the Company used idle cash of RMB400,000.0 thousand (including interest income of RMB73,000.0 thousand on the A Share IPO proceeds) out of the proceeds to replenish its working capital, and then the balance of the A Share IPO bank account was RMB73,508.3 thousand (including interest income of RMB10,576.9 thousand).

Unit: RMB

Projects	Total proceeds	Accumulated use of proceeds as at 31 December 2016	Balance
Construction of oil storage tanks with a total capacity of 1,000,000 m ³ in Xingang	760,000,000.00	520,223,200.00	239,776,800.00
Construction of oil storage tanks with a total capacity of 600,000 m ³ in the Xingang resort area	550,000,000.00	550,000,000.00	0.00
Construction of phase II of the Shatuozi oil storage tanks project in the Xingang Shatuozi area	29,600,000.00	29,600,000.00	0.00
LNG project	320,000,000.00	320,000,000.00	0.00
No.4 stacking yard for ore terminal	520,000,000.00	387,844,400.00	132,155,600.00
Purchase of gantry for ore terminal	37,200,000.00	37,200,000.00	0.00
Purchase of 300 bulk grain carriages	150,000,000.00	150,000,000.00	0.00
Ro-Ro ships for carrying cars	230,000,000.00	212,001,000.00	17,999,000.00
Construction of new railway siding in Muling	41,250,000.00	41,250,000.00	0.00
Construction of information systems	50,000,000.00	50,000,000.00	0.00
Investment in phase III of Dayao Bay Terminal	84,041,500.00	84,041,500.00	0.00
Total	2,772,091,500.00	2,382,160,100.00	389,931,400.00

Note: In order to use the idle cash effectively and reduce financing cost, the second meeting of the fourth session of the Company's Board in 2016 passed the Resolution Regarding the Use of Certain Temporarily Idle Cash from the A Share IPO Proceeds to Replenish Working Capital, pursuant to which the Company was authorized to use idle cash of RMB400,000,000.00 (including interest income of RMB73,000.0 thousand on the A Share IPO proceeds) out of the proceeds to supplement its working capital within a period of twelve months commencing from the date on which the Board passed the resolution. The Company's independent directors, supervisors, and sponsors expressed their respective opinions on the resolution, and the Company issued an announcement in relation thereto on 24 March 2016.

Management Discussion and Analysis

Capital Expenditure

In 2016, the Group's capital expenditure amounted to RMB434,480.0 thousand which was mainly funded by the surplus cash generated from operating activities, the proceeds from public offering of A Shares and issuance of corporate bonds.

The performance analysis of each business segment in 2016 is as follows:

Oil Segment

The following table sets out the oil/liquefied chemicals throughput handled by the Group in 2016 and its comparative results in 2015:

	2016 ('0,000 tonnes)	2015 ('0,000 tonnes)	+/- (%)
Crude oil	4,463.3	4,080.2	9.4%
– Foreign trade imported crude oil	2,984.0	3,004.0	(0.7%)
Refined oil	932.5	774.8	20.4%
Liquefied chemicals	110.4	116.0	(4.8%)
Others (including LNG)	325.9	273.8	19.0%
Total	5,832.1	5,244.8	11.2%

In 2016, the Group handled a total of 58.321 million tonnes of oil/liquefied chemicals throughput, representing an increase of 11.2% on a year-on-year basis.

In 2016, the Group's crude oil throughput was 44.633 million tonnes, representing an increase of 9.4% on a year-on-year basis, of which imported crude oil throughput was 29.84 million tonnes, representing a decrease of 0.7% on a year-on-year basis. In recent years, as the state gradually lifted the restriction on the right to import crude oil and the right to use imported crude oil ("Dual Rights"), the demands for imported crude oil from regional refineries increased significantly. As such, the Group took advantage of its port and storage capacities to deepen cooperation with oil/liquefied chemical enterprises and vigorously solicit regional refinery customers for crude oil transshipment through its port, thereby steadily increasing the Group's crude oil throughput.

In 2016, the Group's refined oil throughput amounted to 9.325 million tonnes, representing an increase of 20.4% on a year-on-year basis. The significant increase in throughput demonstrated the Group's efforts to explore new markets and embrace new customers on the basis of stable oil supply.

In 2016, the Group's liquefied chemicals throughput amounted to 1.104 million tonnes, representing a decrease of 4.8% on a year-on-year basis. The decline in the Group's liquefied chemicals throughput was due to such causes as insufficient market demand and reduced production of enterprises.

Management Discussion and Analysis

In 2016, liquefied natural gas (LNG) throughput handled by the Group amounted to 3.259 million tonnes, representing an increase of 19.0% on a year-on-year basis. During the reporting period, as the natural gas pipeline network of Northeast China was connected to that of North China and the demand for natural gas from North China grew in winter, the amount of natural gas distributed via our port to North China increased and thus the Group's LNG throughput witnessed a considerable increase.

In 2016, the total imported crude oil volume handled by the Group's port accounted for 100% (2015: 100%) of the total amount of crude oil imported into Dalian and 64.2% (2015: 73.6%) of the total amount of crude oil imported into the three provinces of Northeast China. The decrease in the market share of imported crude oil was mainly due to the lifting of restriction on the "Dual Rights", the increased demand for imported crude oil, and the diversion of some cargos by other inland ports with geographical advantages, which resulted in a declined weight of the imported crude oil handled by the Group's Liaoning port.

The performance of the Oil Segment is as follows:

Items	2016 (RMB)	2015 (RMB)	Change (%)
Revenue	6,151,513,314.80	2,078,019,028.41	196.0
Share in the Group's revenue	48.0%	23.4%	Up by 24.6 percentage points
Gross profit	729,235,844.98	809,150,573.33	-9.9
Share in the Group's gross profit	52.6%	55.6%	Down by 3 percentage points
Gross profit margin	11.9%	38.9%	Down by 27 percentage points

In 2016, revenue from the Oil Segment increased by 196.0% year-on-year, mainly due to the in-depth development of trading business. Excluding the effect of the trading business, revenue would have decreased by 2.6% year-on-year. The gross profit margin decreased by 27 percentage points as compared to last year. Excluding the impact of the trading business, gross profit margin recorded a year-on-year decrease of 4.4 percentage points to 47.3%, mainly attributable to the combined effect of certain reduced storage rates, increased labor costs and additional asset depreciation.

In 2016, the major measures taken by the Group and the progress of major projects related to the Group's Oil Segment are as follows:

We seized the opportunities from the state's lifting of restriction on the "Dual Rights" to deepen cooperation with oil chemicals, logistics and port companies in an effort to line up the advantageous resources of partners to build up the Bohai Rim business network; enhanced operation efficiency, improved utilization of storage tanks and reduced oil loss to solicit business of transshipment of imported crude oil in our port.

We successfully obtained the qualification to accommodate 450,000-tonne tankers, making the Group's port the first one in North China capable of accommodating 450,000-tonne supertankers and laying a solid foundation for the Group's construction of an oil/liquefied chemical distribution center in Northeast Asia.

Management Discussion and Analysis

Container Segment

The following table sets out the container throughput handled by the Group in 2016 and its comparative results in 2015:

		2016 (‘0,000 TEUs)	2015 (‘0,000 TEUs)	+/- (%)
Foreign trade	Dalian port	520.2	510.3	1.9%
	Other ports (note 1)	27.4	22.7	20.7%
	Sub-total	547.7	533.0	2.8%
Domestic trade	Dalian port	424.0	419.7	1.0%
	Other ports	69.0	62.5	10.4%
	Sub-total	493.0	482.2	2.2%
Aggregate	Dalian port	944.1	930.0	1.5%
	Other ports (note 1)	96.5	85.2	13.3%
	Total	1,040.6	1,015.2	2.5%

Note 1: Throughput at other ports refers to the aggregate throughput of Jinzhou New Age Container Terminal Co., Ltd. (錦州新時代集裝箱碼頭有限公司), which is owned as to 15% by the Group, and Qinhuangdao Port New Harbour Container Terminal Co., Ltd. (秦皇島港新港灣集裝箱碼頭有限公司), which is owned as to 15% by the Group.

In 2016, in terms of container throughput, the Group handled a total of 10.406 million TEUs, representing an increase of 2.5% on a year-on-year basis. In Dalian port, container throughput was 9.441 million TEUs, representing an increase of 1.5% on a year-on-year basis.

In 2016, faced with the declining momentum of import and export trade in Northeast China, the Group followed through market-oriented and innovation-driven approaches and actively aligned itself with relevant national strategies to improve its shipping route network and Bohai Rim transshipment system, build up an international sea-to-rail intermodal corridor, and implement its specialised logistics development strategy, thus increasing its container throughput year-on-year.

Management Discussion and Analysis

The performance of the Container Segment is as follows:

Items	2016 (RMB)	2015 (RMB)	Change (%)
Revenue	1,548,058,061.14	1,692,339,086.99	-8.5
Share in the Group's revenue	12.1%	19.0%	Down by 6.9 percentage points
Gross profit	313,689,267.28	341,195,242.12	-8.1
Share in the Group's gross profit	22.6%	23.5%	Down by 0.9 percentage point
Gross profit margin	20.3%	20.2%	Up by 0.1 percentage point

In 2016, revenue from the Container Segment decreased by 8.5% and, if excluding the effect of trading business, decreased by 3.8% on a year-on-year basis, mainly attributable to the decline in business volume of Jifa Bohai Rim branch that led to the decrease in berth rentals. Gross profit margin for the segment increased by 0.1 percentage point and, if excluding the effect of trading business, decreased by 0.8 percentage point on a year-on-year basis, mainly due to the combined effect of decreased gross profits and increased labor costs of sea-to-rail intermodal transportation and cross-border train business.

In 2016, the major measures taken by the Group and the progress of major projects related to the Group's Container Segment are as follows:

We actively promoted the construction of the Maritime Silk Road, improved ship route network, enhanced the level and standards of opening up, added four new ship routes in the year, secured stable operations of international transshipment and empty container allocation, and comprehensively consolidated the connection of the "Liaoning-Bering Strait-Europe" shipping channel to Japan, South Korea, ASEAN and major domestic ports.

We fully implemented the Bohai Rim strategy and built a transshipment system centering on Bohai Rim and opening to Northeast Asia. Deepened the strategic expansion in the Bohai Rim region and strengthened partnership with regional ports to jointly develop transshipment business in their hinterlands.

Sped up the construction of the northeast economic belt along the New Silk Road, built up a sea to-rail intermodal network connecting hinterlands to the Dalian Port, and added 7 railway lines and 15 train stations to the sea-to-rail intermodal network, hitting a record high in the number of containers transported by such network; proactively followed the "One Belt, One Road" initiative, built up an international sea-to-rail intermodal corridor, started the operation of the Dalian-Russia refrigerated train line, and added 5 cross-border train lines during the year; strengthened product innovation, put into operation domestic refrigerated train lines, and had the Dalian Port multimodal transport demonstration project included into the first batch of national multimodal transport demonstration projects.

We accelerated the development of specialised logistics and expanded port service functions in an effort to achieve transformation and upgrading of the port. In particular, China's first certificate of origin and sanitary certificate for aquatic products transshipped via Southeast Asia and the European Union were issued at the Dalian Port, and the construction of an imported timber trading center was approved.

Management Discussion and Analysis

Automobile Terminal Segment

The following table sets out the throughput handled by the Group's Automobile Terminal Segment in 2016 and its comparative results in 2015:

		2016	2015	+/- (%)
Vehicles (units)	Foreign trade	12,900	16,593	(22.3%)
	Domestic trade	557,042	463,495	20.2%
	Total	569,942	480,088	18.7%
Equipment (tonnes)		18,394	5,737	220.6%

In 2016, the Group handled a total of 569,942 vehicles, representing an increase of 18.7% on a year-on-year basis, mainly due to the fact that domestic trade customers increased their transshipment volume at the Group's port driven by an increase in domestic automobile trade volume.

In 2016, the Group's vehicle throughput continued to account for 100% of the total market share in the ports of Northeast China.

The performance of the Automobile Terminal Segment is as follows:

Items	2016 (RMB)	2015 (RMB)	Change (%)
Revenue	2,490,667,323.32	1,866,027,173.77	33.5
Share in the Group's revenue	19.4%	21.0%	Down by 1.6 percentage points
Gross profit	64,349,651.03	44,544,236.02	44.5
Share in the Group's gross profit	4.6%	3.1%	Up by 1.5 percentage points
Gross profit margin	2.6%	2.4%	Up by 0.2 percentage point

Management Discussion and Analysis

In 2016, revenue from the Automobile Segment increased by 33.5% as compared with last year, mainly due to the increase in automobile trading income. Excluding the effect of the trading business, revenue would have increased by 5.5% year-on-year. Gross profit increased by 44.5% and gross profit margin increased by 0.2 percentage point on a year-on-year basis, mainly driven by growth in automobile trading business, which was partially offset by the depreciation of newly added assets and the increase in labor costs.

In 2016, the major measures taken by the Group and the progress of major projects related to the Group's Automobile Terminal Segment are as follows:

We introduced FAW Group as a shareholder through a capital increase, and served as the basic port of the water transport system for FAW Group's commercial vehicles; actively conducted in-depth cooperation with automobile manufacturers, logistics companies and shipping companies to expand rolling transport routes, improve service functions, enhance customer loyalty, and further enhance the comprehensive competitiveness of the port.

Ore Segment

The following table sets out the throughput handled by the Group's Ore Segment in 2016 and its comparative results in 2015:

	2016 <i>('0,000 tonnes)</i>	2015 <i>('0,000 tonnes)</i>	+/- (%)
Ore	1,834.9	1,429.8	28.3%
Others	126.1	117.6	7.2%
Total	1,961.0	1,547.4	26.7%

In 2016, the Group's Ore Segment handled 19.610 million tonnes of ore, representing an increase of 26.7% on a year-on-year basis.

In 2016, the Group leveraged its advantages in "supertankers & ore mixing" to deepen cooperation with customers and jointly build up a regional iron ore mixing center, leading to a substantial year-on-year increase in ore throughput.

Management Discussion and Analysis

The performance of the Ore Segment is as follows:

Items	2016 (RMB)	2015 (RMB)	Change (%)
Revenue	314,027,495.35	349,865,498.15	-10.2
Share in the Group's revenue	2.5%	3.9%	Down by 1.4 percentage points
Gross profit	32,760,796.86	-47,677,521.74	168.7
Share in the Group's gross profit	2.4%	-3.3%	Up by 5.7 percentage points
Gross profit margin	10.4%	-13.6%	Up by 24 percentage points

In 2016, revenue from the Ore Segment dropped by 10.2% as compared with last year, mainly due to the decrease in trading income. Excluding the effect of trading business, the revenue would have increased by 55.0% year-on-year, mainly driven by the increase in imported iron ore and coal throughput and the development of the ore mixing business. Gross profit increased by 168.7% and gross profit margin increased by 24 percentage points on a year-on-year basis, mainly due to the increase in throughput and active exploration of new business.

In 2016, the major measures taken by the Group and the progress of major projects related to the Group's Ore Segment are as follows:

In 2016, the Group capitalised on its deep-water berths and regional advantages to solicit supply of cargo from the Bohai Rim region for transshipment. In addition, the Group actively built up an integrated "logistics + financial" service system and an iron ore distribution hub in the Bohai Rim region.

In 2016, the Group vigorously promoted its ore mixing business, extended the scope of cooperation with customers in ore mixing and processing, and further built up an iron ore processing industry base in proximity to its port in the Bohai Rim.

Management Discussion and Analysis

General Cargo Segment

The following table sets out the throughput handled by the Group's General Cargo Segment in 2016 and its comparative results in 2015:

	2016 (<i>'0,000 tonnes</i>)	2015 (<i>'0,000 tonnes</i>)	+/- (%)
Steel	603.1	658.9	(8.5%)
Coal	1,097.4	907.6	20.9%
Equipment	380.7	409.9	(7.1%)
Others	1,095.2	976.3	12.2%
Total	3,176.4	2,952.7	7.6%

In 2016, the throughput handled by the Group's General Cargo Segment amounted to 31.764 million tonnes, representing an increase of 7.6% on a year-on-year basis.

In 2016, the Group's steel throughput was 6.031 million tonnes, representing a decrease of 8.5% on a year-on-year basis. Due to such factors as foreign anti-dumping policies, insufficient domestic market demand for steel and increased railway freight, the Group's transshipment volume of steel witnessed a decrease.

In 2016, the Group's coal throughput was 10.974 million tonnes, representing an increase of 20.9% on a year-on-year basis. As the coal market was in short supply after the national policy for coal production restriction was introduced, the Group capitalised on the demands for imported coal to innovate in logistics model and attract urban coal-consuming enterprises to unload coal at its port, thereby greatly increasing its coal transshipment volume.

In 2016, the Group's equipment throughput was 3.807 million tonnes, representing a decrease of 7.1% on a year-on-year basis. Due to the shrinking profitability and declining foreign orders of equipment manufacturing enterprises, the Group's transshipment volume of large equipment witnessed a year-on-year decrease.

In 2016, the steel throughput and coal throughput handled by the Group's General Cargo Segment accounted for 15.3% (2015: 20.1%) and 21.6% (2015: 17.9%) of the total market share in the ports of Northeast China, respectively.

Management Discussion and Analysis

The performance of the General Cargo Segment is as follows:

Items	2016 (RMB)	2015 (RMB)	Change (%)
Revenue	469,721,885.04	374,123,523.09	25.6
Share in the Group's revenue	3.7%	4.2%	Down by 0.5 percentage point
Gross profit	-37,001,340.01	-6,513,748.02	-468.0
Share in the Group's gross profit	-2.7%	-0.4%	Down by 2.3 percentage points
Gross profit margin	-7.9%	-1.7%	Down by 6.2 percentage points

In 2016, revenue from the General Cargo Segment increased by 25.6%, mainly driven by the increase in trading income. Excluding the effect of trading business, the revenue would have decreased by 7.5% year-on-year, mainly due to the decrease in the Group's transshipment volume of steel caused by sluggish domestic steel market demand and geographical factors. Gross profit margin decreased by 6.2 percentage points and, if excluding the effect of trading business, decreased by 11.6 percentage points on a year-on-year basis, mainly due to the combined effect of decreased steel transshipment volume and increased labor costs.

In 2016, the major measures taken by the Group and the progress of major projects related to the Group's General Cargo Segment are as follows:

We strengthened the construction of the comprehensive logistics system, intensified cooperation between ports and railways, reduced integrated logistics costs and enhanced the Group's core competitiveness.

We centered on the Group's port to build up an urban coal supply network, so as to further increase coal transshipment volume.

Management Discussion and Analysis

Bulk Grain Segment

The following table sets out the throughput handled by the Group's Bulk Grain Segment in 2016 and its comparative results in 2015:

	2016 (<i>'0,000 tonnes</i>)	2015 (<i>'0,000 tonnes</i>)	+/- (%)
Corn	61.5	62.6	(1.8%)
Soybean	190.2	195.9	(2.9%)
Barley	31.3	31.0	1.0%
Wheat	3.2	1.9	68.4%
Others	179.7	129.6	38.7%
Total	465.9	421.0	10.7%

In 2016, the throughput handled by the Group's Bulk Grain Segment was 4.659 million tonnes, representing a year-on-year increase of 10.7%.

In 2016, the Group's corn throughput was 615,000 tonnes, representing a decrease of 1.8% on a year-on-year basis. Despite that the cancellation of the state's temporary corn storage policy in 2016 promoted the distribution of corn in the domestic market, market demand for corn remained insipid throughout the year with unbalanced corn prices between South and North China, and hence the Group's corn transshipment saw a decline.

In 2016, the Group's soybean throughput was 1.902 million tonnes, representing a decrease of 2.9% on a year-on-year basis. In recent years, as the competition in the soybean market and the logistics systems of nearby ports gradually improved, the Group's port suffered a loss of soybean supply and thus the soybean throughput of the Group saw a year-on-year decline.

In 2016, the Group's barley throughput was 313,000 tonnes, representing an increase of 1% on a year-on-year basis. The Group provided customers with efficient and convenient services and reduced customers' full-trip logistics costs, leading to an increase in barley transshipment volume for the year.

In 2016, the Group's wheat throughput was 32,000 tonnes, representing an increase of 68.4% on a year-on-year basis. The Group provided full-trip logistics agency services to transport wheat for customers with bulk grain vehicles as the major means of transport, thereby further increasing its wheat transshipment volume.

In 2016, the throughput of other cargo handled by the Group's Bulk Grain Segment was 1.797 million tonnes, representing a year-on-year increase of 38.7%. The Group leveraged its regional advantages to provide customers with efficient and convenient one-stop services, thus boosting the transshipment volume of the Bulk Grain Segment.

Management Discussion and Analysis

The performance of the Bulk Grain Segment is as follows:

Items	2016 (RMB)	2015 (RMB)	Change (%)
Revenue	681,657,589.01	1,361,492,366.50	-49.9
Share in the Group's revenue	5.3%	15.3%	Down by 10.0 percentage points
Gross profit	-24,735,276.73	-39,280,782.78	37.0
Share in the Group's gross profit	-1.8%	-2.7%	Up by 0.9 percentage point
Gross profit margin	-3.6%	-2.9%	Down by 0.7 percentage point

In 2016, revenue from the Bulk Grain Segment decreased by 49.9% as compared with last year, mainly due to the decrease in trading income. Excluding the effect of the trading business, the revenue would have increased by 24.6% on a year-on-year basis, mainly attributable to the increase in grain throughput and the revenue from the business related to bulk grain vehicles. Gross profit increased by 37.0% and gross profit margin decreased by 0.7 percentage point as compared with last year. Excluding the effect of the trading business, gross profit increased by 40.6% and gross profit margin increased by 25.4 percentage points on a year-on-year basis, mainly driven by the increase in wheat throughput and the growth in revenue from the business related to bulk grain vehicles.

In 2016, the major measures taken by the Group and the progress of major projects related to the Group's Bulk Grain Segment are as follows:

The Group actively built up a management model featuring "Internet + full-process supervision over imported food", had its port become China's first "imported grain demonstration port", improved the efficiency of port quarantine, made the customs clearance more convenient, and further lowered customers' full-trip logistics costs.

The Group carried out integrated market development, built up a supply chain logistics network in western Liaoning and eastern Inner Mongolia, and achieved coordination with other ports in complementary advantages and uniform price strategy, thereby further enhancing its overall Competitiveness.

Management Discussion and Analysis

Passenger and Ro-Ro Segment

	2016	2015	+/- (%)
Passengers ('0,000 persons)	338.4	348.5	(2.9%)
Vehicles ('0,000 units) (note 2)	103.5	107.4	(3.6%)

Note 2: The number of vehicles refers to the vehicle throughput at the passenger and roll-on, roll-off terminals of the Group and its investees.

In 2016, the Group transported 3.384 million passengers, representing a decrease of 2.9% on a year-on-year basis, and transported 1.035 million vehicles, representing a decrease of 3.6% on a year-on-year basis.

In 2016, with ongoing diversion of passengers to high-speed rails and civil aviation flights, the number of passengers departing from and arriving at the Dalian Port decreased as compared to the same period last year. Affected by domestic route deviations, business volume for roll-on, roll-off services decreased as compared to the same period last year.

The performance of the Passenger and Ro-Ro Segment is as follows:

Items	2016 (RMB)	2015 (RMB)	Change (%)
Revenue	138,607,950.47	128,759,441.77	7.6
Share in the Group's revenue	1.1%	1.4%	Down by 0.3 percentage point
Gross profit	34,801,486.91	30,972,107.11	12.4
Share in the Group's gross profit	2.5%	2.1%	Up by 0.4 percentage point
Gross profit margin	25.1%	24.1%	Up by 1 percentage point

In 2016, revenue from the Passenger and Ro-Ro Segment increased by 7.6% on a year-on-year basis, mainly due to the increased throughput driven by growth of the cruise business. Gross profit grew by 12.4% and gross profit margin increased by 1 percentage point year-on-year, mainly due to the active development of the cruise business.

In 2016, the major measures taken by the Group and the progress of major projects related to the Group's Passenger and Ro-Ro Segment are as follows:

We expanded the cruise business and successfully completed the departures of such international cruise ships as "Ocean Myth", "Lyric" and "Chinese Taishan".

We built an e-commerce platform to explore a new ticket sales channel; and used the WeChat public platform to promote the latest tourism products and special offers.

Management Discussion and Analysis

Value-added Services Segment

Tugging

In 2016, the Group's tugging throughput decreased by 1.4% on a year-on-year basis, due to the combined effect of decline in business of nearby shipyards, national policy-driven reduction in tugging rates and other factors.

Tallying

In 2016, the Group's total tallying throughput was 42,248,100 tonnes, representing a year-on-year decrease of 6.1%.

Railway

In terms of the operation of railway transportation, the Group handled a total of 571,000 carriages, representing a year-on-year increase of 11.3%.

The performance of the Value-added Services Segment is as follows:

Items	2016 (RMB)	2015 (RMB)	Change (%)
Revenue	937,338,809.20	940,030,013.54	-0.3
Share in the Group's revenue	7.3%	10.6%	Down by 3.3 percentage points
Gross profit	267,913,195.52	293,841,158.42	-8.8
Share in the Group's gross profit	19.3%	20.2%	Down by 0.9 percentage point
Gross profit margin	28.6%	31.3%	Down by 2.7 percentage points

In 2016, revenue from the Value-add Services Segment decreased by 0.3% on a year-on-year basis, mainly due to the reduced general tugging rates and the decreased amount of project supervision services. Gross profit dropped by 8.8% and gross profit margin decreased by 2.7 percentage points on a year-on-year basis, mainly due to the stagnant tugging market nearby, policy-driven reduction in tugging rates and the sluggish construction market.

Management Discussion and Analysis

(I) Analysis of Main Operations

Table of profit and analysis on change of cash flow and related items

Unit: RMB

Items	Current year	Corresponding period of last year	Change ratio (%)
Revenue	12,814,483,861.14	8,886,167,093.15	44.2
Cost of sales	11,427,061,819.61	7,431,655,456.89	53.8
Selling and distribution expenses	895,738.53	1,457,374.14	-38.5
General and administrative expenses	663,365,001.90	622,366,106.34	6.6
Financial expenses	256,884,038.08	520,637,995.03	-50.7
Net cash flow from operating activities	2,066,383,960.31	1,930,698,354.79	7.0
Net cash flow from investing activities	-406,713,504.02	-1,686,795,542.39	75.9
Net cash flow from financing activities	1,764,879,533.10	233,923,653.18	654.5
R&D spending			

Reasons for changes in revenue: please refer to the description under the section headed “Overall Results Review” in the Board’s Discussion and Analysis of the Status of Main Businesses during the Reporting Period for details.

Reasons for changes in cost of sales: please refer to the description under the section headed “Overall Results Review” in the Board’s Discussion and Analysis of the Status of Main Businesses during the Reporting Period for details.

Reasons for changes in selling and distribution expenses: mainly attributable to the increased control of the Company over expenses in 2016.

Reasons for changes in general and administrative expenses: please refer to the description under the section headed “Overall Results Review” in the Board’s Discussion and Analysis of the Status of Main Businesses during the Reporting Period for details.

Reasons for changes in financial expenses: please refer to the description under the section headed “Overall Results Review” in the Board’s Discussion and Analysis of the Status of Main Businesses during the Reporting Period for details.

Reasons for changes in net cash flow from operating activities: please refer to the description under the section headed “Cash Flow – Status of Main Businesses” in the Board’s Discussion and Analysis of the Status of Main Businesses during the Reporting Period for details.

Management Discussion and Analysis

Reasons for changes in net cash flow from investing activities: please refer to the description under the section headed “Cash Flow – Status of Main Businesses” in the Board’s Discussion and Analysis of the Status of Main Businesses during the Reporting Period for details.

Reasons for changes in net cash flow from financing activities: please refer to the description under the section headed “Cash Flow – Status of Main Businesses” in the Board’s Discussion and Analysis of the Status of Main Businesses during the Reporting Period for details.

Reasons for changes in R&D spending: null.

1. Income and Cost Analysis

Please refer to the description under the section headed “Overall Analysis of Results” in the discussion and analysis of the status of main businesses during the reporting period for the analysis of factors driving the changes in business income.

Sales from the Group’s major customers: The turnover generated from the Group’s top five customers amounted to RMB5,323,200.0 thousand, representing 42% of the total turnover of the Company.

(1) Analysis of main operations by industries, products and regions

Unit: RMB

By industries	Revenue	Cost of sales	Analysis of main operations by industries			
			Gross profit margin (%)	Year-on-year Changes in revenue (%)	Year-on-year changes in cost of sales (%)	Year-on-year changes in gross profit margin (%)
Oil products	6,151,513,314.80	5,422,277,469.82	11.9	196.0	327.3	Down by 27 percentage points
Containers	1,548,058,061.14	1,234,368,793.86	20.3	-8.5	-8.6	Up by 0.1 percentage point
General cargoes	469,721,885.04	506,723,225.05	-7.9	25.6	33.1	Down by 6.2 percentage points
Ore	314,027,495.35	281,266,698.49	10.4	-10.2	-29.2	Up by 24 percentage points
Bulk grain	681,657,589.01	706,392,865.74	-3.6	-49.9	-49.6	Down by 0.7 percentage point
Passenger	138,607,950.47	103,806,463.56	25.1	7.6	6.2	Up by 1 percentage point
Value-added	937,338,809.20	669,425,613.68	28.6	-0.3	3.6	Down by 2.7 percentage points
Automobiles	2,490,667,323.32	2,426,317,672.29	2.6	33.5	33.2	Up by 0.2 percentage point
Unallocated	82,891,432.81	76,483,017.12	7.7	-13.2	13.8	Down by 21.9 percentage points

Details of main operations by industries, products and regions

Please refer to the section headed “The Performance Analysis of Each Business Segment” in the Board’s discussion and analysis of the status of operation during the reporting period for details.

Management Discussion and Analysis

(2) Cost analysis table

Unit: RMB0'000

By industries	Cost components	Amount for the period	Status by industries		Percentage of the total cost for the same period of the previous year (%)	Change in amount for the period over that of the same period of the previous year (%)	Description
			Percentage of the total cost for the period (%)	Amount for the same period of the previous year			
Oil products	Cost of sales	542,227.75	47.5	126,886.85	17.1	327.33	The increased trading cost was due to an increase in trade volume.
Oil products	Depreciation and amortisation	21,551.56	1.9	20,814.37	2.8	3.54	
Oil products	Labor cost	20,524.86	1.8	19,177.07	2.6	7.03	
Containers	Cost of sales	123,436.88	10.8	135,114.38	18.2	-8.64	
Containers	Depreciation and amortisation	18,614.19	1.6	17,085.02	2.3	8.95	
Containers	Labor cost	15,723.94	1.4	18,268.51	2.5	-13.93	
General cargoes	Cost of sales	50,672.32	4.4	38,063.73	5.1	33.12	The increased trading cost was due to an increase in trade volume.
General cargoes	Depreciation and amortisation	8,493.94	0.7	9,760.06	1.3	-12.97	
General cargoes	Labor cost	17,872.29	1.6	17,325.42	2.3	3.16	
Ore	Cost of sales	28,126.67	2.5	39,754.30	5.3	-29.25	The decreased trading cost was due to a decrease in trade volume.
Ore	Depreciation and amortisation	10,183.19	0.9	10,168.93	1.4	0.14	
Ore	Labor cost	3,791.48	0.3	4,621.47	0.6	-17.96	
Bulk grain	Cost of sales	70,639.29	6.2	140,077.31	18.9	-49.57	The decreased trading cost was due to a decrease in trade volume.
Bulk grain	Depreciation and amortisation	6,737.32	0.6	6,803.81	0.9	-0.98	
Bulk grain	Labor cost	5,910.16	0.5	5,996.71	0.8	-1.44	
Passenger	Cost of sales	10,380.65	0.9	9,778.73	1.3	6.16	
Passenger	Depreciation and amortisation	3,009.91	0.3	2,956.60	0.4	1.80	
Passenger	Labor cost	4,733.63	0.4	4,716.15	0.6	0.37	
Value-added	Cost of sales	66,942.56	5.9	64,618.89	8.7	3.60	
Value-added	Depreciation and amortisation	6,593.81	0.6	6,229.00	0.8	5.86	
Value-added	Labor cost	32,599.99	2.9	31,432.71	4.2	3.71	
Automobiles	Cost of sales	242,631.77	21.2	182,148.29	24.5	33.21	The increased trading cost was due to an increase in trade volume.
Automobiles	Depreciation and amortisation	5.56	0.0	3.03	0.0	83.6	
Automobiles	Labor cost	-	-	-	-	-	
Unallocated	Cost of sales	7,648.30	0.7	6,723.06	0.9	13.76	
Unallocated	Depreciation and amortisation	905.05	0.1	803.86	0.1	12.59	
Unallocated	Labor cost	1,595.38	0.1	1,377.15	0.2	15.85	
Total	Cost of sales	1,142,706.18	100.0	743,165.54	100.0	53.76	

Other details of cost analysis

Please refer to the description under the section headed "Overall Analysis of Results" in the Board's discussion and analysis of the status of main businesses during the reporting period for details.

Management Discussion and Analysis

(3) *Major sales customers and major suppliers*

The sales to the top five customers amounted to RMB5,323,200.2 thousand, representing 42% of the total annual sales. Of the sales to the top five customers, sales to connected parties was zero, representing none of the total annual sales.

The purchases from the top five suppliers amounted to RMB4,661,610.7 thousand, representing 41% of the total annual purchases. Of the purchases from the top five suppliers, purchases from connected parties amounted to zero, representing none of the total annual purchases.

Other explanation
None.

2. **Expenses**

Please refer to the section headed “Overall Analysis of Results” in the Board’s discussion and analysis of the status of operation during the reporting period for details.

3. **Cash Flow**

Net cash inflow generated from operating activities amounted to RMB2,066,384.0 thousand, representing a year-on-year increase of RMB135,685.6 thousand, which was mainly attributable to the steady increase in the amount of cash inflow from the sales of the port logistics business and the year-on-year increase in the cash collection rate of the trading business. In addition, the enhancement of the management of operation expenses during the year also contributed to the significant increase the net cash flow generated from operating activities for this year.

Net cash outflow generated from investing activities amounted to RMB406,713.5 thousand, representing a decrease of RMB1,280,082.0 thousand as compared with that for the previous year, which was mainly attributable to the Company’s increased investments in land asset in Dalian Bay in the previous year, as well as the downward market interest rates in the year which curbed the net outflow of wealth management investments.

Net cash inflow generated from financing activities amounted to RMB1,764,879.5 thousand, representing an increase of RMB1,530,955.9 thousand as compared with the previous year, which was mainly attributable to the proceeds raised through the additional issue of H shares by the Group in 2016 and the early repayment of high-interest debts using idle funds.

Management Discussion and Analysis

(II) Analysis of Assets and Liabilities

1. Assets and Liabilities

Unit: RMB

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous Period (%)	Change of the amount (%)	Description
Cash at bank and in hand	6,741,279,123.84	21.13	2,933,297,517.35	10.07	129.82	It was due to the proceeds raised from additional issue of H shares and the ultra-short financing of RMB3 billion.
financial assets held for trading	7,304,407.50	0.02	16,179,169.50	0.06	-54.85	It was mainly due to the disposal of shares in the year.
Notes receivable	158,645,593.12	0.50	81,250,783.25	0.28	95.25	It was due to an increase in bill settlements as compared with the previous year.
Interest receivable	26,268,705.14	0.08	10,165,145.48	0.03	158.42	The increased interest receivable was due to an increase in term deposits.
Dividends receivable	38,245,401.40	0.12	22,956,917.66	0.08	66.60	It was due to an increase in the amount for dividend distribution as compared with the previous year.
Other receivables	315,286,763.19	0.99	968,861,537.41	3.33	-67.46	It was due to recovery of the land grant premium of state-owned land and the entrusted loans falling due.
Inventories	451,326,094.61	1.41	936,271,014.10	3.21	-51.80	It was due to improved inventory turnover ratio and decreased finished goods.
Current portion of long-term assets	-	-	65,820,000.00	0.23	-100.00	It was due to recovery of the entrusted investments falling due within one year.
Other current assets	508,815,328.87	1.59	91,954,813.36	0.32	453.33	It was due to the increased purchase of wealth management products from banks in the year.
Long-term receivables	11,500,000.00	0.04	18,018,915.80	0.06	-36.18	It was due to recovery of the principal and interest of external lending in the year.
Other non-current assets	197,192,688.51	0.62	118,610,000.00	0.41	66.25	It was due to the increased advances for engineering projects and recognition of the input VAT not deductible within one year in the year.
Notes payable	1,250,000.00	0.00	12,940,000.00	0.04	-90.34	It was due to repayment of the notes payable of previous years upon maturity and a decrease in notes payable in the year.
Advances to suppliers	224,121,958.94	0.70	448,542,346.12	1.54	-50.03	It was due to an adjustment to the planning strategy for the trading business and a decrease in deposit procurements.
Taxes payable	107,148,859.43	0.34	61,070,098.34	0.21	75.45	The increased income tax and turnover tax was due to an increase in revenue.
Current portion of long-term liabilities	1,047,523,521.42	3.28	527,771,479.16	1.81	98.48	It was mainly due to an increase in long-term borrowings falling due within one year and long-term payables in the year.
Other current liabilities	3,038,041,251.61	9.52	2,014,689,463.02	6.92	50.79	It was due to additional issue of ultra-short financing bonds of RMB3 billion and repayment of short-term financing bonds of RMB2 billion.
Long-term borrowings	147,010,023.77	0.46	2,351,010,023.77	8.07	-93.75	It was mainly due to early repayment of borrowings of RMB1.3 billion in the period.
Long-term payables	43,138,081.48	0.14	55,021,113.62	0.19	-21.60	It was mainly due to the fact that certain long-term payables were adjusted to those falling due within one year.

Management Discussion and Analysis

2. Major restricted assets as at the end of the reporting period

Please refer to the 7th part headed “Assets with Restricted Ownership or Right of Use” under the 10th section headed “Financial Report” for details.

(III) Analysis of Business Operation in the Industry

Analysis of business operation in the industry: please refer to the section headed “Description of the Company’s Major Businesses and Operation Model and the Status of the Industry in the Reporting Period” in the Board’s discussion and analysis of the operation status of the Company during the reporting period for details.

(IV) Analysis of Investments

1. Overall analysis of external equity investments

The fifth meeting of the fourth session of the Company’s board of directors in 2016 passed a resolution regarding acquisition of 10% equity interest in Odfjell Changxing Warehousing Terminals (Dalian) Co., Ltd. The Company was authorized to acquire 10% equity interest in Odfjell (China) Tank Terminals Co., Ltd. held by Odfjell Changxing Warehousing Terminals (Dalian) Co., Ltd., at a purchase price of RMB3,246.7 thousand. As of December 31 2016, the Company cumulatively invested RMB11,196.7 thousand into Odfjell Changxing Warehousing Terminals (Dalian) Co., Ltd., holding 40% of its shares.

The eighth meeting (extraordinary) of the fourth session of the Company’s board of directors in 2016 passed a resolution regarding capital contribution to the Company’s subsidiary. Dalian Port Jifa Logistics Co., Ltd. (“Jifa Logistics”), a wholly-owned subsidiary of the Company, was authorized to make capital contribution of RMB30,000.0 thousand into Dalian Port Yidu Cold Chain Co., Ltd. (“Dalian Port Yidu”), an investee of the Company. As of December 31 2016, Jifa Logistics cumulatively invested RMB243 million into Dalian Port Yidu, holding 50% of its voting rights. Relevant capital contributions procedures are now under processing.

The first meeting (extraordinary) of the fourth session of the Company’s board of directors in 2016 passed a resolution regarding equity disposal of SINOECL Auto Liners, Limited and Jadeway Limited. The Company was authorized to make share disposal of SINOECL Auto Liners, Limited and Jadeway Limited invested by the Company via its offshore wholly-owned subsidiary, Asia Pacific Ports Company Limited and deregister these two companies. Relevant cancellation procedures are now under processing.

Management Discussion and Analysis

Other external equity investment projects are as follows:

(1) Significant equity investment

1. Securities investment

No.	Categories of securities	Stock Code	Abbreviated name of securities	Initial investment	Number of shares held	Carrying value as at the end of the period	Percentage of	Profit or loss during the reporting period
							total securities investment as at the end of the period	
				(RMB)	(share)	(RMB)	(%)	(RMB)
1	Stock	601799	Xingyu Co., Ltd	1,168,200.00	55,000	2,117,500.00	39.03	121,863.45
2	Stock	002563	SEMIR	2,010,000.00	120,000	1,232,400.00	22.72	-233,636.77
3	Stock	300185	Tongyu Heavy	862,500.00	258,750	799,537.50	14.74	23,035.71
4	Stock	601558	Sinovel	3,780,000.00	252,000.00	589,680.00	10.87	-539,144.57
5	Stock	601616	SGEG	1,045,000.00	99,000.00	644,490.00	11.88	-240,920.06
6	Stock	300581	Chenxi Aviation	12,115.00	500.00	37,395.00	0.69	25,280.00
7	Stock	601375	Central China Securities	4,000.00	1,000.00	4,000.00	0.07	0.00
Profit and loss from disposal of securities investment during the reporting period				/	/	/	/	468,687.75
Total				8,881,815.00	786,250.00	5,425,002.50	100%	-374,834.49

Note: Shareholding held (shares) and initial investment are disclosed with reference to the shareholding held as at the end of the reporting period and the initial investment corresponding to such portion of shares.

2. Shareholding in other listed companies

Unit: RMB

Stock code	Abbreviated name of securities	Initial investment cost	Percentage of the shares of that company	Carrying value as at the end of the period	Profit or loss during the reporting period	Changes in	Accounting items	Source of shares
						interests of owners during the reporting period		
				(%)				
00368.HK	SINOTRANS SHIP	HK\$77,996,300.00	0.24	12,281,980.10		-1,005,613.48	Available-for-sale financial assets	Purchased from primary market
Total		HK\$77,996,300.00	/	12,281,980.10		-1,005,613.48	/	/

Management Discussion and Analysis

3. Equity interests in financial companies

Unit: RMB

Name	Initial investment (RMB)	Percentage of the shares of that company (%)	Carrying value as at the end of the period (RMB)	Profit or loss during the reporting period (RMB)	Changes in interests of owners during the reporting period (RMB)	Accounting items	Source of shares
Dalian Port Group Financial Co., Ltd.	200,000,000.00	40.00	1,011,288,813.35	68,626,554.87	68,626,554.87	Long-term equity investments	Shareholding of a newly established company
Total	200,000,000.00	40.00	1,011,288,813.35	68,626,554.87	68,626,554.87	/	/

4. Purchase and sale of shares of other listed companies

No.	Stock name	Shares held as at the beginning of the period (share)	Shares purchased during the reporting period (share)	Fund utilised (RMB)	Shares sold during the reporting period (share)	Shares held as at the end of the period (share)	Investment gains generated (RMB)
1	DHHL	886,200	886,200		1,772,400		455,355.76
2	Sinovel	288,000			36,000	252,000	-439,064.57
3	SEMIR	132,000			12,000	120,000	-30,236.77
4	SGEG	115,200			16,200	99,000	-64,538.06
5	Tongyu Heavy	93,750	187,500		22,500	258,750	10,060.71
6	Xingyu Co., Ltd	64,000			9,000	55,000	226,643.45
7	First Capital		500	5,320.00	500		6,600.76
8	Duzhe Publishing & Media	1,000			1,000		46,914.89
9	Fushine	500			500		30,039.35
10	Wanli Stone	500			500		12,834.37
11	Others	5,000	11,500	142,595.00	15,000	1,500	480,125.65
Total		1,586,150	1,085,700	147,915.00	1,885,600	786,250	734,735.54

Note: During the reporting period, due to the conversion of capital reserve into share capital by DHHL and Tongyu Heavy, the number of shares held by the Company in those companies increased accordingly.

Management Discussion and Analysis

(2) Significant non-equity investment

Unit: RMB0'000

Investment project	Source of funding	Proposed total investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Realised gain for the year	Reason for failure to achieve the expected gain
Construction of oil storage tanks with a total capacity of 1,000,000m ³ in Xingang	Financing through issuance of A shares	76,000	1,151.98	52,022.32	68%	Revenue of approximately RMB150,840.0 thousand; profit of approximately RMB93,740.0 thousand	Although the project has already been completed, its final price is still subject to approval, leading to a portion of the price remaining unpaid.
Construction of oil storage tanks with a total capacity of 600,000m ³ in the Xingang resort area	Financing through issuance of A shares	55,000	0	55,000	100%	Revenue of approximately RMB56,600.0 thousand; profit of approximately RMB23,720.0 thousand	N/A
Construction of phase II of the Shatuozi oil storage tanks project in the Xingang Shatuozi area	Financing through issuance of A shares	2,960	0	2,960	100%	Project investment gain of RMB4,170.0 thousand	N/A
LNG project	Financing through issuance of A shares	32,000	0	32,000	100%	Project investment gain of RMB19,940.0 thousand	N/A
No. 4 stacking yard for ore terminal	Financing through issuance of A shares	52,000	1,800.32	38,784.44	75%	Revenue of approximately RMB9,480.0 thousand; profit of approximately RMB-11,800.0 thousand	Please refer to the note headed "Reasons of failure to achieve the expected gain (1)"
Purchase of gantry for ore terminal	Financing through issuance of A shares	3,720	0	3,720	100%	Revenue of approximately RMB12,880.0 thousand; profit of approximately RMB5,510.0 thousand	N/A
Purchase of 300 bulk grain carriages	Financing through issuance of A shares	15,000	0	15,000	100%	Revenue of approximately RMB3,540.0 thousand; profit of approximately RMB-2,570.0 thousand	Please refer to the note headed "Reasons of failure to achieve the expected gain (2)"
Ro-ro ships for carrying cars	Financing through issuance of A shares	23,000	0.06	21,200.10	92%	Revenue of approximately RMB29,820.0 thousand; profit of approximately RMB50.0 thousand	Please refer to the note headed "Reasons of failure to achieve the expected gain (3)"
Construction of railway siding in Muling	Financing through issuance of A shares	4,125	0	4,125	100%	Project investment gain of RMB30.0 thousand	N/A

Management Discussion and Analysis

Investment project	Source of funding	Proposed total investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Realised gain for the year	Reason for failure to achieve the expected gain
Construction of information systems	Financing through issuance of A shares	5,000	0	5,000	100%	N/A	N/A
Investment in phase III of Dayao Bay Terminal company	Financing through issuance of A shares	8,404.15	0	8,404.15	100%	Project investment gain of RMB8,230.0 thousand	N/A
Dayao Bay No. 13-16 parking area in Phase II	The Group's internal fund, loans	378,300.00	1,583.8	227,476.19	92%	No.13 and No.14 parking areas were transferred to a joint venture and a value-added gain of RMB200,000,000 was realised; the annual rental income of no. 15 parking area was RMB53,500,000; the construction of the main body of no. 16 parking area has been completed and has not yet been leased out.	N/A
New Port No. 18-21 parking area	The Group's internal fund, loans	41,377.00	163.93	34,211.98	82%	N/A	The project is under construction and has not yet been put into operation so no gain is generated.
Total		696,886.15	4,700.09	499,904.18		N/A	N/A

Management Discussion and Analysis

- Reasons for failure to achieve the expected gain
- (1) No. 4 stacking yard built for the iron ore terminal: This project has been put into operation since December 2014. Affected by the downward pressure dragging the domestic economy in 2015, iron and steel enterprises had strengthened cost control and opted for near-port operation, which reduced the competitive edge of large berthing capacity of the Company. From March 2016 onwards, the iron ore terminal has been cooperating with VALE of Brazil to actively pursue ore mixing business, and completed eight ore mixing operations throughout the year. The mixed ores were sold to a large number of steel producers in Northeast China and Hebei region such as Angang, Bengang and Hebei Zongheng Steel (河北縱橫鋼鐵), which effectively enhanced the operating results of the iron ore terminal. In the same year, the Company commenced the business of loading and unloading of large vessels and a total of 12 large vessels were handled by the Company throughout the year, creating a new growth driver in operating income, with No. 4 stacking yard experiencing an improvement in efficiency over the previous year. In 2017, the Company will further expand the scale of ore mixing business, whereby the No. 4 stacking yard will be upgraded to duplicate the basic capabilities of ore mixing distribution of No. 3 stacking yard, and the functional area of ore mixing will be expanded from the existing No. 3 stacking yard to the extended No.3 and No. 4 stacking yard. Thus the operating efficiency of No. 4 stacking yard of the Company will be improved steadily.
 - (2) Purchase of 300 bulk grain carriages: The 300 bulk grain carriages of the project were put into use in 2011. During the initial construction stage of the project, the capacity of bulk grain carriages fell short of demand in the three northeastern provinces of China, and there was a temporarily critical shortage of capacity of bulk grain carriages. After the reform of the Ministry of Railways in 2013, the restriction on approving purchase of bulk grain carriages has been lifted. As a result, there was a serious oversupply of bulk grain carriages in Northeast China, with a mass number of bulk grain carriages being idle and carriage rental decreasing significantly. The operation of bulk grain carriages became difficult. At the end of 2016, China revoked its temporary grain storage policy, giving full play to the self-pricing mechanism in the domestic grain market. The strong demand for trade in the grain production and sale areas will bring forth a positive business environment where the Company will have good opportunities to expand its businesses in the supply chain system of “North-to-South Grain Transportation” in 2017. Meanwhile, the Company will continue to strengthen cooperation with grain traders and grain enterprises, continue to stick to the one-stop logistics philosophy with bulk grain carriages as its mainstay, and actively roll out the one-stop logistics agency business in order to share with its customers the economic benefits brought about by lower transportation cost on the premise of implementation of the fixed rail freight policy. It is expected that through these efforts, despite the serious overcapacity of bulk grain carriages, the Company will endeavor to increase the revenue to be generated by its vehicles.

Management Discussion and Analysis

- (3) Ro-ro ships for carrying cars: 2 of the ro-ro ships for carrying cars in the project were completed and commenced operation in 2011. The 2 ships were named “Anji 8 (安吉8)” and “Anji 9 (安吉9)” respectively. During the initial stage of the construction of the project, the development of ro-ro shipping was in its prime and the prospect of ro-ro ships for carrying cars was promising. Nonetheless, adversely affected by the global economy and the condition of the global shipping industry in 2011, the ro-ro shipping industry of the PRC would gradually experience a downturn with a surplus of ro-ro capacity. Thus the operation efficiency of the ro-ro ship project slumped. To maintain the loading rate of the 2 ships to prevent losses, the Company leased “Anji 8” and “Anji 9” to Ansheng Ship (安盛船務) at cost price or close to cost price after taking the capital cost into consideration, respectively. Looking forward, through enhancing the cooperation between the logistic companies such as Anji Logistics (安吉物流), Dalian Port will fully leverage on the advantages as a fundamental transshipment port in the Northeast China of automobile manufacturers such as SAIC Motor. The transshipment of automobiles is expected to increase steadily, thus ensuring the enhancement of the efficiency of the project of ro-ro ships for carrying cars.

(3) *Financial assets at fair value*

Please refer to (iv) (1) for details.

(V) Analysis of Major Controlling Companies and Investee Companies

Dalian Container Development Co., Ltd (大連集裝箱發展有限公司) (“Dalian Container”) is the wholly-owned subsidiary of Dalian Port (PDA) Company Limited, with a registered capital of RMB2,807,460.0 thousand. Its principal scope of business includes the provision of terminal facilities to vessels, provision of container loading and storage and arrangement of containers in the port area, leasing of port facilities, equipment and port machines, maintenance services, property leasing, company management services and consulting services etc. As of the end of 2016, the total assets of the company amounted to RMB4,567,214.8 thousand with net assets of RMB3,197,798.2 thousand. In 2016, a revenue of RMB133,895.4 thousand was realised and the net profit was RMB138,943.6 thousand, representing 26.17% of the net profit attributable to the parent.

Dalian Container Terminal Co., Ltd (“DCT”) was jointly funded and established by Dalian Container, a wholly-owned subsidiary of the Company, and Singapore Dalian Port Investment Pte. Ltd., with 51% of its shares held by Dalian Container. The registered capital of the company was RMB1,350,000.0 thousand. Its principal scope of business is development, construction, management and operation of container terminals and its auxiliary facilities, provision of container loading and provision of bonded storage. As of the end of 2016, the total assets of the company amounted to RMB1,587,103.2 thousand with net assets of RMB1,397,096.7 thousand. In 2016, a revenue of RMB475,719.2 thousand was realised and the net profit was RMB136,595.2 thousand, representing 25.72% of the net profit attributable to the parent.

Management Discussion and Analysis

III. Discussion and Analysis on the Company's Future Development

(I) Competition Landscape and Industry Trend

Global economic growth is expected to remain generally weak in 2017. According to the forecast in IMF's "World Economic Outlook (October 2016)", the global economy is expected to grow by 3.4% in 2017. In particular, the growth rate of developed economies will remain slow, while the economies in emerging markets and developing countries will grow moderately.

In 2017, market demand in the PRC will remain generally weak while macroeconomic trends will move towards the dual objectives of the supply-side structural reform and maintaining a steady economic development. Under the impact of a number of factors such as capacity reduction, prevention of economic bubbles and clearance of debts, the economic growth will be still subject to downside pressure.

The Group has vital business presence in the three provinces of Northeast China, eastern Inner Mongolia and the Bohai Rim region. Cargo supply is mainly related to oil products, containers, wheeled commercial vehicles, iron ore, coal, steel, grain, bulk and general cargo as well as passenger and roll-on and roll-off operations. With a comprehensive range of cargo types in its operations, the Group has a stronger risk-resisting capability. It is anticipated that the Group will continue to maintain steady growth in its total throughput.

(II) Company's Development Strategy

Moving towards the direction of integrating its services into China's "One Belt, One Road" initiative, the Group will reinforce the coordination, integration and sharing with neighboring ports, shippers and third-party logistics enterprises to further optimize the allocation of key resources. By improving service functions and reducing overall costs, the Group will be able to have logistics integrated with all the elements along the trade, finance and information supply chains. By continuously introducing innovative logistics products, expanding business models and deepening cooperation areas, the Group will build a supply chain integrated service platform for carrying out transformation and upgrade in the areas ranging from the port side and the full logistics system to the supply chain system.

In 2017, the Group's major initiatives for market development in its business segments are as follows:

Oil Segment

We will proceed with the project for the "supply chain of local refineries for importing crude oil" steadily, and strengthen collaboration with traders, shipping companies and local refineries to maintain steady growth in transshipped crude oil throughput.

We will proceed with the construction of support facilities for crude oil storage tanks on Changxing Island to accelerate the completion of formalities for the operation of terminals and warehouses; and encourage domestic and foreign customers to carry out crude oil transshipment, warehousing and other business in the port area on Changxing Island.

Management Discussion and Analysis

Container Segment

We will continue strengthening the construction of the feeder network within the Bohai Rim for building a transshipment hub in Bohai Rim; step up market development for securing more foreign trade sources; and expand collaboration with major domestic shipping companies for further facilitating the build-up of a transshipment center for domestic trade.

We will accelerate hinterland strategic planning with a focus on China's "One Belt, One Road" initiative'; step up the development and retainment of key customers for stabilising the source of goods in the interior part of China; keep improving the layout of the southern network to facilitate the development of source of goods in the northern part; and strengthen collaboration with railway and shipping companies as well as shippers located the countries covered by the "One Belt and One Road" initiative for fighting for starting point-to-point cross-border train services between China and Europe.

We will closely monitor the global shipping market situation and the update on the restructuring of the alliance, and secure more long-distance maritime routes and short-distance maritime routes as well as direct shipping routes for domestic trade to be affiliated to the Group for improving the network layout and enhancing port competitiveness.

Automobile Terminal Segment

We will increase investments in warehousing resources to meet customer's demand for warehouse allocation for further diversifying port services.

We will promote the development of vehicle modification and sales business, and accelerate the construction of caravan campgrounds.

We will strengthen the automotive trade, logistics finance and other businesses through joint venture and collaboration for carrying out the development of the cross-region automotive trade business.

We will deepen collaboration with customers, expand the scale of transportation by sea for transporting goods by sea between the southern and northern parts; and unleash the full advantages in terms of the policy for the Dalian Free Trade Zone for increasing the scale of the parallel import vehicle business at Dalian port.

Ore Segment

We will improve regional iron ore distribution service system by starting with the berthing of ore carriers with a capacity of 400,000 tons at ports on a regular basis as well as the "Dalian Standard Mines" for further enhancing the core competitiveness of the Group.

We will further increase the scale of the ore mixing business for expanding the sales network, optimising the market strategy, increasing the share of the ore mixing market in Northeast China and expanding the scope of ore mixing in Hebei, Shandong, Japan and South Korea.

Management Discussion and Analysis

General Cargo Segment

We will keep strengthening the establishment of a full-distance logistics system; and collaborate with railway authorities to secure a targeted rail freight reduction policy for encouraging the transshipment of goods in the hinterland through the Group.

We will build a port-based coal-mixing supermarket, trying to achieve a new breakthrough in coal transshipment volume.

Bulk Grain Segment

We will secure corn supply in domestic trade with the three-in-one service (vehicle-warehouse-ship) by taking advantage of the opportunity arising from the recovery of the grain market; and secure grain supply in foreign trade by making use of the regional advantages of the pilot scheme for “grain port” for further increasing Dalian port’s share of the foreign market.

We will collaborate with customers deeply as the domestic corn market has improved for achieving complementary advantages and accelerating the establishment of an integrated supply chain system in the production and marketing areas.

Passenger and Ro-Ro Segment

We will build a port of departure at full speed for international cruise liners, improve the port hardware and software services, help the port joint inspection units enhance port efficiency and explore deeply the potential of the market for international cruise liners, and open up the “Dalian-Longkou” and “Dalian-Weifang” maritime routes for the rolling transportation of cargo.

Value-added Services Segment

We will broaden operating income stream and increase operating income by increasing the voyage charter business and the coastal towing business in China.

We will step up port business development in Yangtze River Basin, Shandong Peninsula and Fujian, and look for new opportunities for business cooperation.

We will modify the distribution of towboats at ports and reduce the cost of dispatching towboats by allocating a reasonable number of towboats at various bases.

(III) Business Plan

In 2017, with a focus on customers’ demands, the Group will leverage our port’s comprehensive advantages in logistics, finance, trading and information, strengthen product and service innovation, deepen cooperation with customers, improve the logistics network, expand service functions, and further promote the construction of logistics system at port. Besides, the Group will impel the development of our high-end service business, accelerate the pace of going out and exert all efforts to build a port ecosystem integrating logistics and business, capital and information flows, with a view to becoming the first-class integrated service provider in supply chain in China.

Management Discussion and Analysis

(IV) Possible Risk Exposures

In 2017, the world's economic recovery will decelerate, while the international market demand will remain weak. Given the fact that the China will continue to "transform its economy, adjust the structure as well as improve quality and efficiency" as the market mainstream, and that slowing while remaining steady growth in economic development will continue, the port industry will continue to be subject to greater pressure because: firstly, it is difficult for the world's economic recovery to improve and there are still potential risks in the market; secondly, the Chinese economy has entered a moderate-speed growth stage as compared to the historical situation, creating an impact on the production and operation of domestic ports; thirdly, economic growth is weak in the Northeast region characterized by imbalanced development and the lack of a diversified industrial structure; fourthly, the port enterprises carry out their business by mainly focusing on the conventional port logistics, so that the value-added logistics business such as third-party logistics and finance logistics continue to be affiliated with or dependent upon the port logistics to a large extent. Revenue from terminal loading and unloading operations continues to account for a larger proportion of logistics revenue. Given there is an urgent need to quicken the development of the professional integrated logistics service functionality on the supply chain, it is also necessary to proceed with financial, commerce, trade and other logistics value-added services at a faster speed; and fifthly, the growing capacity of the neighboring ports, rising rail freight, dominant trend in M&A and restructuring, alliance and upsizing of operations in the international shipping market and normal practice to cut and merge container routes have presented challenges to the production and operation of ports.

Please refer to "The Group's major measures taken and the progress of major projects related to the Group" under the section of "The performance analysis of each business segment of the Group" for the details of the risk mitigation measures.

Human resource

Taking into consideration of the Company's development strategies and target, the Group took efforts to facilitate each employee's development of his or her potential and formulated an employment mechanism for staff selecting, training and appointment so as to support the Company's sustainable development.

Focusing on position, performance and ability, the Company attempted to establish a compensation system compatible with the human resources management through optimizing remuneration system and increasing positive incentives in various aspects.

We also placed emphasis on the provision of training to our staff with both internal and external training to build up a talent pool that lays a strong base for the Company's business development.

As of 31 December 2016, the Company had a total of 4,554 full time employees. The Company and its invested businesses together had a total of 6,921 employees. The Company reviews its employee remuneration policy annually by taking into account the Company's performance, staff annual appraisal results and the labour market in Dalian and determines or adjusts our remuneration policy accordingly.

Management Discussion and Analysis

Investor relations

The Company pays great attention to its investor relation management, and regards it as a key part of corporate governance. Our investor relation team has played well to its role as the communication channel between our senior managers and the investment community. Adhering to the principles of regularity, fairness and transparency, the Company strives to disclose true and accurate information in a timely manner. We have established various channels for communication with investors to allow them to have an in-depth understanding of the Company's business performance and future development strategies.

Meanwhile, the Company regularly collects feedbacks from investors and carefully considers their suggestions so as to make improvement along its corporate development. We perform ongoing analysis on shareholders' feedback on a regular basis and pay great attention to their suggestions in order to continue to optimise the Company. We also review the shareholdings of both institutional and retail investors, tracking and interpreting changes in shareholding structure by types of investors regularly. These procedures enable us to build up and maintain good relationships with our existing and future potential investors.

In 2016, in order to allow all interested parties to have a better understanding of the Company's performance, development strategies and prospects, we hosted a variety of activities, including a series of roadshows such as press conferences, analyst briefings and conference calls. We also arranged other activities such as site visits to Dalian port for investors, and set up investors' enquires desk, in order to attain an active, straightforward and open communication with the capital market and domestic and overseas investors. In compliance with the regulatory requirements of domestic and overseas markets, the Company published announcements, circulars and annual reports on the websites of the Company and the websites and newspapers designated by the regulatory authorities.

Investor relation is a long-term strategic task for the Company. The Company will continue to improve its investor relation management so as to better serve investors and earn their trust and confidence, thereby making us one of the most trusted listed companies in terms of trustworthiness amongst capital market investors.

Report on Fulfilment of Social Responsibilities in 2016

I. Summary on Fulfilment of Social Responsibilities

In 2016, amidst the lingering complicated domestic and global economic situation, Dalian Port (PDA) Company Limited adhered to scientific development, devoted to reform, made breakthroughs and innovation, and pursued for excellence. With the joint efforts of all staff, various works made new progresses and various indicators of the year was successfully achieved.

1. Concept of social responsibility

The social responsibility of Dalian Port (PDA) Company Limited is to undertake the responsibilities for the customers, staff, society and environment while pursuing for economic benefits and safeguarding the shareholders' interests. While maintaining rapid development of the port, we always stick to the mission of "prospering the city through the port, and serving the nation with industrial development", adhere to the core value of "people-oriented, clients-oriented and responsibility-guided", promote the spirit of "Self-Discipline and Social Commitment", and uphold the operating concept of "integrity, value-added, safety and environmental protection", so as to create values for shareholders, customers, staff and society.

Management Discussion and Analysis

2. Undertaking of social responsibility

We are committed to implement a supervisory and management system for social responsibility underpinned by a main framework covering quality, occupational health and safety and integrated environmental management mechanism. At the beginning of the year, we were accredited with quality, environment and occupation health and safety management system certification, ensuring the standardized management being kept abreast of time. The Company organizes management representative training course, national registered auditor training course, internal auditor training course for the staff of each level of the Company and set up an experienced management team with extensive knowledge and strong execution capability to provide standardized management support in relation to the management, quality control, safety control, occupation safety control of the Company, thereby ensuring the effective performance of the corporate social responsibilities of the Company. The Company takes the initiative to fulfil the obligation of “contributing all it should contribute”, paid tax in aggregate of RMB383,000,000 during the year, making due contributions to national and regional construction.

3. Vision of social responsibility

The Company will give full play of its role as the core and flagship in developing Dalian into an international shipping center in Northeastern Asia and the development of Liaoning Coastal Economic Zone. Leveraging on its favorable natural conditions and competitive strengths in operations and management, the Company will accelerate the regional layout of the port and structural adjustment of functions, so as to realize the industrial integration between port and city, financial integration between shipping and transaction, and logistic integration between centralization and distribution, and devoted to realize the goal of building “5P” (Port with high quality and good performance, Port with convenient business, Port of logistics hub, Port of green and low-carbon, and Port with peace and harmony). Through self-development and growth and better fulfilment of social responsibilities, the Company strived to become the role model in port industry in the northeast area or even across the whole nation.

II. *Contribution to the Industry*

4. Promoting regional trade development

In 2016, the Company continued to implement its market creation project, attached high importance on the development of trade business, and focused on the expansion of trade portfolio, improvement of trade quality and research on the management and control of risks associated with trade business. By capitalizing on fully utilization of strengths in logistic resources, financial resources and brand resources, the Company established its near-port transaction platform to provide supply chain services that integrating trade, finance, insurance, agency, cargo loading and discharging, storage and logistics, so as to achieve rapid development of trade business. The rapid development of trade business not only expanded the development potential of the Company and increased the revenue of the Company, but also drove the development of the logistic business (as the main business of the Company) and speeded up the progress of diversified development of the Company. Meanwhile, through the development of trade business, the Company promoted the circulation of commodities relating to people’s livelihood and important goods and materials such as grain, steel, ore, oil, vehicles, LNG and cold chain commodities, activated regional economic development, satisfied people’s needs and achieved harmony and unity between development of enterprise and its social responsibility.

Management Discussion and Analysis

5. Promoting regional logistic development

In 2016, the Company focused on transformation and quality enhancement, attached high importance on comprehensive logistic system, made breakthrough in product and service innovation, and by measures such as deepening customer cooperation, expanding logistic network and improving port service efficiency, the Company further lowered comprehensive logistic costs for customers, thereby effectively supported the real economy and promoted the regional economic development. Firstly, the Company made progress in the establishment of comprehensive logistic network system with the port as the hub. 4 new domestic and international trade ship routes were added during the year, 7 railway lines and 6 cross-border train lines were added respectively, and the customized “Samsung Route” train line was put into operation Secondly, the Company accelerated the cooperation with domestic and international customers, and established professional logistic service brand of cold chain logistics, grain logistics and vehicle logistics and featured ore mixing service products. Thirdly, the Company strengthened port relations and business coordination, optimized port environment and improved port functions, and thereby achieving fruitful results in making innovation in fulfilling regulatory policies, enhancing the efficiency of custom clearance and reducing the cost of acceptance inspection. Through implementation of container inspection government purchasing service item for custom, inspection and quarantine, the Company effectively reduced custom clearance cost for customers and saved more than RMB10,000.0 thousand inspection cost for customers during the year.

III. *Caring for customers*

6. Product quality and customer service

In 2016, the Company continued to take business transformation and quality improvement as its major tasks, focused on reducing logistics costs and increased service offerings, based on its supply chain logistics service system, marketing system and customer management system to subdivide customer groups, deeply studied the actual needs of customers and implemented the differentiated marketing strategy, so as to meet explicit demands and explore potential demands. For strategic customers and large customers, we tailored the supply chain logistics solutions to meet their personalised demands. For small and medium customers, we built up a platform and system to provide them with comprehensive, one-stop value-added services. In addition, the Company increased interaction with its customers and expanded into new services through the application of various information platforms such as the service hotline, mobile APP and Micro Port System.

Management Discussion and Analysis

7. Production safety

Thanks to the dedicated efforts of all its employees, the Company has accomplished all the tasks and objectives of production safety management. Under the principle of “safety first, prevention first, overall management”, the Company has put into practice a series of important instructions on production safety from Xi Jinping, the General Secretary of the Communist Party of China, and Li Keqiang, the Premier of the State Council. The Company enhanced its “red-line” consciousness and “bottom-line” thought, stuck on the concept of “people-oriented, safe development, scientific development”, and continuously strengthened the discharge of responsibilities of production safety of entities at all levels to improve the safety management level by building up systems, improving mechanisms, emphasising prevention, enhancing supervision, promoting innovations and stressing on effectiveness, thus realising the continuing stability of production safety of the Company.

In accordance with the requirements of the competent authority at a higher level, the Company has strictly implemented the production safety responsibility system, carried out safety inspection and the investigation and elimination of hidden dangers, organised and implemented safety training, enhanced safety control in key areas, strengthened emergency management, standardised the safety management of construction projects, improved the work standards on safety management, which received recognition from the municipal government and ranked among the best in an annual examination and evaluation in Dalian City. At the same time, the Company continued to focus on the implementation of key tasks and fully implemented the safety commitment and announcement system in the establishment of a production safety responsibility system. As for hidden danger investigation, the Company has established the 4-level hidden danger investigation and elimination system and the routine safety inspection mechanism, which are comprised of daily inspection by work shifts, weekly inspection by station teams, monthly inspection by the Company and quarterly inspection by the Group, and carried out hidden danger reporting and rewarding activities in respect of production safety among all its employees. As for safety training, the Company has fully implemented its safety training plans. As for risk prevention and control, the Company conducted hierarchical control by identifying process risk, and has fully implemented the dangerous operation approval system. As for emergency management, the Company carried out emergency drills in the form of the “double-blind” (雙盲) exercise and the script-based exercise. As for project construction, the Company vigorously promoted safety standardisation on the site of the “safety site” (平安工地) demonstration project. As for the improvement of safety standards and management, firstly, the occupational health and safety management system has covered all the aspects of the Company’s business operation; secondly, the Company has completed the formulation of three-level road transport safety standards; thirdly, the Company has established the Operation Safety Management Standard System for the Roll-on, Roll-off Terminal of Dalian Port. Since the implementation of the “Port Roll-on, Roll-off Operation Safety Standards” (港口客滾作業安全標準), it has been highly recognised by the competent authority of the industry, promoted in Dalian ports and won the third prize for innovative achievements in the management modernisation of national transport enterprises in 2016; and fourthly, two units of the Company received the city-level title of the “Demonstration Enterprises Meeting the Safety Culture Construction Standards” (安全文化建設達標示範企業).

Management Discussion and Analysis

IV. Caring for employees

8. Protection of employees' rights and interests

The Company placed great emphasis on occupational health management, and therefore arranged tests for occupational hazard factors and monitored the occupational health of its employees with a test rate of 100%. The Company organised all its employees to conduct physical examination with a physical examination rate of 100%. The occupational hazard notification rate reached 100%. The Company offered occupational health knowledge trainings with an examination pass rate of 100%. The Company has prepared the occupational health documents and the occupational health monitoring documents for its employees with a document formulation rate of 100%. The implementation of various tasks was highly praised by the municipal competent authority and was named the "Demonstration Enterprises for Occupational Health Infrastructure Construction" (職業衛生基礎建設示範企業).

The Company continued to implement the democratic system where the dominant position of its employees was further enhanced. In 2016, the Company re-collected the information about over 10,000 members and cadres of its trade union, held the 5th meeting of the Second Session of the Staff (or Trade Union Membership) Representative Meeting, and completed the consideration and approval of the "13th Five-Year Plan" development plan and other proposals of the Group. The Company collected and supported 27 proposals from its staff representatives, which have all been effectively implemented with the relevant authorities with an employee satisfaction rate of 100%. The Company held the 4th meeting of the Second Session of the Meeting of Joint Leaders of Employee Representative Teams and considered and approved the "Administrative Measures for Remuneration of Dalian Port Corporation Limited". The Group adjusted the composition of the board of supervisors and elected employee supervisors in accordance with relevant laws. Thanks to its outstanding achievements over the years, the Group was recognised as the first batch of the "Standardisation Construction Units for Open and Democratic Operation Management in Dalian City" (大連市廠務公開民主管理工作標準化建設單位).

9. Improving employment mechanism

The Company adopted the value and performance-oriented concept and fully conducted reform and innovation in the remuneration system, such that the contributions and returns of its employees can be matched fairly. Based on the "contribution-based" distribution concept, the Group treated the guidance of realising people's value as the most critical principle for value distribution, took into consideration the management capabilities of its employees and the improvement of their professional skills, and stressed on the match of employees' remuneration with corporate performance results and social wage level.

Management Discussion and Analysis

The Company has always upheld the craftsmanship spirit and fostered a skill-focused learning atmosphere. The Company has cultivated a number of province and city-level technicians including Guo Xueqiang and Sun Shifeng, and guided and cultivated its technicians to take the initiative to improve their skills through the master cultivation workshop. The Company consecutively dispatched a total of 39 technicians on learning trips to Singapore and Belgium, thereby widening the vision of its outstanding technicians, improving their professional skills and enhancing the sense of honor and belonging for their posts. Meanwhile, the Company innovated on the training of young talents and created a fast lane for talent development. On this basis, the Group periodically organised collective trainings to provide guidance on management system, professional standards, basic skills, professional theories, industrial frontiers and future trends, and continued to improve their capabilities and skills so as to provide professional talents at different levels for the development of the Group. In 2016, the Company offered over 1,200 classes on various trainings with a total of over 26,000 attendees.

10. Supporting and caring for the employees

To conduct targeted poverty alleviation and benefit society simultaneously, the Company has effectively enhanced employees' sense of happiness.

The Company continued to give full play to its mechanism advantages such as "Five means to support the livelihood of impoverished employees", explored multi-level protection mechanisms and achieved the connection with employees' medical aid from the City Trade Union under the new mechanism. Launching "Extending cooling aid during summer months, warming aid during winter months and the Mid-Autumn Festival reunion" campaigns, trade unions of two levels arranged visits to a total of 7,600 front – line employees plus poverty-stricken employees all year round, offering poverty alleviation funds at an aggregate amount of RMB1,600.0 thousand with materials donated amounting to approximately RMB300.0 thousand, paying medical subsidies of RMB4,480.0 thousand for 1,680 employees; offering relief funds amounting to RMB250.0 thousand to the employees who were temporarily in difficulties, providing scholarships to children of employees at an aggregate amount of RMB80.0 thousand, thereby achieving the full coverage of poverty alleviation. The Company continued to expand the relief fund coverage for migrant workers, with the number of established fund units increasing to 12, at a total amount of approximately RMB1,700.0 thousand, with RMB120.0 thousand having been paid during the year, as a result of which more than half of the migrant workers in particularly difficult situations received timely aid. Launching heart-warming activities, the trade union of the Group invested more than RMB2,000.0 thousand for the purchase of cultural and sports equipment, daily necessities and welfare facilities, effectively solving the problems faced by front-line employees. To enrich employees' job scope in services, the Company continued to put in efforts to enhance its staff's service level at the service center, and stuck to raise the service level at the service center/station (including counseling, legal aid, medical assistance and staff training). The "Special Care Room for Female Employees" has been set up in Dayao Bay and core port areas of Dalian Bay, providing services for female employees with special physiological needs.

Management Discussion and Analysis

V. *Ecological development*

11. Environmental protection

In recent years, the development of port industry has been coincidentally transforming towards a “green” development. With this in mind, PDA also tapped on the ecological model. With each initiative of energy conservation having been properly implemented, the Company has achieved initial results in green transformation. Always taking the building of a recycling and low-carbon green port as its main focus, the Company placed great emphasis on intensive utilization of resources and the reduction of energy consumption and emission. Adjusting to improve the port network and function, the Company optimized the production process and operation methods. Using green equipment and facilities, the Company promoted energy conservation and reduction of emissions and clean production with a view to improving energy efficiency as well as the quality of port environment so as to achieve the goals of “green development”, “low-carbon development” and “recycling and intellectual development”.

In 2016, the Company, in the course of building a multi-purpose, comprehensive, modernized and strong international port, attached particular importance to environmental protection. In line with the green development concept of “conservation of resource, environmental friendly”, the Company adhered to a scientific, safe, clean and sustainable development strategy, striving to build up an ecologically green harbor. Adopting energy-conserving and emission-reducing measures in various aspects including structure, management and technologies, the Company placed great emphasis on technological innovation, undertook the social responsibility of environmental protection and attained outstanding achievements. On 5 June 2016, at the Award Ceremony held to commemorate the World Environment Day (occurring on 5 June) and “Environmental Protection for All” in Dalian City, the company was awarded the honorary titles of “Top Ten Environmental Friendly Enterprise” and “Top Ten Environmental Management Project” by Dalian City, becoming the only enterprise to ever receive two awards at the same time in Dalian City.

According to the actual development of ports, the Company performs its social responsibility in environmental protection and implements the “three concurrences” in protecting the ecological environment and adopting environmental protection measures in construction projects while taking the initiative to control the source of environmental pollutants, as well as facilitating development based on environmental protection. The Company insists on the green low-carbon concept in the whole process of planning, design, construction, maintenance, operation and management and promotes building up green port areas in a comprehensive and multi-angle manner, with an aim of realizing a harmonious development among construction and operation of ports, resources and environment. Meanwhile, the Company adopts environmental impact assessment and the environmental – friendly “three concurrences” system in a serious manner. All construction projects comply with measures of environmental protection, and the implementation rate of the environmental-friendly “three concurrences” system reaches 100%. When the project is under construction, we pay attention to the control of pollutant sources and plan the construction work using scientific methods. Environmental tracking and monitoring management is carried out and construction of supporting environmental protection facilities is finalized. We always prevent damaging the ecological environment, and effectively utilize the coastline resources so as to protect the ecological environment, water resource environment and ocean environment.

Management Discussion and Analysis

In the process of continuous improvement in control and management of pollution sources, we monitor environmental pollution sources, reinforce the monitor and inspection work of environmental facilities to ensure the normal operation of environmental facilities set up in each port area, such as sewage treatment facilities, desulfur boiler and dust remover facilities, bulk cargo yard dust controlling net, and to ensure pollutant emissions to be compliance with the required standards, with the aim of reducing pollutant emission and thus fulfilling the environmental protection requirements for port production. We continued to properly carry out sewage collection and processing in port area, ensured the discharge of sewage to be up to standard and increased the reuse rate of the sewage. We also continued to maintain the effectiveness of environmental protection measures relating to the desulphurization of exhaust gases from the coal-fired boilers in boiler room of the Dayao Bay centre. There were no incidents of pollution of ecological environment in which the Company was held accountable for throughout 2016.

12. Energy conservation and reduction

The Company pays great attention to energy conservation and reduction. In line with the green development concept of “conservation of resource, environmental friendly”, we accelerate the construction of green low-carbon ports by continuously optimizing production process and methods of operation, applying green equipment and facilities, actively promoting energy conservation and reduction and clean production, so as to enhance the energy efficiency, improve the environmental quality of ports and achieve a green, low-carbon, recycling and intelligent development.

In 2016, the Company spared no effort in facilitating Dalian Port’s major project of green, recycling and low-carbon port. We passed the assessment and other procedures by Liaoning Provincial Communication Department and The Ministry of Transport and obtained a special subsidy of RMB27,560.0 thousand. The project included 21 important supportive projects, which have been completed and is subject to the acceptance inspection of The Ministry of Transport.

The Company accelerated the application of shore power technology, prepared the special plan for shore power construction during the “13th Five-Year Plan” period; formally entered into a shore power strategic cooperation agreement with State Grid Dalian Power Supply Company to carry out the cooperation for shore power construction at the port during the “13th Five-Year Plan” period and jointly completed the high-voltage frequency conversion shore power construction of No. 15 and No. 18 container berths in Dayao Bay, subject to test and adjustment.

The first “lithium battery” field bridge remould was completed and the use of high-power lithium battery as a container field bridge energy storage power source can form fuel economy 55.3 tonnes/year. Improvement in hydrocarbon recovery facilities of filling stations affiliated to petroleum companies can reduce gasoline volatilization of approximately 18.4 tonnes/year. The Company made use of the existing about 40,000 square meters’ space of the roofs of 301 Warehouse and 302 Warehouse located in Dalian Bay for distributed photovoltaic power generation project, with an annual capacity of about 2 million kWh. By actively applying the seawater source heat pump technology, the Company planed to conduct cooling and heating supply for the main building covering area of 25,000 square meters in Dalian Bay Integrated Transportation Terminal, which has been launched and is expected to be completed in 2017. The Company continued to promote the use of energy-saving lights and installed more than thousand of energy-saving lamps for production and life at the containers, bulk cargo and oil terminal in Dayao Bay and Dalian Bay terminal.

Management Discussion and Analysis

The Company advanced its energy management system development by completing the drafts of “Energy Management Manual” and “Energy Management Procedures”. The Company earnestly organized the activities such as energy-saving and water-saving, gaining and promoting experience from recent years’ achievements in energy conservation and emissions reduction, and popularizing technologies of energy conservation and emissions reduction, so as to strengthen its sustainable development ability. The Company proactively participated in the Green Port Grade Evaluation initiated by China Ports & Harbours Association and won the honorary title of “Four-Star Green Port”.

In 2016, the Company’s unit consumption of comprehensive energy for production was 2.62 tonnes of standard coal per 10,000 tonnes of throughput and the unit energy consumption for loading, unloading and production was 1.4 tonnes of standard coal per 10,000 tonnes of throughput.

13. Emergency Response

In 2016, in order to continuously enhance oil spill emergency system of oil terminal at the port and prevent the pollution incidents, the Company developed and improved “Emergency Plan for Oil Spill at the Port” and “Emergency Plan for Sudden Environmental Pollution”. All terminal companies simultaneously established corresponding rules and management procedures, formulated emergent plans and carried out emergent drills. By checking all oil spill emergency equipments equipped by the terminal companies, the Company confirmed that the terminal companies can basically initiate various emergency equipments within the fixed time. At the same time, the Company and Dalian Shunfeng Shipping Co., Ltd. (大連舜豐船務有限公司) entered into a marine oil spill emergency cooperation agreement to further improve PDA’s marine oil spill emergency response capacity, so as to ensure no threat to the marine environment. There was no marine oil spill incidents occurred in 2016.

VI. Community Welfare

14. Community Welfare

The Company is actively involved in public welfare activities and organized more than 300 employees to participate in blood donation. The Group vigorously carried out designated poverty relief projects in Lejia town, Pulandian City and Guangsheng Village, Lijia Town, Heishan County, Jinzhou City and made an exchange of experience speech on the conference of Dalian City low-income villages. Conscientiously implementing the basic national policy of family planning, the Group was honored the “Advanced Unit” by China Family Planning Association during the “12th Five-Year Plan” period.

VII. Prospect

15. Prospect

Development commenced from succession and excellence originated from innovation. With the spirit of “port connects world, and integrity wins people”, Dalian Port (PDA) Company Limited adheres to the combination between the social responsibility concept and the corporate development strategy, and the bond between the social responsibility practice and the corporate production and operation so as to protect the legitimate rights and interests of employees, create value for customers, actively engage in social welfare undertakings and continue to fulfill its corporate social responsibility.

Directors' Report

The board of directors hereby presents its report and the audited consolidated financial statements of the Group (the "financial statements") for the year ended 31 December 2016.

Principal activities and geographical analysis of operations

As at the date of this report, the Group is principally engaged in the following business segments: (i) the provision of oil/liquefied chemicals terminal and logistics and trading services; (ii) the provision of container terminal and logistics services; (iii) the provision of automobile terminal and logistics and trading services; (iv) the provision of ore terminal and logistics services; (v) the provision of general cargo terminal and logistics and trading services; (vi) the provision of bulk grain terminal and logistics and trading services; (vii) the provision of passenger and roll-on, roll-off terminal and logistics services and (viii) the provision of port value-added services.

The principal activities of the Company's subsidiaries are set out in Note VII to the financial statements.

Details of the analysis of the Group's operating results by business segments for the year ended 31 December 2016 are set out in VII to the financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement of the financial statements.

In 2016, the Group's net profit attributable to owners of the parent amounted to RMB531,012,717.43, representing a year-on-year increase of 9.6%. To provide better returns for the Shareholders, the Board recommended the payment of cash dividend of RMB0.15 (tax included) for every 10 shares for 2016.

Pursuant to the provisions of the Articles of Association of the Company, the annual profit distribution plan of the Company is subject to approval of the Company's shareholders at the general meeting. Accordingly, the aforesaid dividend distribution proposal will be implemented following the approval of the Company's shareholders at annual general meeting for 2016.

Financial highlights for the past five financial years

Financial highlights of the Group's results and assets and liabilities for the past five financial years are set out in the section headed "Financial highlights for the past five financial years" of this annual report.

Reserves

Details of the movements in the reserves of the Group during the year are set out in consolidated statement of changes in equity of the financial statements.

Distributable reserves

As at 31 December 2016, the Company's reserves available for distribution were RMB907,456.18 thousand, which was calculated in accordance with the generally accepted accounting principles of the People's Republic of China.

Bank loans and other borrowings

As at 31 December 2016, the total amount of outstanding bank loans and other borrowings of the Group was RMB10,549,202 thousand. Details of the relevant loans are set out in Note 4 (25) Short-term borrowings, Note 4 (34) Current portion of non-current liabilities, Note 4 (35) Other current liabilities, Note 4 (36) Long-term borrowings, Note 4 (37) Bonds payable and Note 4 (38) Long-term payables to the financial statements.

Directors' Report

Capitalisation of interest

The total amount of capitalised interest of the Group was approximately RMB28,042,000 for 2016.

Fixed assets and construction in progress

Details of the movements in the fixed assets and construction in progress of the Group during the year are set out in Note 4 (16) Fixed assets and Note 4 (17) Construction in progress to the financial statements.

Investment properties

Details of the properties held for investment purpose of the Group during the year are set out in Note 4 (15) Investment properties to the financial statements.

Share capital

The share capital structure of the Company as at 31 December 2014 is set out in the table below:

Class of shares	Number of shares (shares)	Percentage (%)
A Shares	7,735,820,000	59.99
H Shares	5,158,715,999	40.01
Total	12,894,535,999	100

Details of the movements in share capital of the Company during the year are set out in Note 4 (41) to the financial statements.

Pre-emption rights

There are no provisions for pre-emption rights under the Articles of the Company, nor the laws of the PRC, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2016, save for the following transactions in relation to the Company's securities, or securities of its subsidiaries, the Company did not redeem any of its listed securities, and neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

1. Placing of new H Shares under specific mandate

The placing agreement dated 31 December 2015 was entered into among the Company, GF Capital (Hong Kong) Limited and GF Securities (Hong Kong) Brokerage Limited (the "Placing Agreement") in relation to the placing of up to 1,475,400,000 new H Shares, representing, if fully issued, approximately 33.33% of the then total issued share capital of the Company at the date of the Placing Agreement.

On 12 January 2016, the Company entered into a subscription agreement with GF Securities (Hong Kong) Brokerage Limited (the "Subscription Agreement") with respect to the first tranche of the placing for an aggregate of 1,180,320,000 placing shares ("First Tranche Placing Shares") at the price of HK\$3.67 per First Tranche Placing Share.

The conditions of the Subscription Agreement were fulfilled and completion of the placing took place on 1 February 2016 in accordance with the terms of the Subscription Agreement.

2. Issuance of short-term financial bonds

On 8 July 2016, the Company issued the first tranche of short-term financial bonds for 2016 at a total amount of RMB3 billion for a term of 270 days at a coupon rate of 2.78%, with China Everbright Bank Co., Ltd. and China Minsheng Banking Corp. Ltd. acting as the joint lead underwriters.

3. Redemption of bonds due 2016

The Company has redeemed the bonds due 2016, details of the bonds are as follows:

- 1) On 10 August 2015, the Company issued 1-year corporate bonds in an aggregate principal amount of RMB1,000,000,000.00, with a fixed coupon rate of 3.15% payable together with the principal on expiry. Related costs of issuance amounted to RMB3,212,389.43.
- 2) On 19 October 2015, the Company issued 1-year corporate bonds in an aggregate principal amount of RMB1,000,000,000.00, with a fixed coupon rate of 3.20% payable together with the principal on expiry. Related costs of issuance amounted to RMB3,250,709.43.

Directors' Report

Directors and supervisors

The directors and supervisors of the Company in office during the reporting period are as follows:

Executive Directors

Mr. Zhang Yiming (*appointed on 30 November 2016*)

Mr. Wei Minghui (*appointed on 24 February 2016*)

Mr. Hui Kai (*resigned on 26 August 2016*)

Mr. Sun Benye (*resigned on 18 March 2016*)

Non-executive Directors

Mr. Xu Song (*appointed on 29 December 2015*)

Mr. Bai Jingtao (*appointed on 28 June 2016*)

Mr. Zheng Shaoping (*appointed on 28 June 2016*)

Mr. Yin Shihui (*appointed on 27 March 2015*)

Mr. Xu Jian (*resigned on 18 March 2016*)

Independent Non-executive Directors

Mr. Wan Kam To, Peter (*appointed on 31 July 2014*)

Mr. Wang Zhifeng (*appointed on 30 October 2014*)

Mr. Sun Xiyun (*appointed on 27 March 2015*)

The Company has received from each independent non-executive director an annual confirmation of his independence. The Company considers the independent non-executive directors remain independent from the Company.

Supervisors

Mr. Jia Wenjun (*appointed on 27 March 2015*)

Mr. Qi Yue (*appointed on 28 June 2016*)

Mr. Kong Xianjing (*appointed on 31 July 2014*)

Mr. Jiao Yingguang (*appointed on 31 July 2014*)

Ms. Zhao Rong (*appointed on 29 January 2015*)

Mr. Zhang Zuogang (*resigned on 18 March 2016*)

Pursuant to the Articles of Association of the Company, the directors and supervisors of the Company are appointed for a term of no more than three years.

Directors' Report

Directors' and supervisors' service contracts

Each of the directors and supervisors of the Company has a service contract with the Company for a term of no more than three years, which can be terminated by either party by giving three months' prior written notice to the other party.

Save as set forth above, the Company did not enter into a service contract with any director or supervisor which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and supervisors' interests in contracts

Save for the service contract, no contract of significance to the Group in which the Company or any of its subsidiaries, its holding company or any of its subsidiaries was a party and in which a director or a supervisor had a material interest, whether directly or indirectly, subsisted during the year.

Profiles of directors, supervisors and senior management

Profiles of the directors, supervisors and senior management of the Company are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" in this annual report.

Interests and short positions in shares, underlying shares and debentures of the Company

As at 31 December 2016, none of the directors, supervisors, senior management and any of their respective associates had any interests and short positions in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' and supervisors' rights to acquire shares and debentures

At no time during the year was the Company or any of its subsidiaries, or its holding company or any of its subsidiaries, a party to any arrangement which would enable the directors and supervisors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate. In addition, none of the directors or the supervisors of the Company was granted any right to subscribe for the securities of the Company or had exercised any such right during the year.

Directors' interests in competing businesses

None of the directors of the Company had any interest in any business which competes or may compete, whether directly or indirectly, with the business of the Company and the Group. At the same time, the Company has received the undertakings and confirmations of the directors that they do not have any interest in any business that may compete with the Company.

Directors' and supervisors' remuneration

The remuneration of directors and supervisors of the Company is determined in accordance with their duties and responsibilities, subject to the approval of the Company's shareholder at the general meeting. The remuneration of the directors who concurrently serve as the senior management personnel of the Company shall be determined by the Board of the Company in accordance with the authorization at the general meeting with reference to the remuneration and assessment approach applicable to senior management.

Directors' Report

Details of the directors' and supervisors' remuneration are set out in Note 8 (8) to the financial statements.

Five highest paid individuals

As of 31 December 2016, information in respect of the five highest paid individuals of the Group is set out in Note 8 (9) to the financial statements.

Management contracts

The Company did not enter into any contract in respect of the management and administration of the entire or any significant part of the business of the Company nor did any such contract subsist at any time during the year.

Connected transactions

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

Non-exempted continuing connected transactions under rule 14A.33 of the Listing Rules

The following table sets out a summary of the Group's non-exempt continuing connected transactions during the year 2016

Connected transactions	Connected persons	Exemption threshold (RMB'000)	Actual amount for 2016 (RMB'000)	
A Construction management and supervision services	PDA	91,000	36,200	
B Leasing business	PDA	68,500	53,666	
C Supply of goods and services	PDA	90,000	62,429	
D Purchase of goods and services	PDA	180,000	99,317	
E Terminal facilities design and construction services	PDA	255,600	13,027	
F Finance lease	PDA	231,800	61,758	
		Deposit	4,000,000	2,943,171
		Loan	5,000,000	367,562
G Financial services	PDA	Factoring	1,500,000	0
		Settlement and others	25,000	260

Directors' Report

A. Construction management and supervision services

On 30 October 2012, Dalian Port Construction Supervision and Consultation Co. Ltd. ("DCSC") entered into the Construction Management and Supervision Services Agreement with Dalian Port Corporation Limited ("PDA"), pursuant to which, DCSC shall provide construction management and supervision services to PDA. To continue to provide construction management and supervision services, DCSC entered into the Construction Management and Supervision Services Agreement with PDA on 26 October 2015 with a term of three years effective from 1 January 2016 until 31 December 2018, pursuant to which, DCSC shall provide construction management and supervision services to PDA and/or its associates. The transaction cap and the actual amount of transaction for construction management and supervision services for the year ended 31 December 2016 were RMB91,000,000.00 and RMB36,200,000.00 respectively.

The key terms and conditions of the Construction Management and Supervision Services Agreement are as follows:

- ① The reasonable charges are made according to the pricing principles stipulated in the agreement for the services provided to PDA and/or its associates and the relevant terms and conditions shall be no less favorable than those offered by a third party for such services, which shall surely meet the quality standard required by PDA and/or its associates from time to time.
- ② The term of the Construction Management and Supervision Services Agreement shall be of three years effective from 1 January 2016 until 31 December 2018. Upon expiration of the first transaction term, if neither party raises objection in writing, the term of the agreement will be automatically extended for three years and will be further extended automatically in the manner as aforementioned upon each expiration. Unless otherwise provided in the agreement, within the term of the agreement, either party may terminate the agreement by giving at least three months' prior written notice to the other party.
- ③ The construction management and supervision services will be priced in accordance with the following principles:
 - (a) Government – prescribed price, being the price set by the PRC government (at central or local level) or its relevant authorities such as NDRC, MOHURD, Liaoning Provincial Finance Department and Dalian Municipal Government and announced in public announcements or published on their respective websites; and
 - (b) Where there is no government – prescribed price, the price to be set by both parties after negotiation with reference to the market price.

Directors' Report

B. Leasing business

On 30 October 2012, the Group and Dalian Port Corporation Limited ("PDA") entered into the Lease Agreement, pursuant to which the Group leased assets and equipment to PDA and/or its associates. To continue to provide assets and equipment leasing to PDA and/or its associates, the Group entered into the Lease Agreement with PDA on 26 October 2015 with a term of three years effective from 1 January 2016 until 31 December 2018. The transaction cap and the actual amount of transaction for leasing for the year ended 31 December 2016 were RMB68,500,000.00 and RMB53,666,000.00 respectively. The key terms and conditions of the Lease Agreement concerning leasing are as follows:

- ① The rental within the term shall be determined with reference to the market rate, and the amount and way of payment shall be provided explicitly in each separate agreement by the parties thereto;
- ② The term of the Lease Agreement shall be of three years effective from 1 January 2016 until 31 December 2018. The Group may terminate the agreement or any single subject matter by giving at least three months' prior written notice of terminating the leasing to the other party;
- ③ The rental (exclusive of all taxes which shall be payable by PDA) shall be paid on a quarterly basis; the lessee shall remit the rental of the quarter in full amount to the lessor's specified account on the last day of the first month in each quarter.

C. Sales of goods and provision of services

On 30 October 2012, the Group and Dalian Port Corporation Limited ("PDA") entered into the Sales of Goods and Provision of Services Agreement, pursuant to which, the Group provided PDA and/or its associates with products such as equipment, accessories, software and related maintenance products related to information technology, and services such as tugboat service, telecommunication, software development, network maintenance, security service, water and electricity services, supply of heat and steam and other related services. To continue to supply goods and services to PDA and/or its associates, the Group entered into the Sales of Goods and Provision of Services Agreement with PDA on 26 October 2015 with a term of three years effective from 1 January 2016 until 31 December 2018, pursuant to which, the Group shall supply goods and services to PDA and/or its associates. The transaction cap and the actual amount of transaction for sales of goods and provision of services for the year ended 31 December 2016 were RMB90,000,000.00 and RMB62,429,000.00 respectively. The key terms and conditions of the Sales of Goods and Provision of Services Agreement concerning provision of goods and services are as follows:

Directors' Report

- ① Goods and services to be provided by the Group to PDA and/or its relevant associates include:
 - (a) Products: Network and office information equipment, accessories and software;
 - (b) Services: Supply of electricity and heat, tugboat service, security service, telecommunications and related engineering services, network system maintenance, software development and other related or similar services.
- ② The Group shall provide products and services to PDA and/or its relevant associates on normal commercial terms or on terms that are not more favorable than those available to independent third parties.
- ③ The term of the Sales of Goods and Provision of Services Agreement shall be of three years effective from 1 January 2016 until 31 December 2018. Upon expiration of the first transaction term, if neither party raises objection in writing, the term of the agreement will be automatically extended for three years and will be further extended automatically in the manner as aforementioned upon each expiration. Unless otherwise provided in the agreement, within the term of the agreement, either party may terminate the agreement by giving at least three months' prior written notice to the other party.
- ④ The sales of goods and provision of services shall be priced in accordance with the following pricing principles:
 - (a) Government – prescribed price, being the price set by the PRC government (at central or local level) or its relevant authorities such as NDRC, MOHURD, Liaoning Provincial Finance Department and Dalian Municipal Government and announced in public announcements or published on their respective websites;
 - (b) Where there is no government – prescribed price, the market price at which the same or comparable services are provided to independent third parties in the ordinary course of business; or
 - (c) Where there is neither a government – prescribed price nor a market price, the price to be set out in the relevant contract.

D. Purchase of goods and receipt of services

On 30 October 2012, the Group and Dalian Port Corporation Limited ("PDA") entered into the Purchase of Goods and Receipt of Services Agreement, pursuant to which, the Group purchased commodities like diesel oil and acquired such services in respect of accessories, facility and equipment maintenance, landscaping, labor, catering, medical examination, printing, conference and other related or similar services from PDA and/or its associates. To continue to purchase goods and receive services from PDA and/or its associates, the Group entered into the Purchase of Goods and Receipt of Services Agreement with PDA on 26 October 2015 with a term of three years effective on 1 January 2016 until 31 December 2018, pursuant to which, the Group shall purchase goods and receive services from PDA and/or its associates. The annual transaction cap and the actual amount of transaction for purchase of goods and receipt of services for the year ended 31 December 2016 were RMB180,000,000.00 and RMB99,317,000.00, respectively. The key terms and conditions of the Purchase of Goods and Receipt of Services Agreement concerning purchase of goods and receipt of services are as follows:

Directors' Report

- ① The products and services to be provided by PDA and/or its related associates to the Group include:
 - (a) Products: gasoline and diesel oil;
 - (b) Services: water and heating supplies, production facilities and equipment maintenance, landscaping, commuting, canteen, physical examination, printing and meeting and other related or similar services.
- ② PDA and/or its related associates shall provide products and services to the Group on normal commercial terms or on terms no less favorable than those available to independent third parties.
- ③ The term of the Purchase of Goods and Receipt of Services Agreement shall be of three years effective from 1 January 2016 until 31 December 2018. Upon expiration of the first transaction term, if neither party raises objection in writing, the term of the agreement will be automatically extended for three years and will be further extended automatically in the manner as aforementioned upon each expiration. Unless otherwise provided in the agreement, within the term of the agreement, either party may terminate the agreement by giving at least three months' prior written notice to the other party.
- ④ The purchase of goods and receipt of services will be priced in accordance with the following principles:
 - (a) Government – prescribed price, being the price set by the PRC government (at central or local level) or its relevant authorities such as NDRC, MOHURD, Liaoning Provincial Finance Department, Dalian Municipal Government and announced in public announcements or published on their respective websites;
 - (b) Where there is no government – prescribed price, the market price at which the same or comparable goods and services are provided to independent third parties in the ordinary course of business.
 - (c) Where there is neither a government – prescribed price nor a market price, the price set out in the relevant contract.

E. Terminal facilities design and construction services

On 30 October 2012, the Group entered into the Terminal Facilities Design and Construction Services Agreement with Dalian Port Corporation Limited ("PDA"), pursuant to which, PDA and/or its associates provided the Group with terminal facilities design and construction services. In order to continue to receive terminal facilities design and construction services from PDA and/or its associates, on 26 October 2015, the Group entered into the Terminal Facilities Design and Construction Services Agreement with PDA for a term of three years effective from 1 January 2016 until 31 December 2018. The transaction cap and the actual amount of transaction for terminal facilities design and construction services for the year ended 31 December 2016 were RMB255,600,000 and RMB13,027,000, respectively. The key terms and conditions of the Terminal Facilities Design and Construction Services Agreement concerning supply of goods and services are as follows:

Directors' Report

- ① PDA will provide upon the Group's request or procure the third parties which are approved by the Group to provide the services required by the Group. PDA is not the only service provider of the Group.
- ② The terms and conditions upon which PDA will provide services shall meet the quality standard required by the Group from time to time, and shall be no less favorable than those provided to independent third parties.
- ③ The term of the Terminal Facilities Design and Construction Services Agreement shall be of three years effective from 1 January 2016 until 31 December 2018. Upon expiration of the first transaction term, if neither party raises objection in writing, the term of the agreement will be automatically extended for three years and will be further extended automatically in the manner as aforementioned upon each expiration. Unless otherwise provided in the agreement, within the term of the agreement, either party may terminate the agreement by giving at least three months' prior written notice to the other party.
- ④ The terminal facilities design and construction services shall be priced in accordance with the following principles:
 - (a) Government – prescribed price, being the price set by the PRC government (at central or local level) or its relevant authorities such as NDRC, MOHURD, Liaoning Provincial Finance Department and Dalian Municipal Government and announced in public announcements or published on their respective websites; and
 - (b) Where there is no government – prescribed price, the market price at which the same or comparable goods and services are provided to independent third parties in the ordinary course of business.
 - (c) Where a public tender is required for the project, the price will be determined by the public tender procedure.

F. Finance lease

On 29 October 2013, the Group entered into the Finance Lease Agreement with Dalian Equipment Finance Lease Company Limited (a subsidiary of PDA), pursuant to which, Dalian Equipment Finance Lease Company Limited had been providing finance lease services to the Group in respect of leasing containers and computer software and hardware. On 17 March 2014, the Group entered into the New Finance Lease Agreement with PDA, pursuant to which, PDA agreed to provide, and/or procure its subsidiaries and/or associates to provide, finance leasing (including leaseback) to the Group, and the transaction cap for the finance leasing and the actual amount of interest expenses for the year ended 31 December 2016 were RMB231,800,000 and RMB61,758,000, respectively. In order to save interest expenses of the Company effectively, the Company repaid earlier the principal of RMB1 billion for leaseback under finance lease during the Reporting Period. Please refer to the announcement published by the Company on the website of the Hong Kong Stock Exchange at www.hkexnews.hk on 23 March 2017 for details of the amount of the leaseback portion in the continuing connected transactions exceeding the annual cap for 2016 due to early repayment in the leaseback transactions in 2016.

Directors' Report

The major terms and conditions of the Finance Lease Agreement are as follows:

- ① PDA and/or its related associates shall provide the finance lease services on the terms which are no less favourable to the Company than those available from independent third parties;
- ② the initial term of the Finance Lease Agreement commenced from 30 October 2013 and expired on 31 December 2018. Upon the expiry of the initial term, the renewal of the agreement depends on whether the Company has completed the compliance procedures in accordance with the Listing Rules or obtained approval of independent directors (if required) in compliance of the applicable requirements of the Listing Rules;
- ③ rental shall be determined by reference to market price, and the amount and way of payment shall be specified in the separate agreement(s) executed by the parties thereto; and
- ④ with respect to each separate finance lease, the Company and its subsidiaries shall enter into separate written agreements, the terms of which shall be in all material respects consistent with the binding principles, guidelines, terms and conditions set forth in the Finance Lease Agreement.

G. Financial Services

According to the Financial Services Agreement (the "Agreement") entered into on 28 August 2014, Dalian Port Group Finance Company Limited provides financial services set out therein to the Group, including deposit services, loan services, settlement services and other financial services. In order to be provided deposit services, loan services, settlement services and other financial services by PDA and/or its associates (including the Finance Company), on 26 October 2015, the Company entered into a Financial Services Agreement with PDA for a term of three years commencing from 1 January 2016 to 31 December 2018. The maximum daily closing balance of deposits and the actual daily closing balance of deposits for the year ended 31 December 2016 amounted to RMB4,000,000,000 and RMB2,943,171,000, respectively; the maximum daily closing balance of loan and the actual daily closing balance of loan amounted to RMB5,000,000,000 and RMB367,562,000, respectively; the annual caps for factoring service and the actual amount amounted to RMB1,500,000,000 and nil, respectively; and the annual caps for other financial services and actual amount amounted to RMB25,000,000 and RMB260,000. The main terms and conditions of the Financial Services Agreement are as follows:

- ① The financial services to be provided by Dalian Port Group Finance Company Limited and Xinghai International Commercial Factoring (Tianjin) Co., Ltd. to the Group include:
 - (a) Deposit services: including current deposit, fixed term deposit, call deposit and agreement deposit;
 - (b) Loan services: including loan, bill, guarantee and finance lease services;
 - (c) Settlement services: including payment and receivable settlement services and some ancillary services for settlement;
 - (d) Other financial services (including international services);
 - (e) Factoring services.

Directors' Report

- ② The terms and conditions on which the financial services are to be provided to the Group will be neither less favourable than those available to PDA and other members of PDA nor less favourable than the terms of similar financial services then available from other financial institutions;
- ③ The Financial Services Agreement has a term of three years commencing on 1 January 2016 and expiring on 31 December 2018. The Agreement may be amended or cancelled upon consent by both parties thereto through consultation and written agreement; but neither party is allowed to unilaterally amend, revise or cancel the Agreement; and
- ④ The financial services shall be priced in accordance with the following principles:
 - (a) The interest rates for deposit should not be lower than the uniform interest rate prescribed by the People's Bank of China for comparable deposits, the interest rates paid by other major commercial banks in China for comparable deposits, and not be lower than the interest rate paid by the Finance Company to any members of PDA for comparable deposits;
 - (b) The price for loan services should not be higher than the price charged by major commercial banks in the PRC for comparable loans, and not be higher than the price payable by any members of the PDA to the Finance Company;
 - (c) The settlement services and ancillary services for settlement are free of any charge;
 - (d) The other financial services (including international services) fee shall not be higher than the fee charged by other financial institutions in China for comparable services and not be higher than the fee charged by the Finance Company for the services it provided to any members of PDA;
 - (e) The factoring services fee shall not be higher than the fee charged by the relevant financial institutions in China for comparable services and not higher than the fee charged by the Factoring Company for the services it provides to any members of PDA.
- ⑤ The Group and PDA shall keep in strict confidence information, data, financial data, product information of the other party, and shall strictly abide by the confidential provisions under the Agreement.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed that those transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms better than terms available to independent third parties; and
- (3) in accordance with the agreements governing the relevant transactions on terms that are fair and reasonable and in the best interests of the shareholders of the Company as a whole.

Directors' Report

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agree-upon procedures in respect of the continuing connected transactions for the year 2016. The auditors have reported their factual findings on these procedures to the Board with a letter and provided confirmations on those continuing connected transactions (save for the transaction having exceeded the annual cap as described in paragraph F above) in accordance with Rule 14A.38 of the Listing Rules.

Pursuant to paragraph 8 of Appendix 16 of the Listing Rules, the Company confirms that in respect of the Company's continuing connected transactions, it has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

Related party transactions

As of 31 December 2016, the Company has entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these related party transactions are disclosed in note to the financial statements. Certain of these non-exempt continuing connected transactions are also included in the note to the above-mentioned financial statement in this report for disclosure.

Major customers and suppliers

During the year, the Group's major customers and suppliers accounted for the following percentages of the Group's turnover and purchases:

The largest supplier as a percentage of the Group's purchases	28.3%
The top five suppliers as a percentage of the Group's purchases	41%
The largest customer as a percentage of the Group's turnover	24.7%
The top five customers as a percentage of the Group's turnover	42%

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

Retirement benefit scheme

Details of the Group's retirement benefit scheme are set out in Note 4(29) to the financial statements.

Directors' Report

Substantial shareholders' interests

As at 31 December 2016, so far as is known to the directors of the Company, the following persons (other than the directors or supervisors) had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Name of shareholder	Class of shares	Number of shares/underlying shares held (shares)	Capacity	As % of relevant class of share capital	As % of total share capital
Dalian Port Corporation Limited	A shares	5,310,255,162 (long position)	Beneficial owner	69.00	41.18
China Merchants Group Limited	H shares	2,714,736,000 (long position)	Beneficial owner	60.00	30.00
China Merchants Holdings (International) Company Limited	H shares	2,714,736,000 (long position)	Beneficial owner	60.00	30.00
China Merchants Union (BVI) Limited	H shares	2,714,736,000 (long position)	Beneficial owner	60.00	30.00
Dalian Port Corporation Limited	H shares	588,248,000	Beneficial owner	11.00	5.00

1. Number of shares in the relevant class of share capital: A shares—7,735,820,000, H shares—5,158,715,999.
2. Total number of share capital: 12,894,535,999 shares.

Save as disclosed above, as at 31 December 2016, so far as is known to the directors of the Company, no other persons (other than the directors or supervisors) had any interest or short position in the shares of the Company which would fall to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Sufficiency of public float

Based on the information publicly available to the Company and so far as is known to the directors, not less than 25% of the Company's total issued share capital was held by the public as specified in the Listing Rules as at the date of this report.

Corporate governance

As a listed company on the Hong Kong Stock Exchange and Shanghai Stock Exchange, the Company has strived to maintain a high standard of corporate governance in order to enhance the transparency of the Company's operations and safeguard the interests of all shareholders. Relevant details are set out in the section headed "Corporate Governance Report" in this annual report.

Auditors

The financial statements of the Company for the year 2016 have been audited by PricewaterhouseCoopers Zhong Tian LLP as the Company's auditor, who was appointed at the annual general meeting for the year 2015.

Directors' Report

Other matters

Implementation of the Non-Competition Agreement

1. On 23 March 2006, the Company and Dalian Port Corporation Limited ("PDA") entered into the Non-Competition Agreement in preparation of its initial public offering and listing of its H shares on the main board of the Stock Exchange for the purpose of avoiding the actual and potential competition with the Company. In connection with the acquisition of certain port services related business and assets from PDA and issuance of A shares on the Shanghai Stock Exchange, a revised non-competition agreement (together with the Non-Competition Agreement, collectively referred to as the "Agreements") was executed on 30 September 2009. Pursuant to the Agreements, PDA provided certain non-competition undertakings in favor of the Company and granted right of first refusal and option to the Company in respect of the business of PDA and future business opportunities. Under the Agreements, the independent non-executive directors of the Company were granted the right on behalf of the Company to review at least on an annual basis the implementation of the Agreements and determine the exercise of any of the aforesaid right of first refusal or options. During the year, the independent non-executive directors reviewed the implementation of the Agreements and confirmed that Dalian Port Corporation Limited has been in full compliance with the Agreements without any breach of the Agreements.
2. According to the Notice on Issues Relating to Increase in Shareholding by Substantial Shareholders, Directors, Supervisors and Senior Management of Listed Companies (Zheng Jian Fa [2015] No. 51) (《關於上市公司大股東及董事、監事、高級管理人員增持公司股票相關事項的通知》) (證監發[2015]51號) issued by the China Securities Regulatory Commission, based on the confidence in the future development of the Company and reasonable judgment to the current share price, Dalian Port Corporation Limited, the controlling shareholder of the Company, intended to increase its shareholding in the Company. Dalian Port Corporation Limited completed the increase of its shareholding in the Company on 6 May 2016. Dalian Port Corporation Limited has undertaken not to reduce its shares in the Company during the period of increasing its shareholding in the Company and the statutory period (the undertaking period commenced on 9 November 2015 and expired on 6 November 2016), and currently the undertaking period has expired. After self-inspection, the Company confirmed that it has fully abided by the Agreements without any breach.
3. The independent non-executive directors have conducted a review and made necessary enquiries for the year 2016 and confirm that PDA has been in compliance with the provisions of the Non-Competition Agreements and there was no breach on the side of PDA.

By Order of the Board

ZHANG Yiming

Chairman

Dalian, PRC

23 March 2017

Corporate Governance Report

Introduction

The Company is well aware of the importance of corporate governance, and recognizes that maintaining a high standard of corporate governance is in the fundamental interests of the Company and its shareholders. The Company has been striving to improve its corporate governance practices since its establishment. We have adopted the code on corporate governance practices (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited as our own code of corporate governance practices. The Company has adopted a series of measures to maintain a high standard of corporate governance.

A. Corporate Governance Practice

The Board strictly complied with the principles set out in the CG Code to establish and operate a corporate governance mechanism and adopted a non-deviation principle of execution of the code provisions so as to ensure that the code provisions are fully executed, while strived to promote the “Best Practices” to the largest extent according to the Company’s actual management. The Board also monitors and reviews the existing corporate governance practices on a regular basis with the aim of constantly fostering and carrying out a sound standard of corporate governance.

According to Corporate Governance Code E.1.1, persons proposed to be appointed as directors at a general meeting should be nominated by means of separate resolutions. At the annual general meeting (“AGM”) held on 28 June 2016, Mr. BAI Jingtao and Mr. ZHENG Shaoping were appointed as non-executive Directors by a single resolution, as the Company’s controlling shareholder Dalian Port Corporation Limited (“PDA”) and China Merchants Holdings (International) Company Limited (the “First Tranche Investor”) held more than 50% of the voting rights at the Company’s general meeting in aggregate and PDA has undertaken to appoint two directors nominated by the First Tranche Investor. As there would be sufficient votes for approving the two proposed appointments, a single resolution was proposed to enable the AGM to be conducted in an efficient manner. Nevertheless, going forward, directors shall be elected by means of separate resolutions to strictly comply with Code Provision E.1.1.

Other than the above, the Company complied with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2016, and so far as known to the Directors of the Company, there was no material deviation from the code.

B. Directors’ Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as the code of conduct governing the securities transactions by all directors of the Company. In order to ensure that the directors comply with the Model Code when dealing in the securities of the Company, having made enquiries to the directors, all directors confirmed that they have complied with the requirements under the Model Code during the reporting period.

Corporate Governance Report

C. Board of Directors

Striving for the best interests of the Company and its shareholders, the Board assumes the responsibility of leading and controlling the Company as well as promoting the sustainable development of the Company by directing and supervising the Company's affairs.

1. Board Composition

The directors who held office during the reporting period and up to the date of this report are:

Executive Directors

Mr. Zhang Yiming (appointed on 30 November 2016)
Mr. Wei Minghui (appointed on 24 February 2016)
Mr. Hui Kai (resigned on 26 August 2016)
Mr. Sun Benye (resigned on 18 March 2016)

Non-executive Directors

Mr. Xu Song (appointed on 29 December 2015)
Mr. Bai Jingtao (appointed on 28 June 2016)
Mr. Zheng Shaoping (appointed on 28 June 2016)
Mr. Yin Shihui (appointed on 27 March 2015)
Mr. Xu Jian (resigned on 18 March 2016)

Independent non-executive Directors

Mr. Wan Kam To, Peter (appointed on 31 July 2014)
Mr. Wang Zhifeng (appointed on 30 October 2014)
Mr. Sun Xiyun (appointed on 27 March 2015)

The Company has received from each independent non-executive director an annual confirmation of their independence. The Company considers that the independent non-executive directors are independent from the Company.

Pursuant to the Articles of Association of the Company, each director shall be appointed for a term of no more than three years from the date of his or her appointment comes into effect. During the term of office of the director, if a candidate is appointed to fill the vacancy following the resignation of a director, his or her term of office shall commence from the date of appointment until the date of conclusion of the current session of the Board.

The biographies of the directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report. The executive and non-executive directors of the Company have expertise, extensive experience and skills in management, operation, finance and other port business related areas. They are instrumental in mapping out the Company's strategy. The independent non-executive directors of the Company are highly qualified professionals with extensive experiences in areas such as accounting, finance, risk management, internal control and corporate management.

Corporate Governance Report

During the reporting period, the independent non-executive directors of the Company accounted for one third of the number of Board members. All independent non-executive directors have confirmed their independence to the Company during the reporting period as required under Rule 3.13 of the Listing Rules. The Company considers such directors to be independent during their respective tenure in the reporting period.

The Company believes that the board composition is reasonable and adequate for safeguarding the interests of shareholders and the Company as a whole. Furthermore, the Directors are fully aware of their collective and individual responsibilities to the shareholders, and have sufficient time and adequate capacity to perform their duties.

During the reporting year, save for their relationship with the Company, there were no financial, business, family or other material/relevant relationships among the members of the Board.

2. Operation of the Board

Pursuant to the Articles of Association of the Company, the Board is required to hold at least four board meetings each year. The board meetings shall be convened by the Chairman of the Board (the "Chairman"). In order for the directors to have opportunity to attend board meetings, a notice of at least fourteen days shall be given to each director for a regular board meeting. For an extraordinary board meeting, a notice of at least five days shall be given to each director. The notice shall state the time, place and means by which the board meeting will be conducted.

The quorum for a board meeting shall be more than half of members of the Board. The directors may attend the board meeting in person, or appoint another director in writing as his or her proxy to attend the board meeting. The secretary of the Company is responsible for preparing and keeping the minutes of board meetings and ensuring that such minutes are available for inspection by any directors.

During the reporting period, the Board held a total of 9 board meetings. The attendance of the directors at those board meetings is as follows:

Member of the Board	Number of meetings in his/her incumbency	Number of attendance in person	Number of attendance by other director as his/her proxy	Attendance rate
Zhang Yiming	1	1	0	100%
Xu Song	9	9	0	100%
Bai Jingtao	6	4	2	100%
Zheng Shaoping	6	3	3	100%
Yin Shihui	9	8	1	100%
Wei Minghui	9	8	1	100%
Wan Kam To, Peter	9	6	3	100%
Wang Zhifeng	9	8	1	100%
Sun Xiyun	9	9	0	100%
Hui Kai	5	4	1	100%
Xu Jian	1	1	0	100%
Sun Benye	1	1	0	100%

Corporate Governance Report

During the reporting period, the Company convened a total of three general meetings. The attendance of directors at those general meetings is as follows:

Member of the Board	Number of meetings in his/her incumbency	Number of attendance	Attendance rate
Zhang Yiming	0	0	–
Xu Song	3	3	100%
Bai Jingtao	2	1	50%
Zheng Shaoping	2	1	50%
Yin Shihui	3	2	67%
Wei Minghui	3	2	67%
Wan Kam To, Peter	3	1	33%
Wang Zhifeng	3	2	67%
Sun Xiyun	3	3	100%
Hui Kai	2	2	100%
Xu Jian	1	1	100%
Sun Benye	1	1	100%

3. Respective responsibilities of the Board and the Management

The responsibilities of the Board and the management of the Company have been clearly defined in the Articles of Association of the Company, which aims to provide sufficient check-and-balance mechanisms for internal control and good corporate governance.

The Board is responsible for deciding on the Company's business and investment plans, drawing up the Company's basic management system and deciding on the establishment of the internal management structure, determining other material business and administrative matters, and monitoring the performance of senior management.

The Board is also responsible for the preparation of accounts for each financial period to give a true and fair view of the financial status, the results and the cash flows of the Company for that period. In preparing the accounts for the year ended 31 December 2016, the directors have selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and prepared the accounts on a going concern basis.

The management, under the leadership of the General Manager (who is also an executive director), is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management.

Corporate Governance Report

In order to ensure the effective operation of the Company, the management is required to submit a monthly management report on the operation of the Company, or submit other quarterly project reports in relation to the execution of connected transaction and internal control to management to the Board. The Board, through reviewing such reports, understands the operational conditions of the Company in a timely manner and evaluates and supervises the management of the Company. At the same time, the management engages from time to time in formal and informal communications with the Directors on the operation and business of the Company and provides sufficient information to the Directors in timely manner to enable the Board to make informed decisions, thus improving the efficiency and scientificness of the decision making process of the Board.

4. Nomination, Appointment and Removal of Directors

The Company has formulated a formal and transparent procedure for the appointment of new directors to the Board. Nomination and appointment of new directors is first considered by the Nomination and Remuneration Committee whose recommendations will then be put to the Board for consideration. All newly nominated directors are subject to the approval of the shareholders at the Company's general meetings. Removal of members of the Board and their remuneration and payment terms are also subject to the approval of the shareholders at the Company's general meetings.

5. Continuing Professional Development and Training of Directors

During the reporting period, the directors actively participate in continuous professional development by self-learning, attending seminars and trainings relating to relevant topics to develop and refresh their knowledge and skills, so as to ensure that they can continuously make contributions to the Board with their comprehensive knowledge and skills. The Company is responsible for arranging relevant trainings and providing updates and information in respect of the continuous professional development to help each director better perform in their roles, functions and duties, in line with the Company's development needs.

During the reporting period, the relevant directors of the Company participated in the following continuous professional development:

Particulars of the continuous professional development	Types	Participants
Guidelines on Disclosure of Inside Information	Self-learning of the full text of the Guidelines	All directors
Trainings of directors and supervisors of listed companies	Training courses by regulatory bodies	All directors

Corporate Governance Report

D. Chairman and General Manager

The posts of Chairman and General Manager of the Company are separate and held by different persons to ensure their respective independence of responsibility and accountability and the balance of power and authority between them. The Chairman, Mr. Zhang Yiming, an executive director of the Company, plays a crucial role in setting the development strategy of the Company, and is responsible for ensuring that the Board is functioning properly and with well-formulated corporate governance practices and procedures, whilst the General Manager, Mr. Wei Minghui (who is also an executive director of the Company) is responsible for the day-to-day management of the Company's operations, including organizing the implementation of strategies set by the Board, making day-to-day decisions and coordinating overall business operations.

E. Board Committees

The Board has established the Audit Committee, the Nomination and Remuneration Committee, the Strategy Development Committee and the Financial Management Committee in accordance with the requirements of the Listing Rules.

Audit Committee

The Audit Committee consists of two independent non-executive directors and one non-executive director, namely:

Mr. Wan Kam To, Peter (Chairman, independent non-executive director, elected as the chairman of Audit Committee on 27 March 2015)

Mr. Wang Zhifeng (independent non-executive director, elected as a member of Audit Committee on 27 March 2015)

Mr. Yin Shihui (non-executive director, elected as a member of Audit Committee on 27 March 2015)

During the reporting period, the Audit Committee under the Board of the Company actively carried out relevant work and performed its duties in strict accordance with the relevant laws and regulations as well as the relevant provisions of the "Articles of Association" and the "Terms of Reference of the Audit Committee of the Board" of the Company. During the reporting period, the Audit Committee held four meetings to review the Company's regular financial reports, the improvement and implementation of internal control and risk control, and the placement and utilisation of proceeds, and to review the work summary and the work plan submitted by the internal control department and the audit management center.

During the reporting period, the Audit Committee held four meetings. The attendance of the members is set out as follows:

Members of the Audit Committee	Number of meetings in his/her incumbency	Number of attendance in person	Attendance rate
Mr. Wan Kam To, Peter	4	4	100%
Mr. Wang Zhifeng	4	4	100%
Mr. Yin Shihui	4	4	100%

Corporate Governance Report

Nomination and Remuneration Committee

Nomination and Remuneration Committee consists of two independent non-executive directors and one executive director. During the reporting period, the members of the committee included:

Mr. Wang Zhifeng (chairman, independent non-executive director, elected as the chairman of Nomination and Remuneration Committee on 27 March 2015)

Mr. Sun Xiyun (independent non-executive director, elected as a member of Nomination and Remuneration Committee on 27 March 2015)

Mr. Zhang Yiming (executive director, elected as a member of Nomination and Remuneration Committee on 30 November 2016)

Mr. Hui Kai (executive director, resigned as a member of Nomination and Remuneration Committee on 26 August 2016)

During the reporting period, the Nomination and Remuneration Committee under the Board of the Company actively carried out relevant work and performed its duties in strict accordance with the relevant laws and regulations as well as the relevant provisions of the “Articles of Association” and the “Terms of Reference of the Nomination and Remuneration Committee of the Board” of the Company. During the reporting period, the Nomination and Remuneration Committee held five meetings to mainly review the qualification of the directors and senior management of the Company to be elected and appointed, and made proposals to the Board.

During the reporting period, the Nomination and Remuneration Committee held five meetings. The attendance of the members is set out as follows:

Members of the Nomination and Remuneration Committee	Number of meetings in his/her incumbency	Number of attendance in person	Attendance rate
Mr. Wang Zhifeng	5	5	100%
Mr. Sun Xiyun	5	5	100%
Mr. Zhang Yiming	0	0	–
Mr. Hui Kai	3	3	100%

To enhance the professionalism and efficiency of the Board's decision-making process on the material projects for business development and to meet the Company's needs for development, the Board has also set up the Strategy Development Committee and the Financial Management Committee.

Corporate Governance Report

Strategy Development Committee

Strategy Development Committee consists of one non-executive director, one independent non-executive directors and one executive director. During the reporting period, the members of the committee included:

Mr. Bai Jingtao (non-executive director, elected as the chairman of Strategy Development Committee on 28 June 2016)

Mr. Sun Xiyun (independent non-executive director, elected as a member of Strategy Development Committee on 28 June 2016)

Mr. Wei Minghui (executive director, elected as a member of Strategy Development Committee on 24 February 2016)

Mr. Hui Kai (chairman, director, resigned as the chairman of Strategy Development Committee on 28 June 2016)

Mr. Xu Song (director, resigned as a member of Strategy Development Committee on 28 June 2016)

During the reporting period, the Strategy Development Committee under the Board of the Company actively carried out relevant work and performed its duties in strict accordance with the relevant laws and regulations as well as the relevant provisions of the “Articles of Association” and the “Terms of Reference of the Strategy Development Committee of the Board” of the Company. During the reporting period, the Strategy Development Committee held one meeting to adjust the composition of the Strategy Development Committee and other matters, and made proposals to the Board.

During the reporting period, the Strategy Development Committee held one meeting. The attendance of the members is set out as follows:

Members of the Strategy Development Committee	Number of meetings in his/her incumbency	Number of attendance in person	Attendance rate
Mr. Bai Jingtao	0	0	–
Mr. Sun Xiyun	0	0	–
Mr. Wei Minghui	1	1	100%
Mr. Hui Kai	1	1	100%
Mr. Xu Song	1	1	100%

During the reporting period, the major tasks performed by the Strategy Development Committee included the review of various joint venture and cooperation projects participated by the Company and other material investment projects, and the recommendations in respect of the necessity and feasibility of such projects to the Board.

Corporate Governance Report

Financial Management Committee

Financial Management Committee consists of two non-executive directors and one independent non-executive director. During the reporting period, the members of the committee included:

Mr. Xu Song (non-executive director, elected as the chairman of Financial Management Committee on 28 June 2016)

Mr. Wan Kam To, Peter (Independent non-executive director, elected as a member of Financial Management Committee on 27 March 2015)

Mr. Yin Shihui (Non-executive director, elected as a member of Financial Management Committee on 27 March 2015)

Mr. Xu Jian (chairman, director, resigned as the chairman of Strategy Development Committee on 18 March 2016)

During the reporting period, the Financial Management Committee under the Board of the Company actively carried out relevant work and performed its duties in strict accordance with the relevant laws and regulations as well as the relevant provisions of the “Articles of Association” and the “Terms of Reference of the Financial Management Committee of the Board” of the Company. During the reporting period, the Financial Management Committee held six meetings to mainly review the annual profit distribution plan, periodic reports and other matters, and made proposals to the Board.

During the reporting period, the Financial Management Committee held six meetings. The attendance of the members is set out as follows:

Members of the Financial Management Committee	Number of meetings in his/her incumbency	Number of attendance in person	Attendance rate
Mr. Xu Song	3	3	100%
Mr. Wan Kam To, Peter	6	6	100%
Mr. Yin Shihui	6	6	100%
Mr. Xu Jian	1	1	100%

F. Auditors

PricewaterhouseCoopers Zhong Tian LLP was appointed as the PRC auditor of the Company for the year of 2016 by the shareholders at the 2015 annual general meeting to conduct audit work on the Company’s financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises, and to act as the overseas auditor of the Company in compliance with the relevant requirements of the Listing Rules of the Stock Exchange. PricewaterhouseCoopers Zhong Tian LLP was also appointed as the auditor of internal control of the Company for the year of 2016 to audit the internal control of the financial statements of the Company and issue an audit report.

Corporate Governance Report

During the reporting period, the total fees paid and payable to the auditors for audit service to the Group (with the meaning ascribed to it under the Independent Auditor's Report) were approximately RMB2,329.0 thousand and the fees paid and payable for internal control audit were approximately RMB854.7 thousand. During the reporting period, the auditors of the Group (include any entity that is under common control, ownership or management with the auditors, or an entity that would be reasonably concluded by a reasonable and informed third party knowing all relevant information to be part of the domestic or international business of the auditors) did not provide any non-audit services to the Group.

G. Senior Management's Interests in Shares and Remuneration

During the reporting period, none of the senior management had any interests in the shares of the Company.

Details of remuneration payable to senior management in 2016 are set out in Notes to the financial statements.

H. Company Secretary

During the reporting year, the joint company secretaries of the Company, Mr. Wang Jilu and Mr. Lee Kin Yu, Arthur have complied with the requirements on a minimum of 15 hours dedicated for related professional training as set out in Rule 3.29 of the Listing Rules. Mr. Wang Jilu and Mr. Lee Kin Yu, Arthur also actively participated in trainings for learning and updating their professional knowledge about Listing Rules and corporate governance to continuously improve their professional skills for acting as the joint company secretaries of the Company.

I. Risk Management and Internal Control

The Board, the decision-making body for internal control and risk management, are responsible for reviewing the effectiveness of the risk management and internal control systems. The risk management and internal control systems are formulated to manage (but not eliminate) the risk of failure to meet business objectives, and to provide reasonable (but not absolute) guarantees for the prevention of material misstatements or losses. The Board has an overall responsibility for assessing and determining the nature and level of the risks that the Company is willing to undertake to achieve its strategic objectives, and to establish and maintain appropriate and effective risk management and internal control systems.

The main features of the Company's risk management and internal control system are: the Company, based on its internal control system and relying on informatisation construction, capitalises on its risk management expertise to make overall planning and key breakthroughs through steady implementation of pilot projects, so as to improve its overall risk management level.

Risk Management

The Company has established a risk control department to implement different risk management procedures and guidelines with clearly defined duties. Based on the improvement of the original internal control management system, the risk control department is responsible for establishing the risk management organization system, preparing the risk list, conducting risk assessment, establishing risk monitoring and warning, and developing credit and investment risk management mechanisms.

Corporate Governance Report

The risk control department has regularly investigated the main business units and functional departments, organised the risk management personnel to discuss relevant issues, engaged experts to demonstrate and identified the relevant risks, and established the risk list. Based on the risk list, the risk control department has comprehensively evaluated the risks by adopting the questionnaire survey method, and has determined the risk levels according to the survey results. For different risk events, the risk control department has organised each entity to formulate its risk response measures and plans separately and monitored the progress of risk management.

The Audit Committee assists the Board in leading the management and supervises their design, implementation and monitoring of risk management and internal control systems to ensure that the Group's resources in accounting, internal audit and financial reporting functions, the qualifications and experience of its employees, the training courses attended by its employees and relevant budgets are adequate.

Internal Control

The Company has set up an appropriate internal control system to deal with connected transactions, internal audit, disclosures and other relevant matters.

After conducting a self-appraisal on the status of internal control of the Company, the Board considers that, during the reporting year, the internal control system of the Company was effective. The Board also requested the management of the Company to further improve the internal control system to enhance the Company's corporate governance standard.

1. Internal Audit

The Board has established the Audit Committee as part of the internal control system of the Company. Details of the Audit Committee are set out in section headed "E. Board Committee" of this report.

The Company has also set up an internal audit function to analyze the adequacy and effectiveness of risk management and internal control systems. The Company has appointed qualified persons as its internal auditors to strengthen the internal control of the Company. The role of the internal auditor is to assist the Audit Committee in ensuring the Company to maintain a sound internal control system by reviewing all aspects of the Company's activities and internal controls, conducting regular audits of the practices and procedures of the Company and its subsidiaries. The internal control department under the Board of the Company has conducted an internal audit of the Company and its subsidiaries according to its annual work plan for the reporting year.

2. Other Internal Control Procedures

The Company has formulated and approved the "Connected Transaction Management Rules" and approved the relevant internal control procedures to ensure the compliance with the connected transaction requirements under the Listing Rules. Moreover, the Company has also formulated the "Information Disclosure Management Rules", the "Material Information Reporting Rules" and the "Inside Information and Insiders Management System" which provide the responsibilities and procedure for disclosure and reporting of the significant matters and inside information of the Company to ensure that the information disclosures of the Company are in compliance with the Listing Rules and are therefore true, accurate, timely and complete.

Corporate Governance Report

The Company has adopted a governance mechanism which is more stringent and prudent than the Corporate Governance Code. The Board has also set up a Financial Management Committee in order to eliminate the financial management risks of the Company and to improve its internal controls system as necessary. Details of the Financial Management Committee are set out in section headed “E. Board Committee” of this report.

In order to effectively avoid any operational risks resulting from misconduct or corruption in the ordinary course of business of the Company and allow the Board to obtain necessary material information about the Company in a timely manner, the Company has also set up an internal control reporting system with a corresponding report channel to ensure smooth communication between the Company and the Directors.

With the assistance of the Audit Committee, the Board has assessed the effectiveness of the risk management and internal control systems by reviewing the management reports and internal audit findings, and believes that the Company’s risk management internal control systems for the year ended 31 December 2016 are effective and adequate.

J. Rights of Shareholders

Pursuant to the Articles of Association of the Company, shareholder(s) holding 10% or more of the Company’s outstanding issued shares carrying voting rights may request in writing the convening of an extraordinary general meeting. The Board shall convene an extraordinary general meeting within 2 months and include the proposals put forward by the requisitioner(s) in the agenda of the meeting. If the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within ten days after receiving such proposal, the shareholders severally or jointly holding 10% or more of the Company’s shares may propose to the Supervisory Committee the convening of such extraordinary general meeting in writing. If the Supervisory Committee agrees to convene the extraordinary general meeting, the notice of convening the general meeting shall be issued within five days after receiving such request. Failure of the Supervisory Committee to issue a notice of general meeting within the stipulated period shall be deemed as the failure of the Supervisory Committee to convene and preside over a general meeting, and the shareholders severally or jointly holding 10% or more of the Company’s shares for more than ninety consecutive days shall be entitled to convene and preside over the meeting on an unilateral basis. Whenever the Company convenes a general meeting shareholder(s) severally or jointly holding more than 3% of the total number of the Company’s shares shall have the right to propose motions in writing to the Company. Motions may be proposed as an ex tempore motion ten days prior to the general meeting by submitting the same to the convener in writing.

The shareholders of the Company shall have the right to obtain relevant information and documents of the Company in accordance with the provisions of the Articles of Associations of the Company, including the right to obtain a copy of the Articles of Association of the Company subject to payment of relevant costs, and the right to inspect and copy, subject to payment of a reasonable fee, the Company’s register of members, minutes of general meetings, and financial accountants reports of the Company.

The Articles of Association of the Company set forth all the rights of shareholders of the Company, including those rights which have been mentioned above. The Company has taken necessary steps to comply with all provisions of the relevant laws, regulations and the Listing Rules to secure the rights of the shareholders.

Corporate Governance Report

The Company sets out the following contact details for the shareholders to communicate with the Company:

Secretary to the Board:	Mr. Wang Jilu	(Tel: 86-411-87599899)
Joint Company Secretary/qualified accountant:	Mr. Lee Kin Yu, Arthur	(Tel: 852-53774873)
		(Fax: 86-411-87599854)
Company website: www.dlport.cn		
E-Mail: ir@dlport.cn		

K. Investor Relations

1. Amendments to the articles of association of the Company

The Company's annual general meeting of 2015 was held on 28 June 2016 to consider and approve the amendments to the Articles of Association of the Company as follows:

Paragraph 1 of Article 113 of the Article of Association to be amended as follows:

A general meeting shall be presided over and chaired by the Chairman of the Board. If the Chairman is unable or fails to perform such duties, the two Vice Chairmen shall negotiate and determine any one of them to preside over and chair the meeting. If the two Vice Chairmen are unable to reach an unanimous agreement, one of two Vice Chairmen to be elected by more than one half of the directors shall preside over and chair the meeting; if the two Vice Chairmen are unable or fail to perform such duties, a director to be elected by more than one half of the directors shall preside over and chair the meeting on behalf of the Vice Chairmen; if no chairman of the meeting has been designated or is able to be elected by more than one half of the directors, shareholders so present at the meeting shall elect one director to preside over and chair the meeting. Where the shareholders fail to elect a chairman for any reasons, the shareholders (including his proxy) present in person or by proxy who holds the greatest number of shares carrying the voting rights thereat shall be the chairman of the meeting.

Paragraph 1 of Article 161 of the Article of Association to be amended as follows:

The Company shall establish the Board, which shall be accountable to and report to the general meeting. The Board shall consist of nine directors, three of which are independent directors. The Board shall have one chairman and two vice chairmen.

Paragraph 2 of Article 167 of the Article of Association to be amended as follows:

The Vice Chairman of the Company shall assist the Chairman in his performing his duties. If the Chairman is unable or fails to perform his duties, the two Vice Chairmen shall negotiate and determine one of them to perform such duties. If the two Vice Chairmen are unable to reach an unanimous agreement, one of the two Vice Chairmen to be elected by more than one half of the directors shall perform duties of the Chairman; if the two Vice Chairmen are unable or fail to perform such duties, a director elected by more than one half of the directors shall perform such duties.

Corporate Governance Report

Paragraph 3 of Article 169 of the Article of Association to be amended as follows:

The Chairman of the Board shall convene and preside over a board meeting within ten days after receiving such proposal. If the Chairman is unable or fails to perform his duties, the two Vice Chairmen shall negotiate and determine one of them to perform such duties. If the two Vice Chairmen are unable to reach an unanimous agreement, one of the two Vice Chairmen to be elected by more than one half of the directors shall perform duties of the Chairman; if the two Vice Chairmen are unable or fail to perform such duties, a director elected by more than one half of the directors shall convene and preside over the meeting.

Article 21 of the Article of Association to be amended as follows:

Upon approval by the competent securities authorities of the State Council, the Company has initially issued 966,000,000 shares (including the over-allotted shares) subsequent to its establishment, representing 33.01% of the total number of ordinary shares that may be issued by the Company. The structure of the Company's share capital was as follow: 2,926,000,000 ordinary shares, in which an aggregate of 1,863,400,000 shares were held by the promoters of the Company, namely 大連港集團有限公司 (Dalian Port Corporation Limited), 大連融達投資有限責任公司 (Dalian Rongda Investment Company Limited), 大連海泰控股有限公司 (Dalian Haitai Holdings Company Limited), 大連德泰控股有限公司 (Dalian Detai Holdings Company Limited) and 大連保稅正通有限公司 (Dalian Bonded Zhengtong Company Limited), representing 63.68% of the total number of issued ordinary shares of the Company; and 1,062,600,000 shares were held by holders of the overseas listed foreign shares, representing 36.32% of the total number of issued ordinary shares of the Company. Upon approval by the competent securities authorities of the State Council, the Company, subsequent to its establishment, issued initially 1,500,000,000 domestically listed domestic shares, representing 33.89% of the total number of ordinary shares that may be issued by the Company. Upon entire 1,863,400,000 outstanding domestic shares' (not yet listed or traded) being approved for listing and trading on Shanghai Stock Exchange, the structure of the Company's share capital is as follow: 4,426,000,000 ordinary shares, in which an aggregate of 2,451,580,000 restricted A shares are held by the promoters of the Company, namely 大連港集團有限公司 (Dalian Port Corporation Limited), 大連融達投資有限責任公司 (Dalian Rongda Investment Company Limited), 大連海泰控股有限公司 (Dalian Haitai Holdings Company Limited), 大連德泰控股有限公司 (Dalian Detai Holdings Company Limited) and 大連保稅正通有限公司 (Dalian Bonded Zhengtong Company Limited), representing 55.39% of the total number of issued ordinary shares of the Company; 492,820,000 restricted A shares and 419,000,000 unrestricted A shares are held by holders, other than the promoters, of the domestically listed domestic shares, representing 20.60% of the total number of issued ordinary shares of the Company; and 1,062,600,000 H Shares are held by holders of the overseas listed foreign investor shares, representing 24.01% of the total number of issued ordinary shares of the Company.

Upon the approval of the securities regulatory authority under the State Council, the Company issued 1,180,320,000 ordinary shares by way of private placement in 2016, all of which are overseas listed foreign shares. Upon the private placement of H Shares of the Company (first tranche placing) as stated in the preceding paragraph, the shareholding structure of the Company shall be as follows: 5,606,320,000 ordinary shares, of which 3,363,400,000 A Shares held by domestic shareholders, representing 59.99% of the total ordinary shares of the Company in issue; and 2,242,920,000 H Shares held by overseas shareholders, representing 40.01% of the total ordinary shares of the Company in issue.

Corporate Governance Report

Upon the approval by the shareholders at the 2015 annual general meeting, based on the initial share capital of a total of 5,606,320,000 shares in 2015, the Company made a dividend bonus issue of new shares on the basis of three (3) bonus shares (including tax) per ten (10) existing shares. At the same time, the Company also made another bonus issue of new shares by way of conversion of capital reserve of the Company on the basis of ten (10) shares for every ten (10) existing shares; after such dividend bonus issue and the issue of new shares by way of conversion of capital reserve, the structure of the Company's share capital was as follow: 12,894,535,999 ordinary shares, including 7,735,820,000 A Shares of which 5,369,367,462 A Shares were held by the promoters of the Company, namely 大連港集團有限公司 (Dalian Port Corporation Limited), 大連海泰控股有限公司 (Dalian Haitai Holdings Company Limited), 大連德泰控股有限公司 (Dalian Detai Holdings Company Limited) and 大連保稅正通有限公司 (Dalian Bonded Zhengtong Company Limited), representing 41.64% of the total number of issued ordinary shares of the Company, and such shares are unrestricted A Shares; among which apart from the unrestricted A Shares held by the promoters, 2,366,452,538 unrestricted A shares were held by holders of the domestically listed domestic shares, representing 18.35% of the total number of issued ordinary shares of the Company; 5,158,715,999 H shares were held by holders of the overseas listed foreign investor shares, representing 40.01% of the total number of issued ordinary shares of the Company; among which 2,714,736,000 H Shares are restricted shares, representing 21.05% of the total number of issued ordinary shares of the Company; and 2,443,979,999 H Shares are unrestricted shares, representing 18.95% of the total number of issued ordinary shares of the Company. The restricted A Shares, unrestricted A Shares and H Shares as mentioned above shall rank pari passu in respect of entitlements to dividends and other forms of distributions without priority or seniority.

2. Convening of General Meetings

During the reporting year, two extraordinary general meetings and one annual general meeting had been convened by the Company.

For details of resolutions being considered in the aforesaid meetings and the poll results of the resolutions, please refer to relevant announcements published on the websites of the Shanghai Stock Exchange, the Stock Exchange of Hong Kong and the Company.

Profiles of Directors, Supervisors and Senior Management

The profiles of the directors, supervisors and senior management of the Company as at the date of this report are as follows:

Directors:

Mr. Zhang Yiming (張乙明先生), born in 1964, Chinese, held various positions in the past, including the deputy director of the Dalian Electric Porcelain Factory (大連電瓷廠副廠長), the assistant of the Dalian Mechanical & Industrial Department of the Electric Equipment Industrial Management Bureau (大連市機械工業管理局局長助理), the assistant director and deputy director of the Dalian Economic and Trade Committee of the Dalian Municipal Government (大連市經濟貿易委員會主任助理、副主任), the deputy secretary-general of the People's Government of Dalian Municipality (大連市人民政府副秘書長), the deputy secretary of the Pulandian Municipal Committee (遼寧省普蘭店市市委副書記), the mayor of the Pulandian Municipal People's Government (普蘭店市人民政府市長), the deputy secretary of the Dalian Puwan New Area's Party Working Committee and the deputy director of the Committee's Management Board (大連普灣新區黨工委副書記、管委會副主任), the director (secretary) and Party secretary of the Dalian Economic and Information Technology Committee (Dalian Municipal Small and Medium Enterprises Bureau) (大連市經濟和信息化委員會(大連市中小企業局)主任(局長)、黨委書記). Mr. Zhang is currently the chairman of the board and deputy Party secretary of Dalian Port Corporation Limited (大連港集團有限公司) and now he is the chairman of the board of Dalian Port (PDA) Company Limited. Mr. Zhang graduated from Tianjin University with a bachelor degree in inorganic non-metallic materials engineering and a master degree in engineering. Mr. Zhang also obtained a Ph.D. in management from Dalian University of Technology and is a senior engineer

Mr. Xu Song (徐頌先生), born in 1972, Chinese, held various positions in the past, including the Deputy Chief of the Comprehensive Department of Dalian Port Investment and Development Company Limited; the Deputy Chief of the Business Development Department of Dalian Port Container Comprehensive Development Company; the Deputy General Manager of Dalian Port Logistics Network Co., Ltd.; the Deputy General Manager and the General Manager of Dalian Jifa Logistics Co., Ltd.; the General Manager of Dalian Port Container Co., Ltd.; and the Deputy General Manager of Dalian Port Corporation Limited, a director of Dalian Port Corporation Limited, a director and the general manager of Dalian Port (PDA) Company Limited, and currently serves as the chairman of the board and the general manager of Dalian Port Corporation Limited, as well as the vice-chairman of Dalian Port (PDA) Company Limited. Mr. Xu has obtained a bachelor degree from Huazhong University of Science and Technology majoring in material management, a master degree from Dongbei University of Finance and Economics majoring in business administration, a master degree from Coventry University majoring in international business management and a doctor degree from Dalian Maritime University majoring the transportation planning and management. Mr. Xu is a senior economist.

Mr. Bai Jingtao (白景濤先生), born in 1965, Chinese, held various positions in the past, including the Deputy Director and Director of the Infrastructure Management Department and Water Transport Department of the Ministry of Communications, the Deputy General Manager of China Merchants Zhangzhou Development Zone, the Director of Zhangzhou Port Service Authority, the Deputy Director of Xiamen Port Authority, the Deputy General Director of Construction headquarters of Haicang Free Trade Port Area, the Deputy General Manager of the Company, the Party Secretary and Deputy Director of Zhangzhou China Merchants Economic and Technological Development Zone and the Party Secretary and General Manager of China Merchants Zhangzhou Development Zone. He currently serves as Managing Director of China Merchants Port Holdings Co., Ltd., Chairman of CMH International (China) Investment Co., Ltd. (招商局國際(中國)投資有限公司), Shekou Container Terminals Ltd. and Chiwan Container Terminal Co., Ltd., and Vice Chairman of Dalian Port (PDA) Company Limited. Mr. Bai obtained a bachelor degree in Harbour and Waterway Engineering from Tianjin University, a master degree in Management Science and Engineering from Wuhan University of Technology, and a doctor degree in Transportation Planning and Management from Shanghai Maritime University, and he is professor level senior engineer. Mr. Bai has extensive experience in port management and the engineering construction, planning and management of water transport.

Profiles of Directors, Supervisors and Senior Management

Mr. Zheng Shaoping (鄭少平先生), born in 1963, Chinese, held various positions in the past, including the Vice Chairman of China Merchants Bonded Logistics Co., Ltd., the Chairman of Shekou Container Terminals Ltd., the General Manager and Chairman of Chiwan Container Terminal Co., Ltd., the General Manager and Chairman of Shenzhen Chiwan Harbour Container Co., Ltd. and the Managing Director and Chairman of Shenzhen Chiwan Wharf Holdings Limited. He currently serves as Executive Director and Deputy General Manager of China Merchants Port Holdings Limited and Director of Dalian Port (PDA) Company Limited. Mr. Zheng obtained a master degree in International Maritime Law from Dalian Maritime University and a master degree in Business Management from University of Wales. Mr. Zheng has over 20 years' experience in the field of port management.

Mr. Yin Shihui (尹世輝先生), born in 1969, Chinese, acted as an assistant director and deputy director of the department of operations of Port of Dalian Authority. He was also the deputy manager, manager, party secretary and secretary for discipline inspection of Dalian Port Xianglujiao Stevedoring Company, director of operation department of Dalian Port Corporation Limited, the general manager and party secretary of Dalian Port General Cargo Terminals Company, and an assistant to the general manager and deputy chief accountant of Dalian Port Corporation Limited. He now serves as the deputy general manager of Dalian Port Corporation Limited and a director of Dalian Port (PDA) Company Limited. Mr. Yin graduated from Renmin University of China with a bachelor degree in Law. He is a senior specialist in logistics.

Mr. Wei Minghui (魏明暉先生), born in 1969, Chinese, held various positions in the past, including the deputy director of the Shenyang office of Dalian Port Freight Centre, the secretary of the Secretarial Office of Port of Dalian Authority, the deputy director of Dalian Port Freight Centre, the general manager of Dalian Port (PDA) Company Limited's Automotive Logistics Division, the general manager of Dalian Automobile Terminal Co., Ltd. and a branch secretary of the Party Committee. He is currently a director and the general manager of Dalian Port (PDA) Company Limited. Mr. Wei graduated from Dalian Maritime University with a master degree in transportation planning and management and is a senior specialist in logistics.

Mr. Wan Kam To, Peter (尹錦滔先生), born in 1953, Chinese national with Hong Kong residency, an independent non-executive Director of the Company. Mr. Wan has been a practicing accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, advisory and management. He was a former partner of PricewaterhouseCoopers Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and The Hong Kong Institute of Directors.

Wang Zhifeng (王志峰先生), born in 1955, Chinese, an independent non-executive Director of the Company, served as the head and the Secretary of the Communist Party Committee of Dalian Branch of the Agricultural Bank, and a supervisor of ABC Financial Leasing Co., Ltd. He is currently the senior specialist of assets and liabilities department of the head office of Agricultural Bank of China Limited. Mr. Wang graduated from Shenyang Agricultural College with a master degree in economic management, and is currently a senior economist.

Mr. Sun Xiyun (孫喜運先生), born in 1951, Chinese, an independent non-executive Director of the Company. Mr. Sun is the former party secretary of Dalian Locomotive & Rolling Stock Factory Co., Ltd. (大連機車車輛廠(有限公司)) and was the chairman, general manager, party secretary of Dalian Locomotive & Rolling Stock Co., Ltd. (大連機車車輛有限公司) and the president assistant at the headquarters of China CNR Corporation (中國北車集團) of Dalian. He is currently the vice-president of association for science and technology of China CNR Corporation. Mr. Sun holds an EMBA from the Faculty of Management and Economics of Dalian University of Technology and is a senior engineer at the professor level.

Profiles of Directors, Supervisors and Senior Management

Supervisors:

Mr. Jia Wenjun (賈文軍先生), born in 1974, Chinese. Mr. Jia was the head of audit verification department of Liaoning Dongzheng Accounting Firms (遼寧東正會計師事務所) and prior to that, worked in Dalian Regulatory Bureau under China Securities Regulatory Commission, business section I of inspectors under China Securities Regulatory Commission in Shenzhen and acted as the deputy chief of the listed companies' supervision division and the investigation division of Dalian Regulatory Bureau under China Securities Regulatory Commission. He is currently the chief accountant of Dalian Port Corporation Limited and a supervisor of Dalian Port (PDA) Company Limited. Mr. Jia graduated from Dongbei University of Finance and Economics with a master degree in accounting. He is an CPA and CPV.

Mr. Qi Yue (齊嶽先生), born in 1972, held various positions in the past, including the Senior Manager of the International Engineering Department of China Merchants, the Assistant to General Manager of China Merchants Zhangzhou Wharf (漳州招商局碼頭) and the Deputy General Manager of Shenzhen Haiqin Project Management Co., Ltd.. He currently serves as the Deputy General Manager of the Investment and Development Department of China Merchants Port Holdings Co., Ltd. and the Supervisor of Dalian Port (PDA) Company Limited. Mr. Qi obtained a bachelor degree in Harbour and Waterway Engineering from Dalian University of Technology and a MBA degree from Tsinghua University. He has 20 years' management experience in the construction, management and investment of harbours.

Mr. Kong Xianjing (孔憲京先生), born in 1952, Chinese, the independent supervisor of the Company. Mr. Kong is currently a professor of the Institute of Earthquake Engineering under the School of Hydraulic Engineering of Dalian University of Technology and an instructor of PhD candidates. He led and completed around 30 national projects sponsored by the National Natural Science Fund of China, Key Projects of Ministry of Education, and Research Fund for the Doctoral Program of Higher Education of Ministry of Education and National Key Scientific Projects. He received two second award of the National Prize for Progress in Science and Technology, one third award of the National Prize for Progress in Science and Technology, three first award of the Provincial Prize for Progress in Science and Technology and five other science and technology prizes. He took part in preparation and revision of six national and industrial standards, owned eight licensed software copyrights and published over 160 papers. He has been named and awarded with a number of honorary titles, including as one of "the Hundred Outstanding Young Scientists in Dalian City", "the Young Workers of Advanced Science and Technology in Liaoning Province", "Outstanding Overseas Studies Returnees", "Outstanding Experts in Dalian City" and "First Batch of Distinguish Experts in Dalian City". He has enjoyed the government special allowance since 1998. Mr. Kong graduated from hydraulic structure major in Dalian University of Technology with post-graduate attainment and obtained a doctor degree.

Mr. Jiao Yingguang (焦迎光先生), born in 1967, Chinese. Mr. Jiao held various positions including deputy chief of the shipping and commerce division under the business department of Port of Dalian Authority, deputy chief of the business department of Port of Dalian Authority, deputy general manager of Dalian Port General Cargo Terminals Company, deputy general manager of Dalian Port Corporation (Jinzhou) Liaoxi Port Investment and Development Co., Ltd., deputy director of operation department of Dalian Port Corporation Limited, deputy director of operation department of Dalian Port (PDA) Company Limited, director of operation department and head of customer service centre of Dalian Port (PDA) Company Limited, and general manager of Dalian Portnet Co., Ltd.. Mr Jiao, currently serves as the staff supervisor and head of production planning center of Dalian Port (PDA) Company Limited. Mr. Jiao graduated from Wuhan Institute of Water Transportation Engineering with a bachelor degree in Transportation Management. He is a senior specialist in logistics.

Ms. Zhao Rong (趙蓉女士), born in 1968, Chinese, Ms. Zhao held various positions with PDA since then, including the financial controller of the Dalian Port Freight Centre, the head of the Finance Division of Dalian Port Dayaowan Stevedoring Company, the accounting head of the planning and financing department of PDA, deputy director of the risk management department of PDA, deputy head of the audit management center of PDA and chief financial controller of the Dalian Port Real Estate Co., Ltd. and the director of audit management center of Dalian Port (PDA) Company Limited. Ms. Zhao is currently a staff supervisor. Ms. Zhao graduated from the Central Radio and TV University with a bachelor degree in accounting. She is a senior accountant.

Profiles of Directors, Supervisors and Senior Management

Senior Management:

Mr. Wang Tiefu (王鐵夫先生), born in 1964, Chinese. He previously served as the deputy manager of Dalian Port Dalian Bay Stevedoring Company, the deputy director of the coordination office of Port of Dalian Authority, the deputy general manager of Dalian United International Shipping Agency, the deputy chief of the business department of Port of Dalian Authority, the deputy director (oversight of tasks) of Dalian Port Freight Development and Service Center, the manager of Dalian Port Ore Terminal Company (大連港礦石碼頭公司), the assistant to the general manager of Dalian Port Corporation Limited, the chairman of the board of directors of Ningde Port Development Limited Company (寧德港口發展有限公司), the director of Fujian Ninglian Port Co., Ltd., the general manager of North Yellow Sea Port Cooperation Management Company (北黃海港口合作管理公司), the deputy team leader of the preparation team for the Coastal New City at the Taiping Bay of Dalian Port (大連港太平灣臨港新城), the team leader of the preparation team for the Coastal New City at the Taiping Bay of Dalian Port, the deputy general manager of Dalian Port (PDA) Company Limited, the general manager of Changxing Island Investment Development Co., Ltd., the general manager of Dalian Port General Cargo Terminals Company. He is currently the deputy general manager of Dalian Port (PDA) Company Limited and general manager of Dalian Port Bulk Cargo Terminal Co., Ltd.(大連港散雜貨碼頭公司) Mr. Wang obtained a bachelor degree in economics from Fudan University, majoring in domestic economics and management. He is senior specialist in logistics.

Mr. Sun Benye (孫本業先生), born in 1967, Chinese. He held the positions of the deputy head (deputy commissioner) of the organization division (human resources department) of the Party Committee of Port of Dalian Authority, the head of Party Committee office of Port of Dalian Authority, the head of general office and Party Committee office of Port of Dalian Authority, the head of general office of PDA, the party secretary and secretary to disciplinary committee of Dalian Port Dalian Bay Stevedoring Company, the general manager of Dalian Port Railway Company, the chief of Corporate Development Department of PDA, the deputy chief economist and the chief of Corporate Development Department of PDA, the chief of Corporate Management Department of the Company. He is currently the deputy general manager of Dalian Port (PDA) Company Limited and general manager of Dalian Changxing Island Port Investment Development Co., Ltd.. Mr. Sun obtained a master degree in business administration from Dongbei University of Finance and Economics. He is a senior specialist in political.

Mr. Wang Jilu (王職璐先生), born in 1976, Chinese. He previously served as the project manager of the investment banking division and the senior manager of mergers and acquisitions division at GF Securities Co., Ltd. and the deputy director of the listing office at Dalian Port Corporation Limited. He currently serves as the deputy general manager and secretary to the board of Dalian Port (PDA) Company Limited. Mr. Wang graduated from Dongbei University of Finance and Economics with a master degree.

Ms. Wang Ping (王萍女士), born in 1969, Chinese. She previously served as the deputy head of statistical department of the planning and financing department of Dalian Port Group Company Limited, accounting manager and the deputy head of the finance department of Dalian Port (PDA) Company Limited., the deputy head of the planning and financing department of Dalian Port Group Company Limited., the deputy head of the finance department of Dalian Port (PDA) Company Limited., the chief financial officer of Dalian Harbour City Construction Development Company Limited and the chief financial officer of Dalian Port Container Development Company Limited. Ms. Wang obtained a bachelor degree in transportation management major from the Wuhan University of Water Transportation Engineering. She is senior accountants, certified accountants.

Mr. Lee Kin Yu, Arthur (李健儒先生), born in 1959, Chinese national with Hong Kong residency, the qualified accountant and a joint company secretary of the Company. Mr. Lee has been a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants since 1993. He graduated from the Chinese University of Hong Kong with a bachelor degree in Arts and the Illinois State University with a master degree in Science. Mr. Lee has over 20 years' experience in mergers and acquisitions, accounting, auditing and corporate finance.

Independent Auditor's Report

(English translation for reference only)

PwC ZT Shen Zi (2017) No. 10082

To the Shareholders of Dalian Port (PDA) Company Limited,

Opinion

What we have audited

We have audited the accompanying financial statements of Dalian Port (PDA) Company Limited (hereinafter "the Company"), which comprise:

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

Our opinion

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

Basis for Opinion

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

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

Key Audit Matters

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

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

- Impairment of accounts receivable
- Completeness of disclosure of related parties and related party transactions

Independent Auditor's Report (continued)

(English translation for reference only)

PwC ZT Shen Zi (2017) No. 10082

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of accounts receivable</p> <p>Refer to Note 2(29)(a) and Note 4(6) to the financial statements.</p> <p>As at 31 December 2016, the accounts receivable amounted to RMB658.71 million and provision amounted to RMB0.15 million.</p> <p>When assessing the recoverability of accounts receivable, management shall make a comprehensive consideration of aging of accounts receivable, lien of goods, the customer's past repayment history and current industry situation, etc.</p> <p>We focused on this area because the amount of the accounts receivable balance is significant and management made complex and significant judgement in assessment of impairment of accounts receivable.</p>	<p>We obtained the aging profile on accounts receivable as at 31 December 2016, and tested its accuracy by reconciling supporting records, such as accounting vouchers, invoices and etc.</p> <p>For accounts receivable past due, we obtained an understanding of the main debtors' information and management's assessment on the recoverability through our discussion with management, and performed the following procedures:</p> <ul style="list-style-type: none"> • Examined the historical and the subsequent settlement from the customers; • For accounts receivable guaranteed by lien on the goods stipulated in the contract, we performed physical inventories observation by sample basis and assessed the possibility of whether the market value of the detained goods could cover the balance of accounts receivable; • Obtained legal opinion on the lien and compensation priority of detained goods owned by the Company from lawyers, when necessary; • Obtained lawyer's judgement on the recoverability of accounts receivable, which involved law suits through lawyer confirmations. <p>We requested confirmations for major year end balances and reconciled the result with management account.</p> <p>For the customers with significant accounts receivable balance or receivables past due, we performed research on public available information to identify any inconsistency with the information management used in the assessment of impairment of accounts receivable.</p> <p>We compared publicly disclosed information of other domestic listed port companies to evaluate the overall rationality of the proportion of provision for bad debts to accounts receivable of the Company.</p> <p>Based on above procedures performed and the evidence obtained, we considered that the judgement made by the management in assessment of the impairment of accounts receivable is supportable.</p>

Independent Auditor's Report (continued)

(English translation for reference only)

PwC ZT Shen Zi (2017) No. 10082

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Completeness of the disclosure of related parties and related party transactions</p> <p>Refer to Notes 8 to the financial statements.</p> <p>As at 31 December 2016, the Company was involved in different types of related party transactions with significant amount.</p> <p>There have been numerous related parties and various related party transactions. As such, there is a risk that not all related parties and related party transactions are disclosed in the financial statements. In addition, the amount of related party transactions is significant, so we focused on the completeness of the disclosure of related parties and related party transactions.</p>	<p>We understood, evaluated and tested the Company's control procedures to identify and disclose related party relationships and transactions, e.g. periodically reviewed related parties list, reconciled balance and transactions with related parties and followed up on the variance, etc.</p> <p>We obtained a list of related parties from management, and performed the following procedures:</p> <ul style="list-style-type: none">• Reconciled it to the list of related parties from the financial system of the Company and information obtained through other public channels;• Inspected significant sales, purchase and other agreements that may indicate the existence of related party relationships that the Company had not previously identified or disclosed; <p>We obtained detailed listings of related party transactions and balance from management, and performed the following procedures:</p> <ul style="list-style-type: none">• Reconciled it to financial records;• Reviewed management's reconciliation result of related party transactions and balance on a sample basis;• Confirmed the related party transactions and balance on a sample basis. <p>Compared the aforesaid related party relationship, related party transactions and balance against financial information disclosed in the financial statements.</p> <p>Based on above procedures performed and the evidence obtained, we considered that the disclosure of related parties and related party transactions is supportable.</p>

Independent Auditor's Report (continued)

(English translation for reference only)

PwC ZT Shen Zi (2017) No. 10082

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report (continued)

(English translation for reference only)

PwC ZT Shen Zi (2017) No. 10082

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

PricewaterhouseCoopers Zhong Tian LLP

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

Consolidated Balance Sheet

As at 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

	Note	31 December 2016 Consolidated	31 December 2015 Consolidated
ASSETS			
Current assets			
Cash at bank and on hand	4(1)	6,741,279,123.84	2,933,297,517.35
Financial assets at fair value through profit or loss	4(2)	7,304,407.50	16,179,169.50
Notes receivable	4(3)	158,645,593.12	81,250,783.25
Accounts receivable	4(6)	658,558,980.91	821,726,759.91
Advances to suppliers	4(8)	256,592,966.84	310,199,461.71
Interest receivable	4(5)	26,268,705.14	10,165,145.48
Dividends receivable	4(4)	38,245,401.40	22,956,917.66
Other receivables	4(7)	315,286,763.19	968,861,537.41
Inventories	4(9)	451,326,094.61	936,271,014.10
Current portion of non-current assets	4(10)	–	65,820,000.00
Other current assets	4(11)	508,815,328.87	91,954,813.36
Total current assets		9,162,323,365.42	6,258,683,119.73
Non-current assets			
Available-for-sale financial assets	4(12)	155,844,671.60	154,014,686.92
Long-term receivables	4(13)	11,500,000.00	18,018,915.80
Long-term equity investments	4(14)	4,902,156,720.70	4,731,659,905.46
Investment properties	4(15)	645,455,657.62	663,610,456.30
Fixed assets	4(16)	13,974,066,537.95	14,333,551,893.37
Construction in progress	4(17)	1,616,008,035.15	1,837,213,589.39
Fixed assets pending for disposal	4(18)	2,682,824.71	3,100,470.31
Intangible assets	4(19)	1,090,143,242.15	881,523,132.83
Goodwill	4(20)	16,035,288.74	16,035,288.74
Long-term prepaid expenses	4(21)	53,726,901.82	52,028,185.59
Deferred tax assets	4(22)	74,929,025.62	61,839,973.50
Other non-current assets	4(23)	197,192,688.51	118,610,000.00
Total non-current assets		22,739,741,594.57	22,871,206,498.21
TOTAL ASSETS		31,902,064,959.99	29,129,889,617.94

Consolidated Balance Sheet (continued)

As at 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

	Note	31 December 2016 Consolidated	31 December 2015 Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	4(25)	499,427,798.80	601,694,492.83
Notes payable	4(26)	1,250,000.00	12,940,000.00
Accounts payable	4(27)	235,701,773.17	233,398,574.75
Advances from customers	4(28)	224,121,958.94	448,542,346.12
Employee benefits payable	4(29)	228,430,661.29	214,209,719.42
Taxes payable	4(30)	114,922,450.93	61,070,098.34
Interest payable	4(31)	164,961,241.06	143,719,858.67
Dividends payable	4(32)	76,661,039.64	67,388,950.20
Other payables	4(33)	516,421,553.09	585,807,063.52
Current portion of non-current liabilities	4(34)	1,047,523,521.42	527,771,479.16
Other current liabilities	4(35)	3,038,041,251.61	2,014,689,463.02
Total current liabilities		6,147,463,249.95	4,911,232,046.03
Non-current liabilities			
Long-term borrowings	4(36)	147,010,023.77	2,351,010,023.77
Bonds payable	4(37)	5,779,081,112.06	5,763,754,605.64
Long-term payables	4(38)	43,138,081.48	55,021,113.62
Deferred income	4(39)	565,971,998.11	565,081,808.69
Deferred tax liabilities	4(22)	13,843,600.37	11,731,632.17
Other non-current liabilities	4(40)	99,241,941.00	102,772,498.43
Total non-current liabilities		6,648,286,756.79	8,849,371,682.32
Total liabilities		12,795,750,006.74	13,760,603,728.35
Shareholders' equity			
Share capital	4(41)	12,894,535,999.00	4,426,000,000.00
Capital surplus	4(42)	2,930,944,685.96	6,117,565,754.62
Other comprehensive income	4(43)	47,375,566.99	27,023,577.28
Surplus reserve	4(44)	676,643,140.78	623,925,889.68
Special reserves		29,604,575.28	23,729,633.11
Undistributed profits	4(45)	1,194,212,957.96	2,820,227,405.53
Total equity attributable to shareholders of the Company		17,773,316,925.97	14,038,472,260.22
Minority interest	4(46)	1,332,998,027.28	1,330,813,629.37
Total shareholders' equity		19,106,314,953.25	15,369,285,889.59
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		31,902,064,959.99	29,129,889,617.94

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

Legal representative:
Zhong Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Consolidated Income Statement

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

Item	Note	2016 Consolidated	2015 Consolidated
1. Revenue	4(47)	12,814,483,861.14	8,886,167,093.15
Less: Cost of sales	4(47)	(11,427,061,819.61)	(7,431,655,456.89)
Taxes and surcharges	4(48)	(44,221,171.59)	(41,221,065.09)
Selling and distribution expenses	4(49)	(895,738.53)	(1,457,374.14)
General and administrative expenses	4(50)	(663,365,001.90)	(622,366,106.34)
Financial expenses – net	4(51)	(256,884,038.08)	(520,637,995.03)
Asset impairment losses	4(55)	(5,944,350.81)	10,000.00
Add: Profit arising from changes in fair value	4(53)	769,834.97	2,950,982.93
Investment income	4(54)	181,161,310.22	189,328,170.46
Including: Share of profit of associates and joint ventures		162,831,714.95	120,705,350.12
2. Operating profit		598,042,885.81	461,118,249.05
Add: Non-operating income	4(56)	183,589,513.59	274,916,120.86
Including: Gains on disposal of non-current assets		14,111,708.14	358,780.48
Less: Non-operating expenses	4(57)	(3,619,448.44)	(6,289,477.91)
Including: Losses on disposal of non-current assets		(2,951,100.33)	(2,223,447.08)
3. Total profit		778,012,950.96	729,744,892.00
Less: Income tax expenses	4(58)	(165,330,007.50)	(160,606,843.64)
4. Net profit		612,682,943.46	569,138,048.36
Including: Net profit of the combined party in a business combination involving enterprises under common control before the combination date		–	(303,767.46)
Attributable to shareholders of the Company		531,012,717.43	484,333,281.47
Minority interests		81,670,226.03	84,804,766.89

Consolidated Income Statement (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

Item	Note	2016 Consolidated	2015 Consolidated
5. Other comprehensive income, net of tax	4(43)	20,351,989.71	19,900,196.56
Attributable to shareholders of the company, net of tax		20,351,989.71	19,900,196.56
Items that will be subsequently reclassified to profit or loss			
• Shares of other comprehensive income of the investee accounted for using equity method that will be subsequently reclassified to profit or loss		-	1,079,120.55
• Gains or losses arising from changes in fair value of available-for-sale financial assets		(1,005,613.48)	(2,612,183.95)
• Differences on translation of foreign currency financial statements		21,357,603.19	21,433,259.96
Attributable to minority interests		-	-
6. Total comprehensive income		633,034,933.17	589,038,244.92
Attributable to shareholders of the Company		551,364,707.14	504,233,478.03
Attributable to minority interests		81,670,226.03	84,804,766.89
7. Earnings per share	4(59)		
Basic earnings per share (RMB Yuan)		0.04	0.05
Diluted earnings per share (RMB Yuan)		0.04	0.05

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

Item	Note	2016 Consolidated	2015 Consolidated
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		14,119,230,537.30	9,959,976,314.56
Refund of taxes and surcharges		2,155,613.50	486,172.24
Cash received relating to other operating activities	4(60)(a)	467,639,114.98	516,196,340.95
Sub-total of cash inflows from operating activities		14,589,025,265.78	10,476,658,827.75
Cash paid for goods and services		(10,478,914,175.57)	(6,450,689,722.44)
Cash paid to and on behalf of employees		(1,451,693,517.29)	(1,420,626,280.57)
Payments of taxes and surcharges		(324,557,640.32)	(375,156,634.86)
Cash paid relating to other operating activities	4(60)(b)	(267,475,972.29)	(299,487,835.09)
Sub-total of cash outflows from operating activities		(12,522,641,305.47)	(8,545,960,472.96)
Net cash flows from operating activities	4(61)(a)	2,066,383,960.31	1,930,698,354.79
2. Cash flows from investing activities			
Cash received from disposal of investments		2,059,838,537.55	1,519,616,847.47
Cash received from returns on investments		80,561,132.96	133,212,771.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		22,676,160.49	3,124,857.57
Cash received relating to other investing activities	4(60)(c)	924,674,659.46	198,940,587.21
Sub-total of cash inflows from investing activities		3,087,750,490.46	1,854,895,063.34
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(555,798,422.04)	(1,013,395,628.44)
Cash paid to acquire investments		(2,390,764,638.14)	(1,832,387,460.55)
Cash paid relating to other investing activities	4(60)(d)	(547,900,934.30)	(695,907,516.74)
Sub-total of cash outflows from investing activities		(3,494,463,994.48)	(3,541,690,605.73)
Net cash flows from investing activities		(406,713,504.02)	(1,686,795,542.39)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

Item	Note	2016 Consolidated	2015 Consolidated
3. Cash flows from financing activities			
Cash received from capital contributions		3,606,890,783.11	58,296,800.31
Including: Cash received from capital contributions by minority shareholders of subsidiaries		9,800,000.00	58,296,800.31
Cash received from borrowings		2,195,891,047.54	2,484,707,752.63
Cash received from issuance of bonds		3,000,000,000.00	2,800,000,000.00
Cash received relating to other financing activities	4(60)(e)	9,800,000.00	40,071,900.00
Sub-total of cash inflows from financing activities		8,812,581,830.65	5,383,076,452.94
Cash repayments of borrowings		(6,100,430,474.82)	(4,314,024,735.59)
Cash payments for interest expenses and distribution of dividends or profits		(904,573,348.35)	(798,066,451.10)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(77,644,577.28)	(90,226,371.37)
Cash payments relating to other financing activities	4(60)(f)	(42,698,474.38)	(37,061,613.07)
Sub-total of cash outflows from financing activities		(7,047,702,297.55)	(5,149,152,799.76)
Net cash flows from financing activities		1,764,879,533.10	233,923,653.18
4. Effect of foreign exchange rate changes on cash and cash equivalents		222,609,914.76	4,026,127.15
5. Net increase in cash and cash equivalents		3,647,159,904.15	481,852,592.73
Add: Cash and cash equivalents at beginning of year	4(61)(a)	2,728,928,183.51	2,247,075,590.78
6. Cash and cash equivalents at end of year	4(61)(a)	6,376,088,087.66	2,728,928,183.51

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

Item	Note	Attributable to Shareholders of the Company							Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Special reserve	Undistributed profits	Minority interests	
Balance at 31 December 2014		4,426,000,000.00	6,122,277,019.87	7,123,380.72	579,682,823.85	16,354,483.20	2,559,058,167.36	1,273,510,752.83	14,984,006,627.83
Balance at 1 January 2015		4,426,000,000.00	6,122,277,019.87	7,123,380.72	579,682,823.85	16,354,483.20	2,559,058,167.36	1,273,510,752.83	14,984,006,627.83
Total comprehensive income		-	-	19,900,196.56	-	-	484,333,281.47	84,804,766.89	589,038,244.92
Net profit		-	-	-	-	-	484,333,281.47	84,804,766.89	569,138,048.36
Other comprehensive income	4(43)	-	-	19,900,196.56	-	-	-	-	19,900,196.56
Capital contribution and withdrawal by shareholders		-	2,116.31	-	-	-	-	58,294,684.00	58,296,800.31
Establishment of subsidiaries		-	-	-	-	-	-	18,350,000.00	18,350,000.00
Disposal of minority interests		-	-	-	-	-	-	28,000,000.00	28,000,000.00
Subscribed capital contribution by minority equity owners		-	2,116.31	-	-	-	-	11,944,684.00	11,946,800.31
Profit distribution	4(45)	-	-	-	44,243,065.83	-	(223,164,043.30)	(86,098,209.42)	(265,019,186.89)
Appropriation to surplus reserves		-	-	-	44,243,065.83	-	(44,243,065.83)	-	-
Profit distribution to shareholders		-	-	-	-	-	(177,040,000.00)	(84,500,867.30)	(261,540,867.30)
Appropriation to employee bonus and welfare fund		-	-	-	-	-	(1,880,977.47)	(1,597,342.12)	(3,478,319.59)
Special reserve		-	-	-	-	7,375,149.91	-	301,635.07	7,676,784.98
Accrued in the current year		-	-	-	-	29,515,913.50	-	2,690,234.65	32,206,148.15
Utilised in the current year		-	-	-	-	(22,140,763.59)	-	(2,388,599.58)	(24,529,363.17)
Others	4(42)	-	(4,713,381.56)	-	-	-	-	-	(4,713,381.56)
Balance at 31 December 2015		4,426,000,000.00	6,117,565,754.62	27,023,577.28	623,925,889.68	23,729,633.11	2,820,227,405.53	1,330,813,629.37	15,369,285,889.59
Balance at 1 January 2016		4,426,000,000.00	6,117,565,754.62	27,023,577.28	623,925,889.68	23,729,633.11	2,820,227,405.53	1,330,813,629.37	15,369,285,889.59
Total comprehensive income		-	-	20,351,989.71	-	-	531,012,717.43	81,670,226.03	633,034,933.17
Net profit		-	-	-	-	-	531,012,717.43	81,670,226.03	612,682,943.46
Other comprehensive income	4(43)	-	-	20,351,989.71	-	-	-	-	20,351,989.71
Capital contribution and withdrawal by shareholders		1,180,320,000.00	2,414,740,391.95	-	-	-	-	8,532,305.91	3,603,592,697.86
Establishment of subsidiaries		-	-	-	-	-	-	9,800,000.00	9,800,000.00
Capital contribution by shareholders	4(41)	1,180,320,000.00	2,413,472,697.86	-	-	-	-	-	3,593,792,697.86
Disposal of minority interests	4(42)	-	1,267,694.09	-	-	-	-	(1,267,694.09)	-
Profit distribution	4(45)	-	-	-	52,717,251.10	-	(475,131,166.00)	(88,497,241.70)	(510,911,156.60)
Appropriation to surplus reserves		-	-	-	52,717,251.10	-	(52,717,251.10)	-	-
Profit distribution to shareholders		-	-	-	-	-	(420,474,000.00)	(86,916,666.72)	(507,390,666.72)
Appropriation to employee bonus and welfare fund		-	-	-	-	-	(1,939,914.90)	(1,580,574.98)	(3,520,489.88)
Transfer within shareholders' equity	4(41)	7,288,215,999.00	(5,606,320,000.00)	-	-	-	(1,681,895,999.00)	-	-
Transfer from capital surplus to share capital		5,606,320,000.00	(5,606,320,000.00)	-	-	-	-	-	-
Bonus share		1,681,895,999.00	-	-	-	-	(1,681,895,999.00)	-	-
Special reserve		-	-	-	-	5,874,942.17	-	479,107.67	6,354,049.84
Accrued in the current year		-	-	-	-	27,391,190.30	-	2,700,258.13	30,091,448.43
Utilised in the current year		-	-	-	-	(21,516,248.13)	-	(2,221,150.46)	(23,737,398.59)
Others	4(42)	-	4,958,539.39	-	-	-	-	-	4,958,539.39
Balance at 31 December 2016		12,894,535,999.00	2,930,944,685.96	47,375,566.99	676,643,140.78	29,604,575.28	1,194,212,957.96	1,332,998,027.28	19,106,314,953.25

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Company Balance Sheet

As at 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

	Note	31 December 2016 Company	31 December 2015 Company
ASSETS			
Current assets			
Cash at bank and on hand		4,490,888,768.04	762,617,453.11
Financial assets at fair value through profit or loss	17(1)	5,425,002.50	16,179,169.50
Notes receivable		145,232,088.33	70,752,136.53
Accounts receivable	17(2)	449,565,633.45	604,181,704.13
Advances to suppliers		7,369,685.66	8,455,263.12
Interest receivable		21,243,693.93	9,284,624.89
Dividends receivable		740,401,171.58	632,101,224.04
Other receivables	17(3)	190,868,135.13	699,598,239.30
Inventories		46,191,556.39	48,611,513.93
Current portion of non-current assets		600,000,000.00	65,820,000.00
Other current assets		455,784,019.32	1,325,794.87
Total current assets		7,152,969,754.33	2,918,927,123.42
Non-current assets			
Available-for-sale financial assets	17(4)	14,667,057.50	13,900,057.50
Long-term receivables		130,000,000.00	1,110,000,000.00
Long-term equity investments	17(5)	7,591,701,915.12	7,582,403,325.00
Fixed assets	17(6)	10,966,192,062.32	11,186,682,178.80
Construction in progress	17(7)	1,414,006,013.32	1,485,645,240.06
Fixed assets pending for disposal		2,669,061.99	3,100,470.31
Intangible assets	17(8)	439,892,583.78	430,005,207.59
Long-term prepaid expenses		24,047,150.86	20,798,333.44
Deferred tax assets		14,532,771.02	2,600,895.71
Other non-current assets		126,192,418.40	118,610,000.00
Total non-current assets		20,723,901,034.31	21,953,745,708.41
TOTAL ASSETS		27,876,870,788.64	24,872,672,831.83

Company Balance Sheet (continued)

As at 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

	Note	31 December 2016 Company	31 December 2015 Company
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Notes payable		1,250,000.00	12,140,000.00
Accounts payable		44,429,643.26	27,673,362.29
Advances from customers		30,410,449.28	19,304,602.94
Employee benefits payable		125,478,879.47	109,004,368.67
Taxes payable		59,324,591.12	9,666,795.36
Interest payable		148,499,806.46	129,842,818.38
Other payables		305,337,310.38	341,572,687.88
Current portion of non-current liabilities		1,000,000,000.00	500,000,000.00
Other current liabilities		3,038,041,251.61	2,014,689,463.02
Total current liabilities		4,752,771,931.58	3,163,894,098.54
Non-current liabilities			
Long-term borrowings		–	2,300,000,000.00
Bonds payable		4,987,460,792.60	4,979,878,964.06
Deferred income		540,407,725.41	537,006,884.92
Other non-current liabilities		99,241,941.00	102,743,355.00
Total non-current liabilities		5,627,110,459.01	7,919,629,203.98
Total liabilities		10,379,882,390.59	11,083,523,302.52
Shareholders' equity			
Share capital		12,894,535,999.00	4,426,000,000.00
Capital surplus	17(10)	3,041,812,149.99	6,230,896,469.59
Surplus reserve		631,762,878.03	579,045,626.93
Special reserve		21,421,192.02	17,836,514.63
Undistributed profits	17(11)	907,456,179.01	2,535,370,918.16
Total shareholders' equity		17,496,988,398.05	13,789,149,529.31
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		27,876,870,788.64	24,872,672,831.83

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

Legal representative:

Zhang Yiming

Principal in charge of accounting:

Wang Ping

Head of accounting department:

Wang Ping

Company Income Statement

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

Item	Note	2016 Company	2015 Company
1. Revenue	17(12)	2,993,662,724.78	3,026,290,132.35
Less: Cost of sales	17(12)	(2,169,202,378.73)	(2,096,292,864.14)
Taxes and surcharges		(22,064,392.64)	(18,415,146.65)
General and administrative expenses		(381,812,720.27)	(347,759,293.15)
Financial expenses – net	17(13)	(196,217,375.12)	(456,428,090.33)
Asset impairment losses	17(17)	–	10,000.00
Add: (Losses)/gains on changes in fair value	17(15)	(1,109,570.03)	2,950,982.93
Investment income	17(16)	320,944,966.27	329,997,046.52
Including: Share of profit of associates and joint ventures		137,342,866.61	114,744,957.14
2. Operating profit		544,201,254.26	440,352,767.53
Add: Non-operating income		41,106,396.74	46,619,358.65
Including: Gains on disposal of non-current assets		4,733,427.47	5,858.21
Less: Non-operating expenses		(612,835.37)	(3,656,671.40)
Including: Losses on disposal of non-current assets		(485,671.69)	(698,479.71)
3. Total profit		584,694,815.63	483,315,454.78
Less: Income tax expenses	17(18)	(57,522,304.68)	(40,884,796.41)
4. Net profit		527,172,510.95	442,430,658.37
5. Other comprehensive income, net of tax		–	–
6. Total comprehensive income		527,172,510.95	442,430,658.37

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Company Cash Flow Statement

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

Item	Note	2016 Company	2015 Company
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		3,203,668,389.00	3,128,277,010.59
Cash received relating to other operating activities		159,416,531.77	218,889,711.30
Sub-total of cash inflows from operating activities		3,363,084,920.77	3,347,166,721.89
Cash paid for goods and services		(944,012,840.73)	(954,891,826.22)
Cash paid to and on behalf of employees		(963,109,554.16)	(847,295,023.32)
Payments of taxes and surcharges		(132,502,219.96)	(152,684,377.22)
Cash paid relating to other operating activities		(79,768,153.88)	(332,937,628.01)
Sub-total of cash outflows from operating activities		(2,119,392,768.73)	(2,287,808,854.77)
Net cash flows from operating activities	17(19)(a)	1,243,692,152.04	1,059,357,867.12
2. Cash flows from investing activities			
Cash received from disposal of investments		2,313,045,311.97	2,246,063,004.09
Cash received from returns on investments		155,424,048.67	152,832,266.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,348,538.42	901,620.30
Net cash received from disposal of subsidiaries and other business units		99,992,808.66	—
Cash received relating to other investing activities		532,000,939.93	2,184,293.56
Sub-total of cash inflows from investing activities		3,107,811,647.65	2,401,981,184.80
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(350,459,402.09)	(1,148,777,777.29)
Cash paid to acquire investments		(2,441,161,638.14)	(2,631,412,154.17)
Cash paid relating to other investing activities		(2,097,885.50)	(2,053,494.10)
Sub-total of cash outflows from investing activities		(2,793,718,925.73)	(3,782,243,425.56)
Net cash flows from investing activities		314,092,721.92	(1,380,262,240.76)

Company Cash Flow Statement (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

Item	Note	2016 Company	2015 Company
3. Cash flows from financing activities			
Cash received from capital contributions		3,597,090,783.11	–
Cash received from issuance of bonds		3,000,000,000.00	2,000,000,000.00
Cash received relating to other financing activities		–	40,131,665.29
Sub-total of cash inflows from financing activities		6,597,090,783.11	2,040,131,665.29
Cash repayments of borrowings		(3,863,500,000.00)	(1,250,000,000.00)
Cash payments for interest expenses and distribution of dividends or profits		(777,183,568.50)	(666,921,468.75)
Cash payments relating to other financing activities		(8,318,085.25)	(7,869,632.61)
Sub-total of cash outflows from financing activities		(4,649,001,653.75)	(1,924,791,101.36)
Net cash flows from financing activities		1,948,089,129.36	115,340,563.93
4. Effect of foreign exchange rate changes on cash and cash equivalents		222,395,465.25	–
5. Net increase/(decrease) in cash and cash equivalents		3,728,269,468.57	(205,563,809.71)
Add: Cash and cash equivalents at beginning of year	17(19)(b)	761,304,650.74	966,868,460.45
6. Cash and cash equivalents at end of year	17(19)(b)	4,489,574,119.31	761,304,650.74

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

Item	Share capital	Capital surplus	Surplus reserves	Special reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2014	4,426,000,000.00	6,231,275,243.90	534,802,561.09	11,797,967.31	2,314,223,325.63	13,518,099,097.93
Balance at 1 January 2015	4,426,000,000.00	6,231,275,243.90	534,802,561.09	11,797,967.31	2,314,223,325.63	13,518,099,097.93
Total comprehensive income	-	-	-	-	442,430,658.37	442,430,658.37
Net profit	-	-	-	-	442,430,658.37	442,430,658.37
Other comprehensive income	-	-	-	-	-	-
Profit distribution	-	-	44,243,065.84	-	(221,283,065.84)	(177,040,000.00)
Appropriation to surplus reserves	-	-	44,243,065.84	-	(44,243,065.84)	-
Profit distribution to shareholders	-	-	-	-	(177,040,000.00)	(177,040,000.00)
Special reserve	-	-	-	6,038,547.32	-	6,038,547.32
Accrued in the current year	-	-	-	21,767,504.95	-	21,767,504.95
Utilised in the current year	-	-	-	(15,728,957.63)	-	(15,728,957.63)
Others	-	(378,774.31)	-	-	-	(378,774.31)
Balance at 31 December 2015	4,426,000,000.00	6,230,896,469.59	579,045,626.93	17,836,514.63	2,535,370,918.16	13,789,149,529.31
Balance at 1 January 2016	4,426,000,000.00	6,230,896,469.59	579,045,626.93	17,836,514.63	2,535,370,918.16	13,789,149,529.31
Total comprehensive income	-	-	-	-	527,172,510.95	527,172,510.95
Net profit	-	-	-	-	527,172,510.95	527,172,510.95
Other comprehensive income	-	-	-	-	-	-
Capital contribution and withdrawal by shareholders	1,180,320,000.00	2,413,472,697.86	-	-	-	3,593,792,697.86
Capital contribution by shareholders	1,180,320,000.00	2,413,472,697.86	-	-	-	3,593,792,697.86
Profit distribution	-	-	52,717,251.10	-	(473,191,251.10)	(420,474,000.00)
Appropriation to surplus reserves	-	-	52,717,251.10	-	(52,717,251.10)	-
Profit distribution to shareholders	-	-	-	-	(420,474,000.00)	(420,474,000.00)
Transfer within shareholders' equity	7,288,215,999.00	(5,606,320,000.00)	-	-	(1,681,895,999.00)	-
Transfer from capital surplus to share capital	5,606,320,000.00	(5,606,320,000.00)	-	-	-	-
Bonus share	1,681,895,999.00	-	-	-	(1,681,895,999.00)	-
Special reserve	-	-	-	3,584,677.39	-	3,584,677.39
Accrued in the current year	-	-	-	20,162,436.52	-	20,162,436.52
Utilised in the current year	-	-	-	(16,577,759.13)	-	(16,577,759.13)
Others	-	3,762,982.54	-	-	-	3,762,982.54
Balance at 31 December 2016	12,894,535,999.00	3,041,812,149.99	631,762,878.03	21,421,192.02	907,456,179.01	17,496,988,398.05

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Notes to the Financial Statements

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

1 General information

Dalian Port (PDA) Company Limited (“the Company”) is a limited liability company jointly established by Dalian Port Corporation Limited. (“PDA Group”), Dalian Rongda Investment Co., Ltd., Dalian Haitai Holding Co., Ltd., Dalian Detai Holding Co., Ltd. and Dalian Bonded Zhengtong Co., Ltd. on 16 November 2005, with its registered address and head office in Dalian, Liaoning Province of the People’s Republic of China (“PRC”). The parent company and the ultimate parent company of the Company is PDA Group. On 6 December 2010, the Company was listed on Shanghai Stock Exchange. On 21 March 2006, the Company issued 966,000,000 shares (H shares) to the public and on 28 April 2006 it was listed on the Stock Exchange of Hong Kong Limited. As at 31 December 2016, the Company’s share capital totalled RMB12,894,535,999.00 with a par value of RMB1.00 each.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) include the provision of terminal business and logistics services such as international and domestic cargo loading and discharging, transportation, transshipment, storage and etc.; tallying and tugging services for vessels sailing on international and domestic lines; port logistics and port information technology consultation services; petroleum storage (restricted to those applying for bonded qualification and those at port storage facilities); refined oil products storage (restricted to those applying for bonded qualification and those at port storage facilities); import and export of goods and technology (excluding distribution of imported goods and articles prohibited by relevant laws and regulations; import and export of articles restricted by laws and regulations may only conduct with the grant of license).

Principal subsidiaries included in the scope of consolidation in the current year are listed in Note 6, and those newly included subsidiaries are Dalian Jifa Nan’an International Logistics Co., Ltd., Dalian Hongyang International Logistics Co., Ltd., Dalian Port Lianheng Supply Chain Management Co., Ltd. Refer to Note 5. Principal subsidiaries as Dalian Ganghang Tendering & Bidding Agency Co., Ltd. and Dalian Gangyue Car-carrying Vessel Co., Ltd. are ceased to be included in the consolidation scope. Please refer to Note 5.

These financial statements were approved and authorised for issue by the Company’s Board of Directors on 23 March 2017.

2 Summary of significant accounting policies and accounting estimates

The Group determines its specific accounting policies and accounting estimates on the basis of the production and operation feature, which is reflected in: Method to make a provision for bad debts of accounts receivable (Note 2(10)), Valuation of inventory (Note 2(11)), Judgement criteria for impairment of available-for-sale equity instruments (Note 2(9)), Depreciation of fixed assets and amortisation of intangible assets (Note 2(14) and Note 2(17)), Measurement model of investment properties (Note 2(13)), and Recognition of revenue (Note 2(23)) and etc.

The critical judgements made by the Group in determining significant accounting estimates are detailed in Note 2(29).

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

2 Summary of significant accounting policies and accounting estimates (continued)

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises – Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in *the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting* issued by the China Securities Regulatory Commission.

The financial statements are prepared on a going concern basis.

The *New Hong Kong Companies Ordinance* took effect from 2015 and certain disclosures in the financial statements have been adjusted in accordance with requirements therein.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

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

(3) Accounting year

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

(4) Recording currency

The recording currency is Renminbi (RMB).

(5) Business combinations

(a) Business combinations involving enterprises under common control

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

2 Summary of significant accounting policies and accounting estimates (continued)

(5) Business combinations (continued)

(b) *Business combinations involving enterprises not under common control*

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

(6) Preparation of consolidated financial statements

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

2 Summary of significant accounting policies and accounting estimates (continued)

(6) Preparation of consolidated financial statements (continued)

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

(7) Cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transaction

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

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

(b) Translation of foreign currency financial statements

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

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

Held-to-maturity investments

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(ii) Recognition and measurement

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

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

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

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

(iii) Impairment of financial assets

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(iii) Impairment of financial assets (continued)

Objective evidence indicating impairment of available-for-sale equity instruments includes a significant or prolonged decline in the fair value of the investment in equity instruments. The Group separately tests the available-for-sale equity instruments at each balance sheet date. If the fair value of such investment in equity instruments as at the balance sheet date is lower than its initial investment cost to the extent of over 50% (inclusive) or for a duration of over 1 year (inclusive), it is indicated that the investment in equity instruments is impaired; if the fair value of such investment in equity instruments as at the balance sheet date is lower than its initial investment cost to the extent of over 20% (inclusive) but below 50%, the Group will take other relevant factors such as price volatility into considerations to judge the impairment of such investment in equity instruments. The Group calculates the initial investment cost of available-for-sale equity instruments by using the weighted average method.

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(iv) Derecognition of financial assets

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

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

(b) Financial liabilities

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

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

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

Other financial liabilities of which the period is within one year (inclusive) are classified as current liabilities; the period is over one year while will be due within one year (inclusive) since the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(c) *Determination of fair value of financial instruments*

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

(10) Receivables

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

(a) *Receivables with amounts that are individually significant and are subject to separate provision for bad debts*

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

The criterion for determining “individually significant” amounts is that any individual amount is more than RMB5 million.

Provision for bad debts for those individually significant amounts is determined at the excess amount of its carry amount over the present value of the future cash flow expected to be derived from the receivable.

(b) *Receivables that the related provision for bad debts is provided on the grouping basis*

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

The basis of the grouping recognition:

Group 1	Receivables except for Group 2
Group 2	Receivables with insignificant credit risk based on the nature of business and transaction history

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(10) Receivables (continued)

(b) *Receivables that the related provision for bad debts is provided on the grouping basis (continued)*

Methods of determining provision for bad debts on the grouping basis are as follows:

Group 1	Ageing analysis method
Group 2	No provision for bad debts

The provision ratios used under the ageing analysis method for the above groupings are as follows:

<u>Ageing</u>	<u>Provision ratios used for accounts receivable</u>	<u>Provision ratios used for other receivables</u>
Within 1 year	5%	5%
1 to 2 years	10%	10%
2 to 3 years	20%	20%
3 to 5 years	50%	50%
Over 5 years	100%	100%

(c) *Receivables with amounts that are not individually significant but subject to separate provision for bad debts:*

The reason for making separate provision for bad debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

The provision for bad debts is determined at the excess amount of its carry amount over the present value of the future cash flow expected to be derived from the receivable.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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2 Summary of significant accounting policies and accounting estimates (continued)

(11) Inventories

(a) Classification

Inventories include raw materials, finished goods and turnover materials, and are measured at the lower of cost and net realisable value. Raw materials mainly comprise fuel and spare parts used in port operation. Finished goods mainly comprise trading goods.

(b) Costing of inventories

Cost is determined using the weighted average method. The cost of inventories consist of purchase cost, processing cost and other costs.

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

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

(d) The Group adopts the perpetual inventory system.

(e) Amortisation methods of low value consumables and packaging materials

Turnover materials include low value consumables and packaging materials. Low value consumables are amortised into expenses based upon numbers of usage, and the packaging materials are expensed when issued.

(12) Long-term equity investments

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

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

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

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments (continued)

(a) *Determination of investment cost*

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

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

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

For long-term equity investments accounted for using the cost method, it is measured at the initial investment cost. Cash dividend or profit distribution declared by the investees is recognised as investment income in profit or loss.

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

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

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments (continued)

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

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

Joint control is the contractually agreed sharing of control over an arrangement, and the decision of activities relating to such arrangement requires the unanimous consent of the Group and other parties sharing control.

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

(d) *Impairment of long-term equity investments*

The carrying amounts of long-term equity investments in subsidiaries, joint ventures and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2 (19)).

(13) Investment properties

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

The Group adopts the cost model for subsequent measurement of investment properties. Buildings, land use rights and terminal facilities are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values that are expressed as a percentage of cost and the annual depreciation (amortisation) rates of investment properties are determined using the same policies as buildings, land use rights or terminal facilities (Note 2(14) and 2(17)).

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

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

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(13) Investment properties (continued)

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

The carrying amount of an investment property is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, terminal facilities, oil tanks and pipelines, loading equipment, transportation equipment, vessels, storage facilities, machinery and equipment and other equipment.

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

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

(b) Depreciation method of fixed assets

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

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(14) Fixed assets (continued)

(b) Depreciation method of fixed assets (continued)

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

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	20 to 45 years	5% to 10%	2.0% to 4.8%
Terminal facility	50 years	5% to 10%	1.8% to 1.9%
Oil tanks and pipelines	18 to 28 years	4% to 5%	3.4% to 5.3%
Loading equipment	10 – 20 years	5% to 10%	4.5% to 9.5%
Transportation equipment	7 to 10 years	5% to 10%	9.0% to 13.6%
Vessels	28 years	5%	3.4%
Storage facilities	40 years	0% to 10%	2.3% to 2.5%
Machinery and equipment	12 years	5%	7.9%
Other equipment	5 – 11 years	4% to 10%	8.2% to 19.2%

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

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (19)).

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

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge (Note 2 (26)(b)).

Fixed assets held under finance leases are depreciated based on the same policy adopted for fixed assets that are self-owned. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over its estimated useful life; otherwise, and the leased asset is depreciated over the shorter period of the lease term and its estimated useful life.

(e) Disposal of fixed assets

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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2 Summary of significant accounting policies and accounting estimates (continued)

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (19)).

(16) Borrowing costs

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

For special borrowings for the acquisition and construction of qualifying assets, the capitalised amount of the special borrowings is determined by the interest expenses incurred in the period less interest income of the unused borrowings deposited at bank or investment income from temporary investment of those borrowings.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the interest rate used when the future cash flows of the borrowings over the estimated remaining deposit period or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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2 Summary of significant accounting policies and accounting estimates (continued)

(17) Intangible assets

Intangible assets comprise land use rights, container flat vehicle use rights, software, golf membership, sea area use rights, port facilities use rights, customer relationships and port information platform. Intangible assets are recognised at cost. The intangible assets contributed by the State shareholders at the reorganisation of the Company into a corporation are recognised based on the evaluated amounts as approved by the state-owned assets administration department.

If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

(a) *The estimated useful lives of intangible assets are as follows:*

	Estimated useful lives
Land use rights	50 years
Container flat vehicle use rights	10 years
Software	2 to 10 years
Golf membership	10 to 46 years
Sea area use rights	10 to 50 years
Port facility use rights	50 years
Customer relationships	10 years
Port information platform	10 years

(b) *Periodical review of useful life and amortisation method*

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

(c) *Impairment of intangible assets*

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(19)).

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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2 Summary of significant accounting policies and accounting estimates (continued)

(18) Long-term prepaid expenses

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

(19) Impairment of long-term assets

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

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

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

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(20) Employee benefits

Employee benefits refer to all forms of consideration compensation given by the Group in exchange for service rendered by employees or for the termination of employment relationship, which include short-term employee benefits, post-employment benefits and termination benefits.

(a) Short-term employee benefits

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

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

Basic pensions

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

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

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

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(21) Dividend distribution

Cash dividends distribution is recognised as a liability in the period in which the dividends are approved by the shareholders' meeting.

(22) Provisions

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

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

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

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

(23) Revenue recognition

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

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

(a) Sales of goods

Revenue is recognised when the Group transfers all the significant risks and rewards incidental to ownership of goods to the buyer and no longer reserved any right to continue to manage and implement effective control which often associated with the ownership of the goods, and costs incurred or to be incurred can be measured reliably. The 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 where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred, such 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.

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(23) Revenue recognition (continued)

(b) 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 using the percentage of completion method, otherwise, the revenue is recognised to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the related economic benefits will flow to the Group; the stage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the completion progress of a transaction involving rendering of services based on the proportion of cost incurred to total estimated cost. 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 where the consideration received or receivable under contract or agreement is not fair.

When the Group has entered into a contract or agreement with other enterprises comprising both sales of goods and rendering of services, if the sales of goods and the rendering of services can be separately identified and measured, they are accounted for separately; if the sales of goods and the rendering of services cannot be separately identified, or can be separately identified but cannot be separately measured, the contract is treated as the sales of goods.

(24) Government grants

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

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

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets will be recorded as deferred income and recognised evenly in profit or loss over the useful lives of the related assets. However, the government grants measured at their nominal amounts will be directly recorded in profit and loss for the current period.

Government grants related to income will be recorded as deferred income and recognised in profit or loss in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses, and otherwise recognised in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred.

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(25) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

(26) Leases

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

(a) Operating leases

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

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

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(26) Leases (continued)

(b) Finance leases

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

(27) Segment information

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

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

(28) Production safety fund

Production safety fund accrued in accordance with regulations is charged to the cost of related products or recognised in profit or loss for the current period, and recorded in the specific reserve. As production safety fund is utilised, if it is of expenditure nature, the cost is directly charged against the specific reserves. If it is used for construction, the cost being used is recorded and transferred to fixed assets when it is ready for its intended use. Meanwhile, the cost of fixed asset is offset against the specific reserves, and accumulated depreciation of the same amount is recognised.

(29) Critical accounting estimates and judgements

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

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(29) Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and key assumptions

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

Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of receivables

In accordance with the accounting policies mentioned in Note 2(9) and Note 2(10), the Group tests annually whether receivables are impaired, and checks and revises the estimated provision for bad debts accordingly (if necessary). Different estimates may affect the amount of provision for impairment of receivables and profit or loss for the current period.

The Group regularly reviews its receivables to assess impairment losses. When estimating the impairment losses for receivables, the Group makes judgement and assumption, to decide whether impairment losses should be provided for. The provision for impairment reflects the difference between carrying amount and present value of future cash flows of individual receivable or a grouping of similar receivables. The Group uses individual assessment for the receivables with significant amount, and uses collective assessment for similar receivables with insignificant amounts.

Calculation of impairment losses assessed on a grouping basis is largely subject to judgements. As for those groupings of receivables that have been individually assessed for impairment and cash flows decrease have not been found, the Group makes judgement as to whether there is any observable indication of measurable decrease in the estimated future cash flows from a grouping of receivables. Impairment indications for decrease in estimated cash flows include observable data indicating that adverse changes in the payment status of the debtor of the group (e.g. debtor's payment delinquency or default), or national or local economic conditions that correlate with receivable default in the grouping and etc. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to the receivables in the grouping when calculating their future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between impairment loss estimates of receivables and actual loss experience of receivables.

Notes to the Financial Statements (continued)

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2 Summary of significant accounting policies and accounting estimates (continued)

(29) Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying the accounting policies

(i) Consolidation scope – the Group holding 50% or less equity interests of the investees

The Group believes that even if the Company only holds 50% or less of the equity interests, it has control over Dalian Haijia Automobile Terminal Co., Ltd., Dalian Portsoft Technology Co., Ltd., Dalian Golden Bay Grain Logistics Co., Ltd. and Dalian Hongyang International Logistics Co., Ltd. According to the joint venture contract entered into between the Company and the other shareholder of Dalian Haijia Automobile Terminal Co., Ltd., the other shareholder gives consent to the decisions made by the Company on significant operation matters. The Company has de-facto control over the entity. The Company has the majority voting rights in the Board of Directors of Dalian Portsoft Technology Co., Ltd. and has de-facto control over the entity. Pursuant to the consent agreement signed by and between the Company and the other shareholder (holding 25% equity interests) of Dalian Golden Bay Grain Logistics Co., Ltd., the other shareholder gives consent to the decisions made by the Company on significant operation matters and the Company has de-facto control over the entity. Pursuant to the joint venture contract signed by and between the Company and the other shareholders of Dalian Hongyang International Logistics Co., Ltd., the other shareholders give consent to the decisions made by the Company on significant operation matters and the Company has de-facto control over the entity.

(ii) Classification between investment properties and owner-occupied properties

The Group determines whether a property (including related terminal facilities) qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows that are largely independent of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Such judgement is made on an individual property basis.

Notes to the Financial Statements (continued)

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3 Taxation

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

Category	Tax base	Tax rate
Corporate income tax	Taxable income	15% or 25%
Value-added tax ("VAT") (a)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	5%, 6%, 11%, 13% and 17%
Business tax (a)	Taxable turnover amount	3% or 5%
City maintenance and construction tax	Payment of VAT and business tax	7%
Educational surcharge	Payment of VAT and business tax	3%
Property tax	70% of the cost of property or rental revenue;	1.2% or 12%

- (a) Pursuant to the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* (Cai Shui [2016] No. 36) and relevant regulations, businesses of the Group, such as entrusted loans, building & construction, property leasing, and labour dispatch, are subject to VAT at the rate of 6%, 11%, 5%, and 6% respectively, since 1 May 2016, and were subject to business tax at the rate of 5%, 3%, 5%, and 5% respectively before 1 May 2016.

(2) Preferential tax treatments

Corporate income tax

Dalian Portsoft Technology Co., Ltd., a subsidiary of the Group, has obtained on 29 September 2014 the *Certificate of the High and New Technological Enterprise* (No. GR201421200032) issued by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax and Dalian Municipal Bureau of Local Taxation, and the term of validity is three years.

Dalian Portnet Co., Ltd., a subsidiary of the Group, has obtained on 29 September 2014 the *Certificate of the High and New Technological Enterprise* (No. GR201421200116) issued by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax and Dalian Municipal Bureau of Local Taxation, and the term of validity is three years.

Dalian Port Logistics Technology Co., Ltd., a subsidiary of the Group, has obtained on 21 September 2015 the *Certificate of the High and New Technological Enterprise* (No. GR201521200005) issued by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax and Dalian Municipal Bureau of Local Taxation, and the term of validity is three years.

Under Article 28 of the *Corporate Income Tax Law of the People's Republic of China*, as at 31 December 2016, the income tax rate applicable to the above 3 companies is 15%.

Notes to the Financial Statements (continued)

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3 Taxation (continued)

(2) Preferential tax treatments (continued)

Land use tax

According to the *Tentative Regulations of the People's Republic of China of Urban Land Use Tax and Regulation on Issue of Land Use Tax Exemption of Port Land of Transport Department* (Guo Shui Di [1989] No. 123), certain land used for dock is exempted from land use tax. Accordingly, the land held by the Group used for dock are exempted from land use tax.

VAT

According to the *Circular on Related Tax Policies of Encouraging Industry Development of Software and Integrated Circuit* by the Ministry of Finance, State Administration of Taxation and General Administration of Customs (Cai Shui [2000] No. 25) and Clause 1.1 of the *Circular on Policies of Further Encouraging Industry Development of Software and Integrated Circuit* (Guo Fa [2011] No. 4), VAT paid by those VAT ordinary tax payers who sell self-developed software which are taxed at the statutory rate of 17% will be refunded for the portion exceeding 3% of the actual tax burden. The tax refund should be restricted to be used for software development and expanding reproduction, which is exempted from corporate income tax. Dalian Port Logistics Technology Co., Ltd. and Dalian Portsoft Technology Co., Ltd. are entitled to the aforesaid preferential tax policy.

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2016	31 December 2015
Cash on hand	100,184.43	88,856.07
Cash at bank (i)	6,659,440,199.17	2,900,011,535.80
Other cash balances (ii)	81,738,740.24	33,197,125.48
	6,741,279,123.84	2,933,297,517.35
Including: Amounts deposited abroad	644,652,741.93	574,311,358.65

(i) As at 31 December 2016, a bank deposit of RMB125,000.00 (31 December 2015: RMB1,374,154.35) is pledged as collateral for the Group's bank acceptance notes payable of RMB1,250,000.00 (31 December 2015: RMB12,940,000.00).

As at 31 December 2016, a bank deposit of RMB1,189,648.73 (31 December 2015: RMB98,648.02) is pledged as collateral for the Group's project payment guarantee of RMB10,885,852.70 (31 December 2015: RMB985,888.67).

(ii) As at 31 December 2016, other cash balances of RMB73,636,387.45 (31 December 2015: RMB27,819,113.47) is pledged as collateral for the Group's irrevocable letter of credit.

As at 31 December 2016, other cash balances of RMB4,740,000.00 (31 December 2015: RMB3,127,418.00) is pledged as the Group's project performance bond.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

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

	31 December 2016	31 December 2015
Investments in equity instrument held for trading	5,425,002.50	16,179,169.50
Others	1,879,405.00	–
	7,304,407.50	16,179,169.50

The fair value of the investments in equity instrument held for trading is determined at the closing price of Shanghai Stock Exchange and Shenzhen Stock Exchange on the last trading day of the year.

(3) Notes receivable

	31 December 2016	31 December 2015
Trade acceptance notes	–	3,161,136.53
Bank acceptance notes	158,645,593.12	78,089,646.72
	158,645,593.12	81,250,783.25

(a) As at 31 December 2016, the Group has no pledged notes receivable (31 December 2015: Nil).

(b) As at 31 December 2016, notes receivable which have been endorsed to other parties at end of year but not mature yet are as follows:

	Derecognised	Not derecognised
Bank acceptance notes	46,007,824.57	–

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(4) Dividends receivable

	31 December 2016	31 December 2015
Dalian Port Container Terminal Co., Ltd.	27,787,294.44	–
Dalian Singamas International Container Co., Ltd.	4,598,724.27	3,626,651.84
Taicang Xinggang Tug Co., Ltd.	2,143,000.00	2,218,079.87
Dalian United International Shipping Agency Co., Ltd.	2,000,000.00	–
Dalian Shunde Jifa Supply Chain Management Co., Ltd.	1,316,382.69	–
Dalian Wanpeng Port Engineering Testing Co., Ltd.	400,000.00	–
Dalian Automobile Terminal Co., Ltd.	–	17,112,185.95
	38,245,401.40	22,956,917.66

(5) Interest receivable

	31 December 2016	31 December 2015
Interest of fixed deposits	25,148,389.95	8,820,832.74
Interest of wealth management products	828,767.12	870,988.01
Interest of entrusted loans	87,149.91	276,113.60
Interest of current deposits	204,398.16	197,211.13
	26,268,705.14	10,165,145.48

(6) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	658,706,980.91	823,602,282.24
Less: Provision for bad debts	(148,000.00)	(1,875,522.33)
	658,558,980.91	821,726,759.91

The majority of the Group's sales is dealt in cash, advances from customers and bank acceptance notes. The remaining is made with a credit term of 90 days.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(6) Accounts receivable (continued)

(a) The ageing of accounts receivable based on their recording dates is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	573,541,242.90	683,272,280.43
1 to 2 years	12,436,875.66	74,971,816.13
2 to 3 years	13,832,071.12	20,154,482.34
Over 3 years	58,896,791.23	45,203,703.34
	658,706,980.91	823,602,282.24

As at 31 December 2016, accounts receivable of RMB91,414,149.82 (31 December 2015: RMB147,554,652.13) were overdue. Based on the analysis of the customers' financial status and credit history, the Group expects that the overdue amounts can be recovered, and the accounts receivable are not impaired, thus no provisions for bad debts are individually provided. The ageing of the accounts receivable is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	9,645,714.17	61,339,057.68
1 to 2 years	9,657,604.38	22,737,798.10
2 to 3 years	13,398,704.86	20,149,615.34
Over 3 years	58,712,126.41	43,328,181.01
	91,414,149.82	147,554,652.13

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(6) Accounts receivable (continued)

(b) Accounts receivable are analysed by categories as follows:

	31 December 2016				31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total				% of total			
	Amount	balance	Amount	Percentage	Amount	balance	Amount	Percentage
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	-	-	-	-	5,319,057.65	0.65%	1,491,504.33	28.04%
With amounts that the related provision for bad debts is provided on the grouping basis	658,558,980.91	99.98%	-	-	817,899,206.59	99.30%	-	-
Including: Group 1	-	-	-	-	-	-	-	-
Group 2	658,558,980.91	99.98%	-	-	817,899,206.59	99.30%	-	-
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	148,000.00	0.02%	148,000.00	100.00%	384,018.00	0.05%	384,018.00	100.00%
	658,706,980.91	100.00%	148,000.00	0.02%	823,602,282.24	100.00%	1,875,522.33	0.23%

(c) The provision for bad debts in the current year is RMB178,104.00, and there is no recovered or reversed provision for bad debts.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(6) Accounts receivable (continued)

- (d) Accounts receivable written off actually in the current year amounted to RMB1,905,626.33 and are analysed as follows:

	Nature of accounts receivable	Write-off amount	Reason	Procedure for write-off	Arising from related party transactions or not
Dalian Angang International Freight Forwarding Agency Co., Ltd.	Withholding port construction expenses	1,491,504.33	Uncollectible	Resolution of the Board	No
Fengtong International Freight Forwarding Agency Co., Ltd.	Freights	236,018.00	Uncollectible	Resolution of the Board	No
Dalian Taidou Construction Material Co., Ltd	Agency fee	178,104.00	Uncollectible	Resolution of the Board	No
		1,905,626.33			

- (e) As at 31 December 2016, the trade receivables from the top five debtors in respect of outstanding balance are analysed as follows:

	Balance	Provision for bad debts	% of total balance
Total balances of top five accounts receivable	281,433,455.64	–	42.73%

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(7) Other receivables

	31 December 2016	31 December 2015
Bills of exchange	129,697,598.73	27,771,142.03
Receivables from project payment and guarantee deposit	62,922,321.14	41,857,174.02
Entrusted loans (i)	53,600,000.00	162,032,800.00
Receivables from freights, deposit and security deposit	23,084,303.32	39,867,642.11
Port construction and miscellaneous expenses	5,186,696.39	9,882,131.44
Government subsidies receivable	1,507,692.00	132,479,357.00
Berth rentals receivable	1,355,644.85	13,375,000.00
Public infrastructure maintenance expenses	1,246,024.98	411,410.70
Refund of land-transferring fees receivable	–	491,032,200.00
Others	37,747,674.75	51,213,873.08
	316,347,956.16	969,922,730.38
Less: Provision for bad debts	(1,061,192.97)	(1,061,192.97)
	315,286,763.19	968,861,537.41

(i) Entrusted loans

– Loans to joint ventures

As at 31 December 2016, loans to joint ventures include:

The Group entrusted Dalian Port Group Financial Co., Ltd. (31 December 2015, CMB Dalian Zhongshan Sub-branch) to provide unsecured loans of RMB33,000,000.00 to its joint venture, Dalian Port Yidu Cold Chain Co., Ltd., at the rate of 4.785% annually. The loan should be due on 22 March 2017 (31 December 2015: mortgage loans of RMB110,000,000.00 at the rate of 5.0025% annually and due on 28 March 2016) (Note 8(5)(d)(ii)).

The Group entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans of RMB4,600,000.00 to its joint venture, Liaoning Con-Rail International Logistics Co., Ltd., at the rate of 4.35% annually. The loan should be due on 11 February 2017 (31 December 2015: loans of RMB4,600,000.00 at the rate of 5.60% annually and due on 11 February 2016) (Note 8(5)(d)(ii)).

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

(i) Entrusted loans (continued)

– Loans to associates

As at 31 December 2016, loans to associates include:

The Group entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans of RMB16,000,000.00 to its associate, Dalian Puji Storage Facility Co., Ltd., at the rate of 4.35% annually. The loan should be due on 28 January 2017 (31 December 2015: loans of RMB16,000,000.00 at the rate of 6.16% annually and due on 28 January 2016) (Note 8(5)(d)(ii)).

The Company entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans of RMB0.00 to its associate, China Harbour United Shipping Co., Ltd. (31 December 2015: loans of RMB7,432,800.00 at the rate of 4.85% annually and due on 28 June 2016) (Note 8(5)(d)(ii)).

The Group entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans of RMB0.00 to its associate, Dalian Puji Storage Facility Co., Ltd., (31 December 2015: loans of RMB24,000,000.00 at the rate of 6.00% annually and due on 1 July 2016) (Note 8(5)(d)(ii)).

(a) The ageing of other receivables is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	275,702,811.45	936,531,985.48
1 to 2 years	26,000,345.60	17,963,945.74
2 to 3 years	5,711,684.99	5,418,371.15
Over 3 years	8,933,114.12	10,008,428.01
	316,347,956.16	969,922,730.38

As at 31 December 2016, other receivables of RMB34,053,657.84 (31 December 2015: RMB30,478,770.44) were overdue. Based on the analysis of the financial status and credit history of the debtors, the Group expected that the overdue amounts could be recovered, and the accounts receivable were not impaired, thus no provision for bad debts was individually provided. The ageing of other receivables is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	9,318,172.40	13,147,172.83
1 to 2 years	16,380,435.68	10,619,780.23
2 to 3 years	4,244,159.42	3,653,340.17
Over 3 years	4,110,890.34	3,058,477.21
	34,053,657.84	30,478,770.44

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

(b) Other receivables are analysed by categories as follows:

	31 December 2016				31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total	Amount	Percentage	Amount	% of total	Amount	Percentage
		balance				balance		
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
provision for bad debts on the grouping basis	313,622,359.39	99.14%	-	-	963,884,103.01	99.38%	-	-
Including: Group 1	-	-	-	-	-	-	-	-
Group 2	313,622,359.39	99.14%	-	-	963,884,103.01	99.38%	-	-
With amounts that are not individually significant but the related provision for bad debts is provided on the individual basis	2,725,596.77	0.86%	1,061,192.97	38.93%	6,038,627.37	0.62%	1,061,192.97	17.57%
	316,347,956.16	100.00%	1,061,192.97	0.34%	969,922,730.38	100.00%	1,061,192.97	0.11%

(c) During 2016, the Group made no provision for bad debts or reversal/write-off of such provision for bad debts of other receivables.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

(d) As at 31 December 2016, other receivables from top five debtors in respect of outstanding balance are summarised as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Dalian Bohui International Trade Co., Ltd	Bills of exchange	41,149,897.81	Within 1 year	13.01%	–
Dalian Port Yidu Cold Chain Co., Ltd.	Entrusted loans	33,000,000.00	Within 1 year	10.43%	–
	Port construction and miscellaneous expenses	124,766.00	Within 1 year	0.04%	–
Guangdong Benshun Zhongcheng Automobile Supply Chain Management Co., Ltd.	Bills of exchange	24,032,173.11	Within 1 year	7.60%	–
Dalian Puji Storage Facility Co., Ltd	Entrusted loans	16,000,000.00	Within 1 year	5.06%	–
Dalian Land Reserve Centre	Supervision fees	15,357,689.00	Within 1 year	4.85%	–
		<u>129,664,525.92</u>		<u>40.99%</u>	–

(e) As at 31 December 2015, the Group's government grants recognised at amounts receivable are analysed as follows:

	Government grants	Balance	Ageing	Basis of estimated collection
Heilongjiang Suimu Dalian Port Logistics Co., Ltd.	Refund of tax	1,507,692.00	Within 1 year	Cooperation agreement on Xiachengzi Logistics Centre of Muling Economic Development Zone
		<u>1,507,692.00</u>		

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(8) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

	31 December 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	170,988,642.43	66.64%	308,476,143.94	99.44%
1 to 2 years	85,432,130.62	33.29%	1,101,276.19	0.36%
2 to 3 years	36,777.64	0.02%	559,915.18	0.18%
Over 3 years	135,416.15	0.05%	62,126.40	0.02%
	256,592,966.84	100.00%	310,199,461.71	100.00%

As at 31 December 2016, advances to suppliers with ageing over one year amounted to RMB85,604,324.41 (31 December 2015: RMB1,723,317.77), which represents advances to suppliers, house deposits, and fuel deposits prepaid to fuel stations and other advances. Since the cooperation involved in above businesses is stable, these amounts have not been settled yet.

(b) As at 31 December 2016, advances to the top five debtors in respect of outstanding balance are summarised as follows:

	Amount	% of total balance
Total balances of advances to the top five debtors	141,048,378.30	54.97%

(9) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2016			31 December 2015		
	Ending balance	Provision for decline in the value of inventories	Ending balance	Ending balance	Provision for decline in the value of inventories	Ending balance
Raw materials	70,653,011.68	(7,803,889.80)	62,849,121.88	75,159,083.83	(2,037,642.99)	73,121,440.84
Finished goods	382,785,952.13	-	382,785,952.13	856,982,556.21	-	856,982,556.21
Turnover materials	5,691,020.60	-	5,691,020.60	6,167,017.05	-	6,167,017.05
	459,129,984.41	(7,803,889.80)	451,326,094.61	938,308,657.09	(2,037,642.99)	936,271,014.10

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(9) Inventories (continued)

(a) Inventories are summarised by categories as follows: (continued)

As at 31 December 2016, inventories with carrying amount of RMB317,241,729.72 (31 December 2015: RMB772,498,330.38) and relevant documents of import business were pledged as collateral for the bank borrowings of RMB226,487,016.66 (31 December 2015: RMB566,694,492.83) (Note 4(25)(i)).

(b) Provision for decline in the value of inventories are analysed as below:

	31 December	Increase in the current year		Decrease in the current year		31 December
	2015	Provision	Others	Reversal	Others	2016
Raw materials	2,037,642.99	5,854,814.99	–	(88,568.18)	–	7,803,889.80

(c) Provision for decline in the value of inventories is as follows:

	Specific basis to determine net realisable value	Reason for reversal of provision for decline in the value of inventories
Raw materials	Obsolete raw materials	Factors that will cause decline in value of inventories has gone

(10) Current portion of non-current assets

	31 December 2016	31 December 2015
Available-for-sale financial assets (Note 4(12))	–	65,820,000.00

(11) Other current assets

	31 December 2016	31 December 2015
Available-for-sale financial assets (Note 4(12))	450,000,000.00	–
VAT input to be deducted (i)	52,691,420.48	90,265,698.39
VAT input to be verified	5,130,035.82	–
Prepaid income tax	869,046.54	1,689,114.97
Prepaid VAT	124,826.03	–
	508,815,328.87	91,954,813.36

(i) VAT input to be deducted are VAT inputs arising from the Group's purchase of goods and services with VAT payable, but not yet fully offset in the current year.

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4 Notes to the consolidated financial statements (continued)

(12) Available-for-sale financial assets

	31 December 2016	31 December 2015
Measured at fair value		
– Wealth management products (i)	450,000,000.00	–
– Available-for-sale equity instruments – H shares (ii)	65,248,260.82	61,829,144.20
Measured at cost		
– Available-for-sale equity instruments – unlisted enterprises (iii)	143,562,691.50	141,792,691.50
– Entrusted investment (iv)	–	65,820,000.00
Less: Provisions for impairment	(52,966,280.72)	(49,607,148.78)
	605,844,671.60	219,834,686.92
Less: Available-for-sale financial assets included in other current assets (i) (Note 4(11))	(450,000,000.00)	–
Available-for-sale financial assets included in the current portion of non-current assets (iv) (Note 4(10))	–	(65,820,000.00)
	155,844,671.60	154,014,686.92

(a) Related information of available-for-sale financial assets is analysed as follows:

(i) *Wealth management products*

As at 31 December 2016, the wealth management products include:

Wealth management products purchased by the Company amounted to RMB100,000,000.00 (31 December 2015: Nil) from Industrial Bank. The capital is mainly used for investment in money market instruments. The estimated annual return is 3.20% with the maturity date on 3 February 2017.

Wealth management products purchased by the Company amounted to RMB150,000,000.00 (31 December 2015: Nil) from Industrial Bank. The capital is mainly used for investment in money market instruments. The estimated annual return is 3.60% with the maturity date on 15 March 2017.

Wealth management products purchased by the Company amounted to RMB200,000,000.00 (31 December 2015: Nil) from Harbin Bank. The capital is mainly used for investment in money market instruments. The estimated annual return is 3.65% with the maturity date on 6 April 2017.

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4 Notes to the consolidated financial statements (continued)

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

(a) Related information of available-for-sale financial assets is analysed as follows: (continued)

(ii) *Available-for-sale equity instruments measured at fair value – H shares:*

The available-for-sale H shares represent an investment of an approximately 0.24% shareholding of Sinotrans Shipping Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Ltd., the stock code of which is 00368) by strategic allotment.

Such available-for-sale H shares are measured at fair value.

	31 December 2016	31 December 2015
Available-for-sale equity instruments – H shares		
– Fair value	12,281,980.10	12,221,995.42
– Cost	69,768,470.31	65,343,740.21
– Accumulated in other comprehensive income	(4,520,209.49)	(3,514,596.01)
– Accumulated provision for impairment	(52,966,280.72)	(49,607,148.78)

(iii) *Available-for-sale equity instruments – unlisted enterprises:*

The available-for-sale financial assets measured at cost mainly include the unlisted equity investments held by the Group which are not quoted in an active market and whose fair value cannot be reliably measured as the range of fair value reasonable estimates is large and probabilities for determining these estimates cannot be reasonably determined. The Group has no plan to dispose these investments.

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016	Shareholding (%)	Cash dividend in the current year
Available-for-sale equity instruments						
– Cost						
– Qinhuangdao Xin'gangwan Container Terminal Co., Ltd.	60,000,000.00	–	–	60,000,000.00	15.00	–
– Jinzhou New Age Container Terminal Co., Ltd.	52,843,634.00	–	–	52,843,634.00	15.00	–
– Dalian Xin Bei Liang Co., Ltd.	14,414,400.00	1,770,000.00	–	16,184,400.00	5.89	1,770,000.00
– Fujian Ninglian Port Co., Ltd.	12,000,000.00	–	–	12,000,000.00	12.00	–
– Da-In Ferry Co., Ltd.	1,900,057.50	–	–	1,900,057.50	7.50	–
– Dalian Port Design & Research Institute Co., Ltd.	634,600.00	–	–	634,600.00	5.80	290,000.00
	141,792,691.50	1,770,000.00	–	143,562,691.50		2,060,000.00

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4 Notes to the consolidated financial statements (continued)

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

(a) Related information of available-for-sale financial assets is analysed as follows: (continued)

(iv) *Entrusted investment:*

As at 31 December 2015, entrusted investment of RMB65,820,000.00 represents a trust plan of assembled funds developed by Shaanxi International Trust Co., Ltd. which is purchased by the Company. The trust plan is used for the infrastructure construction of the core district of western Lingang new town, Lvshun economic development zone, Dalian. The estimated annual return is 9.66% with the maturity date on 11 May 2016.

(b) Related information of provision for impairment of available-for-sale financial assets is analysed as follows:

	Available-for-sale equity instruments – H shares
31 December 2015	(49,607,148.78)
Differences on translation of foreign currency financial statements	(3,359,131.94)
31 December 2016	(52,966,280.72)

(13) Long-term receivables

	31 December 2016	31 December 2015
Entrusted loans (i)	11,500,000.00	18,018,915.80
Less: Provision for bad debts	–	–
	11,500,000.00	18,018,915.80

(i) The Group and other investors provided, in accordance with their proportions to their capital contributions, unsecured shareholder loans to their associates, Jadeway Limited. As at 31 December 2016, the Group provided an unsecured shareholder loan of JPY 144,324,077.73 to Jadeway Limited (31 December 2015: JPY 241,650,409.44, equivalent to RMB13,018,915.80). In 2016, due to excess deficit of long-term equity Investment in Jadeway Limited, the balance of its long-term receivables JPY 144,324,077.73 will be reduced to JPY 0.

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4 Notes to the consolidated financial statements (continued)

(13) Long-term receivables (continued)

The Group entrusted Dalian Port Group Financial Co., Ltd. to provide unsecured loans to its joint venture, Liaoning Con-Rail International Logistics Co., Ltd. As at 31 December 2016, the amount of loans is RMB11,500,000.00 with an annual interest rate of 5.775%, in which RMB1,000,000.00, RMB2,000,000.00 and RMB5,500,000.00 are newly added in the current year with maturity date on 19 January 2019, 11 May 2019 and 8 November 2019 respectively; and RMB2,000,000.00 is recovered in the current year (31 December 2015: loans of RMB5,000,000.00 with an annual rate of 5.775%, in which RMB2,000,000.00, RMB1,000,000.00, RMB1,000,000.00 and RMB1,000,000.00 with maturity date on 28 July 2018, 6 August 2018 and 9 September 2018 and 11 December 2018) (Note 8(5)(d)(ii)).

(14) Long-term equity investments

	31 December 2016	31 December 2015
Joint ventures (a)	2,614,399,120.72	2,555,741,147.51
Associates (b)	2,287,757,599.98	2,175,918,757.95
Less: Provision for impairment of long-term equity investments	-	-
	4,902,156,720.70	4,731,659,905.46

(a) Joint ventures

	Movements in the current year									31 December 2016	Balance of provision for impairment at end of year
	31 December 2015	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends/ profit declared				
						by joint ventures	Provision for impairment	Others			
Dalian Port Tongli Shipping Agency Co., Ltd.	1,755,679.10	-	-	350,568.90	-	-	(930,000.00)	-	-	1,176,248.00	-
Dalian Harbour ECL Logistics Co., Ltd.	30,662,780.65	-	-	1,386,426.95	-	20,937.95	(231,983.63)	-	-	31,838,161.92	-
Odfjell Terminals (Dalian) Co., Ltd.	162,005,975.24	-	-	16,406,473.37	-	(307,843.82)	(20,000,000.00)	-	-	158,104,604.79	-
Dalian Port PetroChina International Terminal Co., Ltd.	172,913,975.56	-	-	26,892,313.22	-	-	(10,771,900.00)	-	-	189,034,388.78	-
Dalian United International Shipping Agency Co., Ltd.	6,569,204.82	-	-	2,387,026.86	-	-	(2,000,000.00)	-	-	6,956,231.68	-
Dalian Vanguard International Logistics Co., Ltd.	35,022,768.34	-	-	(4,223,846.84)	-	140,491.46	-	-	-	30,939,412.96	-
Dalian Port Yidu Cold Chain Co., Ltd.	268,028,699.89	50,000,000.00	-	14,804,027.51	-	375,978.37	-	-	-	333,208,705.77	-
China United Tally (Dalian) Co., Ltd.	4,615,790.14	-	-	575,358.73	-	-	(1,890,827.15)	-	-	3,300,321.72	-

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4 Notes to the consolidated financial statements (continued)

(14) Long-term equity investments (continued)

(a) Joint ventures (continued)

	Movements in the current year									31 December 2016	Balance of provision for impairment at end of year
	31 December 2015	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends/ profit declared by joint ventures	Provision for impairment	Others		
China Oil Dock Management (Dalian) Co., Ltd.	1,271,355.58	-	-	47,422.05	-	-	-	-	-	1,318,777.63	-
Liaoning Electronic Port Co., Ltd.	4,797,814.73	-	-	751,201.65	-	-	-	-	-	5,549,016.38	-
Liaoning Con-Rail International Logistics Co., Ltd.	7,983,292.70	-	-	(1,182,088.43)	-	-	-	-	-	6,801,204.27	-
Dalian Dagang China Shipping Container Terminal Co., Ltd.	7,116,946.82	-	-	1,379,632.14	-	41,941.40	-	-	-	8,538,520.36	-
Dalian Port Container Terminal Co., Ltd.	225,822,932.26	-	-	16,478,744.38	-	4,914.85	(27,787,294.44)	-	-	214,519,297.05	-
Dalian International Container Terminal Co., Ltd.	534,828,400.65	-	-	8,269,848.18	-	605,663.02	-	-	-	543,703,911.85	-
Dalian Jilong Logistics Co., Ltd.	38,580,493.17	-	-	1,703,002.03	-	-	-	-	-	40,283,495.20	-
Dalian Automobile Terminal Co., Ltd.	164,173,919.60	-	-	8,166,651.10	-	2,037,309.30	-	-	-	174,377,880.00	-
Dalian Singamas International Container Co., Ltd.	43,097,533.44	-	-	2,164,372.60	-	26,567.75	(2,141,589.71)	-	-	43,146,884.08	-
China United International Rail Containers (Dalian) Co., Ltd.	184,668,298.91	-	-	308,955.75	-	-	-	-	-	184,977,254.66	-
Dalian Changxing Island Port Co., Ltd.	153,051,271.73	-	-	(34,191,295.85)	-	42,170.08	-	-	-	118,902,145.96	-
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	2,392,424.77	2,000,000.00	-	5,026,857.21	-	134,705.28	-	-	-	9,553,987.26	-
Odfjell Dalian Port Consulting Co., Ltd.	1,909,882.15	-	-	(220,187.03)	-	-	-	-	-	1,689,695.12	-
Dalian Changxing Island Port Investment and Development Co., Ltd.	464,264,932.07	-	-	(1,839,759.40)	-	-	-	-	-	462,425,172.67	-
Dalian Shunde Jifa Supply Chain Management Co., Ltd.	12,911,789.79	-	-	1,096,769.61	-	-	(2,546,171.41)	-	-	11,462,387.99	-
Ha'ou International Logistics Co., Ltd.	20,732,084.25	-	-	876,779.70	-	-	-	-	-	21,608,863.95	-
Odfjell Changxing Warehousing Terminals (Dalian) Co., Ltd.	6,562,901.15	3,246,723.14	-	(327,753.54)	-	-	-	-	-	9,481,870.75	-
Weifang Senda Container Service Co., Ltd.	-	1,500,000.00	-	679.92	-	-	-	-	-	1,500,679.92	-
	2,555,741,147.51	56,746,723.14	-	67,088,180.77	-	3,122,835.64	(68,299,766.34)	-	-	2,614,399,120.72	-

Please refer to Note 6(2) for related information of interest in joint ventures.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(14) Long-term equity investments (continued)

(b) Associates

	Movements in the current year									31 December 2016	Balance of provision for impairment at end of year
	31 December 2015	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends/ profit declared by joint ventures	Provision for impairment	Others		
China Harbour United Shipping Co., Ltd.	76,376,789.23	-	-	1,919,659.76	-	-	-	-	-	78,296,448.99	-
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	15,463,845.44	-	-	7,529,550.70	-	-	-	-	-	22,993,396.14	-
Dalian Wapeng Port Engineering Testing Co., Ltd.	2,709,275.44	-	-	666,747.83	-	-	(400,000.00)	-	-	2,976,023.27	-
Dalian Puji Storage Facility Co., Ltd.	146,092,613.09	-	-	(11,072,012.97)	-	-	-	-	-	135,020,600.12	-
Taicang Xinggang Tug Co., Ltd.	4,512,144.42	-	-	4,895,568.00	-	-	(2,143,000.00)	-	-	7,264,712.42	-
PetroChina Dalian LNG Co., Ltd.	554,002,932.09	-	-	19,940,001.74	-	1,835,703.75	-	-	-	575,778,637.58	-
SINOCL Auto Liners, Limited	-	-	-	-	-	-	-	-	-	-	-
Jadeway Limited	-	-	-	-	-	-	-	-	-	-	-
Dalian North Oil Petroleum Logistics Co., Ltd.	62,827,791.90	-	-	4,046,082.92	-	-	-	-	-	66,873,874.82	-
Sino Rail Bohai Train Ferry Co., Ltd.	259,668,101.51	-	-	(2,909,905.01)	-	-	-	-	-	256,758,196.50	-
CDC International Logistics Co., Ltd.	105,924,351.90	-	-	11,022,277.92	-	-	-	-	-	116,946,629.82	-
Dalian Port Corporation Finance Co., Ltd.	942,662,258.48	-	-	68,626,554.87	-	-	-	-	-	1,011,288,813.35	-
Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.	880,898.78	-	-	241,183.87	-	-	(105,000.00)	-	-	1,017,082.65	-
Guangzhou Kingport Auto International Trade Co., Ltd.	4,797,755.67	-	-	33,811.30	-	-	-	-	-	4,831,566.97	-
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	-	5,600,000.00	-	72,141.67	-	-	-	-	-	5,672,141.67	-
Dalian New Silk Road International Logistics Co., Ltd.	-	2,000,000.00	-	39,475.68	-	-	-	-	-	2,039,475.68	-
	2,175,918,757.95	7,600,000.00	-	105,051,138.28	-	1,835,703.75	(2,648,000.00)	-	-	2,287,757,599.98	-

Please refer to Note 6(2) for related information of interest in associates.

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4 Notes to the consolidated financial statements (continued)

(15) Investment properties

	Buildings	Land use rights	Terminal facilities	Total
Cost				
31 December 2015	30,814,225.78	69,785,783.60	746,469,631.62	847,069,641.00
Increase in the current year				
Transfers from construction in progress	-	-	-	-
Decrease in the current year				
Transfer to owner-occupied property	-	-	-	-
31 December 2016	30,814,225.78	69,785,783.60	746,469,631.62	847,069,641.00
Accumulated depreciation and amortisation				
31 December 2015	(8,610,349.25)	(11,686,831.37)	(163,162,004.08)	(183,459,184.70)
Increase in the current year				
Provision or amortisation	(853,702.44)	(1,471,434.60)	(15,829,661.64)	(18,154,798.68)
Decrease in the current year				
Transfer to owner-occupied property	-	-	-	-
31 December 2016	(9,464,051.69)	(13,158,265.97)	(178,991,665.72)	(201,613,983.38)
Carrying amount				
31 December 2016	21,350,174.09	56,627,517.63	567,477,965.90	645,455,657.62
31 December 2015	22,203,876.53	58,098,952.23	583,307,627.54	663,610,456.30

In 2016, no capitalised borrowing cost was included in investment properties (2015: Nil).

In 2016, RMB18,154,798.68 (2015: RMB18,196,292.78) of depreciation and amortisation was charged for the investment properties and no (2015: Nil) provision for impairment was provided.

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

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4 Notes to the consolidated financial statements (continued)

(16) Fixed assets

	Buildings	Terminal facilities	Oil tanks and pipelines	Handling equipment	Transportation equipment	Vessels	Storage facilities	Machinery and equipment	Other equipment	Total
Cost										
31 December 2015	1,584,336,889.38	5,726,383,634.89	2,825,385,271.52	2,975,755,276.40	903,247,727.52	1,706,335,194.06	3,199,870,900.19	1,088,817,446.91	714,582,103.38	20,724,714,444.25
Increase in the current year										
Increase from acquisition	1,307,442.09	1,177,911.71	-	23,820,597.55	1,432,050.98	-	3,127,099.26	12,234,919.72	14,887,547.47	57,987,568.78
Transfers from construction										
in progress	114,279,253.66	11,219,352.60	11,287,711.21	9,694,575.80	2,247,320.73	74,248,744.33	10,800,329.99	57,812,879.59	27,934,261.48	319,524,429.39
Reclassification of assets	1,563,355.81	3,514,522.21	-	-	-	-	(5,077,878.02)	-	-	-
Others	-	-	-	-	-	-	61,996.56	296,000.00	-	357,996.56
Decrease in the current year										
Disposal and obsolescence	(831,440.34)	-	-	(21,786,386.78)	(17,260,875.42)	(3,926,242.24)	-	(8,195,061.55)	(24,116,242.08)	(76,116,248.41)
Others	-	-	-	-	-	-	-	(419,478.84)	-	(419,478.84)
31 December 2016	1,700,655,500.60	5,742,295,421.41	2,836,672,982.73	2,987,484,062.97	889,666,223.81	1,776,657,696.15	3,208,782,447.98	1,150,546,705.83	733,287,670.25	21,026,048,711.73
Accumulated depreciation										
31 December 2015	(371,824,880.33)	(1,044,043,912.28)	(873,464,270.62)	(1,763,862,458.42)	(370,324,381.24)	(453,309,483.44)	(641,474,062.15)	(547,119,700.13)	(325,739,402.27)	(6,391,162,550.88)
Increase in the current year										
Provision	(49,384,230.60)	(116,154,227.13)	(103,135,473.44)	(155,001,068.22)	(39,264,627.49)	(62,700,705.04)	(77,703,882.90)	(77,807,831.63)	(45,630,871.88)	(726,782,918.33)
Reclassification of assets	(89,730.11)	(201,718.93)	-	-	-	-	291,449.04	-	-	-
Others	-	-	-	-	-	-	-	(187,466.76)	-	(187,466.76)
Decrease in the current year										
Disposal and obsolescence	430,805.97	-	-	16,905,087.17	15,485,354.79	3,729,930.12	-	7,664,796.20	21,934,787.94	66,150,762.19
31 December 2016	(420,868,035.07)	(1,160,399,858.34)	(976,599,744.06)	(1,901,958,439.47)	(394,103,653.94)	(512,280,258.36)	(718,886,496.01)	(617,450,202.32)	(349,435,486.21)	(7,061,982,173.78)
Carrying amount										
31 December 2016	1,279,787,465.53	4,581,895,563.07	1,860,073,238.67	1,085,525,623.50	495,562,569.87	1,264,377,437.79	2,489,895,951.97	533,096,503.51	383,852,184.04	13,974,066,537.95
31 December 2015	1,212,512,009.05	4,682,339,722.61	1,951,921,000.90	1,211,892,817.98	532,923,346.28	1,253,025,710.62	2,558,396,838.04	541,697,746.78	388,842,701.11	14,333,551,893.37

As at 31 December 2016, fixed assets at a carrying amount of RMB94,019,310.68 (a cost of RMB102,322,342.45) (31 December 2015: a carrying amount of RMB96,449,466.32 and a cost of RMB102,322,342.45) are pledged as collaterals of long-term borrowings of RMB17,010,023.77, including the current portion of RMB10,000,000.00 (31 December 2015: RMB27,010,023.77, including the current portion of RMB10,000,000.00) (Note 4(36)(a-i)).

As at 31 December 2016, fixed assets at a carrying amount of RMB143,105,574.13 (a cost of RMB228,576,076.21) (31 December 2015: a carrying amount of RMB150,868,257.15 and a cost of RMB228,576,076.21) are pledged as collaterals of long-term borrowings of RMB150,000,000.00 (31 December 2015: RMB150,000,000.00) (Note 4(36)(a-ii)).

As at 31 December 2016, fixed assets at a carrying amount of RMB414,413,226.01 (a cost of RMB935,860,681.53) (31 December 2015: a carrying amount of RMB452,722,560.60 and a cost of RMB935,860,681.53) are pledged as collaterals of long-term borrowings of RMB500,000,000.00 (31 December 2015: RMB500,000,000.00) (Note 4(36)(a-iii)).

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4 Notes to the consolidated financial statements (continued)

(16) Fixed assets (continued)

As at 31 December 2016, fixed assets at a carrying amount of RMB43,882,684.51 (a cost of RMB68,391,732.00) (31 December 2015: a carrying amount of RMB47,020,107.26 and a cost of RMB68,391,732.00) are pledged as collaterals of long-term borrowings of RMB50,000,000.00 (31 December 2015: RMB50,000,000.00) (Note 4(36)(a-v)).

As at 31 December 2016, fixed assets at a carrying amount of RMB264,933,255.01 (a cost of RMB384,992,940.93) (31 December 2015: a carrying amount of RMB281,420,540.90 and a cost of RMB384,992,940.93) are pledged as collaterals of long-term borrowings of RMB300,000,000.00 (31 December 2015: RMB300,000,000.00) (Note 4(36)(a-vi)).

As at 31 December 2015, fixed assets at a carrying amount of RMB842,764,288.94 (a cost of RMB1,735,975,658.93) are pledged as collaterals of long-term borrowings of RMB1,000,000,000.00 (31 December 2016: Nil) (Note 4(36)(a-iv)).

In 2016, depreciation charged to fixed assets is RMB726,782,918.33 (2015: RMB717,192,463.58), in which the amount of depreciation expenses charged to cost of sales, general and administrative expenses and specific reserve are RMB707,641,932.01, RMB18,529,321.65 and RMB611,664.67 respectively (2015: RMB697,673,337.00, RMB17,588,938.22 and RMB1,930,188.36).

In 2016, the costs of fixed assets transferred from construction in progress amounted to RMB319,524,429.39 (2015: RMB260,017,926.00).

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

The Company's management believed that no provision for impairment of fixed assets was required at balance sheet date.

(a) Fixed assets held under finance leases

As at 31 December 2016, the fixed assets with a carrying amount of RMB54,384,931.54 (a cost of RMB70,899,678.79) are held under finance leases (31 December 2015: a carrying amount of RMB63,850,075.16 and a cost of RMB74,802,846.88) (Note 12). The analysis is as follows:

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
31 December 2016				
Other equipment	70,899,678.79	(16,514,747.25)	–	54,384,931.54
31 December 2015				
Other equipment	74,802,846.88	(10,952,771.72)	–	63,850,075.16

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(16) Fixed assets (continued)

(b) Fixed assets with pending certificates of ownership:

As at 31 December 2016, the certificate of title to buildings at a carrying amount of approximately RMB584,541,777.05 (a cost of RMB678,809,009.90) has not been obtained yet (31 December 2015: a carrying amount of 573,344,720.44 and a cost of 649,341,904.88).

	Reasons for not obtaining certificates of title yet	Estimated date that certificate of title will be obtained
Buildings	In the process of obtaining	Meet registration procedures requirement and related charges paid

(c) Fixed assets held under an operating lease

	31 December 2016 Carrying amount	31 December 2015 Carrying amount
Transportation equipment	448,578,085.88	476,161,957.76
Vessels	400,988,400.39	441,904,267.96
Storage facilities	394,882,249.03	60,854,858.75
Terminal facilities	360,409,141.69	207,306,320.12
Buildings	123,818,242.65	103,207,506.33
Machinery and equipment	45,361,145.94	36,648,577.37
Handing equipment	18,267,005.32	7,906,150.39
Oil tanks and pipelines	810,208.33	857,708.33
Other equipment	20,619,247.98	146,793.73
	1,813,733,727.21	1,334,994,140.74

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(17) Construction in progress

	31 December 2016			31 December 2015		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Dayao Bay No. 13-16 Berth in Phase II	648,548,444.26	-	648,548,444.26	637,478,735.57	-	637,478,735.57
New Port No.18-21 Berth	336,584,575.69	-	336,584,575.69	336,879,169.58	-	336,879,169.58
Dalian Automotive Terminal No.4 Berth Project	198,937,064.34	-	198,937,064.34	301,127,088.34	-	301,127,088.34
Dayao Bay North Shore Automotive Logistics Centre	148,898,592.13	-	148,898,592.13	148,898,592.13	-	148,898,592.13
Dalian Bay Passenger Terminal	77,552,062.51	-	77,552,062.51	32,240,961.82	-	32,240,961.82
Mobile machinery acquisition for Taiping Bay Port	31,622,305.70	-	31,622,305.70	30,750,646.63	-	30,750,646.63
Ore No.4 Storage Yard	37,174,855.63	-	37,174,855.63	18,955,125.50	-	18,955,125.50
Dalian Bay Groceries and Ro-ro Berth Project	16,520,513.47	-	16,520,513.47	6,895,244.63	-	6,895,244.63
New Port accident buffer pool	-	-	-	95,745,117.64	-	95,745,117.64
All-rotation tug	-	-	-	68,999,734.54	-	68,999,734.54
Others	120,169,621.42	-	120,169,621.42	159,243,173.01	-	159,243,173.01
	1,616,008,035.15	-	1,616,008,035.15	1,837,213,589.39	-	1,837,213,589.39

The Group's management believes that no provision for impairment of construction in progress is required at balance sheet date.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(17) Construction in progress (continued)

(a) Movement of significant projects of construction in progress

Project name	Budgeted amount	31 December 2015	Increase in the current year	Transfer to fixed assets and intangible assets in the current year	Other decreases	31 December 2016	Proportion of expenditures incurred to budgeted amount (i)	Progress of construction	Accumulative amount of capitalised borrowing costs	Including: borrowing costs capitalised in current year	Capitalisation rate	Source of funds
Dayao Bay No. 13-16 Berth in Phase II	3,783,000,000.00	637,478,735.57	15,837,995.72	-	(4,768,267.03)	648,548,444.26	92%	92%	188,956,899.03	14,106,715.00	5.66%	Proprietary funds and loans from financial institutions and other sources
New Port No.18-21 Berth	413,770,000.00	336,879,169.58	1,639,272.98	-	(1,933,866.87)	336,584,575.69	82%	82%	83,522,029.54	1,284,949.69	5.40%	Loans from financial institutions and other sources
Dalian Automotive Terminal No.4 Berth Project	461,760,000.00	301,127,088.34	43,797,560.38	(145,987,584.38)	-	198,937,064.34	75%	75%	20,687,440.80	8,121,321.06	5.06%	Proprietary funds and loans from financial institutions
Dayao Bay North Shore Automotive Logistics Centre	450,000,000.00	148,898,592.13	-	-	-	148,898,592.13	33%	33%	8,054,440.28	-	-	Loans from financial institutions and other sources
Dalian Bay Passenger Terminal	383,160,000.00	32,240,961.82	45,984,746.81	-	(673,646.12)	77,552,062.51	21%	21%	3,318,567.29	1,857,294.06	5.53%	Proprietary funds and loans from financial institutions
Mobile machinery acquisition for Taiping Bay Port	36,400,000.00	30,750,646.63	871,659.07	-	-	31,622,305.70	87%	87%	3,089,171.84	871,659.07	5.66%	Proprietary funds and loans from financial institutions
Ore No.4 Storage Yard	570,600,000.00	18,955,125.50	18,219,730.13	-	-	37,174,855.63	99%	99%	-	-	-	Fund raising
Dalian Bay Groceries and Ro-ro Berth Project	700,000,000.00	6,895,244.63	9,625,268.84	-	-	16,520,513.47	99%	99%	-	-	-	Proprietary funds and loans from financial institutions
New Port accident buffer pool	98,886,600.00	95,745,117.64	4,800,983.92	(100,501,687.69)	(44,413.87)	-	100%	100%	11,538,135.38	-	-	Proprietary funds and loans from financial institutions
All-rotation tug	82,080,000.00	68,999,734.54	5,249,009.79	(74,248,744.33)	-	-	100%	100%	4,546,674.63	789,796.09	5.66%	Proprietary funds and loans from financial institutions
Others	872,909,321.49	159,243,173.01	205,332,337.16	(235,038,018.62)	(9,367,870.13)	120,169,621.42			5,421,593.69	1,010,524.09	5.53%	
		1,837,213,589.39	351,358,564.80	(555,776,035.02)	(16,788,084.02)	1,616,008,035.15			329,134,952.48	28,042,259.06		

- (i) Proportion of expenditures incurred to budgeted amount is the proportion of the total expenditures incurred to budgeted amount.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(18) Fixed assets pending for disposal

	31 December 2016	31 December 2015
Handing equipment	511,951.88	1,681,781.69
Buildings	355,151.03	–
Transportation equipment	280,207.42	–
Machinery and equipment	12,650.00	–
Vessels	–	401,093.55
Other equipment	1,522,864.38	1,017,595.07
	2,682,824.71	3,100,470.31

(19) Intangible assets

	Land use rights	Container flat vehicle use rights	Software	Golf membership	Sea area use rights	Berth facility use rights	Customer relationships	Port information platform	Total
Cost									
31 December 2015	765,820,745.35	46,660,098.18	145,935,998.37	1,977,376.00	3,455,982.72	253,448,422.59	15,970,000.00	64,310,000.00	1,297,578,623.21
Increase in the current year									
Increase from acquisition	11,895,541.79	–	12,129,053.55	–	–	–	–	–	24,024,595.34
Transfers from construction in progress	217,386,175.42	–	18,865,430.21	–	–	–	–	–	236,251,605.63
Decrease in the current year									
Disposal	–	–	(10,150,464.53)	–	–	–	–	–	(10,150,464.53)
31 December 2016	995,102,462.56	46,660,098.18	166,780,017.60	1,977,376.00	3,455,982.72	253,448,422.59	15,970,000.00	64,310,000.00	1,547,704,359.65
Accumulated amortisation									
31 December 2015	(149,864,348.30)	(27,704,433.54)	(80,314,466.33)	(961,686.13)	(1,987,136.74)	(93,835,002.67)	(12,620,000.00)	(48,768,416.67)	(416,055,490.38)
Increase in the current year									
Provision	(20,009,139.97)	(3,007,293.84)	(14,427,670.30)	(13,756.32)	(414,717.84)	(5,230,038.12)	(1,597,000.00)	(6,431,000.00)	(51,130,616.39)
Decrease in the current year									
Disposal	–	–	9,624,989.27	–	–	–	–	–	9,624,989.27
31 December 2016	(169,873,488.27)	(30,711,727.38)	(85,117,147.36)	(975,442.45)	(2,401,854.58)	(99,065,040.79)	(14,217,000.00)	(55,199,416.67)	(457,561,117.50)
Carrying amount									
31 December 2016	825,228,974.29	15,948,370.80	81,662,870.24	1,001,933.55	1,054,128.14	154,383,381.80	1,753,000.00	9,110,583.33	1,090,143,242.15
31 December 2015	615,956,397.05	18,955,664.64	65,621,532.04	1,015,689.87	1,468,845.98	159,613,419.92	3,350,000.00	15,541,583.33	881,523,132.83

In 2016, the amortisation of intangible assets amounted to RMB51,130,616.39 (2015: RMB43,551,936.32).

As at 31 December 2016, land use rights with a carrying amount of RMB15,224,272.81 (a cost of RMB17,631,590.19) (31 December 2015: a carrying amount of RMB15,576,958.57 and a cost of RMB17,631,590.19) are pledged as collateral for long-term borrowings of RMB17,010,023.77, including the current portion of RMB10,000,000.00 (31 December 2015: RMB27,010,023.77, including the current portion of RMB10,000,000.00) (Note 4 (36)(a-i)).

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(20) Goodwill

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Goodwill				
Dalian Jiye Logistics Co., Ltd.	2,397,589.82	–	–	2,397,589.82
DCT Logistics Co., Ltd.	6,218,460.29	–	–	6,218,460.29
Dalian Portnet Co., Ltd.	7,419,238.63	–	–	7,419,238.63
	16,035,288.74	–	–	16,035,288.74
Less: Provisions for impairment	–	–	–	–
	16,035,288.74	–	–	16,035,288.74

For Dalian Jiye Logistics Co., Ltd., DCT Logistics Co., Ltd. and Dalian Portnet Co., Ltd., the recoverable amount of a group of assets is calculated using the estimated cash flows determined according to the five-year budget approved by management. The cash flows beyond the five-year period are calculated based on the following estimated growth rates.

	Dalian Jiye Logistics Co., Ltd.	DCT Logistics Co., Ltd.	Dalian Portnet Co., Ltd.
Growth rate	3.00%	3.00%	3.00%
Gross margin	5.00%	15.00%	60.00%
Discount rate	12.00%	12.00%	12.00%

The weighted average growth rates applied by management are consistent with those estimated in the industry reports, and do not exceed the long-term average growth rates of each product. Management determines budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups and groups of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and group of asset groups within the corresponding operating segment.

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4 Notes to the consolidated financial statements (continued)

(21) Long-term prepaid expenses

	31 December 2015	Increase in the current year	Amortisation charged in the current year	Other decreases	31 December 2016
Public facilities in bonded port	10,260,806.92	–	(855,067.44)	–	9,405,739.48
Decoration	5,520,628.48	2,761,942.89	(4,362,314.66)	–	3,920,256.71
Site development expenses	11,079,205.19	–	(1,117,230.72)	–	9,961,974.47
Environmental reconstruction expenses	16,922,061.09	7,034,607.46	(875,413.94)	–	23,081,254.61
Others	8,245,483.91	388,962.00	(1,276,769.36)	–	7,357,676.55
	52,028,185.59	10,185,512.35	(8,486,796.12)	–	53,726,901.82

(22) Deferred tax assets and deferred tax liabilities

(a) Deferred assets before offsetting

	31 December 2016		31 December 2015	
	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses
Elimination of intra-group unrealised profit	55,690,722.56	222,762,890.24	55,976,157.50	223,904,630.00
Government grants	10,035,913.50	40,143,654.00	321,839.88	1,287,359.52
Advances from customers with tax paid	2,863,321.59	11,453,286.36	980,228.54	3,920,914.16
Difference on depreciation period	2,699,870.52	10,799,482.08	2,714,749.15	10,858,996.60
Provision for asset impairments	2,212,246.08	8,848,984.32	829,688.87	3,318,755.48
Changes in fair value of financial assets at fair value through profit or loss	864,203.11	3,456,812.44	586,810.60	2,347,242.40
Others	1,197,459.20	4,789,836.80	1,065,209.90	4,260,839.60
	75,563,736.56	302,254,946.24	62,474,684.44	249,898,737.76
Including:				
Expected to be recovered within one year (inclusive)	6,731,025.61		1,169,032.00	
Expected to be recovered after one year	68,832,710.95		61,305,652.44	
	75,563,736.56		62,474,684.44	

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(22) Deferred tax assets and deferred tax liabilities (continued)

(b) Deferred tax liabilities before offsetting

	31 December 2016		31 December 2015	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Fair value adjustment for business combinations involving enterprises not under common control	7,093,266.86	28,373,067.44	8,590,102.23	34,360,408.92
Others	7,385,044.45	29,540,177.80	3,776,240.88	15,104,963.52
	14,478,311.31	57,913,245.24	12,366,343.11	49,465,372.44
Including:				
Expected to be recovered within one year (inclusive)	1,812,530.03		1,496,835.51	
Expected to be recovered after one year	12,665,781.28		10,869,507.60	
	14,478,311.31		12,366,343.11	

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2016	31 December 2015
Deductible losses	266,230,526.04	341,894,013.82

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(22) Deferred tax assets and deferred tax liabilities (continued)

(d) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	31 December 2016	31 December 2015
2016	–	96,444,686.49
2017	48,647,533.90	50,233,847.56
2018	47,256,880.39	47,356,751.95
2019	79,243,753.77	86,996,450.43
2020	40,378,323.82	60,862,277.39
2021	50,704,034.16	–
	266,230,526.04	341,894,013.82

(e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2016		31 December 2015	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	(634,710.94)	74,929,025.62	(634,710.94)	61,839,973.50
Deferred tax liabilities	(634,710.94)	13,843,600.37	(634,710.94)	11,731,632.17

(23) Other non-current assets

	31 December 2016	31 December 2015
Guarantee payment for land bidding (i)	118,610,000.00	118,610,000.00
Advances for construction projects	54,535,212.49	–
VAT input to be deducted (ii)	24,047,476.02	–
	197,192,688.51	118,610,000.00

(i) According to the *Agreement on Pre-transfer of Land* entered into by Dalian Port (PDA) Company Limited (“Party B”) and Dalian Bonded Area Land Reserve Trading Centre (“Party A”), the Company pays guarantee payment for land of RMB139,880,000.00 for Dalian Port Petrochemical Project. Party A has released a land pre-transfer announcement for the Project. If Party B fails to clinch the deal upon expiry of the quotation period, Party A will return all amounts paid by Party B within 5 days. As at 31 December 2016, the balance of guarantee payment for land bidding is RMB118,610,000.00.

(ii) VAT input to be deducted are VAT inputs arising from the Group’s purchase of goods and services with VAT payable, but not yet fully offset in the current year.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(24) Provision for asset impairments

	31 December	Increase in the	Decrease in the current year		31 December
	2015		current year	Reversal	Write-off
Provision for bad debts	2,936,715.30	178,104.00	–	(1,905,626.33)	1,209,192.97
Including: Provision for bad debts of accounts receivable	1,875,522.33	178,104.00	–	(1,905,626.33)	148,000.00
Provision for bad debts of other receivables	1,061,192.97	–	–	–	1,061,192.97
Provision for decline in the value of inventories	2,037,642.99	5,854,814.99	(88,568.18)	–	7,803,889.80
	4,974,358.29	6,032,918.99	(88,568.18)	(1,905,626.33)	9,013,082.77

(25) Short-term borrowings

	31 December 2016	31 December 2015
Impawn (i)	438,427,798.80	566,694,492.83
Unsecured	61,000,000.00	35,000,000.00
	499,427,798.80	601,694,492.83

(i) As at 31 December 2016, pledge bank borrowings of RMB438,427,798.80 (31 December 2015: RMB566,694,492.83) are secured by the Group's inventories with carrying amount of RMB317,241,729.72 (31 December 2015: RMB772,498,330.38) and relevant documents of import business (Note (9)(a)), and by the rights and documents concerning motor vehicles of entrusted agency business.

As at 31 December 2016, the interest for the short-term borrowings was 1.80% – 6.80% (31 December 2015: 1.80% – 6.40%).

(26) Notes payable

	31 December 2016	31 December 2015
Bank acceptance notes	1,250,000.00	12,940,000.00

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(27) Accounts payable

	31 December 2016	31 December 2015
Purchase of auxiliary materials and guarantee deposit	178,738,447.65	144,802,114.91
Vessel leasing and ocean freight	52,453,087.11	86,648,885.25
Purchase of goods	4,510,238.41	1,947,574.59
	235,701,773.17	233,398,574.75

(a) As at 31 December 2016, accounts payable with ageing over one year amounted to RMB15,755,861.28 (31 December 2015: RMB15,406,894.42) and mainly comprised payables for subcontracting, materials and quality guarantee deposit which had not be cleared finally for the overall project had not been completed and finally settled.

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

	31 December 2016	31 December 2015
Within 1 year	219,945,911.89	217,991,680.33
1 to 2 years	11,994,623.06	11,688,206.75
2 to 3 years	2,768,046.73	2,224,709.90
Over 3 years	993,191.49	1,493,977.77
	235,701,773.17	233,398,574.75

(28) Advances from customers

	31 December 2016	31 December 2015
Sales of motor vehicles	121,742,555.36	344,600,805.52
Cold chain trade	39,747,017.39	30,796,540.04
Miscellaneous expenses	16,052,933.70	5,870,345.20
Refined oil trade	13,211,820.20	36,367,775.00
Rental expenses	7,488,546.99	6,227,258.80
Freights	5,876,496.84	3,277,514.57
Public facility maintenance expenses	1,859,233.61	3,920,914.08
Others	18,143,354.85	17,481,192.91
	224,121,958.94	448,542,346.12

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4 Notes to the consolidated financial statements (continued)

(28) Advances from customers (continued)

As at 31 December 2016, advances from customers with ageing over one year amounted to RMB34,837,459.49 (31 December 2015: RMB5,610,557.74). Such advances from customers were mainly advances from Dalian Port Yidu Cold Chain Co., Ltd. and Dalian Duyi Group Co., Ltd. for trade, rental and public facility maintenance services, which are unsettled due to the incompleteness of the project.

(29) Employee benefits payable

	31 December 2016	31 December 2015
Short-term employee benefits payable (a)	220,882,346.04	202,607,240.14
Defined contribution plans payable (b)	7,548,315.25	10,248,547.82
Termination benefits payable (c)	–	1,353,931.46
	228,430,661.29	214,209,719.42

(a) Short-term employee benefits

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Wages and salaries, bonus, allowances and subsidies	181,564,848.01	801,106,037.41	(775,854,200.32)	206,816,685.10
Staff welfare	–	64,096,374.79	(63,611,388.83)	484,985.96
Social security contributions	134,248.94	66,286,315.00	(66,212,876.80)	207,687.14
Including: Medical insurance	97,301.46	55,355,045.21	(55,342,317.21)	110,029.46
Work injury insurance	34,757.74	4,055,736.22	(3,995,011.06)	95,482.90
Maternity insurance	2,189.74	5,493,380.18	(5,493,395.14)	2,174.78
Others	–	1,382,153.39	(1,382,153.39)	–
Housing funds	–	121,124,216.76	(121,124,216.76)	–
Labour union funds and employee education funds	1,914,879.64	23,252,201.32	(23,122,109.37)	2,044,971.59
Labour expenses	12,293,733.36	241,090,860.87	(249,077,555.11)	4,307,039.12
Other short-term employee benefits	6,699,530.19	4,049,435.01	(3,727,988.07)	7,020,977.13
	202,607,240.14	1,321,005,441.16	(1,302,730,335.26)	220,882,346.04

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4 Notes to the consolidated financial statements (continued)

(29) Employee benefits payable (continued)

(b) Defined contribution plans

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Basic pensions	264,345.12	125,926,146.24	(125,926,146.24)	264,345.12
Payment of annuity	9,962,356.10	32,579,089.96	(35,279,358.31)	7,262,087.75
Unemployment insurance	21,846.60	4,878,928.68	(4,878,892.90)	21,882.38
	10,248,547.82	163,384,164.88	(166,084,397.45)	7,548,315.25

(c) Termination benefits payable

	31 December 2016	31 December 2015
Other termination benefits (i)	–	1,353,931.46

(i) In 2016, the Group's other termination benefits paid for termination of the employment relationship are RMB343,180.50.

(30) Taxes payable

	31 December 2016	31 December 2015
Enterprise income tax payable	75,558,503.53	40,173,551.13
Value-added tax payable	14,673,333.47	8,897,181.26
Individual income tax payable	12,095,641.07	4,343,935.90
Import tariff and consumption tax payable	8,793,596.43	–
City maintenance and construction tax payable	331,135.07	895,783.59
Educational surcharge payable	238,573.54	639,909.44
Business tax payable	21,120.00	2,931,330.16
Others	3,210,547.82	3,188,406.86
	114,922,450.93	61,070,098.34

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(31) Interest payable

	31 December 2016	31 December 2015
Interest of bonds	132,971,380.18	133,069,780.14
Interest to be paid together with the principle of long-term borrowings due within one year	28,843,779.71	–
Interest of short-term borrowings	2,898,445.01	132,916.66
Interest of long-term borrowings with instalment payments and principal due for maturity	247,636.16	10,517,161.87
	164,961,241.06	143,719,858.67

(32) Dividends payable

	31 December 2016	31 December 2015
Singapore Dalian Port Investment Pte. Ltd.	65,459,174.35	61,287,719.06
Dalian Bonded Zhengtong Company Limited	5,779,554.22	5,779,554.22
Dalian Construction Investment Group Co., Ltd.	2,653,250.56	–
NYK Bulk & Projects Carriers Ltd.	277,790.92	277,790.92
Others	2,491,269.59	43,886.00
	76,661,039.64	67,388,950.20

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(33) Other payables

	31 December 2016	31 December 2015
Project expenses payable	249,840,632.82	313,949,456.39
Borrowings from related parties	50,000,000.00	20,000,000.00
Down payment	45,074,654.07	95,267,095.93
Guaranty	23,356,212.38	10,977,518.47
Freight charges	21,159,562.14	15,230,017.14
Port construction expenses collected for other companies	14,657,475.83	10,667,298.57
Subsidies received for other companies	10,379,914.78	25,000,000.00
Security expenses payable to the Bureau of Port	9,594,052.70	5,666,222.51
Fares collected for other companies	6,931,818.61	5,241,152.11
Compensation received for other companies	5,056,848.14	6,409,042.68
Others	80,370,381.62	77,399,259.72
	516,421,553.09	585,807,063.52

As at 31 December 2016, other payables with ageing over one year amounted to RMB231,151,191.90 (31 December 2015: RMB187,366,272.01). Such other payables were mainly project expenses payable, down payment, advances and subsidies received for other companies which were unsettled for the project had not been completed, not been commenced or finally settled.

(34) Current portion of non-current liabilities

	31 December 2016	31 December 2015
Current portion of long-term borrowings (Note 4(36))	1,024,000,000.00	510,000,000.00
Current portion of long-term payables(Note 4(38))	23,523,521.42	17,771,479.16
	1,047,523,521.42	527,771,479.16

(35) Other current liabilities

	31 December 2016	31 December 2015
Corporate bonds (a)	3,038,041,251.61	2,014,689,463.02

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(35) Other current liabilities (continued)

(a) Related information of short-term bonds payable is as follows:

	31 December 2015	Issued in the current year	Interest at par	Amortisation of premium/discount	Repayment in the current year	31 December 2016
Corporate bonds (i)	1,010,638,606.18	-	18,987,500.00	1,873,893.82	(1,031,500,000.00)	-
Corporate bonds (ii)	1,004,050,856.84	-	25,511,111.10	2,438,032.06	(1,032,000,000.00)	-
Corporate bonds (iii)	-	3,000,000,000.00	40,078,333.34	(2,037,081.73)	-	3,038,041,251.61
	2,014,689,463.02	3,000,000,000.00	84,576,944.44	2,274,844.15	(2,063,500,000.00)	3,038,041,251.61

	Par value	Issuance date	Maturity	Issuance amount
Corporate bonds (i)	100.00	10 August 2015	1 year	1,000,000,000.00
Corporate bonds (ii)	100.00	19 October 2015	1 year	1,000,000,000.00
Corporate bonds (iii)	100.00	8 July 2016	270 days	3,000,000,000.00

- (i) The Company issued corporate bonds with a total amount of RMB1,000,000,000.00 and a duration of 1 year on 10 August 2015. Such bonds at a fixed interest rate have a nominal interest rate of 3.15%. Interest and principal is paid on the maturity date and related issuance expense amounted to RMB3,212,389.43.
- (ii) The Company issued corporate bonds with a total amount of RMB1,000,000,000.00 and a duration of 1 year on 19 October 2015. Such bonds at a fixed interest rate have a nominal interest rate of 3.20%. Interest and principal is paid on the maturity date and related issuance expense amounted to RMB3,250,709.43.
- (iii) The Company issued corporate bonds with a total amount of RMB3,000,000,000.00 and a duration of 270 days on 8 July 2016. Such bonds at a fixed interest rate have a nominal interest rate of 2.78%. Interest and principal is paid on the maturity date and related issuance expense amounted to RMB6,126,415.09.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(36) Long-term borrowings

	31 December 2016	31 December 2015
Pledged (a)	1,017,010,023.77	2,027,010,023.77
Unsecured	154,000,000.00	834,000,000.00
	1,171,010,023.77	2,861,010,023.77
Less: Current portion of long-term borrowings (Note 4(34))		
Pledged	(1,010,000,000.00)	(10,000,000.00)
Unsecured	(14,000,000.00)	(500,000,000.00)
	(1,024,000,000.00)	(510,000,000.00)
	147,010,023.77	2,351,010,023.77

(a-i) As at 31 December 2016, bank borrowings of RMB17,010,023.77 (31 December 2015: RMB27,010,023.77) are secured by the Group's fixed assets with a carrying amount of approximately RMB94,019,310.68 (a cost of RMB102,322,342.45) (31 December 2015: a carrying amount of RMB96,449,466.32 and a cost of RMB102,322,342.45) (Note 4 (16)), and land use rights with a carrying amount of RMB15,224,272.81 (a cost of 17,631,590.19) (31 December 2015: a carrying amount of RMB15,576,958.57 and a cost of RMB17,631,590.19) (Note 4(19)). Interest is payable every three months and the principals due within one year will be paid on 20 June 2017 and 20 December 2017 in two equal instalments respectively, and the remaining amount of the principal is due for repayment by several instalments by 14 March 2019.

(a-ii) As at 31 December 2016, pledged borrowings of RMB150,000,000.00 (31 December 2015: RMB150,000,000.00) are secured by the Company's fixed assets with a carrying amount of approximately RMB143,105,574.13 (a cost of RMB228,576,076.21) (31 December 2015: a carrying amount of RMB150,868,257.15 and a cost of RMB228,576,076.21) (Note 4 (16)). According to the original contract, interest is payable every three months, under the *Supplementary Agreement*, interest generated since August 2016 shall be paid together with the principal on the maturity date, and the principal is due for repayment on 30 June 2017.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(36) Long-term borrowings (continued)

- (a-iii) As at 31 December 2016, pledged borrowings of RMB500,000,000.00 (31 December 2015: RMB500,000,000.00) are secured by the Company's fixed assets with a carrying amount of approximately RMB414,413,226.01 (a cost of RMB935,860,681.53) (31 December 2015: a carrying amount of RMB452,722,560.60 and a cost of RMB935,860,681.53) (Note 4 (16)). According to the original contract, interest is payable every three months, under the *Supplementary Agreement*, interest generated since August 2016 shall be paid together with the principal on the maturity date, and the principal is due for repayment on 23 May 2017.
- (a-iv) As at 31 December 2016, borrowings of RMB0 (31 December 2015: RMB1,000,000,000.00) were secured by the Company's fixed assets with a carrying amount of approximately RMB0 (a cost of RMB0) (31 December 2015: a carrying amount of RMB842,764,288.94 and a cost of RMB1,735,975,658.93) (Note 4 (16)). Interest is payable every three months and the principal is due for repayment on 29 July 2016.
- (a-v) As at 31 December 2016, pledged borrowings of RMB50,000,000.00 (31 December 2015: RMB500,000,000.00) are secured by the Company's fixed assets with a carrying amount of approximately RMB43,882,684.51 (a cost of RMB68,391,732.00) (31 December 2015: a carrying amount of RMB47,020,107.26 and a cost of RMB68,391,732.00) (Note 4 (16)). According to the original contract, interest is payable every three months, under the *Supplementary Agreement*, interest generated since August 2016 shall be paid together with the principal on the maturity date, and the principal is due for repayment on 30 June 2017.
- (a-vi) As at 31 December 2016, pledged borrowings of RMB300,000,000.00 (31 December 2015: RMB300,000,000.00) are secured by the Company's fixed assets with a carrying amount of approximately RMB264,933,255.01 (a cost of RMB384,992,940.93) (31 December 2015: a carrying amount of RMB281,420,540.90 and a cost of RMB384,992,940.93) (Note 4 (16)). According to the original contract, interest is payable every three months, under the *Supplementary Agreement*, interest generated since August 2016 shall be paid together with the principal on the maturity date, and the principal is due for repayment on 6 November 2017.

As at 31 December 2016, the interest for the long-term borrowings was 4.51% – 6.33% (31 December 2015: 5.39% – 6.33%).

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(37) Bonds payable

	31 December 2015	Issued in the current year	Issuance expense	Amortisation of premium/ discount	Repayment in the current year	31 December 2016	Interest at par
Corporate bonds	5,763,754,605.64	-	-	15,326,506.42	-	5,779,081,112.06	320,875,000.00

Related information is as follows:

	Par value	Issuance date	Maturity	Issuance amount
Corporate bonds (a)	100.00	23 May 2011	10 years	2,350,000,000.00
Corporate bonds (b)	100.00	26 September 2011	7 years	2,650,000,000.00
Corporate bonds (c)	100.00	17 February 2015	3 years	800,000,000.00

- (a) Under Regulatory Permission [2011] No. 699 approved by CSRC, the Company issued corporate bonds on 23 May 2011. Interest of such bonds is annually paid and calculated by the simple interest method at a fixed interest rate of 5.30% annually. Interest is payable every year (Note 4(31)), and related issuance expense amounts to RMB25,156,495.00.
- (b) Under Regulatory Permission [2011] No. 1226 approved by CSRC, the Company issued corporate bonds on 26 September 2011. At end of the fifth year after issuance, the Company has the right to increase the nominal interest rate and holders has the right to sell all or partial bonds back to the Company at par. Such bonds at a fixed interest rate have a nominal interest rate of 6.05%. Interest is payable every year (Note 4(31)), and related issuance expense amounts to RMB27,775,729.25.
- (c) The Group issued corporate bonds on 17 February 2015. Interest of such bonds is paid every half year and calculated by the simple interest method at a fixed interest rate of 4.50% annually. Interest is payable every year (Note 4(31)), and related issuance expense amounts to RMB23,424,000.00.

(38) Long-term payables

	31 December 2016	31 December 2015
Payable for finance lease (Note 12)	61,641,602.90	62,752,592.78
Standby letters of credit fee payable	5,020,000.00	10,040,000.00
	66,661,602.90	72,792,592.78
Less: Current portion of long-term payables (Note 4(34))	(23,523,521.42)	(17,771,479.16)
	43,138,081.48	55,021,113.62

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(39) Deferred revenue

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016		
Government grants	565,081,808.69	48,952,719.50	(48,062,530.08)	565,971,998.11		
Government grant projects	31 December 2015	Increase in the current year	Amount recognised in non-operating income in the current year	Other movements in the current year	31 December 2016	Related to assets/income
Relocation compensation (i)	490,399,745.04	-	(33,621,113.74)	-	456,778,631.30	Related to assets
Production safety fund (ii)	31,750,000.00	-	(952,500.00)	-	30,797,500.00	Related to assets
Foreign trade and economic development special funds (iii)	-	21,094,366.00	-	-	21,094,366.00	Related to income/ assets
Sea-railway transportation subsidies (iv)	10,340,000.00	-	-	-	10,340,000.00	Related to assets
Transport junction passenger station project (v)	-	10,000,000.00	-	-	10,000,000.00	Related to assets
Operation subsidies (vi)	18,780,784.19	1,507,692.00	(10,510,000.00)	-	9,778,476.19	Related to income
Log process project (vii)	-	8,300,000.00	-	-	8,300,000.00	Related to assets
Stable position subsidiaries (viii)	-	8,002,109.79	-	-	8,002,109.79	Related to income
Energy conservation and emission reduction special fund (ix)	3,654,536.49	-	(646,659.70)	-	3,007,876.79	Related to assets
Vessel acquisition subsidies (x)	3,666,098.64	-	(791,217.56)	-	2,874,881.08	Related to assets
Equipment reconstruction subsidies (xi)	2,155,708.50	-	(264,423.68)	-	1,891,284.82	Related to assets
Others	4,334,935.83	48,551.71	(394,815.40)	(881,800.00)	3,106,872.14	Related to assets
	565,081,808.69	48,952,719.50	(47,180,730.08)	(881,800.00)	565,971,998.11	

(i) The amount received by the Company in respect of the compensation for the relocation of the terminals will be recognised in the consolidated income statement by periods over the estimated useful lives of the new terminals upon commencement of their operations.

(ii) The amount received by the Company in respect of the government grant for safety of production will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(39) Deferred revenue (continued)

- (iii) The Company received a government grant to encourage foreign trade and economic development from Dalian Free Trade Zone Bureau of Foreign Trade & Economic Cooperation. This subsidiary is used for market development for oil products, strengthen the safeguards for oil product bonded storage, logistic facilities and assets, and enhance the construction of petroleum import and export trade platform and etc. This subsidiary includes assets-related portion and income-related portion, and the Company accounts for the different portions separately, and those hard to distinguish, as income-related as a whole.
- (iv) The amount received by the Company in respect of the subsidy for the sea-railway co-transportation system will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets. This project has not been completed and transferred to fixed assets.
- (v) The amount received by the Company in respect of the subsidy for the transport junction passenger station project will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets. This project has not been completed and transferred to fixed assets.
- (vi) The subsidy related to income granted by the People's Government of Muling was used to the compensation for operating loss in five years since Heilongjiang Suimu Dalian Port Logistics Co., Ltd.'s incorporation. This Company was characterised as large initial investment and long payback period. The local government offered financial supporting for the operating loss incurred in the initial operating period in order to attract outside investors. The amount received by the Group in respect of the subsidy will be recognised in the consolidated income statement by periods based on the operating performance.
- (vii) The amount received by the Group in respect of the government grant for log process project will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets. This project has not been completed and transferred to fixed assets.
- (viii) The amount received by the Company in respect of the government grant for supporting enterprise to stabilise the positions will be recognised in the consolidated income statement by periods based on social security contributions, welfares and education funds.
- (ix) The amount received by the Group in respect of the subsidy for the equipment acquisition and reconstruction regarding energy conservation and emission reduction will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets.
- (x) The amount received by the Group in respect of the subsidy for the acquisition of vessels will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets.
- (xi) The amount received by the Group in respect of the subsidy for the equipment retrofit will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(40) Other non-current liabilities

	31 December 2016	31 December 2015
All-in charges for cargo handling	99,241,941.00	102,772,498.43

In 2013, The Company entered into an all-in charges contract with Chinatex Grains and Oils (Heilongjiang) Co., Ltd. Chinatex Grains and Oils (Heilongjiang) Co., Ltd. paid in advance the all-in charges for full logistics including distribution services and port operations with an amount of RMB112 million. The first seven years were the deduction period, during which the interest was calculated in terms of the loan interest rate stipulated by the People's Bank of China for the corresponding period. And the last three years represent the preferential period.

As at 31 December 2016, the balance of all-in charges for cargo handling paid in advance is RMB99,241,941.00 (31 December 2015: RMB102,772,498.43).

(41) Share capital

	Movements for the year						31 December 2016
	31 December 2015	Newly issued	Bonus share	Transferred from reserves	Others	Subtotal	
RMB-denominated ordinary shares	3,363,400,000.00	-	1,009,020,000.00	3,363,400,000.00	-	4,372,420,000.00	7,735,820,000.00
Foreign shares listed overseas	1,062,600,000.00	1,180,320,000.00	672,875,999.00	2,242,920,000.00	-	4,096,115,999.00	5,158,715,999.00
	4,426,000,000.00	1,180,320,000.00	1,681,895,999.00	5,606,320,000.00	-	8,468,535,999.00	12,894,535,999.00

	Movements for the year						31 December 2015
	31 December 2014	Newly issued	Bonus share	Transferred from reserves	Others	Subtotal	
RMB-denominated ordinary shares	3,363,400,000.00	-	-	-	-	-	3,363,400,000.00
Foreign shares listed overseas	1,062,600,000.00	-	-	-	-	-	1,062,600,000.00
	4,426,000,000.00	-	-	-	-	-	4,426,000,000.00

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(41) Share capital (continued)

In accordance with *Official Reply on Approving the Issuance of Additional Overseas Listed Foreign Shares by Dalian Port (PDA) Company Limited* (Zhengjianxuke [2015] No. 2226) issued by of the CSRC on 8 October 2015, the Company is approved of additional issuance of no more than 1,475,400,000 overseas listed foreign shares [H shares] to overseas investors. As at 31 December 2016, the Company has completed placement of 1,180,320,000 overseas listed foreign shares [H shares] and the placing price is HKD3.67 per share. The above mentioned fund was received on 4 February 2016 and has been verified by PricewaterhouseCoopers Zhong Tian LLP with capital verification report of PricewaterhouseCoopers Zhong Tian Yan Zi (2016) No. 314 issued accordingly. The proceeds from the issuance amounted to HKD4,331,774,400.00 (equivalent to RMB3,637,824,141.12, translated by the central parity rate of RMB against HKD on 4 February 2016 as stipulated by the People's Bank of China). Share capital of the Company was increased by RMB1,180,320,000.00. After deducting transaction costs of RMB42,233,648.01 and related stamp tax of RMB1,797,795.25, the remainder of RMB2,413,472,697.86 was recognised in capital surplus (share premium) (Note 4(42)).

As at 31 December 2016, 588,248,000 shares of foreign shares listed overseas are held by PDA Group through HKSCC Nominees Limited (31 December 2015: 149,458,000 shares). In 2016, the additional H shares were purchased from secondary market of Stock Exchange of Hong Kong Limited.

In accordance with the resolution at the Board of Shareholders' meeting on 28 June 2016, on the basis of 5,606,320,000 shares, the Company distributed 3 bonus shares every 10 shares and increased 10 shares every 10 shares of capital surplus to all shareholders. The Company completed relevant capital increase procedures for A shares and H shares on 1 August 2016 and 17 August 2016 in accordance with listing rules and supervisory regulations of the two places and distributed dividends of RMB1,681,895,999.00 (Note 4(45)). The transfer from capital surplus to share capital amounted to RMB5,606,320,000.00 (Note 4(42)), thus the total share capital was changed to RMB12,894,535,999.00.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(42) Capital surplus

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium	6,103,613,277.83	2,413,472,697.86	(5,606,320,000.00)	2,910,765,975.69
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (a)	8,445,750.98	4,958,539.39	–	13,404,290.37
Others	5,506,725.81	1,267,694.09	–	6,774,419.90
	6,117,565,754.62	2,419,698,931.34	(5,606,320,000.00)	2,930,944,685.96

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015
Share premium	6,103,613,277.83	–	–	6,103,613,277.83
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (a)	8,126,932.54	318,818.44	–	8,445,750.98
Others	10,536,809.50	(5,030,083.69)	–	5,506,725.81
	6,122,277,019.87	(4,711,265.25)	–	6,117,565,754.62

- (a) Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method mainly comprises special reserves appropriated by joint ventures and associates of the Group in the current period.

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4 Notes to the consolidated financial statements (continued)

(43) Other comprehensive income

	Other comprehensive income in balance sheet		Other comprehensive income in income statement for the year ended 31 December 2016					
	31 December 2015	Attributable to equity owners of the Company – net of tax	31 December 2016	Amount incurred before tax for the current year	Less: Previously recognised in OCI but transferred to P&L for the current year	Less: Income tax expenses	Attributable to equity owners of the Company – net of tax	Attributable to minority shareholders – net of tax
Other comprehensive income items which will be reclassified subsequently to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(755,666.78)	-	(755,666.78)	-	-	-	-	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	(3,514,596.01)	(1,005,613.48)	(4,520,209.49)	(1,005,613.48)	-	-	(1,005,613.48)	-
Differences on translation of foreign currency financial statements	31,293,840.07	21,357,603.19	52,651,443.26	21,357,603.19	-	-	21,357,603.19	-
	27,023,577.28	20,351,989.71	47,375,566.99	20,351,989.71	-	-	20,351,989.71	-

	Other comprehensive income in balance sheet		Other comprehensive income in income statement for the year ended 31 December 2015					
	31 December 2014	Attributable to equity owners of the Company – net of tax	31 December 2015	Amount incurred before tax for the current year	Less: Previously recognised in OCL but transferred to P&L for the current year	Less: Income tax expenses	Attributable to equity owners of the Company – net of tax	Attributable to minority shareholders – net of tax
Other comprehensive income items which will be reclassified subsequently to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(1,834,787.33)	1,079,120.55	(755,666.78)	1,079,120.55	-	-	1,079,120.55	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	(902,412.06)	(2,612,183.95)	(3,514,596.01)	(2,612,183.95)	-	-	(2,612,183.95)	-
Differences on translation of foreign currency financial statements	9,860,580.11	21,433,259.96	31,293,840.07	21,433,259.96	-	-	21,433,259.96	-
	7,123,380.72	19,900,196.56	27,023,577.28	19,900,196.56	-	-	19,900,196.56	-

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4 Notes to the consolidated financial statements (continued)

(44) Surplus reserves

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Statutory surplus reserve	622,952,355.31	52,717,251.10	–	675,669,606.41
Reserve fund	353,065.88	–	–	353,065.88
Discretionary surplus reserve	620,468.49	–	–	620,468.49
	623,925,889.68	52,717,251.10	–	676,643,140.78

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015
Statutory surplus reserve	578,709,289.48	44,243,065.83	–	622,952,355.31
Reserve fund	353,065.88	–	–	353,065.88
Discretionary surplus reserve	620,468.49	–	–	620,468.49
	579,682,823.85	44,243,065.83	–	623,925,889.68

In accordance with the *Company Law* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to board resolution, the Company extracts statutory surplus reserve of RMB52,717,251.10 on the basis of 10% of net profit earned in 2016. (2015: RMB44,243,065.83, which is on the basis of 10% of net profit.)

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

(45) Undistributed profits

	2016	2015
Undistributed profits at beginning of year	2,820,227,405.53	2,559,058,167.36
Add: Net profit attributable to equity owners of the Company for the current year	531,012,717.43	484,333,281.47
Less: Appropriation to statutory surplus reserve	(52,717,251.10)	(44,243,065.83)
Ordinary share dividends payable (a)	(420,474,000.00)	(177,040,000.00)
Appropriation to employees' bonus and welfare fund in subsidiaries	(1,939,914.90)	(1,880,977.47)
Ordinary share dividends converted to share capital	(1,681,895,999.00)	–
Undistributed profits at end of year	1,194,212,957.96	2,820,227,405.53

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(45) Undistributed profits (continued)

(a) In accordance with the resolution at the Board of Shareholders' meeting dated on 28 June 2016, the Company proposed a cash dividend to the shareholders at RMB0.75 per 10 shares (including tax), amounting to RMB420,474,000.00 calculated by 5,606,320,000 issued shares.

In accordance with the resolution at the Board of Shareholders' meeting dated 29 June 2015, the Company proposed a cash dividend to the shareholders at RMB0.4 per 10 shares (including tax), amounting to RMB177,040,000.00 calculated by 4,426,000,000 issued shares.

(46) Minority interest

	31 December 2016	31 December 2015
Dalian Container Terminal Co., Ltd.	684,568,270.94	684,062,425.63
Dalian Haijia Automobile Terminal Co., Ltd.	216,555,744.60	212,583,098.13
Dalian Port Lvshun Harbour Service Co., Ltd.	133,069,579.54	132,779,456.62
Dalian Golden Bay Grain Logistics Co., Ltd.	123,768,695.73	126,128,184.79
Dalian Dilangsirui Caravan Co., Ltd.	49,987,266.08	49,981,042.06
Dalian Port Group Zhuanghe Terminal Co., Ltd.	19,422,716.07	22,376,508.29
Dalian Port Construction Supervision & Consultation Co., Ltd.	15,672,472.46	14,857,247.00
Dalian FTZ Jinxin Petrochemical Co., Ltd.	14,823,054.96	12,212,533.46
Dalian Portsoft Technology Co., Ltd.	10,955,019.25	12,848,674.85
Dalian Portnet Co., Ltd.	10,871,291.50	14,419,558.98
Dalian Port Lianheng Supply Chain Management Co., Ltd.	9,814,901.15	–
Dalian Ganghong International Trade Co., Ltd.	9,582,140.71	9,581,666.36
Dalian International Container Services Co., Ltd.	8,762,121.30	7,343,738.75
Dalian Port Telecommunications Engineering Co., Ltd.	6,928,559.81	6,620,926.32
Dalian Port Senlida Timber Trading Centre Co., Ltd.	5,753,081.51	11,872,527.76
Dalian United King Port Auto Trade Co., Ltd.	5,213,994.85	4,793,303.52
Inner Mongolia Lugang Bonded Logistics Park Co., Ltd.	5,030,114.95	4,901,187.78
Heilongjiang Suimu Dalian Port Logistics Co., Ltd.	3,779,471.57	3,777,570.77
Dalian Ocean Shipping Tally Co., Ltd.	3,072,081.48	2,889,051.93
Dalian Gangrun Gas Co., Ltd.	2,943,003.03	4,073,057.91
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	2,571,510.37	2,547,432.62
Dalian Jifa Technology Co., Ltd.	1,853,265.30	(1,408,429.70)
Dalian Port Oulu International Logistics Co., Ltd.	1,228,207.06	1,207,439.18
Caofeidian Port Container logistics Co., Ltd.	252,715.09	251,722.42
Dalian Port Xinshengshi Trade Co., Ltd.	(2,267.95)	34,411.57
Dalian Hongyang International Logistics Co., Ltd.	(593,074.44)	–
Dalian International Logistics Park Development Co., Ltd.	(12,885,909.64)	(9,920,707.63)
	1,332,998,027.28	1,330,813,629.37

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(47) Revenue and cost of sales

	2016	2015
Revenue from main operations	12,499,813,840.14	8,534,675,280.00
Revenue from other operations	314,670,021.00	351,491,813.15
	12,814,483,861.14	8,886,167,093.15

	2016	2015
Cost of sales from main operations	11,160,474,912.91	7,168,530,971.26
Cost of sales from other operations	266,586,906.70	263,124,485.63
	11,427,061,819.61	7,431,655,456.89

(a) Analysis by industries is as follows:

	2016		2015	
	Revenue	Cost of sales	Revenue	Cost of sales
Oil and liquefied chemicals terminal and related logistics services	6,151,513,314.80	5,422,277,469.82	2,078,019,028.41	1,268,868,455.08
Container terminal and related logistics services	1,548,058,061.14	1,234,368,793.86	1,692,339,086.99	1,351,143,844.87
General cargo terminal and related logistics and trading services	469,721,885.04	506,723,225.05	374,123,523.09	380,637,271.11
Ore terminal and related logistics services	314,027,495.35	281,266,698.49	349,865,498.15	397,543,019.89
Grains terminal and related logistics and trading services	681,657,589.01	706,392,865.74	1,361,492,366.50	1,400,773,149.28
Passenger, roll-on, roll-off terminal and related logistics services	138,607,950.47	103,806,463.56	128,759,441.77	97,787,334.66
Port value-added and ancillary services	937,338,809.20	669,425,613.68	940,030,013.54	646,188,855.12
Automobile terminal and related logistics and trading services	2,490,667,323.32	2,426,317,672.29	1,866,027,173.77	1,821,482,937.75
Others	82,891,432.81	76,483,017.12	95,510,960.93	67,230,589.13
	12,814,483,861.14	11,427,061,819.61	8,886,167,093.15	7,431,655,456.89

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(47) Revenue and cost of sales (continued)

(b) The revenue is categorised as follows:

	2016	2015
Commodity trading	7,861,426,905.58	3,896,346,612.23
Handling services	1,775,105,873.33	1,729,177,804.60
Storage services	839,822,024.71	890,855,483.67
Agency services	754,258,103.15	679,581,659.48
Transportation services	463,520,474.70	536,079,584.90
Port management services	234,748,363.71	222,126,080.62
Leasing services	222,996,028.23	239,553,835.17
Project construction and supervision services	170,447,389.25	160,953,611.87
Electric supply services	90,736,174.73	99,606,764.37
Information services	83,421,409.76	81,513,731.88
Tallying services	66,378,611.19	63,570,811.74
Sales of products	31,233,405.71	45,671,247.33
Others	220,389,097.09	241,129,865.29
	12,814,483,861.14	8,886,167,093.15

(48) Taxes and surcharges

	2016	2015	Tax base
City maintenance and construction tax	9,094,953.92	9,906,542.60	7% of business tax and VAT for city maintenance and construction tax
Property tax	8,087,389.63	–	1.2% of residual value of property or 12% of lease income for property tax
Business tax	8,050,951.69	24,253,871.73	5% of taxable income for business tax
Educational surcharges	6,518,325.44	7,060,650.76	3% of business tax and VAT for educational surcharges and 2% for local educational surcharges
Land use tax	6,270,616.50	–	Unit taxable amount stated in tax law based on actual land area used
Stamp tax	5,599,136.47	–	Proportional tax rate stated in tax law or calculating taxable amount by number of vouchers, based on nature of taxable vouchers
Vehicle and vessel use tax	599,797.94	–	Based on categories of vehicle and vessel used and applicable tax rate in accordance with tax laws
	44,221,171.59	41,221,065.09	

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(49) Selling and distribution expenses

	2016	2015
Advertising expenses	641,367.29	3,509.00
Fuel expenses	5,538.00	51,098.57
Technical service fees	-	744,000.00
Warehousing expenses	-	251,866.77
Repair charges	-	25,641.03
Others	248,833.24	381,258.77
	895,738.53	1,457,374.14

(50) General and administrative expenses

	2016	2015
Employee benefits expenses	448,891,776.76	402,694,537.99
Depreciation and amortisation expenses	46,316,336.48	43,939,733.72
Rental expenses	24,282,964.77	20,585,619.32
Entertainment expenses	18,742,469.61	18,631,490.12
Taxation expenses	7,684,697.72	24,405,768.05
Property insurance fee	7,385,560.31	7,585,014.20
General office expenses	7,168,954.61	7,139,499.04
Audit fees	3,822,360.91	3,870,144.10
Others	99,069,880.73	93,514,299.80
	663,365,001.90	622,366,106.34

(51) Financial expenses

	2016	2015
Interest expenses	548,027,375.72	580,095,074.54
Less: Amount of interest capitalisation (i)	(28,042,259.06)	(66,448,268.90)
Interest expenses	519,985,116.66	513,646,805.64
Less: Interest income	(75,838,612.10)	(43,108,886.91)
Exchange gains or losses	(197,208,663.45)	36,395,474.79
Others	9,946,196.97	13,704,601.51
	256,884,038.08	520,637,995.03

- (i) Borrowing costs capitalised have been included into construction in progress, and are carried forward to fixed assets upon the completion of construction in progress.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(52) Expenses by nature

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

	2016	2015
Cost of goods sales	7,809,009,485.35	3,889,555,293.51
Employee benefits expenses	1,479,233,551.33	1,449,722,384.07
Depreciation and amortisation expenses	801,094,730.09	780,441,215.07
Leasing and warehousing expenses	359,825,918.65	376,806,330.76
Fuel expenses	146,838,400.30	184,355,294.89
Electric charge	121,533,992.23	130,399,081.85
Materials expenses	81,676,158.40	72,229,861.71
Repair charges	83,075,635.76	93,221,402.78
Audit fees	3,822,360.91	3,870,144.10
– Audit services	3,100,732.21	3,148,515.39
– Non-audit services	721,628.70	721,628.71
Others	1,205,212,327.02	1,074,877,928.63
	12,091,322,560.04	8,055,478,937.37

(53) Gains on changes in fair value

	2016	2015
Financial assets at fair value through profit or loss		
– Investments in equity instruments held for trading	(1,109,570.03)	2,950,982.93
– Others	1,879,405.00	–
	769,834.97	2,950,982.93

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(54) Investment income

	2016	2015
Income from long-term equity investment under equity method	162,831,714.95	120,705,350.12
Income earned during the holding period of financial assets at fair value through profit or loss	107,508.00	732,372.53
Income earned during the holding period of available-for-sale financial assets	2,060,000.00	22,342,185.82
Income from disposal of financial assets at fair value through profit or loss	627,227.54	4,373,519.69
Income from disposal of available-for-sale financial assets	–	21,014,976.72
Income from wealth management products and entrusted investments	14,053,679.46	20,159,765.58
Others	1,481,180.27	–
	181,161,310.22	189,328,170.46

There is no restriction on recovery of investment income.

(55) Asset impairment losses

	2016	2015
Impairment losses on bad debts	178,104.00	(10,000.00)
Impairment losses on inventories	5,766,246.81	–
	5,944,350.81	(10,000.00)

(56) Non-operating income

	2016	2015	Amount recognised in non-recurring profit or loss for the year 2016
Gains on disposal of non-current assets	14,111,708.14	358,780.48	14,111,708.14
Including: Gains on disposal of fixed assets	5,001,208.14	353,300.98	5,001,208.14
Gains on disposal of intangible assets	9,110,500.00	5,479.50	9,110,500.00
Government grants (a)	161,059,020.47	240,525,846.29	1,608,300.00
Others	8,418,784.98	34,031,494.09	8,418,784.98
	183,589,513.59	274,916,120.86	24,138,793.12

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(56) Non-operating income (continued)

(a) Details of government grants

	2016	2015	Related to assets/income
Relocation compensation	33,621,113.74	34,439,916.54	Related to assets
Production safety fund	952,500.00	–	Related to assets
Vessel acquisition subsidies	791,217.56	791,217.56	Related to assets
Energy conservation and emission reduction special fund	646,659.70	717,756.71	Related to assets
Equipment reconstruction subsidies	264,423.68	264,423.68	Related to assets
Others	394,815.40	136,471.90	Related to assets
Container subsidies	108,258,234.20	189,141,000.00	Related to income
Operation subsidies	10,510,000.00	11,296,000.00	Related to income
Refund of turnover taxes	454,078.33	442,762.30	Related to income
Relocation compensation	–	1,185,143.11	Related to income
Energy conservation and emission reduction special fund	–	91,100.00	Related to income
Others	5,165,977.86	2,020,054.49	Related to income
	161,059,020.47	240,525,846.29	

(57) Non-operating expenses

	2016	2015	Amount recognised in non-recurring profit or loss for the year 2016
Losses on disposal of non-current assets	2,951,100.33	2,223,447.08	2,951,100.33
Including: Losses on disposal of fixed assets	2,729,625.70	2,223,447.08	2,729,625.70
Losses on disposal of intangible assets	221,474.63	–	221,474.63
Donations	–	6,000.00	–
Others	668,348.11	4,060,030.83	668,348.11
	3,619,448.44	6,289,477.91	3,619,448.44

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(58) Income tax expenses

	2016	2015
Current income tax calculated based on tax law and related regulations	176,307,091.42	158,232,027.87
Deferred income tax	(10,977,083.92)	2,374,815.77
	165,330,007.50	160,606,843.64

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2016	2015
Total profit	778,012,950.96	729,744,892.00
Income tax expenses calculated at applicable tax rates	194,503,237.74	182,436,223.00
Effect of different tax rates applicable to subsidiaries in Mainland China	(1,397,506.41)	(2,012,663.30)
Effect of different tax rates applicable to subsidiaries outside Mainland China	5,041,639.73	3,522,210.66
Adjustments for current income tax of prior period	(3,279,136.24)	(2,093,012.45)
Income not subject to tax	(49,998,502.25)	(44,388,180.00)
Costs, expenses and losses not deductible for tax purposes	11,369,224.79	15,283,285.63
Utilisation of deductible temporary difference and deductible losses that are not recognised as deferred tax assets in previous period	(6,668,300.41)	(12,013,777.29)
Deductible losses and temporary differences for which no deferred tax asset was recognised	15,759,350.55	19,872,757.39
Income tax expenses	165,330,007.50	160,606,843.64

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(59) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2016	2015
Consolidated net profit attributable to ordinary shareholders of the Company	531,012,717.43	484,333,281.47
Weighted average number of ordinary shares outstanding	12,664,599,344.26	10,179,800,000.00
Basic earnings per share	0.04	0.05
Including:		
– Basic earnings per share from continuing operations:	0.04	0.05

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. For the year ended 31 December 2016, there were no dilutive potential ordinary shares (2015: Nil), hence diluted earnings per share is equal to basic earnings per share.

(60) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	2016	2015
Government grants received	246,357,647.39	388,580,230.61
Down payment received	106,170,987.00	45,225,588.15
Bank interest income received	69,742,829.49	43,108,886.91
Others	45,367,651.10	39,281,635.28
	467,639,114.98	516,196,340.95

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(60) Notes to the cash flow statement (continued)

(b) Cash paid relating to other operating activities

	2016	2015
Other payments on behalf of others	101,926,456.70	56,252,873.29
Subsidies paid for other companies	30,256,000.00	97,185,662.00
Rental expenses	24,315,489.04	20,585,619.32
Intermediary fees	13,040,355.78	10,825,928.49
Technology research and development	10,397,526.58	15,075,983.22
Insurance expenses	7,385,560.31	7,585,014.20
Travelling expenses	7,256,394.39	3,666,029.94
General office expenses	7,169,422.61	7,139,499.04
Commuting expenses	4,328,331.36	3,666,029.94
Repair charges	4,287,042.28	5,295,195.40
Utility fees	4,105,261.10	2,821,343.37
Fuel expenses	3,504,460.40	3,632,061.56
Materials expenses	924,044.12	1,117,467.07
Bank commission charges	528,019.17	16,851,269.81
Communication expenses	393,420.91	498,223.61
Others	47,658,187.54	47,289,634.83
	267,475,972.29	299,487,835.09

(c) Cash received relating to other investing activities

	2016	2015
Land-transferring fees refunded	491,032,200.00	–
Cash received from restricted balances with financial institutions	214,247,431.96	29,940,587.21
Fixed deposits of more than half year received	171,950,000.00	169,000,000.00
Asset-related government grants received	47,445,027.50	–
	924,674,659.46	198,940,587.21

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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4 Notes to the consolidated financial statements (continued)

(60) Notes to the cash flow statement (continued)

(d) Cash paid relating to other investing activities

	2016	2015
Fixed deposit with banks for over 6 months	285,500,000.00	171,950,000.00
Restricted balances with financial institutions	261,519,134.30	32,419,333.84
Land-transferring fees to be refunded	-	491,538,182.90
Others	881,800.00	-
	547,900,934.30	695,907,516.74

(e) Cash received relating to other financing activities

	2016	2015
Advances from minority shareholders	9,800,000.00	-
Asset-related government grants received	-	40,071,900.00
	9,800,000.00	40,071,900.00

(f) Cash paid relating to other financing activities

	2016	2015
Bonds issuance expense paid	17,609,513.95	14,550,444.46
Refunds to minority shareholders	9,800,000.00	-
Finance lease paid	7,592,697.39	16,191,554.86
Payment for stocks issuance expense	3,298,085.25	1,287,413.75
Others	4,398,177.79	5,032,200.00
	42,698,474.38	37,061,613.07

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(61) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	2016	2015
Net profit	612,682,943.46	569,138,048.36
Add: Provision for asset impairment	5,944,350.81	(10,000.00)
Depreciation of fixed assets	726,782,918.33	717,192,463.58
Depreciation of investment properties	18,154,798.68	18,196,292.78
Amortisation of intangible assets	47,594,584.87	43,551,936.32
Amortisation of long-term prepaid expenses	8,486,796.12	3,430,710.75
(Gains)/losses on disposal of fixed assets and intangible assets	(11,160,607.81)	1,864,666.60
Financial expenses	341,409,472.16	521,642,083.52
Investment income	(181,161,310.22)	(189,328,170.46)
Gains or losses arising from changes in fair value	(769,834.97)	(2,950,982.93)
(Increase)/decrease in deferred tax assets	(13,089,052.12)	730,121.33
Increase in deferred tax liabilities	2,111,968.20	1,644,694.44
Transfer from deferred income	(45,673,038.08)	(41,787,504.39)
Decrease in inventories	533,609,583.34	28,897,843.36
Increase in special reserve	6,354,049.84	7,676,784.98
Decrease in operating receivables	166,717,149.21	162,649,538.98
(Decrease)/increase in operating payables	(151,610,811.51)	88,159,827.57
Net cash flows from operating activities	2,066,383,960.31	1,930,698,354.79

Significant operating and financing activities that do not involve cash receipts and payments

	2016	2015
Import Bill Advance under LC – Bank payments for goods	54,430,910.66	–

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(61) Supplementary information to the cash flow statement (continued)

(a) Supplementary information to the cash flow statement (continued)

Significant investing and financing activities that do not involve cash receipts and payments

	2016	2015
Fixed assets held under finance leases	-	63,850,075.16

Net increase/(decrease) in cash and cash equivalents

	2016	2015
Cash and cash equivalents at end of year	6,376,088,087.66	2,728,928,183.51
Less: Cash and cash equivalents at beginning of year	(2,728,928,183.51)	(2,247,075,590.78)
Net increase in cash and cash equivalents	3,647,159,904.15	481,852,592.73

(b) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash	100,184.43	88,856.07
Including: Cash on hand	100,184.43	88,856.07
Cash at bank that can be readily drawn on demand	6,373,940,199.17	2,728,061,535.80
Other cash balances that can be readily drawn on demand	2,047,704.06	777,791.64
Cash and cash equivalents at end of year	6,376,088,087.66	2,728,928,183.51

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

4 Notes to the consolidated financial statements (continued)

(62) Monetary items dominated in foreign currency

	31 December 2016		
	Amount in foreign currency	Translation rate	Amount in RMB
Cash at bank and on hand –			
USD	606,557,784.22	6.9370	4,207,691,349.13
JPY	14,227,242.28	0.0596	847,943.64
HKD	8,903,527.66	0.8945	7,964,205.49
CAD	27,416.71	5.1406	140,938.34
EUR	37,943.74	7.3068	277,247.32
			<u>4,216,921,683.92</u>
Accounts receivable –			
USD	2,148,725.70	6.9370	14,905,710.18
JPY	331,302.00	0.0596	19,745.60
			<u>14,925,455.78</u>
Other receivables –			
USD	465,681.00	6.9370	3,230,429.10
Accounts payable –			
USD	1,959,895.80	6.9370	13,595,797.16
Other payables –			
USD	3,480.00	6.9370	24,140.76
HKD	44,876.03	0.8945	40,141.61
			<u>64,282.37</u>
Short-term borrowings –			
USD	21,512,470.00	6.9370	149,232,004.39
CAD	9,908,537.68	5.1406	50,935,828.80
EUR	15,297,389.50	7.3068	111,774,965.60
			<u>311,942,798.79</u>
Current portion of non-current liabilities –			
USD	2,133,242.37	6.9370	14,798,302.32
Long-term payables -			
USD	5,889,321.09	6.9370	40,854,220.40
Available-for-sale financial assets –			
HKD	13,730,553.49	0.8945	12,281,980.10

Notes to the Financial Statements (continued)

*For the year ended 31 December 2016
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(English translation for reference only)*

5 Changes of consolidation scope

Other consolidation scope changes

On 18 March 2016, the Group contributed RMB15,000,000.00 in cash to set up a wholly-owned subsidiary, Dalian Jifa South Coast International Logistics Limited.

On 6 May 2016, the Company contributed RMB10,000,000.00 in cash to set up a subsidiary, Dalian Hongyang International Logistics Limited, with Yingkou Shuntong Transportation Co., Ltd.

On 9 May 2016, the Group contributed RMB10,200,000.00 in cash to set up a subsidiary, Dalian Port Lianheng Supply Chain Management Co., Ltd., with Liaoning Hengjiu Development Group Co., Ltd.

Due to optimisation of internal resource allocation of the Group, the subsidiary Dalian Shunda Logistic Services Co., Ltd., was merged into the Group with the approval of the Board of Directors on 30 November 2016. As at 31 December 2016, the procedures for de-registration of the company had not been completed.

Due to optimisation of internal resource allocation of the Group, Dalian Ganghang Tendering & Bidding Agency Co., Ltd, a wholly-owned subsidiary of the Group, was de-registered with the approval of the Board of Directors. As at 31 December 2016, all de-registration procedures were completed.

Due to optimisation of internal resource allocation of the Group, Dalian Gangyue Car-carrying Vessel Management Co., Ltd., a wholly-owned subsidiary of the Group, was de-registered with the approval of the Board of Directors. As at 31 December 2016, all de-registration procedures were completed.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

6 Interests in other entities

(1) Interests in subsidiaries

(a) Constitution of the Group

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and debt issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Dalian FTZ Jinxin Petrochemical Co., Ltd.	LLC (Sino-foreign joint)	Dalian, Liaoning	Dalian, Liaoning	Wholesale and agency	None	60.00	-	60.00	Contributed by investor
Dalian Port Jifa Logistics Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	-	100.00	100.00	Contributed by investor
Dalian Port Container Development Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Container services	None	100.00	-	100.00	Contributed by investor
Dalian International Container Services Co., Ltd. (iv)	LLC	Dalian, Liaoning	Dalian, Liaoning	Transportation agency	None	-	55.00	60.00	Contributed by investor
Dalian International Logistics Park Development Co., Ltd.	Other LLC	Dalian, Liaoning	Dalian, Liaoning	Property development	None	-	90.00	90.00	Contributed by investor
Dalian Jifa Shipping Agency Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Shipping agency	None	-	100.00	100.00	Contributed by investor
Dalian Jifa Ship Management Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Ship management service	None	90.77	9.23	100.00	Contributed by investor
Dalian Jifa Port Technical Service Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Port technical services	None	-	100.00	100.00	Contributed by investor
Dalian Jifa International Freight Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	-	100.00	100.00	Contributed by investor
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Transportation	None	-	97.36	97.36	Contributed by investor
Dalian Jifa Technology Co., Ltd. (viii)	LLC	Dalian, Liaoning	Dalian, Liaoning	Computer system service	None	-	60.00	60.00	Contributed by investor
Dalian Port Logistics Technology Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Computer software	None	-	100.00	100.00	Contributed by investor

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) Constitution of the Group (continued)

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and debt issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Dalian Dilangsirui Caravan Co., Ltd.	LLC (Sino-foreign joint)	Dalian, Liaoning	Dalian, Liaoning	Manufacturing	None	51.00	–	51.00	Set up by investment
Dalian Ganghong International Trade Co., Ltd. (iv)	Other LLC	Dalian, Liaoning	Dalian, Liaoning	Trading	None	–	51.00	60.00	Set up by investment
Dalian Port Grain and Oil trading Co., Ltd	LLC	Dalian, Liaoning	Dalian, Liaoning	Trading	None	100.00	–	100.00	Set up by investment
Dalian Gangrun Gas Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Sale of fuel gas	None	51.00	–	51.00	Set up by investment
Dalian Haijia Automobile Terminal Co., Ltd. (j)	LLC	Dalian, Liaoning	Dalian, Liaoning	Construction and operation of auto terminal	None	50.00	–	100.00	Set up by investment
Dalian Container Terminal Co., Ltd. (iv)	LLC (Sino-foreign joint)	Dalian, Liaoning	Dalian, Liaoning	Port industry	None	–	51.00	57.14	Set up by investment
Dalian United King Port Auto Trade Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Trading	None	60.00	–	60.00	Set up by investment
Dalian Steel Logistics Park Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Trading	None	100.00	–	100.00	Set up by investment
Harbour Full Group Limited	LLC	BVI	BVI	Logistics	None	–	100.00	100.00	Set up by investment
Heilongjiang Suimu Dalian Port Logistics Co., Ltd.	Other LLC	Muling, Heilongjiang	Muling, Heilongjiang	Logistics	None	–	91.67	91.67	Set up by investment
Qinhuangdao Jigang Shipping Agency Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Qinhuangdao, Hebei	Qinhuangdao, Hebei	Shipping agency	None	–	100.00	100.00	Set up by investment
Caofeidian Port Container logistics Co., Ltd. (vi)	LLC	Tangshan, Hebei	Tangshan, Hebei	Shipping agency	None	–	51.00	51.00	Set up by investment
Asia Pacific Ports (Dalian) Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	–	100.00	100.00	Set up by investment
Asia Pacific Ports Development Co., Ltd. (v)	LLC	BVI	BVI	Logistics	(v)	–	100.00	100.00	Set up by investment
Asia Pacific Ports Investment Co., Ltd.	LLC	Hong Kong	Hong Kong	Logistics	None	–	100.00	100.00	Set up by investment

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
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6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) Constitution of the Group (continued)

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and debt issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Asia Pacific Ports Company Limited	LLC	Hong Kong	Hong Kong	Logistics	None	100.00	-	100.00	Set up by investment
Dalian Port Xinshengshi Trade Co., Ltd	LLC	Dalian, Liaoning	Dalian, Liaoning	Trading	None	70.00	-	70.00	Set up by investment
Dalian Port Oulu International Logistics Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Freight services	None	-	60.00	60.00	Set up by investment
Huanan Dalian Gangzheng Cereals and Oil Trading Co., Ltd.	LLC	Jiamusi, Heilongjiang	Jiamusi, Heilongjiang	Trading	None	-	100.00	100.00	Set up by investment
Dalian Zhuanghe Gangxing Investment Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Property development	None	100.00	-	100.00	Set up by investment
Dalian Port Senlida Timber Trading Centre Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Service industry	None	-	51.00	51.00	Set up by investment
Inner Mongolia Lugang Bonded Logistics Park Co., Ltd.	Other LLC	Tongliao, Inner Mongolia	Tongliao, Inner Mongolia	Freight services	None	-	51.00	51.00	Set up by investment
Dalian Hongyang International Logistics Co., Ltd. (i)	LLC	Dalian, Liaoning	Dalian, Liaoning	Freight services	None	50.00	-	100.00	Set up by investment
Dalian Port Lianheng Supply Chain Management Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Supply chain management services	None	-	51.00	51.00	Set up by investment
Dalian Jifa South Coast International Logistics Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Port industry	None	-	100.00	100.00	Set up by investment
Dalian Port Power Supply Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Construction industry	None	100.00	-	100.00	Business combination involving enterprises under common control
Dalian Port Group Zhuanghe Terminal Co., Ltd.	Other LLC	Dalian, Liaoning	Dalian, Liaoning	Port industry	None	60.00	-	60.00	Business combination involving enterprises under common control

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) Constitution of the Group (continued)

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and debt issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Dalian Port Construction Supervision & Consultation Co., Ltd.	LLC (Sino-foreign joint)	Dalian, Liaoning	Dalian, Liaoning	Supervision service	None	75.00	–	75.00	Business combination involving enterprises under common control
Dalian Portsoft Technology Co., Ltd. (ii)(iv)	LLC	Dalian, Liaoning	Dalian, Liaoning	Computer system service	None	49.00	–	60.00	Business combination involving enterprises under common control
Dalian Portsoft Network Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Computer system service	None	–	100.00	100.00	Business combination involving enterprises under common control
Dalian Port Telecommunications Engineering Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Telecommunication service	None	45.00	20.00	65.00	Business combination involving enterprises under common control
Dalian Golden Bay Grain Logistics Co., Ltd. (iii)	LLC	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	37.50	–	75.00	Business combination involving enterprises under common control
Dalian Ocean Shipping Tally Co., Ltd.	Other LLC	Dalian, Liaoning	Dalian, Liaoning	Tallying	None	84.00	–	84.00	Business combination involving enterprises under common control
Dalian Changxing Island Lingang Industrial Zone Wanpeng Harbour Construction Supervisory and Consultancy Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Supervision service	None	–	100.00	100.00	Business combination involving enterprises under common control
Dalian Port Haiheng Ship Management Co., Ltd. (vii)	LLC	Dalian, Liaoning	Dalian, Liaoning	Service industry	None	100.00	–	100.00	Business combination involving enterprises under common control
Dalian Port Lvshun Harbour Service Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Port industry	None	60.00	–	60.00	Business combinations involving enterprises not under common control

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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(English translation for reference only)

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) Constitution of the Group (continued)

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and debt issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Dalian Jiyi Logistics Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Freight services	None	-	100.00	100.00	Business combinations involving enterprises not under common control
DCT Logistics Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	-	100.00	100.00	Business combinations involving enterprises not under common control
Dalian Portnet Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Computer system service	None	-	79.03	79.03	Business combinations involving enterprises not under common control

- (i) Pursuant to Joint Venture Contract signed with the other shareholders, other shareholders keep a consistent policy with the Company regarding material operation matters of the joint ventures, and the Company exerts actual control over the joint venture.
- (ii) With the majority of the voting rights owned in the board, the Company actually takes the control rights.
- (iii) Pursuant to the consent agreement entered between some other shareholders and the Company, these shareholders keep a consistent policy with the Company, and the Company actually takes the control rights.
- (ii) The proportion of shareholdings is determined by the amount of contributions in the investment agreement, while the voting rights is determined by the voting methods of the highest decision-making institution in the Articles of Association of the invested company, which leads to inconsistency between the above two.
- (v) Asia Pacific Ports Development Co., Ltd. issued corporate bonds with an amount of RMB800,000,000.00 with a duration of 3 years on 17 February 2015. Please refer to Note 4(37) for related information.
- (vi) Tangshan Caofeidian Port Jifa Shipping Agency Co., Ltd. is renamed as Caofeidian Port Container Logistics Co., Ltd. in this year.
- (vii) Dalian Northeast Asia International Shipping Center Shipping Talent Market Co., Ltd. is renamed as Dalian Port Haiheng Ship Management Co., Ltd. in the period.
- (viii) Due to optimisation of internal resource allocation of the Group, the company was approved for cancellation by the Board of Shareholders on 15 July 2016. As at 31 December 2016, the company has not completed all cancellation procedures.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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(English translation for reference only)

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(b) Subsidiaries with material minority interests

Name of subsidiaries	Shareholding of minority shareholders (%)	Profit or loss attributable to minority shareholders for the year 2016	Dividends paid to minority shareholders for the year 2016	Minority interests as at 31 December 2016
Dalian Container Terminal Co., Ltd.	49.00	66,931,671.11	(65,459,174.35)	684,568,270.94
Dalian Haijia Automobile Terminal Co., Ltd.	50.00	3,972,646.47	–	216,555,744.60
Dalian Port Lvshun Harbour Service Co., Ltd.	40.00	310,114.01	–	133,069,579.54
Dalian Golden Bay Grain Logistics Co., Ltd.	62.50	(2,359,489.06)	–	123,768,695.73

The major financial information of the significant non-fully-owned subsidiaries of the Company is listed below:

	31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dalian Container Terminal Co., Ltd.	198,773,687.19	1,388,329,521.39	1,587,103,208.58	188,420,312.27	1,586,150.70	190,006,462.97
Dalian Haijia Automobile Terminal Co., Ltd.	105,095,629.64	341,929,526.82	447,025,156.46	8,741,807.05	5,171,860.21	13,913,667.26
Dalian Port Lvshun Harbour Service Co., Ltd.	19,689,600.05	351,321,669.04	371,011,269.09	5,603,542.80	32,733,777.45	38,337,320.25
Dalian Golden Bay Grain Logistics Co., Ltd.	146,618,141.62	53,994,297.67	200,612,439.29	2,582,526.13	–	2,582,526.13

	31 December 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dalian Container Terminal Co., Ltd.	150,163,932.11	1,442,163,105.92	1,592,327,038.03	194,398,355.82	1,882,915.62	196,281,271.44
Dalian Haijia Automobile Terminal Co., Ltd.	132,986,452.24	298,144,837.44	431,131,289.68	5,965,093.43	–	5,965,093.43
Dalian Port Lvshun Harbour Service Co., Ltd.	15,536,670.16	361,477,162.50	377,013,832.66	45,065,191.10	–	45,065,191.10
Dalian Golden Bay Grain Logistics Co., Ltd.	144,254,591.05	57,990,680.39	202,245,271.44	440,175.78	–	440,175.78

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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(English translation for reference only)

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(b) Subsidiaries with material minority interests (continued)

	2016				2015			
	Revenue	Net profit/(loss)	Total comprehensive income/(loss)	Cash flows from operating activities	Revenue	Net profit/(loss)	Total comprehensive income/(loss)	Cash flows from operating activities
Dalian Container Terminal Co., Ltd.	475,719,213.21	136,595,247.17	136,595,247.17	218,385,045.22	487,081,023.05	127,890,570.23	127,890,570.23	203,801,154.54
Dalian Haijia Automobile Terminal Co., Ltd.	-	7,945,292.94	7,945,292.94	50,000.00	-	25,166,196.26	25,166,196.26	(47,096.37)
Dalian Port Lvshun Harbour Service Co., Ltd.	44,232,939.47	775,285.03	775,285.03	12,225,423.54	41,797,212.82	1,426,716.09	1,426,716.09	21,370,681.93
Dalian Golden Bay Grain Logistics Co., Ltd.	10,569,792.98	(3,775,182.49)	(3,775,182.49)	19,913,510.80	469,543.71	(4,549,688.66)	(4,549,688.66)	(376,924.88)

(2) Interests in joint ventures and associates

(a) Basic information of important joint ventures and associates

	Major business location	Place of registration	Nature of business	Strategic or not for the Group's activities	Shareholding (%)	Voting rights (%)
Joint ventures -						
Dalian International Container Terminal Co., Ltd. (iii)	Dalian, Liaoning	Dalian, Liaoning	International container terminal service	Yes	40.00	40.00
Dalian Changxing Island Port Investment & Development Co., Ltd. (ii)	Dalian, Liaoning	Dalian, Liaoning	Terminal facility development construction	Yes	46.58	50.00
Dalian Port Container Terminal Co., Ltd. (ii)(iii)	Dalian, Liaoning	Dalian, Liaoning	Container service	Yes	35.00	36.36
China United International Rail Containers (Dalian) Co., Ltd. (iii)	Dalian, Liaoning	Dalian, Liaoning	International container service	Yes	40.00	40.00
Dalian Port Yidu Cold Chain Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Trading	Yes	50.00	50.00
Dalian Automobile Terminal Co., Ltd. (ii)(iii)	Dalian, Liaoning	Dalian, Liaoning	Import and export, handling and storage	Yes	32.00	33.33
Dalian Port PetroChina International Terminal Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Oil terminal, handling and consultancy	Yes	50.00	50.00
Odfjell Terminals (Dalian) Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Construction and operation of tank terminal	Yes	50.00	50.00
Associates -						
PetroChina Dalian LNG Co., Ltd	Dalian, Liaoning	Dalian, Liaoning	Liquefied natural gas business	Yes	20.00	20.00
Dalian Port Group Financial Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Financial industry	Yes	40.00	40.00
Sino Rail Bohai Train Ferry Co., Ltd. (i)	Yantai, Shandong	Yantai, Shandong	Ferry transportation	Yes	17.50	17.50
Dalian Pujj Storage Facility Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Other storage	Yes	40.00	40.00

The above equity investments are all measured using equity method by the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(a) Basic information of important joint ventures and associates (continued)

- (i) Although the voting rights the Company owns in Sino Rail Bohai Train Ferry Co., Ltd. are less than 20%, the Company can still have a say in the operating policy of the investees for the Company's representatives appointed in the Board of Directors or similar authority institutions have substantive power in decision-making. Therefore, it is accounted for as an associate.
- (ii) The proportion of shareholdings is determined by the amount of contributions in the investment agreement, while the voting rights is determined by the voting methods of the highest decision-making institution in the Articles of Association of the invested company, which leads to inconsistency between the above two.
- (iii) In accordance with the Company's Articles of Association, all significant events are jointly decided by the Group, thus it is an associate under common control of the Group.

(b) Summarised financial information of significant joint ventures

	31 December 2016							
	Dalian International Container Terminal Co., Ltd.	Dalian Changxing Island Port Investment and Development Co., Ltd.	Dalian Port Container Terminal Co., Ltd.	China United Rail Containers (Dalian) Co., Ltd. (iii)	Dalian Port Yidu Cold Chain Co., Ltd. (ii)	Dalian Automobile Terminal Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.
Current assets	131,347,959.62	448,102,880.56	208,730,022.80	61,230,248.39	259,284,270.79	69,312,665.40	17,726,124.64	53,803,377.61
Including: Cash and cash equivalents	73,752,697.50	231,316,753.82	131,232,214.18	16,292,061.83	23,692,294.27	47,433,571.85	17,633,159.64	38,369,931.91
Non-current assets	2,754,556,509.12	4,319,157,507.36	1,699,507,781.08	417,710,265.21	448,907,946.08	544,747,093.64	507,039,183.29	387,724,324.75
Total assets	2,885,904,468.74	4,767,260,387.92	1,908,237,803.88	478,940,513.60	708,192,216.87	614,059,759.04	524,765,307.93	441,527,702.36
Current liabilities	127,817,394.55	1,547,529,715.48	244,503,752.75	16,497,377.04	136,981,649.29	21,427,079.36	6,696,530.36	36,914,852.55
Non-current liabilities	1,398,712,031.26	2,226,954,432.27	930,570,670.00	-	122,000,000.00	81,561,130.31	140,000,000.00	88,403,640.24
Total liabilities	1,526,529,425.81	3,774,484,147.75	1,175,074,422.75	16,497,377.04	258,981,649.29	102,988,209.67	146,696,530.36	125,318,492.79
Minority interests	-	-	-	-	-	-	-	-
Attributable to equity owners of the Company	1,359,375,042.93	992,776,240.17	733,163,381.13	462,443,136.56	449,210,567.58	511,071,549.37	378,068,777.57	316,209,209.57
Shares of net assets in proportion (i)	543,750,017.17	462,435,172.67	256,607,183.40	184,977,254.66	333,208,705.77	171,924,261.75	189,034,388.78	158,104,604.79
Adjustments								
- Goodwill	-	-	-	-	-	2,453,618.25	-	-
- Unrealised profits from internal transactions	(132,986.73)	-	(42,087,886.35)	-	-	-	-	-
Carrying amount of investment in joint ventures	543,703,911.85	462,425,172.67	214,519,297.05	184,977,254.66	333,208,705.77	174,377,880.00	189,034,388.78	158,104,604.79

Notes to the Financial Statements (continued)

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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(b) Summarised financial information of significant joint ventures (continued)

	31 December 2015							
	Dalian International Container Terminal Co., Ltd.	Dalian Changxing Island Port Investment and Development Co., Ltd.	Dalian Port Container Terminal Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd. (ii)	Dalian Automobile Terminal Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.
Current assets	111,099,005.17	905,495,547.37	162,742,647.70	46,612,791.07	375,082,347.07	44,660,276.31	13,523,087.91	62,114,111.76
Including: Cash and cash equivalents	39,234,263.41	671,314,070.68	66,935,320.97	9,177,047.81	18,168,247.98	31,284,977.11	13,430,572.41	39,061,198.56
Non-current assets	2,832,957,282.04	3,650,418,820.72	1,757,013,194.51	428,461,013.05	335,688,007.32	541,671,210.02	525,003,379.60	305,173,014.52
Total assets	2,944,056,287.21	4,555,914,368.09	1,919,755,842.21	475,073,804.12	710,770,354.39	586,331,486.33	538,526,467.51	367,287,126.28
Current liabilities	122,889,266.29	1,188,890,200.44	149,430,171.94	13,403,056.85	172,712,954.61	77,695,201.02	2,698,516.39	43,275,175.80
Non-current liabilities	1,483,869,933.73	2,370,298,250.81	1,001,635,720.00	–	2,000,000.00	104,335,531.93	190,000,000.00	–
Total liabilities	1,606,759,200.02	3,559,188,451.25	1,151,065,891.94	13,403,056.85	174,712,954.61	182,030,732.95	192,698,516.39	43,275,175.80
Minority interests	–	–	–	–	–	–	–	–
Attributable to equity owners of the Company	1,337,297,087.19	996,725,916.84	768,689,950.27	461,670,747.27	536,057,399.78	404,300,753.38	345,827,951.12	324,011,950.48
Shares of net assets in proportion (i)	534,918,834.88	464,274,932.06	269,041,482.59	184,668,298.91	268,028,699.89	161,720,301.35	172,913,975.56	162,005,975.24
Adjustments								
– Goodwill	–	–	–	–	–	2,453,618.25	–	–
– Unrealised profits from internal transactions	(177,315.64)	–	(43,218,550.33)	–	–	–	–	–
Carrying amount of investment in joint ventures	534,828,400.65	464,264,932.07	225,822,932.26	184,668,298.91	268,028,699.89	164,173,919.60	172,913,975.56	162,005,975.24

Notes to the Financial Statements (continued)

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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(b) Summarised financial information of significant joint ventures (continued)

	2016							
	Dalian International Container Terminal Co., Ltd.	Dalian Changxing Island Port Investment and Development Co., Ltd.	Dalian Port Container Terminal Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd. (ii)	Dalian Automobile Terminal Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.
Revenue	305,213,687.91	-	476,708,590.92	54,061,023.83	114,171,651.82	95,034,769.40	106,107,142.85	87,900,068.79
Financial expenses	(55,724,374.69)	-	(48,735,830.37)	133,997.49	(291,763.41)	(4,807,203.01)	(8,015,935.99)	(256,813.51)
Income tax expenses	(6,409,163.50)	-	(7,127,707.78)	-	(6,063,728.82)	(3,266,556.50)	(17,938,489.05)	(10,008,132.15)
Net profit/(loss)	20,674,620.45	(3,949,676.67)	51,282,776.00	772,389.38	16,321,211.07	20,416,627.73	53,784,626.44	33,000,706.88
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	20,674,620.45	(3,949,676.67)	51,282,776.00	772,389.38	16,321,211.07	20,416,627.73	53,784,626.44	33,000,706.88
Dividends received from joint ventures by the Group for the current year	-	-	27,787,294.44	-	-	-	10,771,900.00	20,000,000.00

	2015							
	Dalian International Container Terminal Co., Ltd.	Dalian Changxing Island Port Investment and Development Co., Ltd.	Dalian Port Container Terminal Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd. (ii)	Dalian Automobile Terminal Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.
Revenue	308,286,178.49	-	453,511,118.08	44,026,798.47	154,666,148.34	87,895,023.20	91,250,000.00	92,448,137.50
Financial expenses	(81,448,043.70)	-	(77,973,143.19)	(125,494.53)	(2,815,124.47)	(3,902,191.25)	(11,640,733.71)	(143,059.52)
Income tax expenses	2,348,098.15	-	(613,366.00)	-	(11,634,241.69)	(2,605,835.92)	(6,182,913.55)	(11,140,120.19)
Net profit/(loss)	10,135,130.49	2,904,829.81	13,680,552.81	(4,804,268.94)	22,744,793.65	19,533,085.01	43,087,544.23	36,834,081.40
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	10,135,130.49	2,904,829.81	13,680,552.81	(4,804,268.94)	22,744,793.65	19,533,085.01	43,087,544.23	36,834,081.40
Dividends received from joint ventures by the Group for the current year	-	-	-	-	-	17,112,185.95	10,103,150.00	7,500,000.00

(i) Share of asset is calculated according to shareholding based on the amount attributable to the parent company in the consolidated financial statements of joint ventures. The amount in the consolidated financial statements of joint ventures considers the impacts of fair value of identifiable assets and liabilities of joint ventures at the time of acquisition and the unification of accounting policies.

(ii) The registered capital of Dalian Port Yidu Cold Chain Co., Ltd. is RMB521 million. According to investors' agreement, if the joint party fails to pay the whole amount by 31 December 2016, the Group will be entitled to the profit for the year based on the proportion of the actually paid registered capital. As at 31 December 2016, as the joint party failed to pay the whole amount, the Group was entitled to the profit for the year of the actual paid registered capital, which is 93.1%.

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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(c) Summarised financial information of significant associates

	31 December 2016				31 December 2015			
	PetroChina Dalian LNG Co., Ltd.	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.	PetroChina Dalian LNG Co., Ltd.	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.
Current assets	28,583,362.26	4,812,437,575.65	218,844,931.57	27,781,507.90	23,950,442.10	8,545,349,484.84	292,412,579.88	11,470,805.75
Non-current assets	3,279,303,477.76	3,032,883,600.50	2,051,034,390.78	624,145,703.42	3,513,515,796.32	1,263,244,406.14	2,162,897,507.02	650,722,062.26
Total assets	3,307,886,840.02	7,845,321,176.15	2,269,879,322.35	651,927,211.32	3,537,466,240.42	9,808,593,890.98	2,455,310,086.90	662,192,868.01
Current liabilities	428,993,652.13	5,317,099,142.78	571,636,154.24	32,022,402.86	767,451,579.99	7,451,938,244.77	738,900,190.31	56,272,224.89
Non-current liabilities	-	-	210,000,000.00	216,017,999.15	-	-	205,468,000.00	172,500,000.00
Total liabilities	428,993,652.13	5,317,099,142.78	781,636,154.24	248,040,402.01	767,451,579.99	7,451,938,244.77	944,368,190.31	228,772,224.89
Minority interest	-	-	21,053,473.59	-	-	-	23,803,443.93	-
Attributable to equity owners of the Company	2,878,893,187.89	2,528,222,033.37	1,467,189,694.52	403,886,809.31	2,770,014,660.43	2,356,655,646.21	1,487,138,452.66	433,420,643.12
Shares of net assets in proportion (i)	575,778,637.58	1,011,288,813.35	256,758,196.50	161,554,723.72	554,002,932.09	942,662,258.48	260,249,229.22	173,368,257.25
Adjustments								
- Goodwill	-	-	-	-	-	-	-	-
- Unrealised profits from internal transactions	-	-	-	(26,534,123.60)	-	-	-	(27,275,644.16)
Carrying amount of investment in joint ventures	575,778,637.58	1,011,288,813.35	256,758,196.50	135,020,600.12	554,002,932.09	942,662,258.48	259,668,101.51	146,092,613.09
	2016				2015			
	PetroChina Dalian LNG Co., Ltd	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.	PetroChina Dalian LNG Co., Ltd	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.
Revenue	524,868,894.62	276,688,563.95	386,768,142.78	26,702,700.10	526,688,424.66	224,873,067.74	387,047,299.66	30,055,876.65
Net profit/(loss)	99,700,008.71	171,566,387.15	(19,415,967.60)	(27,680,032.43)	107,849,022.18	142,346,849.83	(14,515,990.35)	(27,373,852.56)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	99,700,008.71	171,566,387.15	(19,415,967.60)	(27,680,032.43)	107,849,022.18	142,346,849.83	(14,515,990.35)	(27,373,852.56)
Dividends received from associates by the Group for the current year	-	-	-	-	30,555,884.58	-	3,499,007.71	-

- (i) Share of asset is calculated according to shareholding based on the amount attributable to the parent company in the consolidated financial statements of joint ventures. The amount in the consolidated financial statements of joint ventures considers the impacts of fair value of identifiable assets and liabilities of joint ventures at the time of acquisition and the unification of accounting policies.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(d) Summarised financial information of insignificant joint ventures and associates

	2016	2015
Joint ventures:		
Aggregated carrying amount of investments	354,047,905.15	379,034,013.33
Aggregate of the following items in proportion		
Net loss (i)	(22,399,073.34)	(30,367,030.88)
Other comprehensive income (i)	–	–
Total comprehensive loss	(22,399,073.34)	(30,367,030.88)
Associates:		
Aggregated carrying amount of investments	308,911,352.43	273,492,852.78
Aggregate of the following items in proportion		
Net profit (i)	30,466,499.65	22,470,522.39
Other comprehensive income (i)	–	1,079,120.55
Total comprehensive income	30,466,499.65	23,549,642.94

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment and accounting policies unifying.

(e) Excess deficit incurred in joint ventures and associates

	Accumulated unrecognised losses at beginning of year	Accumulated unrecognised losses in the current year	Long-term receivables that make up for the excess deficit (Note 4(13))	Accumulated unrecognised losses at end of year
SINOECL Auto Liners, Limited	937,283.47	533,203.60	–	1,470,487.07
Jadeway Limited	6,480,117.77	5,434,831.68	9,307,604.10	2,607,345.35

(f) Unrecognised commitments relating to investment in joint ventures are listed in Note 10. Contingent liabilities arising from investment of joint ventures and associates are detailed in Note 9.

Notes to the Financial Statements (continued)

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7 Segment information

The reportable segments of the Group are the business units that provide different products or services, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 8 reportable segments as follows:

- Oil/liquefied chemicals terminal and related logistics services and trading services, responsible for handling and discharging, storage and transshipment of oil products and liquefied chemicals and port management services;
- Container terminal and related logistics services, responsible for loading and discharging, storage and transshipment of containers, leasing of terminals and related facilities and various container logistics services and sale of properties;
- General cargo terminal and related logistics and trading services, responsible for loading and discharging of general cargo and provision of related logistics services and steel trading;
- Ore terminal and related logistics services, responsible for loading and discharging of ore and provision of related logistics services;
- Bulk grains terminal and related logistics and trading services, responsible for loading and discharging of grains and provision of related logistics services and unprocessed grains trading operation;
- Passenger and roll-on, roll-off terminal and related logistics services, responsible for passenger transportation and general cargo roll-on and roll-off provision of related logistics services;
- Port value-added services and related ancillary port operations, responsible for tallying, tugging, transportation, power supply, information technology and construction services;
- Automobile terminal and related logistics and trading services, responsible for loading and discharging of automobile and provision of related logistics and trading services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment.

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit. The adjusted total profit is measured consistently with the Group's total profit except for certain revenue and expenses attributable to headquarters. Segment assets and liabilities exclude certain assets and liabilities attributable to headquarters as these assets and liabilities are managed by the Group.

The above reporting segments are the basis on which the Group reports its segment information and no operating segments have been aggregated to form the above reportable segments.

Notes to the Financial Statements (continued)

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7 Segment information (continued)

Inter-segment revenue is eliminated on consolidation. Inter-segment sales and transactions are conducted in accordance with the terms mutually agreed between the parties.

Inter-segment transfer prices are measured by reference to selling prices to third parties.

The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

(a) Segment information as at and for the year ended 31 December 2016 is as follows (unit: RMB'000):

	Oil and liquefied chemicals terminal and related logistics and trading services	Container terminal and related logistics services	General cargo terminal and related logistics and trading services	Ore terminal and related logistics services	Bulk grains terminal and related logistics and trading services	Passenger and roll-on, roll-off terminal and related logistics services	Port value- added services and related ancillary port operations	Automobile terminal and related logistics and trading services	Others	Elimination	Total
Revenue from external customers	6,151,513	1,548,058	469,722	314,028	681,658	138,608	937,339	2,490,667	82,891	-	12,614,484
Inter-segment revenue	1,101	3,959	241	233	691	914	104,901	-	47,255	(159,295)	-
Cost of sales from main operations	5,405,841	1,181,209	484,968	281,267	683,657	98,281	569,093	2,426,318	29,841	-	11,160,475
Interest income	18,717	4,458	1,145	257	3,125	258	2,244	2,765	42,870	-	75,839
Investment income/(loss) from associates and joint ventures	72,825	33,103	(34,191)	5,027	-	(990)	75,757	11,301	-	-	162,832
Asset impairment losses	-	5,944	-	-	-	-	-	-	-	-	5,944
Depreciation and amortisation expenses	219,694	193,530	85,684	106,097	67,941	31,324	69,190	148	27,487	-	801,095
Total profit/(loss)	737,493	271,287	(109,044)	5,949	(56,330)	4,613	189,310	25,884	(291,149)	-	778,013
Income tax expenses	185,103	62,901	(20,636)	114	(15,453)	1,136	25,949	2,830	(76,614)	-	165,330
Net profit/(loss)	552,390	208,386	(88,408)	5,835	(40,877)	3,477	163,361	23,054	(214,535)	-	612,683
Total assets	7,611,956	7,545,201	2,363,230	1,941,560	1,358,248	1,325,679	2,845,978	1,558,615	7,053,211	(1,701,613)	31,902,065
Total liabilities	1,660,690	2,215,015	74,596	68,432	148,145	54,661	248,854	683,933	9,343,037	(1,701,613)	12,795,750
Non-cash expenses other than depreciation and amortisation expenses	1,105	11,899	22	25	-	36	473	-	33,621	-	47,181
Long-term equity investments in associates and joint ventures	1,488,877	1,590,379	118,902	9,554	-	335,055	1,031,396	327,994	-	-	4,902,157
Increase in non-current assets (i)	66,272	88,747	27,205	31,114	24,011	27,301	96,513	45,838	27,480	-	434,481

(i) Non-current assets don't comprise financial assets, long-term equity investments and deferred tax assets.

Notes to the Financial Statements (continued)

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7 Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2015 was as follows (unit: RMB '000):

	Oil and liquefied chemicals terminal and related logistics and trading services	Container terminal and related logistics services	General cargo terminal and related logistics and trading services	Ore terminal and related logistics services	Bulk grains terminal and related logistics and trading services	Passenger and roll-on, roll-off terminal and related logistics services	Port value- added and ancillary port operations	Automobile terminal and related logistics and trading services	Others	Elimination	Total
Revenue from external customers	2,078,019	1,692,339	374,124	349,865	1,361,492	128,759	940,030	1,866,027	95,512	-	8,886,167
Inter-segment revenue	4,876	604	343	233	-	1,390	84,825	1,398	61,843	(155,512)	-
Cost of sales from main operations	1,255,792	1,300,128	360,474	397,543	1,378,448	93,626	540,116	1,819,296	23,108	-	7,168,531
Interest income	4,319	5,378	1,279	415	4,005	348	2,494	16,589	8,282	-	43,109
Investment income/(loss) from associates and joint ventures	52,075	19,156	(26,773)	363	-	(294)	61,592	14,586	-	-	120,705
Asset impairment losses	-	-	(10)	-	-	-	-	-	-	-	(10)
Depreciation and amortisation expenses	211,427	166,630	98,351	104,858	68,596	30,475	66,488	10,629	24,917	-	782,371
Total profit/(loss)	784,215	374,234	(72,459)	(80,916)	(63,019)	5,159	204,577	31,758	(453,804)	-	729,745
Income tax expenses	191,702	80,447	(8,448)	(20,335)	(17,028)	1,089	24,742	4,422	(95,984)	-	160,607
Net profit/(loss)	592,513	293,787	(64,011)	(60,581)	(45,991)	4,070	179,835	27,336	(357,820)	-	569,138
Total assets	7,358,420	6,691,722	2,342,704	2,390,155	1,544,854	1,157,476	2,451,904	2,744,255	3,083,958	(635,558)	29,129,890
Total liabilities	1,581,845	701,441	84,388	46,213	263,925	62,530	171,349	855,841	10,628,630	(635,558)	13,760,604
Non-cash expenses other than depreciation and amortisation expenses	152	12,572	22	96	-	36	328	-	34,440	-	47,646
Long-term equity investments in associates and joint ventures	1,442,979	1,531,455	153,051	2,393	-	336,045	960,178	305,559	-	-	4,731,660
Increase in non-current assets (i)	210,588	68,015	11,487	14,894	1,631	10,552	11,030	225	507,502	-	835,924

(i) Non-current assets don't comprise financial assets, long-term equity investments and deferred tax assets.

Notes to the Financial Statements (continued)

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7 Segment information (continued)

Geographical information:

The entire Group's operations are located in Mainland China. Therefore, all revenue of segments is generated from the customers in Mainland China and the major non-current assets are also located in Mainland China.

Information about major customers:

The revenue from oil/liquefied chemicals and related logistics services segment of RMB3,165,276,785.09 is derived from a single customer, accounting for 24.70% of the Group's total revenue.

8 Related parties and related party transactions

(1) Parent

(a) General information of the parent company

	Type	Place of registration	Nature of business
PDA Group	Solely state-owned	Dalian, Liaoning	Port business

The Company's ultimate controlling party is PDA Group.

(b) Registered capital and its changes of the parent company

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
PDA Group	4,000,000,000.00	8,000,000,000.00	–	12,000,000,000.00

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2016		31 December 2015	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
PDA Group	45.74%	45.74%	52.16%	52.16%

(2) Subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6(1)(a).

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(3) Information of joint ventures and associates

Except for those material joint ventures and associates disclosed in Note 6(2)(a), other joint ventures and associates that have related party transactions with the Group are as follows:

	Relationship with the Group
Dalian Port Tongli Shipping Agency Co., Ltd.	Joint ventures
Dalian Harbour ECL Logistics Co., Ltd.	Joint ventures
Dalian United International Shipping Agency Co., Ltd.	Joint ventures
Dalian Vanguard International Logistics Co., Ltd.	Joint ventures
China United Tally (Dalian) Co., Ltd.	Joint ventures
China Oil Dock Management (Dalian) Co., Ltd. (i)	Joint ventures
Liaoning Electronic Port Co., Ltd.	Joint ventures
Liaoning Con-Rail International Logistics Co., Ltd.	Joint ventures
Dalian Dagang China Shipping Container Terminal Co., Ltd.	Joint ventures
Dalian Jilong Logistics Co., Ltd. (i)	Joint ventures
Dalian Singamas International Container Co., Ltd. (i)	Joint ventures
Dalian Port Bulk Cargo Logistics Center Co., Ltd. (i)	Joint ventures
Odfjell Dalian Port Consulting Co., Ltd.	Joint ventures
Dalian Shunde Jifa Supply Chain Management Co., Ltd. (i)	Joint ventures
Dalian Changxing Island Port Co., Ltd. (i)	Joint ventures
Weifang Senda Container Service Co., Ltd.	Joint ventures
Odfjell Changxing Warehousing Terminals (Dalian) Co., Ltd.	Joint ventures
Ha'ou International Logistics Co., Ltd.	Joint ventures
China Harbour United Shipping Co., Ltd.	Associates
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	Associates
Dalian Wanpeng Port Engineering Testing Co., Ltd.	Associates
Taicang Xinggang Tug Co., Ltd.	Associates
SINOECL Auto Liners, Limited	Associates
Jadeway Limited	Associates
Dalian North Oil Petroleum Logistics Co., Ltd.	Associates
Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.	Associates
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	Associates
Guangzhou Kingport Auto International Trade Co., Ltd.	Associates

(i) In accordance with the Company's Articles of Association, all significant events are jointly decided by investors, thus it is an associate under common control of the Group.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(4) Other related parties

	Relationship with the Group
Dalian FTZ Yongdixin Real Estate Development Co., Ltd.	Subsidiary of the parent company
Dalian Port Land Co., Ltd.	Subsidiary of the parent company
Dalian Wanfeng Properties Co., Ltd.	Subsidiary of the parent company
Dalian Creative Industry Project Development Co., Ltd.	Subsidiary of the parent company
Dalian Hongyu Building Co., Ltd.	Subsidiary of the parent company
Dalian Dagang Hongyu Housekeeping Services Co., Ltd.	Subsidiary of the parent company
Dalian Harbour Building Co., Ltd. (i)	Subsidiary of the parent company
Jinzhou Liaoxi PDA Properties Co., Ltd	Subsidiary of the parent company
PDA Group (Jinzhou) Liaoxi Port Investment and Development Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Port Company Limited	Subsidiary of the parent company
Dalian Taiping Bay Investment & Development Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Construction Engineering Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	Subsidiary of the parent company
Dalian Port Wantong Logistics Co., Ltd.	Subsidiary of the parent company
Dalian ETDZ Harbour Freight Co., Ltd.	Subsidiary of the parent company
Dalian Port Machinery Co., Ltd.	Subsidiary of the parent company
Dalian Dongwang Auto Repair Factory	Subsidiary of the parent company
Dalian Northeast Asia International Shipping Center of Shipping Exchange Market Co., Ltd.	Subsidiary of the parent company
Dalian Port Security Services Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Automobile Terminal Co., Ltd.	Subsidiary of the parent company
Dalian Harbour Engineering Co., Ltd.	Subsidiary of the parent company
Dalian Equipment Finance Lease Co., Ltd.	Subsidiary of the parent company
Ocean Harvest Container Co. Limited	Subsidiary of the parent company
Dalian Port North Shore Investment and Development Co., Ltd.	Subsidiary of the parent company
Dalian Port Petroleum & Chemical Co., Ltd.	Subsidiary of the parent company
Changhai County Guanglu Wharf Construction Management Co., Ltd.	Subsidiary of the parent company
Dalian Port Petty Loan Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Real Estate Development Co., Ltd.	Subsidiary of the parent company
Dalian Wantong Ronghai Shipping Co., Ltd.	Subsidiary of the parent company
Shenyang Mingshuo Industrial Development Co., Ltd.	Subsidiary of the parent company
Shenyang Kaiming Industrial Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Container Terminal Co., Ltd.	Subsidiary of the parent company

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(4) Other related parties (continued)

	Relationship with the Group
Dalian Port Investment and Financing Holding Group Co., Ltd.	Subsidiary of the parent company
Dalian Harbour City Construction Development Co., Ltd.	Subsidiary of the parent company
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	Subsidiary of the parent company
Ningbo Yizhihong International Trade Co., Ltd.	Subsidiary of the parent company
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	Joint venture of the parent company
Dalian Life Raft Inspection Co., Ltd.	Associates of the parent company
Dalian Port Real Estate Group Co., Ltd.	Associates of the parent company
Dalian Port Machinery and Electric Co., Ltd.	Associates of the parent company
Dalian Port Industrial Co., Ltd.	Associates of the parent company
Dalian Port Property Management Co., Ltd.	Associates of the parent company
Dalian Port Landscape Engineering Co., Ltd.	Associates of the parent company
Dalian Port Rixing Boiler Installation Co., Ltd.	Associates of the parent company
Dalian Port Xingang Construction Engineering Co., Ltd.	Associates of the parent company
Dalian Port Industrial Co., Ltd. (Xingang Gas Station)	Associates of the parent company
Dalian Port Design & Research Institute Co., Ltd.	Associates of the parent company
Dalian CITIC Harbour Investment Co., Ltd.	Associates of the parent company
Datong Securities Co., Ltd.	Associates of the parent company
Jinzhou Port Co., Ltd.	Associates of the parent company
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	Associates of the parent company
Dalian Wanpeng Foundation Engineering Co., Ltd.	Associates of the parent company
Liaogang Commodity Trading Co., Ltd.	Associates of the parent company

(i) Dalian Harbour Building, a subsidiary of the parent company is renamed as Dalian Harbour Building Co., Ltd. in the year.

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(5) Related party transactions

(a) Purchase and sales of goods, and rendering and receiving of service

(i) Purchase of goods and receiving of service

Transactions with the parent company

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
PDA Group	Comprehensive service	Terms of agreement	16,689,036.29	19,411,073.43

Transactions with joint ventures and associates

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
Dalian Changxing Island Port Investment and Development Co., Ltd.	Comprehensive service	Terms of agreement	77,688,679.30	30,133,081.35
China United International Rail Containers (Dalian) Co., Ltd.	Transportation	Terms of agreement	29,962,152.41	1,420,207.10
China Oil Dock Management (Dalian) Co., Ltd.	Port service	Terms of agreement	16,847,854.37	12,095,246.34
Dalian International Container Terminal Co., Ltd.	Handling service	Terms of agreement	7,690,318.74	6,077,978.23
Dalian Port Container Terminal Co., Ltd.	Handling service	Terms of agreement	2,556,933.98	3,296,136.80
Dalian Port Tongli Shipping Agency Co., Ltd.	Agent service	Terms of agreement	1,417,672.41	–
Odfjell Terminals (Dalian) Co., Ltd.	Storage service	Terms of agreement	896,761.70	–
Dalian Singamas International Container Co., Ltd.	Comprehensive service	Terms of agreement	846,820.64	–
Guangzhou Kingport Auto International Trade Co., Ltd.	Agent service	Terms of agreement	719,207.54	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(i) Purchase of goods and receiving of service (continued)

Transactions with joint ventures and associates (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
Dalian Jilong Logistics Co., Ltd.	Comprehensive service	Terms of agreement	387,631.45	–
China United Tally (Dalian) Co., Ltd.	Tally service	Terms of agreement	340,922.64	–
Dalian Changxing Island Port Co., Ltd.	Electric power service	Terms of agreement	307,486.79	138,426.80
Weifang Senda Container Service Co., Ltd.	Transportation	Terms of agreement	283,807.55	–
Dalian Port Group Financial Co., Ltd.	Financial services	Terms of agreement	260,227.14	503,130.00
Odfjell Dalian Port Consulting Co., Ltd.	Training service	Terms of agreement	211,040.89	283,140.00
Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.	Agent service	Terms of agreement	126,731.13	–
Liaoning Electronic Port Co., Ltd.	Telecommunication service	Terms of agreement	120,754.72	94,339.62
Dalian Automobile Terminal Co., Ltd.	Supervision service	Terms of agreement	6,553.40	100,000.00
Ha'ou International Logistics Co., Ltd.	Transportation	Terms of agreement	1,142.08	–
Dalian Vanguard International Logistics Co., Ltd.	Transportation	Terms of agreement	1,000.00	–
Liaoning Con-Rail International Logistics Co., Ltd.	Transportation	Terms of agreement	–	2,793,241.10
			140,673,698.88	56,934,927.34

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(i) Purchase of goods and receiving of service (continued)

Transactions with other related parties

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	Purchase of fuel	Terms of agreement	44,784,806.05	69,248,018.11
Dalian Port Industrial Co., Ltd.	Comprehensive service	Terms of agreement	30,313,224.64	24,727,439.07
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	Purchase of fuel	Terms of agreement	20,248,343.29	–
Dalian Port Machinery Co., Ltd.	Maintenance service	Terms of agreement	9,912,724.45	10,046,343.89
Dalian Hongyu Building Co., Ltd.	Comprehensive service	Terms of agreement	2,573,819.22	1,024,844.37
Dalian Port Machinery and Electric Co., Ltd.	Maintenance service	Terms of agreement	2,274,306.38	–
Dalian Port Security Services Co., Ltd.	Security service	Terms of agreement	2,007,952.20	2,143,810.00
Dalian Port Rixing Boiler Installation Co., Ltd.	Maintenance service	Terms of agreement	1,985,963.15	4,876,986.72
Dalian Port Xingang Construction Engineering Co., Ltd.	Maintenance service	Terms of agreement	1,706,483.26	4,498,234.07
Dalian Harbour Engineering Co., Ltd.	Comprehensive service	Terms of agreement	1,520,500.69	1,078,044.49
Dalian Harbour Building Co., Ltd.	Comprehensive service	Terms of agreement	1,052,827.73	1,217,104.00
Dalian Port Property Management Co., Ltd.	Property services	Terms of agreement	459,698.79	–
Dalian Port Landscape Engineering Co., Ltd.	Comprehensive service	Terms of agreement	422,038.84	1,265,394.26
Dalian Taiping Bay Construction Engineering Co., Ltd.	Purchase of materials	Terms of agreement	307,540.00	–
Dalian Life Raft Inspection Co., Ltd.	Maintenance service	Terms of agreement	204,350.44	153,458.52
Dalian Port Design & Research Institute Co., Ltd.	Comprehensive service	Terms of agreement	168,207.55	28,113.20
Dalian Dongwang Auto Repair Factory	Maintenance service	Terms of agreement	14,996.15	66,804.09
Dalian Equipment Finance Lease Co., Ltd.	Comprehensive service	Terms of agreement	–	4,297,178.85
Dalian FTZ Yongdixin Real Estate Development Co., Ltd.	Comprehensive service	Terms of agreement	–	3,263,873.51
Dalian Port Land Co., Ltd.	Comprehensive service	Terms of agreement	–	240.00
			119,957,782.83	127,935,887.15

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service

Transactions with the parent company

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
PDA Group	Comprehensive service	Terms of agreement	33,103,558.30	21,421,987.32

Transactions with joint ventures and associates

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
Dalian Changxing Island Port Investment and Development Co., Ltd.	Comprehensive service	Terms of agreement	140,643,878.33	4,145,235.78
Dalian Port Container Terminal Co., Ltd.	Comprehensive service	Terms of agreement	49,443,142.48	48,958,449.79
China Oil Dock Management (Dalian) Co., Ltd.	Comprehensive service	Terms of agreement	41,493,392.06	42,934,032.41
Guangzhou Kingport Auto International Trade Co., Ltd.	Sales of goods	Terms of agreement	41,080,953.58	–
Dalian International Container Terminal Co., Ltd.	Comprehensive service	Terms of agreement	38,762,421.64	43,421,282.43
Dalian Port Yidu Cold Chain Co., Ltd.	Comprehensive service	Terms of agreement	20,187,551.52	21,607,961.88
Liaoning Con-Rail International Logistics Co., Ltd.	Comprehensive service	Terms of agreement	18,974,128.95	13,201,331.44
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	Heating services	Terms of agreement	16,176,760.03	1,726,538.05
Taicang Xinggang Tug Co., Ltd.	Transportation services	Terms of agreement	13,424,150.96	13,235,157.54

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transactions with joint ventures and associates (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
Dalian Changxing Island Port Co., Ltd.	Engineering construction	Terms of agreement	9,596,143.99	4,250,061.36
Dalian United International Shipping Agency Co., Ltd.	Comprehensive service	Terms of agreement	8,642,398.04	9,173,417.92
Odfjell Terminals (Dalian) Co., Ltd.	Comprehensive service	Terms of agreement	7,264,330.19	4,157,551.52
Dalian Automobile Terminal Co., Ltd.	Comprehensive service	Terms of agreement	5,038,317.42	2,261,331.78
Dalian Dagang China Shipping Container Terminal Co., Ltd.	Comprehensive service	Terms of agreement	2,333,285.23	1,835,712.76
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	Transportation services	Terms of agreement	2,320,787.64	–
Dalian Puji Storage Facility Co., Ltd.	Comprehensive service	Terms of agreement	2,082,424.71	1,500.90
Dalian North Oil Petroleum Logistics Co., Ltd.	Maintenance service	Terms of agreement	1,901,469.69	–
Dalian Jilong Logistics Co., Ltd.	Sales of goods	Terms of agreement	1,847,163.08	284,140.09
China United International Rail Containers (Dalian) Co., Ltd.	Comprehensive service	Terms of agreement	1,838,077.53	1,479,838.10
Dalian Vanguard International Logistics Co., Ltd.	Comprehensive service	Terms of agreement	1,589,595.85	898,809.85
Dalian Singamas International Container Co., Ltd.	Comprehensive service	Terms of agreement	1,292,840.86	702,656.69
China Harbour United Shipping Co., Ltd.	Comprehensive service	Terms of agreement	1,118,950.65	–
China United Tally (Dalian) Co., Ltd.	Telecommunication service	Terms of agreement	751,734.71	735,707.84
Dalian Port PetroChina International Terminal Co., Ltd.	Comprehensive service	Terms of agreement	691,969.32	740,066.86

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transactions with joint ventures and associates (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
Odfjell Changxing Warehousing Terminals (Dalian) Co., Ltd.	Comprehensive service	Terms of agreement	604,384.38	–
Dalian Port Group Financial Co., Ltd.	Telecommunication service	Terms of agreement	387,624.66	196,275.65
Dalian Harbour ECL Logistics Co., Ltd.	Comprehensive service	Terms of agreement	292,680.07	334,827.26
Dalian Shunde Jifa Supply Chain Management Co., Ltd.	Comprehensive service	Terms of agreement	289,245.31	–
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	Comprehensive service	Terms of agreement	142,944.90	38,874,892.55
Dalian Port Tongli Shipping Agency Co., Ltd.	Telecommunication service	Terms of agreement	51,562.44	–
Dalian Wanpeng Port Engineering Testing Co., Ltd.	Comprehensive service	Terms of agreement	48,955.93	3,307.20
PetroChina Dalian LNG Co., Ltd	Comprehensive service	Terms of agreement	8,128.20	185,394.76
Sino Rail Bohai Train Ferry Co., Ltd.	Port service	Terms of agreement	2,542.45	–
Liaoning Electronic Port Co., Ltd.	Telecommunication service	Terms of agreement	–	283,018.86
			430,323,936.80	255,628,501.27

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transactions with other related parties

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
Dalian Port Wantong Logistics Co., Ltd.	Comprehensive service	Terms of agreement	30,279,649.72	8,914,842.85
Dalian Taiping Bay Port Company Limited	Project supervision	Terms of agreement	13,685,143.51	22,688,069.16
Dalian Port North Shore Container Terminal Co., Ltd.	Comprehensive service	Terms of agreement	7,422,641.05	–
Dalian CITIC Harbour Investment Co., Ltd.	Engineering construction	Terms of agreement	5,904,652.03	5,725,650.08
Dalian Port Machinery and Electric Co., Ltd.	Engineering construction	Terms of agreement	4,800,226.64	1,355,797.12
Dalian Port Industrial Co., Ltd.	Telecommunication service	Terms of agreement	3,283,736.00	1,052,047.06
Dalian Port Petroleum & Chemical Co., Ltd.	Comprehensive service	Terms of agreement	2,294,706.28	786,301.17
Dalian Harbour Engineering Co., Ltd.	Engineering construction	Terms of agreement	1,712,224.61	9,485,114.26
Datong Securities Co., Ltd.	Telecommunication service	Terms of agreement	1,486,290.60	1,699,743.61
Dalian Hongyu Building Co., Ltd.	Telecommunication service	Terms of agreement	1,307,781.16	949,947.96
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	Comprehensive service	Terms of agreement	1,281,042.60	–
Dalian Taiping Bay Investment & Development Co., Ltd.	Comprehensive service	Terms of agreement	1,236,930.37	1,596,721.48
Dalian Port North Shore Automobile Terminal Co., Ltd.	Project supervision	Terms of agreement	1,198,112.87	8,042,933.99
Dalian FTZ Yongdexin Real Estate Development Co., Ltd.	Telecommunication service	Terms of agreement	934,805.48	1,165,431.26
Dalian Wanfeng Properties Co., Ltd.	Comprehensive service	Terms of agreement	892,101.99	2,512,371.23
Dalian Port Machinery Co., Ltd.	Comprehensive service	Terms of agreement	865,370.47	1,047,425.02
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	Comprehensive service	Terms of agreement	708,255.58	800,074.41
Dalian Port Design & Research Institute Co., Ltd.	Telecommunication service	Terms of agreement	592,786.20	24,091.59
Dalian Port North Shore Investment and Development Co., Ltd.	Project supervision	Terms of agreement	386,497.01	133,295.36

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transactions with other related parties (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
Changhai County Guanglu Wharf Construction Management Co., Ltd.	Project supervision	Terms of agreement	188,679.25	514,150.94
Dalian Port Property Management Co., Ltd.	Telecommunication service	Terms of agreement	175,215.66	7,124.33
Jinzhou Liaoxi PDA Properties Co., Ltd	Project supervision	Terms of agreement	152,547.17	189,811.33
Dalian Port Land Co., Ltd.	Comprehensive service	Terms of agreement	129,144.87	191,439.09
Dalian Port Investment and Financing Holding Group Co., Ltd.	Comprehensive service	Terms of agreement	98,403.92	–
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	Telecommunication service	Terms of agreement	91,367.03	86,630.56
Dalian Creative Industry Project Development Co., Ltd.	Comprehensive service	Terms of agreement	48,268.89	879,819.91
Dalian Harbour City Construction Development Co., Ltd.	Telecommunication service	Terms of agreement	41,899.54	–
Dalian Northeast Asia International Shipping Center of Shipping Exchange Market Co., Ltd.	Telecommunication service	Terms of agreement	33,022.49	43,859.98
Dalian Wanpeng Foundation Engineering Co., Ltd.	Heating services	Terms of agreement	32,423.06	–
Dalian Port Rixing Boiler Installation Co., Ltd.	Telecommunication service	Terms of agreement	27,724.52	8,476.04
Dalian Port Petty Loan Co., Ltd	Telecommunication service	Terms of agreement	21,666.43	18,679.25
Dalian Port Landscape Engineering Co., Ltd	Telecommunication service	Terms of agreement	18,375.44	15,998.19
Dalian Harbour Building Co., Ltd.	Comprehensive service	Terms of agreement	13,780.60	908,255.66
Dalian Wantong Ronghai Shipping Co., Ltd.	Telecommunication service	Terms of agreement	10,375.04	–
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	Telecommunication service	Terms of agreement	10,142.96	–
Dalian Port Xingang Construction Engineering Co., Ltd.	Telecommunication service	Terms of agreement	6,649.31	4,818.21
PDA Group (Jinzhou) Liaoxi Port Investment and Development Co., Ltd.	Telecommunication service	Terms of agreement	5,956.06	8,525.59

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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transactions with other related parties (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2016	Amount for the year 2015
Dalian Dagang Hongyu Housekeeping Services Co., Ltd.	Telecommunication service	Terms of agreement	1,823.42	2,166.65
Dalian Port North Shore Real Estate Development Co., Ltd.	Telecommunication service	Terms of agreement	1,132.08	1,132.08
Dalian Taiping Bay Construction Engineering Co., Ltd.	Telecommunication service	Terms of agreement	1,132.08	724.16
Ningbo Yizhihong International Trade Co., Ltd.	Telecommunication service	Terms of agreement	1,132.08	-
Dalian Port Industrial Co., Ltd. (Xingang Gas Station)	Telecommunication service	Terms of agreement	795.49	834.23
Shenyang Kaiming Industrial Co., Ltd.	Telecommunication service	Terms of agreement	535.48	-
Dalian Port Real Estate Group Co., Ltd.	Engineering construction	Terms of agreement	-	17,105.25
Dalian Life Raft Inspection Co., Ltd.	Telecommunication service	Terms of agreement	-	4,796.39
Dalian Port Security Services Co., Ltd.	Telecommunication service	Terms of agreement	-	3,581.20
Dalian Equipment Finance Lease Co., Ltd.	Telecommunication service	Terms of agreement	-	2,264.15
			81,385,147.04	70,890,050.80

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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(b) Leases

The Group as the lessor

Transactions with joint ventures and associates:

Name of the lessee	Type of the leased property	Leasing income recognised for the year 2016	Leasing income recognised for the year 2015
Dalian Port Container Terminal Co., Ltd.	Buildings/berth and stock yard	106,017,240.51	136,386,446.80
China Oil Dock Management (Dalian) Co., Ltd.	Berth and stock yard	14,278,897.23	20,204,615.38
Liaoning Con-Rail International Logistics Co., Ltd.	Handling equipment	11,241,606.75	1,481,211.40
Dalian Jilong Logistics Co., Ltd.	Site place	4,366,022.66	5,155,597.01
Dalian Port Yidu Cold Chain Co., Ltd.	Handling equipment	1,052,455.77	1,071,873.28
Dalian North Oil Petroleum Logistics Co., Ltd.	Oil pipe and tank	222,500.00	222,500.00
Dalian International Container Terminal Co., Ltd.	Site place	96,615.84	45,332.85
Dalian Changxing Island Port Co., Ltd.	Optical fiber	10,188.69	–
		137,285,527.45	164,567,576.72

Transactions with other related parties:

Name of the lessee	Type of the leased property	Leasing income recognised for the year 2016	Leasing income recognised for the year 2015
Dalian Port Industrial Co., Ltd.	Automobile/Buildings	1,501,731.29	1,731,115.12
Dalian Port Wantong Logistics Co., Ltd.	Buildings	989,190.67	112,860.00
Dalian Harbour City Construction Development Co., Ltd.	Buildings	507,113.34	–
Dalian Wantong Ronghai Shipping Co., Ltd.	Buildings	155,000.00	–
		3,153,035.30	1,843,975.12

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(b) Leases (continued)

The Group as the lessee

Transactions with the parent company:

Name of the lessor	Type of the leased property	Leasing cost recognised for the year 2016	Leasing cost recognised for the year 2015
PDA Group	Land use rights/island embankment/buildings	44,238,836.38	39,502,068.07

Transactions with joint ventures and associates:

Name of the lessor	Type of the leased property	Leasing cost recognised for the year 2016	Leasing cost recognised for the year 2015
Dalian Port PetroChina International Terminal Co., Ltd.	Terminal facility	106,107,142.85	91,250,000.00
Dalian International Container Terminal Co., Ltd.	Facilities/buildings	2,820,978.81	4,577,596.62
Dalian Port Container Terminal Co., Ltd.	Facilities	2,165,048.56	3,249,826.87
Dalian Puji Storage Facility Co., Ltd.	Site place	987,069.13	–
Dalian Automobile Terminal Co., Ltd.	Buildings	121,169.98	120,780.00
Dalian Changxing Island Port Co., Ltd.	Buildings	88,171.42	10,800.00
Dalian Changxing Island Port Investment and Development Co., Ltd.	Oil pipe and tank	–	64,575,000.00
Dalian North Oil Petroleum Logistics Co., Ltd.	Oil pipe and tank	–	9,367,500.00
Liaoning Con-Rail International Logistics Co., Ltd.	Facilities	–	20,538.46
		112,289,580.75	173,172,041.95

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(b) Leases (continued)

The Group as the lessee (continued)

Transactions with other related parties:

Name of the lessor	Type of the leased property	Leasing cost recognised for the year 2016	Leasing cost recognised for the year 2015
Dalian FTZ Yongdexin Real Estate Development Co., Ltd.	Buildings	6,116,405.88	3,139,952.37
Dalian Harbour Building Co., Ltd.	Buildings	2,896,306.78	2,348,692.20
Dalian Port Industrial Co., Ltd.	Automobile/handling equipment	826,967.01	597,226.50
Dalian Hongyu Building Co., Ltd.	Buildings	337,653.16	365,698.30
Dalian Port Machinery Co., Ltd.	Buildings	77,043.37	80,874.79
		10,254,376.20	6,532,444.16

Assets held under finance leases

Name of the lessor	Type of the leased property	Rental paid for the year 2016	Rental paid for the year 2015
Dalian Equipment Finance Lease Co., Ltd.	ISO Dry Container	7,646,052.44	7,735,461.84
Ocean Harvest Container Co. Limited	Container	-	4,458,985.58
		7,646,052.44	12,194,447.42

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(c) Guarantee

The Group as the guaranteed party

Guarantor	Guaranteed party	Guaranteed amount	Commencement date	Termination date	Fully performed or not
PDA Group	Dalian Port (PDA) Company Limited	2,350,000,000.00	23 May 2011	23 May 2021	No
PDA Group	Dalian Port (PDA) Company Limited	2,650,000,000.00	26 September 2011	25 March 2019	No

The above related parties provided guarantees for bonds payable without any charge (Note 4(37)).

The Group as the guarantor

There are no guarantees provided to the related parties for the 12 months ended 31 December 2016.

(d) Borrowings and lending

(i) Borrowings

2016

	Amount	Starting date	Maturity date (i)
Borrowing –			
Dalian Port Group Financial Co., Ltd.	15,000,000.00	6 January 2016	30 June 2016
Dalian Port Group Financial Co., Ltd.	60,000,000.00	8 January 2016	8 April 2016
Dalian Port Group Financial Co., Ltd.	10,000,000.00	13 January 2016	18 April 2016
Dalian Port Group Financial Co., Ltd.	30,000,000.00	19 January 2016	30 June 2016
Dalian Port Group Financial Co., Ltd.	9,360,000.00	19 January 2016	20 July 2016
Dalian Port Group Financial Co., Ltd.	45,000,000.00	20 January 2016	14 April 2016
Dalian Port Group Financial Co., Ltd.	7,620,000.00	29 February 2016	30 August 2016
Dalian Port Group Financial Co., Ltd.	17,500,000.00	2 March 2016	3 August 2016
Dalian Port Group Financial Co., Ltd.	17,430,000.00	2 March 2016	3 August 2016
Dalian Port Group Financial Co., Ltd.	30,000,000.00	22 April 2016	21 April 2019
Dalian Port Group Financial Co., Ltd.	6,000,000.00	10 May 2016	10 May 2017
Dalian Port Group Financial Co., Ltd.	6,900,000.00	8 June 2016	9 December 2016
Dalian Port Group Financial Co., Ltd.	5,570,000.00	29 July 2016	28 September 2016
Dalian Port Group Financial Co., Ltd.	3,700,000.00	31 July 2016	27 October 2016
Dalian Port Group Financial Co., Ltd.	2,210,000.00	31 July 2016	31 January 2017

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Borrowings and lending (continued)

(i) Borrowings (continued)

2016 (continued)

	Amount	Starting date	Maturity date (i)
Borrowing –			
Dalian Port Group Financial Co., Ltd.	30,000,000.00	15 August 2016	14 August 2017
Dalian Port Group Financial Co., Ltd.	13,430,000.00	31 August 2016	31 October 2016
Dalian Port Group Financial Co., Ltd.	7,200,000.00	31 August 2016	27 October 2016
Dalian Port Group Financial Co., Ltd.	30,000,000.00	9 September 2016	8 September 2019
Dalian Port Group Financial Co., Ltd.	15,000,000.00	18 October 2016	14 August 2017
Shenyang Kaiming Industrial Co., Ltd.	30,000,000.00	24 October 2016	23 October 2017
Shenyang Mingshuo Industrial Development Co., Ltd.	20,000,000.00	25 October 2016	24 October 2017
Dalian Port Group Financial Co., Ltd.	14,910,000.00	27 October 2016	26 April 2017
Dalian Port Group Financial Co., Ltd.	8,480,000.00	27 October 2016	26 April 2017
Dalian Port Group Financial Co., Ltd.	5,040,000.00	27 October 2016	30 December 2016
Dalian Port Group Financial Co., Ltd.	12,260,000.00	28 October 2016	30 November 2016
Dalian Port Group Financial Co., Ltd.	70,000,000.00	31 October 2016	30 October 2019
Dalian Port Group Financial Co., Ltd.	5,000,000.00	22 November 2016	14 August 2017
Dalian Port Group Financial Co., Ltd.	5,000,000.00	24 November 2016	14 August 2017
Dalian Port Group Financial Co., Ltd.	3,000,000.00	24 November 2016	23 May 2017
Dalian Port Group Financial Co., Ltd.	5,282,000.00	29 November 2016	30 December 2016
Dalian Port Group Financial Co., Ltd.	9,740,000.00	8 December 2016	30 December 2016
Dalian Port Group Financial Co., Ltd.	2,670,000.00	8 December 2016	7 June 2017
Dalian Port Group Financial Co., Ltd.	5,630,000.00	15 December 2016	14 June 2017
Dalian Port Group Financial Co., Ltd.	784,000.00	20 December 2016	30 December 2016
Dalian Port Group Financial Co., Ltd.	5,880,000.00	20 December 2016	17 June 2017
Dalian Port Group Financial Co., Ltd.	3,300,000.00	23 December 2016	22 June 2017
Dalian Port Group Financial Co., Ltd.	9,575,000.00	23 December 2016	22 June 2017
Dalian Port Group Financial Co., Ltd.	8,600,000.00	15 December 2016	29 December 2016

(i) The date on which the Group repays the borrowings in advance as agreed in contract, is the repayment date.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Borrowings and lending (continued)

(i) Borrowings (continued)

2015

	Amount	Starting date	Maturity date
Borrowing –			
Dalian Port Group Financial Co., Ltd.	35,000,000.00	27 April 2015	26 April 2016
Dalian Port Group Financial Co., Ltd.	20,000,000.00	11 June 2015	10 June 2018
Dalian Port Group Financial Co., Ltd.	680,000.00	26 August 2015	25 February 2016
Dalian Port Group Financial Co., Ltd.	1,870,000.00	14 September 2015	13 March 2016
Dalian Port Group Financial Co., Ltd.	50,000,000.00	21 October 2015	20 October 2016
Dalian Port Group Financial Co., Ltd.	2,790,000.00	22 October 2015	22 April 2016
Shenyang Mingshuo Industrial Development Co., Ltd.	20,000,000.00	26 October 2015	25 October 2016
Dalian Port Group Financial Co., Ltd.	50,000,000.00	3 November 2015	2 November 2016
Dalian Port Group Financial Co., Ltd.	6,660,000.00	2 December 2015	1 June 2016
Dalian Port Group Financial Co., Ltd.	4,580,000.00	3 December 2015	2 June 2016
Dalian Port Group Financial Co., Ltd.	6,000,000.00	8 December 2015	7 June 2016
Dalian Port Group Financial Co., Ltd.	4,650,000.00	10 December 2015	9 June 2016
Dalian Port Group Financial Co., Ltd.	2,660,000.00	16 December 2015	15 June 2016
Dalian Port Group Financial Co., Ltd.	23,560,000.00	29 December 2015	28 June 2016
Dalian Harbour ECL Logistics Co., Ltd.	14,000,000.00	13 May 2015	12 May 2017

Interest expenses paid

	2016	2015
Dalian Equipment Finance Lease Co., Ltd.	73,789,173.81	103,910,256.41
Dalian Port Group Financial Co., Ltd.	15,482,086.90	26,406,501.87
Shenyang Mingshuo Industrial Development Co., Ltd.	1,282,917.14	245,917.81
Dalian Harbour ECL Logistics Co., Ltd.	900,258.33	806,835.74
Shenyang Kaiming Industrial Co., Ltd.	287,184.47	–
	91,741,620.65	131,369,511.83

The loans to above related parties bear interest at rates mutually agreed between the parties by reference to the interest rate for the same type of loans as stipulated by the People's Bank of China.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Borrowings and lending (continued)

(ii) Lending

2016

	Amount	Starting date	Maturity date
Lending –			
Liaoning Con-Rail International Logistics Co., Ltd.	1,000,000.00	20 January 2016	19 January 2019
Dalian Puji Storage Facility Co., Ltd.	16,000,000.00	29 January 2016	28 January 2017
Liaoning Con-Rail International Logistics Co., Ltd.	4,600,000.00	12 February 2016	11 February 2017
Liaoning Con-Rail International Logistics Co., Ltd.	2,000,000.00	12 May 2016	11 May 2019
Dalian Port Yidu Cold Chain Co., Ltd.	33,000,000.00	30 May 2016	29 November 2016
China Harbour United Shipping Co., Ltd.	7,432,800.00	29 June 2016	28 December 2016
Liaoning Con-Rail International Logistics Co., Ltd.	5,500,000.00	9 November 2016	8 November 2019
Dalian Port Yidu Cold Chain Co., Ltd.	33,000,000.00	23 December 2016	22 March 2017

2015

	Amount	Starting date	Maturity date
Lending –			
Dalian Puji Storage Facility Co., Ltd.	16,000,000.00	29 January 2015	28 January 2016
Liaoning Con-Rail International Logistics Co., Ltd.	4,600,000.00	12 February 2015	11 February 2016
China Harbour United Shipping Co., Ltd.	7,432,800.00	29 June 2015	28 June 2016
Dalian Puji Storage Facility Co., Ltd.	24,000,000.00	2 July 2015	1 July 2016
Liaoning Con-Rail International Logistics Co., Ltd.	5,000,000.00	29 July 2015	28 July 2018
Dalian Port Yidu Cold Chain Co., Ltd.	110,000,000.00	28 September 2015	28 March 2016

Notes to the Financial Statements (continued)

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(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Borrowings and lending (continued)

(ii) Lending (continued)

Interest income received

	2016	2015
Dalian Port Yidu Cold Chain Co., Ltd.	2,082,603.52	1,532,055.57
Dalian Puji Storage Facility Co., Ltd.	2,080,383.88	2,382,631.10
Liaoning Con-Rail International Logistics Co., Ltd.	587,725.55	367,900.28
China Harbour United Shipping Co., Ltd.	214,182.10	647,809.97
Jadeway Limited	-	113,449.46
SINOECL Auto Liners, Limited	-	96,408.09
	4,964,895.05	5,140,254.47

The loans to above related parties bear interest at rates mutually agreed between the parties by reference to the interest rate for the same type of loans as stipulated by the People's Bank of China.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(e) Transfer of assets

(i) Acquisition of assets

Related parties	Nature of related party transactions	Type of transactions	Amount for the year 2016	Amount for the year 2015
Dalian Harbour Engineering Co., Ltd.	Engineering Construction	Construction labour	10,073,943.76	7,041,243.81
Dalian Port Machinery and Electric Co., Ltd.	Engineering Construction	Construction labour	7,138,121.83	2,960,600.00
Dalian Port Xingang Construction Engineering Co., Ltd.	Engineering Construction	Construction labour	3,608,240.78	275,729.20
Dalian Wanpeng Foundation Engineering Co., Ltd.	Engineering Construction	Construction labour	2,028,152.00	-
Dalian Port Design & Research Institute Co., Ltd.	Engineering Construction	Design consultancy	1,262,113.22	-
Dalian Port Machinery Co., Ltd.	Engineering Construction	Construction labour	924,945.88	511,111.11
Dalian Port Rixing Boiler Installation Co., Ltd.	Engineering Construction	Construction labour	874,489.71	1,258,075.00
Dalian Port Landscape Engineering Co., Ltd.	Engineering Construction	Construction labour	628,241.00	2,458,660.00
Dalian International Container Terminal Co., Ltd.	Acquisition of equipment	Acquisition of assets	99,448.00	-
PDA Group	Supporting assets off Dayao Bay south shore	Acquisition of assets	-	11,406,362.41
Dalian Wanpeng Port Engineering Testing Co., Ltd.	Engineering Construction	Construction labour	-	315,393.40
Dalian Port Security Services Co., Ltd.	Engineering Construction	Construction labour	-	45,800.00
			26,637,696.18	26,272,974.93

(f) Deposits with a related party

As at 31 December 2016, the Group's deposits in Dalian Port Group Financial Co., Ltd. are RMB1,789,647,542.51 (31 December 2015: RMB1,775,896,477.91) and the Group gained interest income of RMB10,848,893.22 (2015: RMB13,833,404.51).

(g) Remuneration of key management

	2016	2015
Remuneration of key management	4,160,572.46	3,677,293.99

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Receivables from related parties: (continued)

Accounts receivable (continued)	31 December 2016		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amounts due from other related parties				
Dalian Taiping Bay Investment & Development Co., Ltd.	727,197.50	-	834,344.00	-
Dalian Port Machinery and Electric Co., Ltd.	471,000.00	-	561,215.56	-
Dalian Port Wantong Logistics Co., Ltd.	445,262.00	-	2,892,724.30	-
Dalian Harbour Engineering Co., Ltd.	299,309.44	-	5,676,000.00	-
Dalian Port Design & Research Institute Co., Ltd.	262,156.00	-	-	-
Changhai County Guanglu Wharf Construction Management Co., Ltd.	89,756.00	-	-	-
Dalian Port Machinery Co., Ltd.	78,176.00	-	3,183,401.77	-
Dalian CITIC Harbour Investment Co., Ltd.	61,940.01	-	58,445.51	-
Dalian Creative Industry Project Development Co., Ltd.	485.00	-	-	-
	2,435,281.95	-	13,206,131.14	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Receivables from related parties: (continued)

Other receivables (continued)	31 December 2016		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amounts due from other related parties				
Dalian Harbour Engineering Co., Ltd.	9,006,629.84	-	16,649,863.94	-
Dalian Port Machinery and Electric Co., Ltd.	4,691,699.10	-	610,724.50	-
Dalian Taiping Bay Port Company Limited	2,443,607.60	-	7,671,728.41	-
Dalian Port Industrial Co., Ltd.	1,465,429.24	-	6,275.00	-
Changhai County Guanglu Wharf Construction Management Co., Ltd.	658,000.00	-	-	-
Jinzhou Liaoxi PDA Properties Co., Ltd.	360,500.00	-	200,000.00	-
Dalian Wanfeng Properties Co., Ltd.	304,001.00	-	-	-
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	288,000.00	-	236,000.00	-
Dalian Port Machinery Co., Ltd.	250,100.00	-	-	-
Dalian Port Petroleum & Chemical Co., Ltd.	248,100.77	-	378,833.30	-
Dalian Port Xingang Construction Engineering Co., Ltd.	247,734.18	-	-	-
Dalian Port Design & Research Institute Co., Ltd.	175,268.00	-	265,395.00	-
Dalian Taiping Bay Investment & Development Co., Ltd.	146,309.95	-	384,350.45	-
Dalian Port North Shore Automobile Terminal Co., Ltd.	118,000.00	-	-	-
Dalian CITIC Harbour Investment Co., Ltd.	96,908.50	-	96,908.50	-
Dalian Port North Shore Investment and Development Co., Ltd.	60,000.00	-	-	-
Dalian Harbour Building Co., Ltd.	46,454.80	-	7,426.40	-
Dalian Hongyu Building Co., Ltd.	15,387.00	-	15,387.00	-
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	5,426.70	-	5,426.70	-
Dalian Port Security Services Co., Ltd.	400.00	-	-	-
Dalian Port Land Co., Ltd.	-	-	5,724.00	-
Dalian Port Wantong Logistics Co., Ltd.	-	-	5,574.00	-
	20,627,956.68	-	26,539,617.20	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Receivables from related parties: (continued)

Advances to suppliers	31 December 2016		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Advances to joint ventures and associates				
China United International Rail Containers (Dalian) Co., Ltd.	1,673,376.90	-	-	-
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	910,000.00	-	-	-
	2,583,376.90	-	-	-

Advances to other related parties	31 December 2016		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	1,260,588.09	-	1,836,748.93	-
Dalian Port Landscape Engineering Co., Ltd.	3,579.25	-	-	-
Dalian Port Industrial Co., Ltd.	2,850.00	-	13,789.02	-
	1,267,017.34	-	1,850,537.95	-

Interest receivable	31 December 2016		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amounts due from joint ventures and associates				
Dalian Port Group Financial Co., Ltd.	4,391,163.57	-	3,154,590.34	-
Dalian Port Yidu Cold Chain Co., Ltd.	39,476.25	-	174,288.90	-
Liaoning Con-Rail International Logistics Co., Ltd.	26,406.99	-	16,694.17	-
Dalian Puji Storage Facility Co., Ltd.	21,266.67	-	74,115.54	-
China Harbour United Shipping Co., Ltd.	-	-	11,014.99	-
	4,478,313.48	-	3,430,703.94	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Receivables from related parties: (continued)

Long-term receivables	31 December 2016		31 December 2015	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amounts due from joint ventures and associates				
Liaoning Con-Rail International Logistics Co., Ltd.	11,500,000.00	-	5,000,000.00	-
Jadeway Limited	-	-	13,018,915.80	-
	11,500,000.00	-	18,018,915.80	-

Payables to related parties:

Accounts payable	31 December 2016	31 December 2015
Amounts due to joint ventures and associates		
Dalian Singamas International Container Co., Ltd.	82,345.91	89,342.83
Dalian Port Container Terminal Co., Ltd.	25,134.00	2,106,752.00
Weifang Senda Container Service Co., Ltd.	19,600.00	-
Ha'ou International Logistics Co., Ltd.	1,200.00	-
Dalian Jilong Logistics Co., Ltd.	788.00	-
Dalian Vanguard International Logistics Co., Ltd.	700.00	-
Liaoning Con-Rail International Logistics Co., Ltd.	-	1,732,610.80
China United International Rail Containers (Dalian) Co., Ltd.	-	664,419.30
Dalian International Container Terminal Co., Ltd.	-	22,808.00
Dalian United International Shipping Agency Co., Ltd.	-	7,482.24
	129,767.91	4,623,415.17

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

Accounts payable (continued)	31 December 2016	31 December 2015
Payables to other related parties		
Dalian Port Machinery and Electric Co., Ltd.	2,748,304.51	–
Dalian Taiping Bay Construction Engineering Co., Ltd.	370,540.00	–
Dalian Port Machinery Co., Ltd.	316,980.00	319,629.00
Dalian Harbour Engineering Co., Ltd.	268,631.00	305,707.00
Dalian Port Industrial Co., Ltd.	209,706.00	–
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	19,950.53	13,414.85
Dalian Port Xingang Construction Engineering Co., Ltd.	13,785.86	–
Jinzhou Port Co., Ltd.	–	7,547,169.81
	3,947,897.90	8,185,920.66
Other payables		
	31 December 2016	31 December 2015
Amount due to the parent		
PDA Group	1,737,959.96	499,245.65

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

Other payables (continued)	31 December 2016	31 December 2015
Amounts due to joint ventures and associates		
Liaoning Con-Rail International Logistics Co., Ltd.	5,000,000.00	1,193,780.41
Dalian Port Yidu Cold Chain Co., Ltd.	1,544,890.48	1,345,890.48
Dalian Port Container Terminal Co., Ltd.	376,343.90	245,000.00
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	338,073.63	–
Dalian United International Shipping Agency Co., Ltd.	300,500.00	300,500.00
Dalian International Container Terminal Co., Ltd.	234,630.26	30,000.00
China United Tally (Dalian) Co., Ltd.	180,000.00	–
Dalian Singamas International Container Co., Ltd.	20,700.00	20,700.00
Dalian Dagang China Shipping Container Terminal Co., Ltd.	20,000.00	20,000.00
Dalian Vanguard International Logistics Co., Ltd.	2,000.00	2,000.00
China United International Rail Containers (Dalian) Co., Ltd.	2,000.00	–
Dalian Automobile Terminal Co., Ltd.	–	100,000.00
	8,019,138.27	3,257,870.89
	31 December 2016	31 December 2015
Payables to other related parties		
Dalian Harbour Engineering Co., Ltd.	59,771,314.45	100,853,441.86
Shenyang Kaiming Industrial Co., Ltd.	30,000,000.00	–
Dalian Port Machinery and Electric Co., Ltd.	20,790,523.75	22,580,801.47
Shenyang Mingshuo Industrial Development Co., Ltd.	20,000,000.00	20,000,000.00
Dalian Port Rixing Boiler Installation Co., Ltd.	3,122,647.21	7,389,426.08
Dalian Port Xingang Construction Engineering Co., Ltd.	2,741,301.02	4,970,251.01
Dalian Port Machinery Co., Ltd.	931,671.35	3,416,921.21
Dalian Wanpeng Foundation Engineering Co., Ltd.	736,116.43	–
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	633,643.78	8,335.53
Dalian Port Design & Research Institute Co., Ltd.	395,800.00	407,250.00
Dalian ETDZ Harbour Freight Co., Ltd.	316,741.35	315,616.79
Dalian Port Wantong Logistics Co., Ltd.	63,315.80	63,315.80
Dalian Port Industrial Co., Ltd.	30,000.00	–
Jinzhou Port Co., Ltd.	3,000.00	–
	139,536,075.14	160,005,359.75

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

	31 December 2016	31 December 2015
Advances from customers		
Advances from the parent		
PDA Group	436,926.14	213,057.81
	31 December 2016	31 December 2015
Advances from joint ventures and associates		
Dalian Port Yidu Cold Chain Co., Ltd.	13,064,526.05	14,900,494.81
Dalian Port Container Terminal Co., Ltd.	1,859,233.61	3,920,914.08
PetroChina Dalian LNG Co., Ltd.	320,847.31	321,027.31
Dalian Jilong Logistics Co., Ltd.	145,332.88	148,252.88
Dalian Singamas International Container Co., Ltd.	49,410.09	51,155.09
Liaoning Con-Rail International Logistics Co., Ltd.	9,852.00	1,979.00
China United International Rail Containers (Dalian) Co., Ltd.	6,900.00	–
Dalian Wanpeng Port Engineering Testing Co., Ltd.	5,712.43	5,712.43
Dalian Puji Storage Facility Co., Ltd.	3,525.07	2,592.47
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	710.00	845.00
Dalian Port Tongli Shipping Agency Co., Ltd.	525.00	250.00
Dalian China Oil Dock Management Co., Ltd.	–	16,679.64
China United Tally (Dalian) Co., Ltd.	–	666.67
	15,466,574.44	19,370,569.38

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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

Advances from customers (continued)	31 December 2016	31 December 2015
Advances from other related parties		
Dalian Port Industrial Co., Ltd.	194,649.63	218,303.28
Dalian Harbour Engineering Co., Ltd.	88,117.53	66,939.24
Liaogang Commodity Trading Co., Ltd.	72,229.00	–
Dalian Port Landscape Engineering Co., Ltd.	18,764.60	15,115.93
Dalian Port Rixing Boiler Installation Co., Ltd.	16,488.52	–
Dalian Wanpeng Foundation Engineering Co., Ltd.	13,720.22	–
Dalian Port Xingang Construction Engineering Co., Ltd.	4,169.91	–
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	3,917.98	–
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	2,084.96	8,282.96
Dalian Port Wantong Logistics Co., Ltd.	1,651.50	6,030.00
Jinzhou Port Co., Ltd.	350.00	800.00
Dalian Port Petroleum & Chemical Co., Ltd.	120.00	2,460.00
	416,263.85	317,931.41

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

	31 December 2016	31 December 2015
Short-term borrowings		
Amounts due to joint ventures and associates		
Dalian Port Group Financial Co., Ltd.	116,655,000.00	188,450,000.00
Interest payable		
Amounts due to joint ventures and associates		
Dalian Port Group Financial Co., Ltd.	600,582.23	159,305.56
Dalian Harbour ECL Logistics Co., Ltd.	27,056.94	27,056.94
	627,639.17	186,362.50
Payables to other related parties		
Dalian Equipment Finance Lease Co., Ltd.	28,843,779.71	9,166,666.67
Shenyang Mingshuo Industrial Development Co., Ltd.	-	245,917.81
	28,843,779.71	9,412,584.48
Long-term borrowings		
Amounts due to joint ventures and associates		
Dalian Port Group Financial Co., Ltd.	140,000,000.00	20,000,000.00
Dalian Harbour ECL Logistics Co., Ltd.	-	14,000,000.00
	140,000,000.00	34,000,000.00

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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

Long-term borrowings (continued)	31 December 2016	31 December 2015
Payables to other related parties		
Dalian Equipment Finance Lease Co., Ltd.	-	2,000,000,000.00
Long-term payables	31 December 2016	31 December 2015
Payables to other related parties		
Ocean Harvest Container Co. Limited	40,854,220.41	44,012,033.43
Dalian Equipment Finance Lease Co., Ltd.	2,283,861.07	5,989,080.18
	43,138,081.48	50,001,113.61
Current portion of non-current liabilities	31 December 2016	31 December 2015
Amounts due to joint ventures and associates		
Dalian Harbour ECL Logistics Co., Ltd.	14,000,000.00	-
Payables to other related parties	31 December 2016	31 December 2015
Dalian Equipment Finance Lease Co., Ltd.	1,003,705,219.10	7,006,473.25
Ocean Harvest Container Co., Limited	14,798,302.32	5,745,005.91
	1,018,503,521.42	12,751,479.16

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(7) Commitments in relation to related parties

The commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

Leases

Lessee –	31 December 2016	31 December 2015
PDA Group	139,006,152.49	66,007,118.90
Dalian Port Container Terminal Co., Ltd.	2,186,699.00	2,230,000.00
Dalian FTZ Yongdixin Real Estate Development Co., Ltd.	1,279,225.21	–
Dalian International Container Terminal Co., Ltd.	1,273,000.48	1,200,000.00
Dalian Puji Storage Facility Co., Ltd.	986,842.01	–
Dalian Hongyu Building Co., Ltd.	704,446.40	–
	145,436,365.59	69,437,118.90
	31 December 2016	31 December 2015
Dalian Port Container Terminal Co., Ltd.	247,170,000.00	329,560,000.00
Dalian China Oil Dock Management Co., Ltd.	14,260,000.00	28,290,000.00
Dalian Port Industrial Co., Ltd.	1,417,028.43	1,741,353.42
Dalian Port Wantong Logistics Co., Ltd.	1,169,784.68	–
Dalian Port Yidu Cold Chain Co., Ltd.	1,052,455.77	1,084,029.36
Liaoning Con-Rail International Logistics Co., Ltd.	308,395.92	1,139,168.56
Dalian North Oil Petroleum Logistics Co., Ltd.	222,500.00	222,500.00
Dalian Jilong Logistics Co., Ltd.	–	25,771,305.00
	265,600,164.80	387,808,356.34

Transfer of assets

Transferred in –	31 December 2016	31 December 2015
Dalian Harbour Engineering Co., Ltd.	11,233,600.90	14,190,066.00

Guarantee

For the detail of guarantee provided as at 31 December 2016, please see Note 8(5)(c).

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(8) Benefits and interests of directors

(a) Emoluments of directors and chief executives

Emoluments of directors, supervisors and chief executives for the year ended 31 December 2016 are as follows:

		Emoluments paid or receivable in respect of a person's services as a director					Emoluments paid or receivable in respect of director's other services in connection with the management of the Company or subsidiaries	Total
Position	Name	Salary and allowance	Pension plan contribution	Bonus	Other allowances and benefits			
Chairman of the board/ Executive director	Zhang Yiming	-	-	-	-	-	-	
Chairman of the board/ Executive director	Hui Kai	-	-	-	-	-	-	
Vice chairman of the board/ Non-executive director	Xu Song	-	-	-	-	-	-	
General manager/ Executive director	Wei Minghui	-	-	-	-	707,943.68	707,943.68	
Vice general manager/ Executive director	Sun Benye	-	-	-	-	613,537.68	613,537.68	
Vice chairman of the board/ Non-executive director	Bai Jingtao	-	-	-	-	-	-	
Non-executive director	Zheng Shaoping	-	-	-	-	-	-	
Non-executive director	Yin Shihui	-	-	-	-	-	-	
Independent non-executive director	Yin Jintao	250,000.00	-	-	-	-	250,000.00	
Independent non-executive director	Wang Zhifeng	200,000.00	-	-	-	-	200,000.00	
Independent non-executive director	Sun Xiyun	200,000.00	-	-	-	-	200,000.00	
Independent non-executive director	Xu Jian	-	-	-	-	-	-	
Chairman of supervisory board/ Supervisor on behalf of the shareholders	Jia Wenjun	-	-	-	-	-	-	
Chairman of supervisory board Supervisor on behalf of the shareholders	Zhang Zuogang	-	-	-	-	-	-	
Supervisor on behalf of the shareholders	Qi Yue	-	-	-	-	-	-	
Independent supervisor	Kong Xianjing	100,000.00	-	-	-	-	100,000.00	
Supervisor on behalf of employees	Jiao Yingguang	591,843.68	-	-	-	-	591,843.68	
Supervisor on behalf of employees	Zhao Rong	554,651.68	-	-	-	-	554,651.68	

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8 Related parties and related party transactions (continued)

(8) Benefits and interests of directors (continued)

(a) Emoluments of directors and chief executives (continued)

Emoluments of directors, supervisors and chief executives for the year ended 31 December 2016 are as follows:

Position	Name	Emoluments paid or receivable in respect of a person's services as a director					Emoluments paid or receivable in respect of director's other services in connection with the management of the Company or subsidiaries	Total
		Salary and allowance	Pension plan contribution	Bonus	Other allowances and benefits			
Chairman of the board/ Executive director	Hui Kai	-	-	-	-	-	-	-
Vice chairman of the board/ Non-executive director/ General manager	Xu Song	-	-	-	-	1,021,486.48	1,021,486.48	
General manager	Wei Minghui	-	-	-	-	-	-	-
Executive director	Sun Benye	-	-	-	-	562,481.48	562,481.48	
Executive director	Su Chunhua	-	-	-	-	31,309.00	31,309.00	
Non-executive director	Xu Jian	-	-	-	-	-	-	-
Non-executive director	Dong Yanhong	-	-	-	-	-	-	-
Non-executive director	Yin Shihui	-	-	-	-	-	-	-
Independent non-executive director	Yin Jintao	250,000.00	-	-	-	-	-	250,000.00
Independent non-executive director	Wang Zhifeng	200,000.00	-	-	-	-	-	200,000.00
Independent non-executive director	Guo Yu	50,500.00	-	-	-	-	-	50,500.00
Independent non-executive director	Sun Xiyun	150,000.00	-	-	-	-	-	150,000.00
Chairman of supervisory board	Zhang Zuogang	-	-	-	-	-	-	-
Chairman of supervisory board	Sun Junyou	-	-	-	-	-	-	-
Supervisor on behalf of the shareholders	Jia Wenjun	-	-	-	-	-	-	-
Independent supervisor	Kong Xianjing	100,000.00	-	-	-	-	-	100,000.00
Supervisor on behalf of employees	Jiao Yingguang	-	-	-	-	590,390.48	590,390.48	
Supervisor on behalf of employees	Zhao Rong	-	-	-	-	480,256.48	480,256.48	
Supervisor on behalf of employees	Xu Fangsheng	-	-	-	-	29,016.00	29,016.00	

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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8 Related parties and related party transactions (continued)

(8) Benefits and interests of directors (continued)

(a) Emoluments of directors and chief executives (continued)

Directors Xu Jian and Sun Benye resigned on 18 March 2016; chairman of the board Hui Kai resigned on 26 August 2016; Wei Minghui was appointed as director on 24 February 2016, Bai Jingtao and Zheng Shaoping on 28 June 2016, and Zhang Yiming was appointed as chairman of the board on 30 November 2016.

Chairman of supervisory board Zhang Zuogang resigned on 18 March 2016, and Qiyue was appointed as supervisor on 28 June 2016.

(b) Consideration paid to third parties in return for director services

In the current year, the Company paid no consideration to any third party in return for director services.

(c) Loans, quasi-loans and other transactions provided to the directors, the legal person controlled by the directors, and associated person of the directors

In the current year, the Company provided no loans, quasi-loans and other transactions to any directors, the legal person controlled by the directors, and associated person of the directors.

(d) Substantial interests of directors in transaction, arrangement or contract

In the current year, the Company did not sign any important transaction, arrangement or contract related to the business of the Group within which the directors of the Company directly or indirectly have substantial interests.

(9) The five individuals whose emoluments are the highest

The five individuals whose emoluments were the highest in the Group for the year include no (2015: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining five (2015: four) individuals during the year are as follows:

	2016	2015
Salary and allowance	5,118,385.18	3,115,622.07
Social security contributions	396,635.78	289,819.44
	5,515,020.96	3,405,441.51

	Number of individuals	
	2016	2015
Emolument bands:		
RMB0 – 1,000,000	–	3
RMB1,000,000 – 1,500,000	5	1
RMB1,500,000 – 2,000,000	–	–

Notes to the Financial Statements (continued)

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9 Contingencies

Guarantee

- (1) The Company's associate, Dalian North Oil Petroleum Logistics Co., Ltd. ("DNPL"), financed RMB116 million by means of financial leasing from Zhongbing Financial Leasing Co., Ltd. ("Lessor") for a period of 5 years starting from 25 July 2016. As the substantial shareholder (29% equity interests) of DNPL, China ZhenHua Oil Co., Ltd. provided full guarantee with joint and several liability for the rental paid by DNPL.

Pursuant to the resolutions passed at the fifth meeting of the second session of the Board of Directors in 2016, the Company provided a counter guarantee for 20% of the guarantee liability and other necessary expenses and losses actually assumed by China Zhenhua Oil Co., Ltd. to the lessor for DNPL. The counter guarantee was unconditional and non-cancellable and the relevant counter guarantee contract was signed on 11 November 2016. The counter guarantee period shall be two years since the date when China Zhenhua Oil Co., Ltd. has the guarantee responsibility to the lessor according to the guarantee contract. If China Zhenhua Oil Co., Ltd. fulfilled its guarantee obligation to the lessor according to the guarantee contract more than once, the counter guarantee period provided by the Company would have to be calculated separately. As at 31 December 2016, DNPL has made a repayment of the principal of the financial lease amounting to RMB10 million.

- (2) The Company's associate, Dalian North Oil Petroleum Logistics Co., Ltd. ("DNPL"), applied to the North Industries Group Finance Company Ltd. ("creditor") of China North Industries Group Corporation for a bank loan of RMB30 million for a period of one year starting from 1 December 2016. As the substantial shareholder (29% equity interests) of DNPL, China ZhenHua Oil Co., Ltd. provided full guarantee with joint and several liability for the loan applied.

Pursuant to the resolutions passed at the fifth meeting of the fourth session of the Board of Directors in 2016, the Company provided a counter guarantee for 20% of the guarantee liability and other necessary expenses and losses actually assumed by China Zhenhua Oil Co., Ltd. to the creditor for DNPL. The counter guarantee was unconditional and non-cancellable and the relevant counter guarantee contract was signed on 1 December 2016. The counter guarantee period shall be two years since the date when China Zhenhua Oil Co., Ltd. has the guarantee responsibility to the creditor according to the guarantee contract. If China Zhenhua Oil Co., Ltd. fulfilled its guarantee obligation to the creditor according to the guarantee contract more than once, the counter guarantee period provided by the Company would have to be calculated separately.

Notes to the Financial Statements (continued)

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9 Contingencies (continued)

Guarantee (continued)

- (3) CDB Development Fund intended to contribute RMB35 million to increase the capital of the Group's joint venture Dalian Port Yidu Cold Chain Co., Ltd. ("Dalian Port Yidu") by investing in the second-phase cold storage project of Dalian Port Yidu. After the capital increase, CDB Development Fund held 6.7% of the shares in Dalian Port Yidu. Upon expiration of the investment, CDB Development Fund required the wholly-owned subsidiary of the Group Dalian Port Jifa Logistics Co., Ltd. ("Jifa Logistics") to repurchase its equity interest acquired from capital increase in Dalian Port Yidu, and required the parent company of Jifa Logistics, Dalian Port Container Development Co., Ltd. ("DPCD"), to provide joint and several liability guarantee for the repurchase. DPCD is a wholly-owned subsidiary of the Company.

Pursuant to the resolutions passed at the first meeting of the fourth session of the Board of Directors in 2016, DPCD had the consent of the board of the directors to provide joint and several liability guarantee for the repurchase of Jifa Logistics from CDB Development Fund with a cap of RMB42.14 million. The guarantee covered the payment for repurchase, investment revenues of CDB Development Fund, other obligations and compensations due to insufficient fund, liquidated damages, damage awards and realisation of obligation right. The guarantee period was two years since the date of expiry of the debt performance under the master contract. This guarantee contract was entered into and signed on 25 February 2016.

10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2016	31 December 2015
Buildings, machinery and equipment	110,218,766.89	141,397,986.69

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2016	31 December 2015
Within 1 year	90,484,803.57	19,826,437.03
1 to 2 years	72,170,264.20	9,003,723.94
2 to 3 years	28,032,540.85	6,165,849.63
Over 3 years	102,543,883.24	53,323,995.96
	293,231,491.86	88,320,006.56

Notes to the Financial Statements (continued)

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10 Commitments (continued)

(3) Investment commitments

Pursuant to the agreement signed with Dalian Xizhong Island Petrochemical Industrial Park Development Co., Ltd. and Odfjell (China) Tank Terminals Co., Ltd. on 1 September 2013, the Company was committed to investing RMB15 million for 30% equity interests of Odfjell Changxing Warehousing Terminals (Dalian) Co., Ltd. As at 31 December 2016, the Company has made an aggregate investment of RMB7.95 million with no payment made in 2016. Therefore, there is still RMB7.05 million outstanding.

Pursuant to the agreement signed between the Group's subsidiaries, Dalian FTZ Jinxin Petro-chemical Co., Ltd. and Asia Pacific Ports (Dalian) Co., Ltd., and Northeast Asia Spot Commodity Exchange Limited and Dalian Port Petroleum & Chemical Co., Ltd. on 17 April 2014, Dalian FTZ Jinxin Petrochemical Co., Ltd. and Asia Pacific Ports (Dalian) Co., Ltd. were committed to investing RMB12.5 million and RMB10 million for 25% and 20% equity interests of Northeast Asia Petrochemical Trading Centre Co., Ltd., respectively. As Northeast Asia Petrochemical Trading Center Co., Ltd. applies subscribed registration system, it suffices to pay the amount within operation period of 30 years. As at 31 December 2016, the registered capital has not been paid yet, and it would be paid according to the company needs and business development in the future.

Pursuant to the resolutions passed at the eighth meeting of the fourth session of the Board of Directors in 2016, the Company agreed with the capital increase of RMB30 million which was made in cascade to its wholly-owned subsidiary Dalian Port Container Development Co., Ltd., then Dalian Port Jifa Logistics Co., Ltd. (the wholly-owned subsidiary of Dalian Port Container Development Co., Ltd.) and finally Dalian Port Yidu Cold Chain Co., Ltd. (in which Dalian Port Jifa Logistics Co., Ltd. is a shareholder). The capital increase is mainly used for investment of Dalian Port Jifa Logistics Co., Ltd. in the project of Central China fresh and refrigeration port in Zhengzhou. As at 31 December 2016, the capital increase is not paid.

Dalian Dilangsirui Caravan Co., Ltd., subsidiary of the Group, established Dalian Dilangsirui Automobile Leasing Co., Ltd. as its wholly-owned subsidiary with a registered capital of RMB500,000 on 30 July 2015. As at 31 December 2016, Dalian Dilangsirui Caravan Co., Ltd. hasn't made the payment.

Dalian Dilangsirui Caravan Co., Ltd., subsidiary of the Group, established Dalian Dilangsirui Tourism Development Co., Ltd. as its wholly-owned subsidiary with a registered capital of RMB30 million on 15 December 2015. As at 31 December 2016, Dalian Dilangsirui Caravan Co., Ltd. hasn't made the payment.

Notes to the Financial Statements (continued)

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11 Events after the balance sheet date

(1) Significant non-adjusting events

- (a) Dalian Port Xinshengshi Trade Co., Ltd is a limited liability company incorporated on March 2015 by Dalian Port (PDA) Company Limited and Shandong Yaochang Group Co., Ltd. The registered capital is RMB10,000,000. In accordance with the Company's Articles of Association, capital to be contributed by Dalian Port (PDA) Company Limited is RMB7,000,000, accounting for 70% of the total registered capital; capital to be contributed by Shandong Yaochang Group is RMB3,000,000, accounting for 30% of the total registered capital. After friendly negotiation between both parties, it is decided to deregister this joint company because Shandong Yaochang Group is experiencing a difficulty in operation and its capital contribution obligation cannot be performed. On 18 January 2017, this issue was reviewed and approved by the first meeting (interim) of the fourth session of the Board of Directors of Dalian Port (PDA) Company Limited.

(2) Description of profit distribution after the balance sheet date

	Amount
Proposed dividends (i)	193,418,039.99
Reviewed and approved dividends declared to be issued	To be approved by the general meeting of shareholders
(i) In accordance with the resolution at the Board of Directors' meeting dated 23 March 2017, the profit distribution scheme has been calculated based on the issued 12,894,535,999 shares. The Board of Directors proposed to distribute cash dividends of RMB0.15 (including tax) per each 10 shares, and dividends with total amount of RMB193,418,039.99 will be distributed to the shareholders. The resolution is to be approved by the general meeting of shareholders.	

12 Leases

The future lease payments of fixed assets held under finance leases (Note 4(16)(a)) are as follows:

	31 December 2016	31 December 2015
Within 1 year	21,005,116.72	15,707,500.66
1 to 2 years	45,092,426.00	11,857,185.74
2 to 3 years	-	42,359,663.67
	66,097,542.72	69,924,350.07

As at 31 December 2016, the balance of unrecognised financing expenses amounts to RMB4,455,939.82 (31 December 2015: RMB7,171,757.29).

Notes to the Financial Statements (continued)

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13 Business combinations

See Note 5.

14 Financial instrument and risk

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During 2016 and 2015, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 31 December 2016 and 2015, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised below:

	31 December 2016			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency –				
Cash at bank and on hand	4,207,691,349.16	7,964,205.49	1,266,129.30	4,216,921,683.95
Receivables	18,136,139.28	–	19,745.60	18,155,884.88
Available-for-sale financial assets	–	12,281,980.10	–	12,281,980.10
	4,225,827,488.44	20,246,185.59	1,285,874.90	4,247,359,548.93
Financial liabilities denominated in foreign currency –				
Short-term borrowings	149,232,004.39	–	162,710,794.40	311,942,798.79
Payables	13,619,937.92	40,141.61	–	13,660,079.53
Long-term payables	40,854,220.41	–	–	40,854,220.41
Others	14,798,302.32	–	–	14,798,302.32
	218,504,465.04	40,141.61	162,710,794.40	381,255,401.05

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14 Financial instrument and risk (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

	31 December 2015			Total
	USD	HKD	Others	
Financial assets denominated in foreign currency –				
Cash at bank and on hand	52,375,834.33	8,605,016.34	656,112.77	61,636,963.44
Receivables	19,794,309.97	0.84	21,024.11	19,815,334.92
Available-for-sale financial assets	–	12,221,995.42	–	12,221,995.42
Others	–	–	13,018,915.80	13,018,915.80
	<u>72,170,144.30</u>	<u>20,827,012.60</u>	<u>13,696,052.68</u>	<u>106,693,209.58</u>
Financial liabilities denominated in foreign currency –				
Short-term borrowings	226,221,151.11	–	186,018,341.73	412,239,492.84
Payables	29,545,532.27	64,438.82	–	29,609,971.09
Long-term payables	44,012,033.44	–	–	44,012,033.44
Others	5,745,005.91	–	–	5,745,005.91
	<u>305,523,722.73</u>	<u>64,438.82</u>	<u>186,018,341.73</u>	<u>491,606,503.28</u>

As at 31 December 2016, if the currency had strengthened/weakened by 10% against the USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB300,549,226.76 lower/higher (31 December 2015: RMB17,501,518.38 higher/lower) for various financial assets and liabilities denominated in USD.

As at 31 December 2016, if the currency had strengthened/weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB1,515,453.30 (31 December 2015: approximately RMB1,557,193.03) lower/higher for various financial assets and liabilities denominated in HKD.

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14 Financial instrument and risk (continued)

(1) Market risk (continued)

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2016, the Group's long-term interest bearing borrowings are mainly RMB denominated with floating rates, amounting to RMB17,010,023.77 with RMB10,000,000.00 of long-term borrowings due within one year (31 December 2015: RMB800,000,000.00 with RMB500,000,000.00 of long-term borrowings due within one year).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2016 and 2015, the Group did not enter into any interest rate swap agreements.

As at 31 December 2016, if interest rates on the floating rate borrowings had strengthened/weakened by 50 basis points while all other variables had been held constant, the Group's net profit would have been approximately RMB63,787.59 (31 December 2015: approximately RMB3,000,000.00) lower/higher.

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables and notes receivable, etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks, Dalian Port Group Financial Co., Ltd., and other medium or large size banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

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14 Financial instrument and risk (continued)

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2016				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	505,758,552.70	-	-	-	505,758,552.70
Notes payable	1,250,000.00	-	-	-	1,250,000.00
Accounts payable	235,701,773.17	-	-	-	235,701,773.17
Interest payable	164,961,241.06	-	-	-	164,961,241.06
Dividends payable	76,661,039.64	-	-	-	76,661,039.64
Other payables	516,421,553.09	-	-	-	516,421,553.09
Current portion of non-current liabilities	1,082,344,236.29	-	-	-	1,082,344,236.29
Other non-current liabilities	3,061,693,150.68	-	-	-	3,061,693,150.68
Long-term borrowings	6,883,029.35	23,669,635.81	134,330,020.83	-	164,882,685.99
Bonds payable	190,566,986.30	3,770,875,000.00	2,723,650,000.00	-	6,685,091,986.30
Long-term payables	-	45,092,426.00	-	-	45,092,426.00
	5,842,241,562.28	3,839,637,061.81	2,857,980,020.83	-	12,539,858,644.92

Notes to the Financial Statements (continued)

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14 Financial instrument and risk (continued)

(3) Liquidity risk (continued)

As at 31 December 2015, the financial liabilities of the Group are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2015				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings	614,375,904.74	–	–	–	614,375,904.74
Notes payable	12,940,000.00	–	–	–	12,940,000.00
Accounts payable	233,398,574.75	–	–	–	233,398,574.75
Interest payable	143,719,858.67	–	–	–	143,719,858.67
Dividends payable	67,388,950.20	–	–	–	67,388,950.20
Other payables	585,807,063.52	–	–	–	585,807,063.52
Current portion of non-current liabilities	545,579,986.77	–	–	–	545,579,986.77
Other non-current liabilities	2,063,500,000.00	–	–	–	2,063,500,000.00
Long-term borrowings	131,317,046.55	2,389,586,539.01	38,702,512.68	–	2,559,606,098.24
Bonds payable	173,347,465.75	320,875,000.00	4,019,876,369.86	2,474,550,000.00	6,988,648,835.61
Long-term payables	–	16,877,185.74	42,359,663.67	–	59,236,849.41
	4,571,374,850.95	2,727,338,724.75	4,100,938,546.21	2,474,550,000.00	13,874,202,121.91

Bank and other borrowings are analysed by repayment terms as follows:

	31 December 2016		31 December 2015	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	509,427,798.80	4,035,005,116.72	510,000,000.00	17,771,479.16
1 to 2 years	17,010,023.77	3,495,092,426.00	300,000,000.00	2,028,516,193.52
2 to 5 years	130,000,000.00	2,350,000,000.00	37,010,023.77	3,490,504,920.10
Over 5 years	–	–	–	2,350,000,000.00
	656,437,822.57	9,880,097,542.72	847,010,023.77	7,886,792,592.78

Notes to the Financial Statements (continued)

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15 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets measured at fair value on a recurring basis

As at 31 December 2016, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss –				
Investments in equity instrument held for trading	5,425,002.50	-	-	5,425,002.50
Others	-	1,879,405.00	-	1,879,405.00
Available-for-sale financial assets –				
Available-for-sale equity instruments	12,281,980.10	-	-	12,281,980.10
Wealth management products	-	-	450,000,000.00	450,000,000.00
Total assets	17,706,982.60	1,879,405.00	450,000,000.00	469,586,387.60

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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15 Fair value estimates (continued)

(1) Assets measured at fair value on a recurring basis (continued)

As at 31 December 2015, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss –				
Investments in equity instrument held for trading	16,179,169.50	–	–	16,179,169.50
Available-for-sale financial assets –				
Available-for-sale equity instruments	12,221,995.42	–	–	12,221,995.42
Entrusted investments	–	–	65,820,000.00	65,820,000.00
Total assets	28,401,164.92	–	65,820,000.00	94,221,164.92

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly primarily comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier and restricted discount.

Notes to the Financial Statements (continued)

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15 Fair value estimates (continued)

(1) Assets measured at fair value on a recurring basis (continued)

The changes in Level 3 financial assets are analysed below:

	Available-for-sale financial assets	
	Wealth management products	Entrusted investments
1 January 2016	–	65,820,000.00
Purchases	2,250,000,000.00	–
Sales	(1,800,000,000.00)	(65,820,000.00)
31 December 2016	450,000,000.00	–
		Available-for-sale financial assets – entrusted investments
1 January 2015		665,820,000.00
Purchases		180,000,000.00
Sales		(780,000,000.00)
31 December 2015		65,820,000.00

Gains or losses recognised in profit or loss are included in the income statement under the items of gains on changes in fair value, investment income and asset impairment losses respectively.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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15 Fair value estimates (continued)

(2) Assets and liabilities not measured at fair value but disclosed

Financial assets and liabilities measured at amortised cost mainly include receivables, short-term borrowings, payables, long-term borrowings, bonds payable and long-term payables.

Except for financial assets and liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets – Shareholder loans	-	-	13,018,915.80	6,534,869.50
Financial liabilities –				
Long-term borrowings	147,010,023.77	147,390,719.43	2,351,010,023.77	2,383,390,332.11
Bonds payable	5,779,081,112.06	6,140,891,346.01	5,763,754,605.64	5,990,650,657.24
	5,926,091,135.83	6,288,282,065.44	8,114,764,629.41	8,374,040,989.35

The fair value of bonds payable quoted in an active market is determined at the quoted market price and categorised within Level 1 of the fair value hierarchy. The fair value of long-term borrowings, long-term payables and bonds payable not quoted in an active market is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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16 Capital management

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

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

The Group's total capital is calculated as shareholder's equity as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements and monitors capital on the basis of net debt-to-equity ratio. Net debt-to-equity ratio is the ratio of net debt and shareholders' equity.

As at 31 December 2016 and 2015, the Group's net debt-to-equity ratio is as follows:

	31 December 2016	31 December 2015
Net debt-to-equity ratio	20%	54%

The Group generally maintains the net debt-to-equity ratio between 40% and 60% through reasonable capital arrangement and financing activities. As at 31 December 2016, this ratio decreased by 34 percentage points on year-on-year basis, mainly because the Company completed the private placement for H shares in February 2016, which effectively expanded shareholders' equity and reduced the net debt.

17 Notes to the Company's financial statements

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

	31 December 2016	31 December 2015
Investments in equity instrument held for trading	5,425,002.50	16,179,169.50

The fair value of the investments in equity instrument held for trading is determined at the closing price of Shanghai Stock Exchange or Shenzhen Stock Exchange on the last trading day of the year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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17 Notes to the Company's financial statements (continued)

(2) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	449,565,633.45	605,673,208.46
Less: Provision for bad debts	-	(1,491,504.33)
	449,565,633.45	604,181,704.13

Part of the Company's sales is dealt in cash, advances from customers and bank acceptance notes, and the remaining is usually made with a credit term of 90 days.

(a) The ageing of accounts receivable based on their recording dates is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	389,916,561.13	493,882,950.58
1 to 2 years	797,660.00	52,104,070.66
2 to 3 years	203,914.22	16,762,413.25
Over 3 years	58,647,498.10	42,923,773.97
	449,565,633.45	605,673,208.46

As at 31 December 2016, accounts receivable overdue but unimpaired are RMB65,156,935.17 (31 December 2015: RMB107,383,051.82). This receivable is considered recoverable based on the financial position of the customer and analysis on its credit record, so no individual provisions for impairment loss are made. The ageing of the portion of accounts receivable is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	6,028,420.06	48,212,422.27
1 to 2 years	794,604.00	975,946.66
2 to 3 years	139,228.22	16,762,413.25
Over 3 years	58,194,682.89	41,432,269.64
	65,156,935.17	107,383,051.82

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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17 Notes to the Company's financial statements (continued)

(2) Accounts receivable (continued)

(b) Accounts receivable are analysed by categories as follows:

	31 December 2016				31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total	Amount	Percentage	Amount	% of total	Amount	Percentage
		balance				balance		
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	-	-	-	-	5,319,057.65	0.88%	1,491,504.33	28.04%
With amounts that the related provision for bad debts is provided on the grouping basis	449,565,633.45	100.00%	-	-	600,354,150.81	99.12%	-	-
Including: Group 1	-	-	-	-	-	-	-	-
Group 2	449,565,633.45	100.00%	-	-	600,354,150.81	99.12%	-	-
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
	449,565,633.45	100.00%	-	-	605,673,208.46	100.00%	1,491,504.33	0.25%

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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17 Notes to the Company's financial statements (continued)

(2) Accounts receivable (continued)

- (c) During 2016, the Company did not make a provision for bad debts of accounts receivable.
- (d) The actually written-off accounts receivable in 2016 amounted to RMB1,491,504.33 and were analysed as follows:

	Nature of accounts receivable	Write-off amount	Reason	Procedure for write-off	Arising from related party transactions or not
	Dalian Angang International Freight Forwarding Agency Co., Ltd.	1,491,504.33	Uncollectible	Resolution of the Board	No

- (d) As at 31 December 2016, the accounts receivable from the top five debtors in respect of outstanding balance are analysed as below:

	Amount	Provision for bad debts	% of total balance
Total balances of top five accounts receivable	281,433,455.64	–	62.60%

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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17 Notes to the Company's financial statements (continued)

(3) Other receivables

	31 December 2016	31 December 2015
Entrusted loans	150,000,000.00	32,432,800.00
Berth rental receivable	1,294,354.84	13,375,000.00
Refund of land-transferring fees receivable	–	491,032,200.00
Government subsidies receivable	–	125,122,075.00
Others	39,589,878.76	37,652,262.77
	190,884,233.60	699,614,337.77
Less: Provision for bad debts	(16,098.47)	(16,098.47)
	190,868,135.13	699,598,239.30

(a) The ageing of other receivables is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	177,805,910.13	682,525,841.57
1 to 2 years	4,652,269.77	11,387,657.11
2 to 3 years	4,642,060.04	2,516,974.96
Over 3 years	3,783,993.66	3,183,864.13
	190,884,233.60	699,614,337.77

As at 31 December 2016, other receivables overdue but unimpaired are RMB13,437,260.30 (31 December 2015: RMB23,276,168.15). This receivable is considered recoverable based on the financial position of the defaulter and analysis on its credit record, so no individual provisions for impairment loss are made. The ageing of other receivables is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	3,123,865.55	9,923,310.43
1 to 2 years	4,013,036.70	10,743,565.03
2 to 3 years	4,440,162.86	2,330,833.53
Over 3 years	1,860,195.19	278,459.16
	13,437,260.30	23,276,168.15

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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17 Notes to the Company's financial statements (continued)

(3) Other receivables (continued)

(b) Other receivables are analysed by categories as follows:

	31 December 2016				31 December 2015			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Percentage	Amount	% of total balance	Amount	Percentage
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
With amounts that the related provision for bad debts is provided on the grouping basis	190,868,135.13	99.99%	-	-	699,598,239.30	100.00%	-	-
Including: Group 1	-	-	-	-	-	-	-	-
Group 2	190,868,135.13	99.99%	-	-	699,598,239.30	100.00%	-	-
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	16,098.47	0.01%	16,098.47	100.00%	16,098.47	0.00%	16,098.47	100.00%
	190,884,233.60	100.00%	16,098.47	0.01%	699,614,337.77	100.00%	16,098.47	0.00%

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(3) Other receivables (continued)

- (c) During 2016, the Company made no provision for bad debts or reversal/write-off of such provision for bad debts of other receivables.
- (d) As at 31 December 2016, other receivables from the top five debtors in respect of outstanding balance are analysed as below:

	Nature	Amount	Ageing	% of total balance	Provision for bad debts
Asia Pacific Ports Company Limited	Entrusted loans	150,000,000.00	Within 1 year	78.58%	–
Dalian Portnet Co., Ltd.	Equity transfer from Portsoft	10,156,230.00	Within 1 year	5.32%	–
Dalian Changxing Island Port Co., Ltd.	Appointment of senior management	1,560,000.00	Within 1 year	0.82%	–
		1,560,000.00	1 to 2 years	0.82%	–
		1,560,000.00	2 to 3 years	0.82%	–
		1,560,000.00	Over 3 years	0.82%	–
Dalian Steel Logistics Park Co., Ltd.	Advances	2,013,830.31	Within 1 year	1.06%	–
		2,007,165.70	1 to 2 years	1.05%	–
		1,786,877.20	2 to 3 years	0.94%	–
Dalian Commodity Exchange	Risk guarantee for futures	1,900,000.00	Over 3 years	1.00%	–
		<u>174,104,103.21</u>		<u>91.23%</u>	<u>–</u>

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(4) Available-for-sale financial assets

	31 December 2016	31 December 2015
Measured at fair value		
– Wealth management products (i)	450,000,000.00	–
Measured at cost		
– Available-for-sale equity instruments – unlisted enterprises (ii)	14,667,057.50	13,900,057.50
– Entrusted investments (iii)	–	65,820,000.00
Less: Provision for impairment	–	–
	464,667,057.50	79,720,057.50
Less: Available-for-sale financial assets included in other current assets (i)	(450,000,000.00)	–
Available-for-sale financial assets included in the current portion of non-current assets (iii)	–	(65,820,000.00)
	14,667,057.50	13,900,057.50

Related information of available-for-sale financial assets is analysed as follows:

(i) Wealth management products:

As at 31 December 2016, the wealth management products include:

Wealth management products amounting to RMB100,000,000.00 (31 December 2015: Nil) purchased from Industrial Bank. The capital is mainly used for investment in money market instruments with an estimated annual return of 3.20% due on 3 February 2017.

Wealth management products amounting to RMB150,000,000.00 (31 December 2015: Nil) purchased from Industrial Bank. The capital is mainly used for investment in money market instruments with an estimated annual return of 3.60% due on 15 March 2017.

Wealth management products amounting to RMB200,000,000.00 (31 December 2015: Nil) purchased from Harbin Bank. The capital is mainly used for investment in money market instruments with an estimated annual return of 3.65% due on 6 April 2017.

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17 Notes to the Company's financial statements (continued)

(4) Available-for-sale financial assets (continued)

(ii) Available-for-sale financial assets measured at cost – unlisted enterprises:

The available-for-sale financial assets measured at cost mainly include the unlisted equity investments held by the Company which are not quoted in an active market and whose fair value cannot be reliably measured as the range of fair value reasonable estimates is large and probabilities for determining these estimates cannot be reasonably determined. The Company has no plan for disposal of these investments.

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016	Shareholding (%) in the investee	Cash dividend in the current year
Available-for-sale equity instruments						
– Cost						
– Fujian Ninglian Port Co., Ltd.	12,000,000.00	–	–	12,000,000.00	12.00	–
– Da-In Ferry Co., Ltd.	1,900,057.50	–	–	1,900,057.50	7.50	–
– Liaoning Electronic Port Co., Ltd.	–	767,000.00	–	767,000.00	5.00	–
	13,900,057.50	767,000.00	–	14,667,057.50		–

(iii) Entrusted investments:

As at 31 December 2015, entrusted investment of RMB65,820,000.00 represents a trust plan of assembled funds developed by Shaanxi International Trust Co., Ltd. which is purchased by the Company. The trust plan is used for the infrastructure construction of the core district of western Lingang new town, Lvshun economic development zone, Dalian. The estimated annual return is 9.66% with the maturity date on 11 May 2016.

(5) Long-term equity investments

	31 December 2016	31 December 2015
Subsidiaries (a)	4,294,297,950.90	4,395,384,222.29
Joint ventures (b)	1,161,203,254.60	1,165,580,887.74
Associates (c)	2,136,200,709.62	2,021,438,214.97
	7,591,701,915.12	7,582,403,325.00
Less: Provision for impairment of long-term equity investments	–	–
	7,591,701,915.12	7,582,403,325.00

There is no restriction on sale of the long-term equity investments held by the Company.

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(a) Subsidiaries

	Movements for the year					31 December 2016	Ending balance of provision for impairment loss	Cash dividends declared in the current year
	31 December 2015	Additional investment	Decrease in investment	Provision for impairment loss	Others			
Dalian Port Container Development Co., Ltd.	3,045,297,222.38	-	-	-	-	3,045,297,222.38	-	125,049,238.88
Asia Pacific Ports Company Limited	76,155,000.00	-	-	-	-	76,155,000.00	-	-
Dalian FTZ JinXin Petrochemical Company Limited	6,629,301.65	-	-	-	-	6,629,301.65	-	4,147,737.04
Dalian Jifa Ship Management Co., Ltd.	391,984,354.73	-	-	-	-	391,984,354.73	-	-
Dalian Gangyue Car-carrying Vessel Management Co., Ltd.	99,960,000.00	-	(99,960,000.00)	-	-	-	-	-
Dalian Ocean Shipping Tally Co., Ltd.	14,259,172.03	-	-	-	-	14,259,172.03	-	9,225,636.99
Dalian Port Soft Technology Co., Ltd.	11,126,271.39	-	(11,126,271.39)	-	-	-	-	4,843,572.75
Dalian Port Construction Supervision & Consultation Co., Ltd.	18,278,125.97	-	-	-	-	18,278,125.97	-	22,500,000.00
Dalian Port Telecommunications Engineering Co., Ltd.	6,137,212.61	-	-	-	-	6,137,212.61	-	2,237,850.00
Dalian Golden Bay Grain Logistics Co., Ltd.	53,156,426.75	-	-	-	-	53,156,426.75	-	-
Dalian Port Power Supply Co., Ltd.	25,895,508.24	-	-	-	-	25,895,508.24	-	1,556,576.92
Dalian Port Lvshun Harbour Service Co., Ltd.	217,580,000.00	-	-	-	-	217,580,000.00	-	-
Dalian Port Group Zhuanghe Terminal Co., Ltd.	42,000,000.00	-	-	-	-	42,000,000.00	-	-
Dalian United King Port Auto Trade Co., Ltd.	6,000,000.00	-	-	-	-	6,000,000.00	-	-
Dalian Port Grain and Oil trading Co., Ltd.	25,000,000.00	-	-	-	-	25,000,000.00	-	-
Dalian Steel Logistics Park Co., Ltd.	8,000,000.00	-	-	-	-	8,000,000.00	-	190,304.81
Dalian Gangrun Gas Co., Ltd.	5,100,000.00	-	-	-	-	5,100,000.00	-	-

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(a) Subsidiaries (continued)

	Movements for the year					31 December 2016	Ending balance of provision for impairment loss	Cash dividends declared in the current year
	31 December 2015	Additional investment	Decrease in investment	Provision for impairment loss	Others			
Dalian Haijia Automobile Terminal Co., Ltd.	200,000,000.00	-	-	-	-	200,000,000.00	-	-
Dalian Dilangsirui Caravan Co., Ltd.	51,000,000.00	-	-	-	-	51,000,000.00	-	-
Dalian Zhuanghe Gangxing Investment Co., Ltd.	80,000,000.00	-	-	-	-	80,000,000.00	-	-
Dalian Port Xinchengshi Trade Co., Ltd.	7,000,000.00	-	-	-	-	7,000,000.00	-	-
Dalian Port Haiheng Ship Management Co., Ltd. (vii)	4,825,626.54	-	-	-	-	4,825,626.54	-	-
Dalian Hongyang International Logistics Co., Ltd.	-	10,000,000.00	-	-	-	10,000,000.00	-	-
	4,395,384,222.29	10,000,000.00	(111,086,271.39)	-	-	4,294,297,950.90	-	169,750,917.39

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17 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(b) Joint ventures

	Movements for the year									Ending balance of provision for impairment loss	
	31 December 2015	Additional investment	Decrease in investment	Net profit/(loss) under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash dividends/profit declared by joint ventures	Provision for impairment loss	Others		31 December 2016
Dalian Port Tongli Shipping Agency Co., Ltd.	1,755,679.10	-	-	350,568.90	-	-	(930,000.00)	-	-	1,176,248.00	-
Dalian Harbour ECL Logistics Co., Ltd.	30,662,780.65	-	-	1,386,426.95	-	20,937.95	(231,983.63)	-	-	31,838,161.92	-
Odfjell Terminals (Dalian) Ltd.	162,005,975.24	-	-	16,406,473.37	-	(307,843.82)	(20,000,000.00)	-	-	158,104,604.79	-
Dalian Port PetroChina International Terminal Co., Ltd.	172,913,975.56	-	-	26,892,313.22	-	-	(10,771,900.00)	-	-	189,034,388.78	-
China United Tally (Dalian) Co., Ltd.	4,615,790.14	-	-	575,358.73	-	-	(1,890,827.15)	-	-	3,300,321.72	-
China Oil Dock Management (Dalian) Co., Ltd.	1,271,355.58	-	-	47,422.05	-	-	-	-	-	1,318,777.63	-
Dalian Automobile Terminal Co., Ltd.	164,173,919.60	-	-	8,166,651.10	-	2,037,309.30	-	-	-	174,377,880.00	-
Dalian Changxing Island Port Co., Ltd.	153,051,271.73	-	-	(34,191,295.85)	-	42,170.08	-	-	-	118,902,145.96	-
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	2,392,424.77	2,000,000.00	-	5,026,857.21	-	134,705.28	-	-	-	9,553,987.26	-
Odfjell Dalian Port Consulting Co., Ltd.	1,909,882.15	-	-	(220,187.03)	-	-	-	-	-	1,689,695.12	-
Dalian Changxing Island Port Investment and Development Co., Ltd.	464,264,932.07	-	-	(1,839,759.40)	-	-	-	-	-	462,425,172.67	-
Odfjell Changxing Warehousing Terminals (Dalian) Co., Ltd.	6,562,901.15	3,246,723.14	-	(327,753.54)	-	-	-	-	-	9,481,870.75	-
	1,165,580,887.74	5,246,723.14	-	22,273,075.71	-	1,927,278.79	(33,824,710.78)	-	-	1,161,203,254.60	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
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17 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(c) Associates

	Movements for the year									Ending balance of provision for impairment loss	
	31 December 2015	Additional investment	Decrease in investment	Net profit/(loss) under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash dividends/profit declared by joint ventures	Provision for impairment loss	Others		31 December 2016
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	15,463,845.44	-	-	7,529,550.70	-	-	-	-	-	22,993,396.14	-
Taicang Xinggang Tug Co., Ltd.	4,512,144.42	-	-	4,895,568.00	-	-	(2,143,000.00)	-	-	7,264,712.42	-
PetroChina Dalian LNG Co., Ltd.	554,002,932.09	-	-	19,940,001.74	-	1,835,703.75	-	-	-	575,778,637.58	-
Dalian North Oil Petroleum Logistics Co., Ltd.	62,827,791.90	-	-	4,046,082.92	-	-	-	-	-	66,873,874.82	-
China Harbour United Shipping Co., Ltd.	76,376,789.23	-	-	1,919,659.76	-	-	-	-	-	78,296,448.99	-
Sino Rail Bohai Train Ferry Co., Ltd.	259,668,101.51	-	-	(2,909,905.01)	-	-	-	-	-	256,758,196.50	-
CDC International Logistics Co., Ltd.	105,924,351.90	-	-	11,022,277.92	-	-	-	-	-	116,946,629.82	-
Dalian Port Group Financial Co., Ltd.	942,662,258.48	-	-	68,626,554.87	-	-	-	-	-	1,011,288,813.35	-
	2,021,438,214.97	-	-	115,069,790.90	-	1,835,703.75	(2,143,000.00)	-	-	2,136,200,709.62	-

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(6) Fixed assets

	Buildings	Port facilities	Oil tanks and pipelines	Handling equipment	Transportation equipment	Vessels	Storage facilities	Machinery and equipment	Other equipment	Total
Cost										
31 December 2015	1,184,249,057.57	4,664,594,052.88	2,373,522,674.70	1,959,391,212.99	762,758,933.23	1,048,898,458.48	2,354,042,603.30	924,996,856.14	487,969,828.94	15,760,423,678.23
Increase in the current year										
Increase from acquisition	1,292,442.09	1,177,911.71	-	7,680,958.70	-	-	1,662,234.39	3,217,545.03	962,620.84	15,993,712.76
Transfers from construction in progress	114,578,306.35	11,545,035.02	11,991,930.97	8,510,523.02	2,247,320.73	74,248,744.33	10,034,816.58	57,628,653.08	27,163,936.68	317,949,266.76
Others	-	-	-	-	-	-	-	296,000.00	-	296,000.00
Decrease in the current year										
Disposal and obsolescence	(831,440.34)	-	-	(9,983,796.98)	(9,717,087.47)	(3,926,242.24)	-	(1,977,973.62)	(11,870,074.87)	(38,306,615.52)
31 December 2016	1,299,288,365.67	4,677,316,999.61	2,385,514,605.67	1,965,598,897.73	755,289,166.49	1,119,220,960.57	2,365,739,654.27	984,161,080.63	504,226,311.59	16,056,356,042.23
Accumulated depreciation										
31 December 2015	(266,525,327.62)	(773,067,927.04)	(715,164,632.69)	(1,139,499,864.04)	(298,757,718.02)	(329,478,038.14)	(352,346,596.99)	(477,459,455.16)	(221,441,939.73)	(4,573,741,499.43)
Increase in the current year										
Provision	(38,543,107.27)	(95,347,090.14)	(91,513,473.07)	(106,250,570.35)	(32,997,996.75)	(34,135,556.52)	(58,628,647.25)	(65,623,082.10)	(28,724,198.23)	(551,763,721.68)
Others	-	-	-	-	-	-	-	(187,466.76)	-	(187,466.76)
Decrease in the current year										
Disposal and obsolescence	430,805.97	-	-	9,584,445.10	8,686,988.13	3,729,930.12	-	1,879,074.92	11,217,463.72	35,528,707.96
31 December 2016	(304,637,628.92)	(868,415,017.18)	(806,678,105.76)	(1,236,165,989.29)	(323,068,726.64)	(359,883,664.54)	(410,975,244.24)	(541,390,929.10)	(238,948,674.24)	(5,090,163,979.91)
Carrying amount										
31 December 2016	994,650,736.75	3,808,901,982.43	1,578,836,499.91	729,432,908.44	432,220,439.85	759,337,296.03	1,954,764,410.03	442,770,151.53	265,277,637.35	10,966,192,062.32
31 December 2015	917,723,729.95	3,891,526,125.84	1,658,358,042.01	819,891,348.95	464,001,215.21	719,420,420.34	2,001,696,006.31	447,537,400.98	266,527,889.21	11,186,682,178.80

As at 31 December 2016, fixed assets at a carrying amount of RMB143,105,574.13 (a cost of RMB228,576,076.21) (31 December 2015: a carrying amount of RMB150,868,257.15 and a cost of RMB228,576,076.21) are pledged as collaterals of long-term borrowings of RMB150,000,000.00 (31 December 2015: RMB150,000,000.00) (Note 4(36)(a-ii)).

As at 31 December 2016, fixed assets at a carrying amount of RMB414,413,226.01 (a cost of RMB935,860,681.53) (31 December 2015: a carrying amount of RMB452,722,560.60 and a cost of RMB935,860,681.53) are pledged as collaterals of long-term borrowings of RMB500,000,000.00 (31 December 2015: RMB500,000,000.00) (Note 4(36)(a-iii)).

As at 31 December 2016, fixed assets at a carrying amount of RMB43,882,684.51 (a cost of RMB68,391,732.00) (31 December 2015: a carrying amount of RMB47,020,107.26 and a cost of RMB68,391,732.00) are pledged as collaterals of long-term borrowings of RMB50,000,000.00 (31 December 2015: RMB50,000,000.00) (Note 4(36)(a-v)).

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17 Notes to the Company's financial statements (continued)

(6) Fixed assets (continued)

As at 31 December 2016, fixed assets at a carrying amount of RMB264,933,255.01 (a cost of RMB384,992,940.93) (31 December 2015: a carrying amount of RMB281,420,540.90 and a cost of RMB384,992,940.93) are pledged as collaterals of long-term borrowings of RMB300,000,000.00 (31 December 2015: RMB300,000,000.00) (Note 4(36)(a-vi)).

As at 31 December 2015, fixed assets at a carrying amount of RMB842,764,288.94 (a cost of RMB1,735,975,658.93) are pledged as collaterals of long-term borrowings of RMB1,000,000,000.00 (31 December 2016: Nil) (Note 4(36)(a-iv)).

In 2016, depreciation charged to fixed assets amounts to RMB551,763,721.68 (2015: RMB544,366,282.08), of which RMB537,517,801.82 (2015: RMB530,045,762.24) has been charged in cost of sales, RMB14,191,062.96 (2015: RMB13,033,451.39) in general and administrative expenses, and RMB54,856.90 (2015: RMB1,287,068.45) in special reserve.

In 2016, the costs of fixed assets transferred from construction in progress amounted to RMB317,949,266.76 (2015: RMB209,861,564.35).

(7) Construction in progress

	31 December 2016			31 December 2015		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Dayao Bay No. 13-16 Berths in Phase II	664,044,358.04	-	664,044,358.04	652,974,649.35	-	652,974,649.35
New Port No.18-21 Berths	342,119,768.55	-	342,119,768.55	342,414,362.44	-	342,414,362.44
Dayao Bay North Shore Automotive Logistics Centre	148,898,592.13	-	148,898,592.13	148,898,592.13	-	148,898,592.13
Dalian Bay Passenger Terminal	80,539,518.59	-	80,539,518.59	34,098,173.63	-	34,098,173.63
Ore No.4 Storage Yard	37,884,468.02	-	37,884,468.02	19,574,704.25	-	19,574,704.25
Mobile machinery acquisition for Taiping Bay Port	31,622,305.70	-	31,622,305.70	30,750,646.63	-	30,750,646.63
Dalian Bay Groceries and Ro-ro Berth Project	19,981,858.61	-	19,981,858.61	7,415,672.23	-	7,415,672.23
New Port accident buffer pool	-	-	-	97,817,975.78	-	97,817,975.78
All-rotation tug	-	-	-	68,999,734.54	-	68,999,734.54
Others	88,915,143.68	-	88,915,143.68	82,700,729.08	-	82,700,729.08
	1,414,006,013.32	-	1,414,006,013.32	1,485,645,240.06	-	1,485,645,240.06

The Company's management believes that no provision for impairment of construction in progress is required at balance sheet date.

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(7) Construction in progress (continued)

(a) Movement of significant projects of construction in progress

Name	Budgeted amount	31 December 2015	Increase in the current year	Transfer to fixed assets and intangible assets in the current year	Other decreases	31 December 2016	Proportion of expenditures incurred to budgeted amount (i)	Progress of construction	Cumulative capitalised borrowing costs	Including: borrowing costs capitalised in the current year	Capitalisation rate	Source of funds
Dayao Bay No. 13-16 Berths in Phase II	3,783,000,000.00	652,974,649.35	15,837,895.72	-	(4,788,287.03)	664,044,358.04	92%	92%	188,956,899.03	14,106,715.00	5.66%	Proprietary funds and loans from financial institutions and other sources
New Port No. 18-21 Berths	413,770,000.00	342,414,362.44	1,639,272.98	-	(1,933,666.87)	342,119,766.55	82%	82%	83,522,029.54	1,284,949.69	5.40%	Loans from financial institutions and other sources
Dayao Harbour North Automobile Logistics Centre	450,000,000.00	148,898,592.13	-	-	-	148,898,592.13	33%	33%	8,054,440.28	-	-	Loans from financial institutions and other sources
Dalian Bay Passenger Terminal	383,160,000.00	34,098,173.63	47,114,891.08	-	(673,646.12)	80,539,518.59	21%	21%	3,318,567.29	1,857,294.06	5.53%	Proprietary funds and loans from financial institutions
Mobile machinery acquisition for Taiping Bay Port	36,400,000.00	30,750,646.63	871,659.07	-	-	31,622,305.70	87%	87%	3,089,171.84	871,659.07	5.66%	Proprietary funds and loans from financial institutions
Ore No.4 Storage Yard	570,600,000.00	19,574,704.25	18,309,763.77	-	-	37,884,468.02	99%	99%	-	-	-	Fund raising
Dalian Bay Groceries and Ro-ro Berth Project	700,000,000.00	7,415,672.23	12,566,186.38	-	-	19,981,858.61	99%	99%	-	-	-	Proprietary funds and loans from financial institutions
New Port accident buffer pool	98,886,600.00	97,817,975.78	5,614,269.34	(103,387,831.25)	(44,413.87)	-	100%	100%	11,538,135.38	-	-	Proprietary funds and loans from financial institutions
All-rotation tug	82,080,000.00	68,999,734.54	5,249,009.79	(74,248,744.33)	-	-	100%	100%	4,546,674.63	789,796.09	5.66%	Proprietary funds and loans from financial institutions
Others	410,080,612.49	82,700,729.08	172,399,141.21	(158,319,126.33)	(7,865,600.28)	86,915,143.68			5,421,593.69	1,010,524.09	5.53%	Proprietary funds and loans from financial institutions
		1,465,645,240.06	279,602,289.34	(335,955,701.91)	(15,285,814.17)	1,414,006,013.32			308,447,511.68	19,920,938.00		

(i) Proportion of expenditures incurred to budgeted amount is the proportion of the total expenditures incurred to budgeted amount.

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(8) Intangible assets

	Land use rights	Software	Total
Cost			
31 December 2015	430,967,563.00	80,186,075.48	511,153,638.48
Increase in the current year Increase from acquisition	8,485,188.74	577,725.63	9,062,914.37
Transfers from construction in progress	7,931.04	17,998,504.11	18,006,435.15
Decrease in the current year Disposal	–	(1,123,000.00)	(1,123,000.00)
31 December 2016	439,460,682.78	97,639,305.22	537,099,988.00
Accumulated amortisation			
31 December 2015	(37,439,660.74)	(43,708,770.15)	(81,148,430.89)
Increase in the current year Provision	(9,185,752.27)	(7,996,221.06)	(17,181,973.33)
Decrease in the current year Disposal	–	1,123,000.00	1,123,000.00
31 December 2016	(46,625,413.01)	(50,581,991.21)	(97,207,404.22)
Carrying amount			
31 December 2016	392,835,269.77	47,057,314.01	439,892,583.78
31 December 2015	393,527,902.26	36,477,305.33	430,005,207.59

In 2016, the amortisation of intangible assets amounted to RMB17,181,973.33 (2015: RMB14,009,307.19).

(9) Provision for asset impairment

	31 December 2015	Increase in the current year	Decrease in the current year		31 December 2016
			Reversal	Write-off	
Provision for bad debts	1,507,602.80	–	–	(1,491,504.33)	16,098.47
Including: Provision for					
bad debts of accounts receivable	1,491,504.33	–	–	(1,491,504.33)	–
Provision for bad debts of other receivables	16,098.47	–	–	–	16,098.47
	1,507,602.80	–	–	(1,491,504.33)	16,098.47

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(10) Capital surplus

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Share premium (b)	6,212,549,598.67	2,413,472,697.86	(5,606,320,000.00)	3,019,702,296.53
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (a)	18,346,870.92	3,762,982.54	–	22,109,853.46
	6,230,896,469.59	2,417,235,680.40	(5,606,320,000.00)	3,041,812,149.99

	31 December 2014	Increase in the current year	Decrease in the current year	31 December 2015
Share premium	6,212,549,598.67	–	–	6,212,549,598.67
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (a)	18,725,645.23	(378,774.31)	–	18,346,870.92
	6,231,275,243.90	(378,774.31)	–	6,230,896,469.59

- (a) Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method mainly comprises special reserves appropriated by joint ventures and associates of the Company in the current period.
- (b) In accordance with the resolutions at the Shareholders' meeting on 28 June 2016, the Company transferred the capital reserve into new shares on the basis of 5,606,320,000 shares, and 10 shares would be allocated to shareholders for every 10 existing shares. The Company completed relevant capital injection procedures for A shares and H shares on 1 August 2016 and 17 August 2016 respectively in accordance with rules and supervisory regulations for dual listing and the share capital increased was RMB5,606,320,000.00.

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(11) Undistributed profits

	2016	2015
Undistributed profits at beginning of year	2,535,370,918.16	2,314,223,325.63
Add: Net profit realised in the current year	527,172,510.95	442,430,658.37
Less: Appropriation to statutory surplus reserve	(52,717,251.10)	(44,243,065.84)
Ordinary share dividends payable (a)	(420,474,000.00)	(177,040,000.00)
Ordinary share dividends converted to share capital (b)	(1,681,895,999.00)	–
Undistributed profits at end of year	907,456,179.01	2,535,370,918.16

(a) In accordance with the resolution at the Board of Shareholders' meeting dated 28 June 2016, the Company proposed a cash dividend to the shareholders at RMB0.75 per 10 shares (including tax), amounting to RMB420,474,000.00 calculated by 5,606,320,000 issued shares.

In accordance with the resolution at the Board of Shareholders' meeting dated 29 June 2015, the Company proposed a cash dividend to the shareholders at RMB0.4 per 10 shares (including tax), amounting to RMB177,040,000.00 calculated by 4,426,000,000 issued shares.

(b) In accordance with the resolutions at the Shareholders' meeting dated 28 June 2016, the Company allocated 3 bonus shares to every 10 existing shares on the basis of 5,606,320,000 shares. The Company completed relevant capital injection procedures for A shares and H shares on 1 August 2016 and 17 August 2016 respectively in accordance with rules and supervisory regulations for dual listing and the distributed stock dividends of RMB1,681,895,999.00.

(12) Revenue and cost of sales

	2016	2015
Revenue from main operations	2,657,613,342.67	2,640,912,556.49
Revenue from other operations	336,049,382.11	385,377,575.86
	2,993,662,724.78	3,026,290,132.35
	2016	2015
Cost of sales from main operations	1,956,125,597.46	1,879,344,293.12
Cost of sales from other operations	213,076,781.27	216,948,571.02
	2,169,202,378.73	2,096,292,864.14

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(12) Revenue and cost of sales (continued)

(a) Revenue and cost of sale from main operations

Analysis by industries is as follows:

	2016		2015	
	Revenue	Cost of sales	Revenue	Cost of sales
Oil and liquefied chemicals terminal and related logistics services	1,459,592,776.76	828,768,613.71	1,505,924,582.29	792,343,145.12
Container terminal and logistics services	25,688,490.48	15,689,446.68	53,500,000.00	15,689,446.68
General cargo terminal and related logistics and trading services	319,213,996.45	361,517,735.34	349,003,390.67	354,307,246.07
Ore terminal and logistics services	264,104,606.94	231,594,210.45	170,443,908.82	218,897,421.94
Grains terminal and related logistics and trading services	122,194,335.71	146,983,873.70	107,627,975.21	149,916,763.43
Passenger and roll-on, roll-off terminal and logistics services	95,288,691.86	69,678,953.51	88,352,529.28	67,701,661.30
Port value-added and ancillary services	578,093,373.15	435,113,849.04	594,242,827.29	425,451,778.65
Others	129,486,453.43	79,855,696.30	157,194,918.79	71,985,400.95
	2,993,662,724.78	2,169,202,378.73	3,026,290,132.35	2,096,292,864.14

(b) The revenue is categorised by type as follows:

	2016	2015
Handling services	1,228,880,861.50	1,165,222,029.30
Storage services	772,539,174.16	818,901,758.10
Transportation services	385,697,440.64	397,877,280.91
Port management services	232,782,709.22	219,936,817.34
Utility services	106,943,459.41	109,656,054.23
Leasing services	70,998,391.13	96,338,485.96
Agency services	23,211,759.92	18,547,555.46
Others	172,608,928.80	199,810,151.05
	2,993,662,724.78	3,026,290,132.35

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

17 Notes to the Company's financial statements (continued)

(13) Financial expenses

	2016	2015
Interest expenses	477,700,693.63	514,121,763.36
Less: Capitalised interest (i)	(19,920,938.00)	(53,882,149.16)
Interest expenses	457,779,755.63	460,239,614.20
Less: Interest income	(44,345,528.27)	(10,004,405.88)
Exchange gains or losses	(222,395,465.25)	1,156,675.36
Others	5,178,613.01	5,036,206.65
	196,217,375.12	456,428,090.33

- (i) Borrowing costs capitalised have been included into construction in progress, carried forward to fixed assets upon the completion of construction in progress.

(14) Expenses by nature

The cost of sales and general and administrative expenses in the income statements are listed as follows by category:

	2016	2015
Employee benefits expenses	997,101,075.01	942,218,186.44
Depreciation and amortisation expenses	573,982,746.90	556,551,623.33
Leasing and warehousing expenses	230,734,798.01	211,293,030.94
Electricity expenses	119,066,911.49	122,170,215.57
Fuel expenses	80,929,895.46	82,189,431.01
Repair charges	73,253,511.59	76,300,365.32
Materials expenses	48,863,171.40	49,122,555.17
Audit fees	3,053,426.74	3,053,426.74
– Audit services	2,197,137.68	2,197,137.68
– Non-audit services	856,289.06	856,289.06
Others	424,029,562.40	401,153,322.77
	2,551,015,099.00	2,444,052,157.29

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

17 Notes to the Company's financial statements (continued)

(15) (Losses)/gains on changes in fair value

	2016	2015
Financial assets at fair value through profit or loss		
– Investments in equity instrument held for trading	(1,109,570.03)	2,950,982.93

(16) Investment income

	2016	2015
Investment income from long-term equity investment under cost method	169,750,917.39	157,481,246.16
Income from long-term equity investment under equity method	137,342,866.61	114,744,957.14
Income from disposal of long-term equity investment	(937,232.73)	–
Income earned during the holding period of financial assets at fair value through profit or loss	107,508.00	732,372.53
Income earned during the holding period of available-for-sale financial assets	–	21,586,985.42
Income from disposal of financial assets at fair value through profit or loss	627,227.54	4,373,519.69
Income from disposal of available-for-sale financial assets	–	10,918,200.00
Income from wealth management products and entrusted investments	14,053,679.46	20,159,765.58
	320,944,966.27	329,997,046.52

There is no restriction on recovery of investment income.

(17) Asset impairment losses

	2016	2015
Losses on bad debts	–	(10,000.00)

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
 (All amounts in RMB Yuan unless otherwise stated)
 (English translation for reference only)

17 Notes to the Company's financial statements (continued)

(18) Income tax expenses

	2016	2015
Current income tax calculated based on tax law and related regulations	69,454,179.99	39,422,361.98
Deferred income tax	(11,931,875.31)	1,462,434.43
	57,522,304.68	40,884,796.41

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the income statement to the income tax expenses is listed below:

	2016	2015
Total profit	584,694,815.63	483,315,454.78
Income tax expenses calculated at applicable tax rates	146,173,703.91	120,828,863.70
Adjustments for current income tax of prior periods	(6,084,558.61)	(831,052.74)
Income not subject to tax	(85,178,724.44)	(82,063,276.32)
Costs, expenses and losses not deductible for tax purposes	1,894,053.46	1,440,624.94
Utilisation of deductible temporary difference for which no deferred income tax asset was recognised in previous period	(372,876.08)	–
Deductible temporary difference for which no deferred income tax asset was recognised in current period	1,090,706.44	1,509,636.83
Income tax expenses	57,522,304.68	40,884,796.41

Notes to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

17 Notes to the Company's financial statements (continued)

(19) Supplementary information to the consolidated cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	2016	2015
Net profit	527,172,510.95	442,430,658.37
Add: Depreciation of fixed assets	551,763,721.68	544,366,282.08
Amortisation of intangible assets	17,181,973.33	14,009,307.19
Amortisation of long-term prepaid expenses	4,796,025.44	250,312.78
(Profit)/losses on disposal of fixed assets	(4,247,755.78)	692,621.50
Financial expenses	197,807,171.89	455,157,115.24
Investment income	(320,944,966.27)	(329,997,046.52)
(Losses)/gains on changes in fair value	1,109,570.03	(2,950,982.93)
(Increase)/decrease in deferred tax assets	(11,931,875.31)	1,462,434.43
Transfer from deferred income	(35,471,860.30)	(36,970,000.59)
Decrease in inventories	2,419,957.54	3,265,170.78
Increase in specific reserve	3,584,677.39	6,038,547.32
Decrease/(Increase) in operating receivables	200,732,762.64	(55,364,974.69)
Increase in operating payables	109,720,238.81	16,968,422.16
	1,243,692,152.04	1,059,357,867.12

(b) Net increase/(decrease) in cash and cash equivalents

	2016	2015
Cash and cash equivalents at end of year	4,489,574,119.31	761,304,650.74
Less: Cash and cash equivalents at beginning of year	(761,304,650.74)	(966,868,460.45)
Net increase in cash and cash equivalents	3,728,269,468.57	(205,563,809.71)

Supplementary Information to the Financial Statements

For the year ended 31 December 2016
 (All amounts in RMB Yuan unless otherwise stated)
 (English translation for reference only)

1 Statement of non-recurring profit or loss

	2016	2015
Profit or loss on disposal of non-current assets	11,160,607.81	(1,864,666.60)
Government grants recognised in profit or loss for the current period	1,608,300.00	3,296,297.60
Interest income from outward entrusted loans	4,995,470.65	5,140,884.45
Net profit or loss of the subsidiary acquired in business combination involving entities under common control for the period from beginning of period to the combination date	–	(303,767.46)
Except for the effective hedging activities related to the Group's ordinary activities, profit or loss arising from changes in fair value of financial assets and financial liabilities held for trading, and investment income from disposal of financial assets and financial liabilities held for trading and available-for-sale financial assets	1,504,570.51	29,071,851.87
Reversal of the provision on receivables assessed for impairment on an individual basis	–	10,000.00
Profit from entrusting others for investment or asset management	14,053,679.46	20,159,765.58
Non-operating income and expenses other than aforesaid items	7,750,436.87	29,965,463.26
	41,073,065.30	85,475,828.70
Effect of income tax	(9,988,137.07)	(17,330,828.11)
Effect of minority interest (after tax)	(4,529,411.98)	(2,432,259.15)
	26,555,516.25	65,712,741.44

Basis for preparation of statement of non-recurring profit or loss

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

Supplementary Information to the Financial Statements (continued)

For the year ended 31 December 2016
(All amounts in RMB Yuan unless otherwise stated)
(English translation for reference only)

1 Statement of non-recurring profit or loss (continued)

Basis for preparation of statement of non-recurring profit or loss (continued)

Pursuant to national policies and regulations, the items which recognised in government grants charged to profit or loss for the current year can be continuously obtained on a fixed quota or quantity for their close relation to ordinary activities. Thus the following items are not regarded as non-recurring profit or loss.

	Amount for the year 2016	Reasons for regarding as recurring profit or loss
Container subsidies	108,258,234.20	Fixed quantity on a continuous basis
Relocation compensation	33,621,113.74	Fixed quota on a continuous basis
Operation subsidies	10,510,000.00	Fixed quota on a continuous basis
Production safety fund	952,500.00	Fixed quota on a continuous basis
Vessel acquisition subsidies	791,217.56	Fixed quota on a continuous basis
Energy conservation and emission reduction special fund	646,659.70	Fixed quota on a continuous basis
Refund of turnover taxes	454,078.33	Fixed quota on a continuous basis
Equipment reconstruction subsidies	264,423.68	Fixed quota on a continuous basis
Others	3,952,493.26	Fixed quota on a continuous basis
	159,450,720.47	

2 Return on net assets and earnings per share

	Weighted average return on net assets (%)		Earnings per share Basic earnings per share	
	2016	2015	2016	2015
Net profit attributable to ordinary shareholders of the Company	3.11%	3.49%	0.04	0.05
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	2.95%	3.02%	0.04	0.04

No dilutive potential ordinary shares have been issued by the Company.

Financial Highlights for the Past Five Financial Years

RMB'000	2016	2015	2014	2013	2012
Revenue and Profit					
Revenue	12,814,484	8,886,167	7,942,459	6,981,980	4,644,559
Gross profit	1,387,422	1,454,512	1,374,897	1,587,577	1,587,870
Operating profit	598,043	461,118	459,792	668,953	698,206
Total profit	778,013	729,745	796,014	1,025,922	906,482
Net profit	612,683	569,138	605,777	781,998	684,763
Net profit attributable to owners of the parent	531,013	484,333	52,077	682,608	600,090
Basic earnings per share (RMB)	0.042	0.048	0.051	0.067	0.059
Assets and Liabilities					
Cash and bank balances	6,741,279	2,933,298	2,446,016	2,344,392	2,507,327
Current assets	9,162,323	6,258,683	5,883,873	4,990,627	4,713,190
Non-current assets	22,739,742	22,871,206	21,965,335	2,224,051	23,115,591
Borrowings	10,549,202	11,303,901	10,316,436	9,973,296	11,535,906
Current liabilities	6,147,463	4,911,232	4,332,759	5,484,651	3,591,970
Non-current liabilities	6,648,287	8,849,372	8,532,443	7,080,181	10,261,819
Total assets	31,902,065	29,129,890	27,849,208	27,231,142	27,828,780
Net assets	19,106,315	15,369,286	14,984,007	14,666,310	13,974,992
Capital and Equity					
Share capital	12,894,536	4,426,000	4,426,000	4,426,000	4,426,000
Equity attributable to owners of the parent	17,773,317	14,038,472	13,710,496	13,449,769	12,964,562
Minority interests	1,332,998	1,330,814	1,273,511	1,216,541	1,010,430
Total equity	19,106,315	15,369,286	14,984,007	14,666,310	13,974,992
Net assets per share (RMB)	1.38	3.17	3.10	2.75	2.93

ESG Report

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ESG Report

Introduction

Prospering the city through the port, and serving the nation with industrial development

With a hundred years of history, Dalian Port always takes “prospering the city through the port, and serving the nation with industrial development” as its mission. Dalian Port (PDA) Company Limited (the “Company”) was established in 2005 by integrating the port and related logistics high-quality assets of Dalian Port Group. The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong in 2006 and on the Shanghai Stock Exchange in 2010 respectively, becoming the first port company listed in the stock exchanges of both Hong Kong and Shanghai. The Port, with a hundred years’ history, sails in the capital market in the new century, and injects fresh energy to the development in the new period.

Despite of all kinds of hardships, the Company advances with the times. It has clearly realized its duty of corporate social responsibility, and constantly innovates its principles in environmental protection, social security and corporate governance, so as to create a better future with harmonious development of corporate, society and the nature.

In order to improve its environment, social and governance (ESG) work, the Company has been proactively communicating with major stakeholders and responding to their expectations. This is the first ESG report in which the Company discloses its ESG work and achievements in 2016 to the public, with the information guided by the “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, aiming to engage with stakeholders and replying to their concerns.

ESG Report

1. ESG System

1.1 ESG Principle and Goal

Adhering to the ideal of “green and sustainable development” and the goal of building a green port, the Company integrates environment production, energy conservation, caring for employee, and benefiting the society into the code of conduct of its business conduction. The Company has been proactively communicating with stakeholders and actively giving responses to their demands. While providing high-quality and professional service to customers, the Company adheres to goal of building “5P” (Port with high quality and good performance, Port with convenient business, Port of logistics hub, Port of green and low-carbon, and Port with peace and harmony), so as to promote the harmonious development of the company, society and environment.

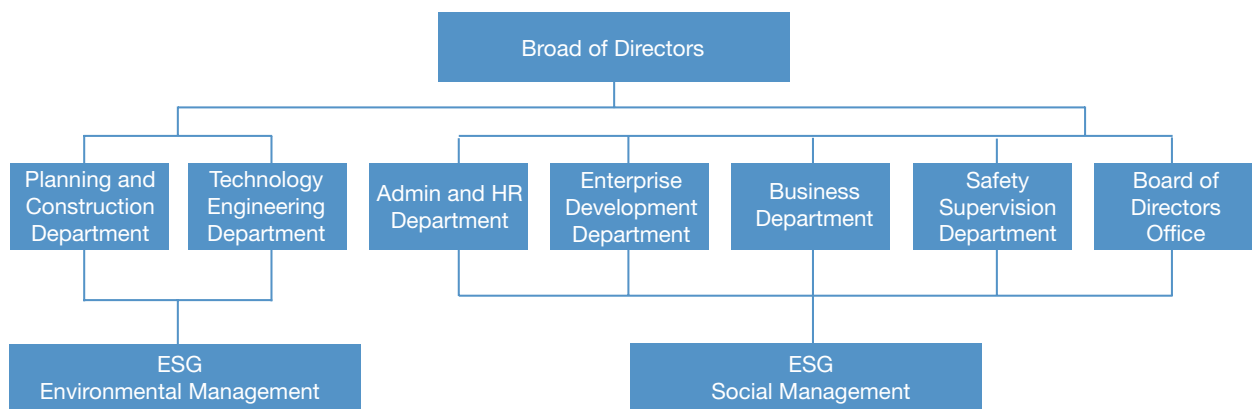
1.2 ESG Management Structure

To achieve the ideal of “green and sustainable development” and to effectively promote the Company’s ESG work, the Company has established organizations and management system in which the Board of Directors takes the lead and related departments are involved, so that there is a clear division of work and duty of ESG work.

The Board of Directors of the Company is the highest decision-making body and leadership for ESG work, responsible for the establishment of ESG strategy and objectives. The Board of Directors Office, the Planning and Construction Department, the Technology Engineering Department, the Admin and HR Department, the Enterprise Development Department, the Business Department, the Safety Supervision Department and other related functional departments take care of the implementation of ESG strategy and goals, and assess ESG performance indicators.

The subordinate branch offices and operating units of the Company carry out specific ESG work. The Company has established individual departments in every subsidiary that are not only responsible for implementing ESG strategies and goals into business plans, but also in charge of direct managing daily operations of front-line units.

By establishing ESG management structure, the Company clarifies management duty and optimizes management process, so as to ensure smooth implementation of ESG management.



ESG Report

1.3 Stakeholder Engagement

The Company is grateful for the support and help from stakeholders from all walks of life. The Company deeply understands the significance of stakeholders' expectations on corporate development. As a result, the Company has always attached great importance to their expectations and demands on ESG. In order to effectively identify major stakeholders' key concerns, the Company has established various and targeted communication channels with stakeholders to maintain long-term and effective communication.

Through the identification of stakeholders and communication mechanism, the Company has identified that its stakeholders include government and regulators, shareholders and investors, employees, clients, suppliers, media and community. Their major concerns include operation compliance, use of resources, emissions, caring for employees, product quality, and occupational health and safety.

Stakeholders	Communication channels	Topics of concern
Government & regulators	Important conferences Policy advisory Case report Inspection Documents exchange Information disclosure	<ul style="list-style-type: none"> • Operation compliance • Corporate governance • Energy conservation
Shareholder & investors	Shareholders' meeting Annual report	<ul style="list-style-type: none"> • Profitability • Operating strategy • Transparent disclosure
Employees	Employee satisfaction survey Employee activity Workers' congress Employee training Staff handbook Internal publication	<ul style="list-style-type: none"> • Salary and welfare • Development and training • Occupational Health and Safety
Media	Interview of company management Promotion of company culture Specials activities Media conference	<ul style="list-style-type: none"> • Operation compliance • Social influence • Performance of social responsibility
Suppliers	Supplier identification Public bidding meeting Strategic cooperation talks Bilateral exchange	<ul style="list-style-type: none"> • Fair cooperation • Honest agreement • Joint development
Clients	Client satisfaction survey Clients complaints hotline	<ul style="list-style-type: none"> • Service quality • Information security
Community	Public benefit activities Community activities Campus talk Opportunity of internship	<ul style="list-style-type: none"> • Community welfare • Community relationship • Employment promotion

ESG Report

2. Green Operation

Dalian Port always takes “prospering the city through the port, and serving the nation with industrial development” as its mission. The Company adheres to goal of building “5P” (Port with high quality and good performance, Port with convenient business, Port of logistics hub, Port of green and low-carbon, and Port with peace and harmony). With the development of the era, the Company has gained a further understanding to the importance of green operation during the building of “5P”.

According to China’s 13th Five-year Plan, the Company has established the core development goals of Building Green Ecological Port to adjust the layout of port industry, change the mode of growth and promote the sustainable development. Ten major tasks to be achieved includes (1) environmental protection system optimization, (2) strengthen the construction of environmental protection supervision system, (3) adjusting port layout and function, (4) speeding up the construction of green transportation organization system, (5) port environmental protection in construction period, (6) application and promotion of low carbon environmental protection technology, (7) pollution source control and environmental improvement, (8) enhance the ability to deal with environmental pollution risk, (9) implementation of green ecological construction, (10) informationization construction of the port.

2.1 Compliance in Operation

As the prerequisite and basis of development, legal compliance always be the first requirement for the Company. In order to fully comply with national and local environmental regulations, the Company set up the Planning and Construction Department and Technology Engineering Department to identify regulation requirements involving environmental protection and perform compliance management to all projects. According to the laws and regulations, i.e. the *Environmental Protection Law of the People’s Republic of China*, *Energy Conservation Law of the People’s Republic of China*, *Construction Project Environmental Impact Assessment Law of the People’s Republic of China*, etc. and the requirements of locations where operations performing, such as “Dalian City Blue Sky Project”, the Company’s units at all levels consistently abide by the legal requirement of energy saving and environmental protection, the environmental impact assessment, and construction project environmental protection “three simultaneity”, strictly control the pollutant discharge, perform comprehensive environmental monitoring. In 2016, there was no material non-compliance with environmental protection in the Company.

2.2 Systematic Management

As an important performance indicator of corporate social responsibility in environmental protection, the Company pays great attention to the emissions management during operation. To provide systematic guarantee for environmental management, the Company established an environmental management system with the requirement of ISO14001, the system has obtained a certification from a third party, China Classification Society. In addition, the Company developed a comprehensive management organizational structure in environmental protection, in which, the Planning and Management Department leads the management of environmental protection, Environmental Monitoring Station takes the responsibility to monitor the environment of the Company. However, there are environmental management specialists at all subsidiaries and operating units for detailed environmental protection work.

ESG Report

2.3 Emissions Reduction

In order to achieve the goals of 5P, the Company strictly implement the green development concept of “Resource Conservation, Environmental Friendly”, and strive to build a green port. As the core work to achieve the environmental friendly performance, discharging pollutant with standards and emission reduction have been the top priority of environmental protection work in the Company.

Based on the “Three Simultaneousness” system¹, the Company performs standardized management to all projects from planning, construction to operation. Through full understanding of regulations, clarification of design plan, scientific organization of construction, comprehensive supervision, strict control of pollutant discharge and actively carry out conservation work, the Company hopes to further reduce pollutant emission.

In 2016, the Company carried out a series of work in environmental protection and made remarkable achievements:

Measures of Environmental Protection	Work and Achievements
Upgrading Sewage Treatment Facilities	Upgrading existing waste water treatment facilities, optimizing the process, improving the sewage treatment, and proper handling oily sewage.
Dust Control during Load and Unload	Reducing dust emission by reducing height of delivery, controlling speed of transfer, stop work in windy days, installing dust screen, breast boards, etc.
Boiler Coal Upgrading	Using low-sulphur coal to replace high-sulphur coal, which effectively reduced the sulphide emission.
Hydrocarbon Recovery Project	The Company invested more than 13 million Yuan to install hydrocarbon recovery facilities for collecting VOCs during unloading, which save fuel and reduced emissions.
Hazardous Waste Treatment	According to the <i>Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and Administrative Measures for the Transfer of Hazardous Wastes</i> , the Company carried out whole process management for hazardous wastes and commissions qualified professional companies for the hazardous wastes treatment.
Environmental Emergency Plan	The Company formulated and improved the “Emergency Plan for Oil Spill at the Port” and “Emergency Plan for Sudden Environmental Pollution”, whereas all companies established corresponding rules and management procedures, formulated emergent plans, and actively carry out emergent drills. The port is equipped with oil spill emergency equipment and monitoring alarm system. Surveillance equipment is set up at terminals and tank areas, and sewage collection system, drainage emergency gate are established to improve the capacity to deal with sudden environmental pollution incidents.

¹ “Three Simultaneousness” means that installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.

ESG Report

2.4 Energy Conservation and Consumption Reduction

The Company strives to develop a green and low-carbon port, and takes intensive utilization of resources and energy conservation as a priority. Therefore, the Company adjusts and improves its layout and function, through optimizing technology and operation, adopting green equipment and facilities, and promoting energy conservation, emission reduction and clean production, so as to increase energy efficiency and improve the environment of the port for green, low-carbon, circular and smart development.

This year, the Company further advances its energy management system development by completing the drafts of “Energy Management Manual” and “Energy Management Procedures”. The Company also continues to conduct activities such as energy saving and water saving, gaining and promoting experience from recent years’ achievements in energy conservation and emissions reduction, and popularizing technologies of energy conservation and emissions reduction, so as to strengthen its sustainable development ability. In 2016, the Mineral Terminal of PDA General Cargo Terminals Company was rewarded as 4-Star Green Terminal.

In 2016, the “Project Adjustment Plan for a Green, Circular and Low-Carbon of the Company” passed the review by the Transport Department of Liaoning Province and the Ministry of Transport of the People’s Republic of China, and won a special allowance fund of 27.56 million yuan. The Plan includes 21 key supporting projects, which have been completed, pending for final appraisal by the Ministry of Transport. According to the Plan, the Company plans to carry out construction from five aspects: infrastructure construction, loading and unloading transportation equipment and technology improvement, application of intelligent information technology, clean energy and resource recycling, and environmental protection. Among these five aspects, the Company has promoted a number of innovative energy-saving technology and projects:

Energy Conservation Technology

Work and Achievements

Shore Power Technology

In 2016, the Company signed shore power strategic cooperation agreement with State Grid Dalian Power Supply Company, in the future the engagement can greatly reduce emissions of exhaust port ship auxiliary power, and reduce the influence of air in the future.

Field Bridge Lithium Battery Technology

Container Development Company finished Chinese first “lithium battery” field bridge remould by using high power lithium batteries as energy storage power sources.

The field bridge will produce regenerative energy during the work process, which can be absorbed as energy by lithium battery, reduce energy consumption and pollutants discharge effectively.

ESG Report

Energy Conservation Technology

Work and Achievements

Seawater Source Heat Pump Technology

Using the solar energy and geothermal energy absorbed by seawater through heat pump, to transfer the heat. The seawater source heat pump technology was adopted in the Phase II and Phase III projects of the mineral terminal and containers project. So far, the construction area equipped with seawater source heat pump technology has reached 45,000 square meters. The application of the new energy saves resources and reduces environmental pressure.

Distributed Photovoltaic Power Generation Project

Make use of the existing about 40,000 square meters' space of the roofs of 301 Warehouse and 302 Warehouse for distributed photovoltaic power generation project, with an annual capacity of about 2 million kWh, which increases the use of clean energy.

Green Light Project

Continue to promote the use of energy-saving lights at the port, resulting in significant reduction of electricity.

With the development of promoting innovative energy-saving technology engineering, the Company's each subordinate actively carry out energy saving management and made significant achievements in 2016:

Company Name

Energy Saving Achievements

General Cargo Terminals Company

The company actively applied information technology to strengthen energy management: developing vehicle operation management system to monitor vehicle information directly, and improving the accuracy of energy consumption statistics; Applied automatic weighing management system, which not only can reduce labour costs, but also can meet the requirements of balance weight operation, and improved the port service function and efficiency.

General Cargo Terminals Company

The ore department of General Cargo Terminal Company effectively organized production operation, to ensure full load operation and improve working efficiency; Actively applied the off-peak power use rewards event, and effectively arranged operation hours, so that the average electricity price decreased by 0.03 Yuan/kW·h; It also improved equipment security and reduced the failure rate of equipment operation, resulting in decrease of downtime, energy conservation and consumption reduction.

ESG Report

Company Name	Energy Saving Achievements
Oil Terminals Company	The company adjusted the dual heating for steam supply and optimized the ratio of steam produced by the centre steam boiler room and purchased steam; The boiler operation time has decreased by 237 hours through peak heating accumulation and intermittent boiler operation; The Company also strengthened the management of steam use and adjusted steam load, in order to reduce steam consumption.
Container Development Company	The company made suitable goals and indicators on energy conservation for each working unit, and supervised the implementation work regularly to solve any problem in a timely manner; At times, the company made irregular site visit to analyse the reasons of equipment exceeding normal consumption and made corresponding measures; The company also encouraged staff to provide suggestions for energy conservation and consumption reduction, and offered awards for their contribution.
Railway Company	The company optimized the workflow of loading ores to achieve seamless production operation; The company also optimized the workflow of oil transportation.
Passenger Transportation Company	The company built energy index budget management and early warning mechanism to include energy assessment and management into budget management; According to the annual budget, the company carried out monthly assessment, and made specific methods for performance assessment.

ESG Report

2.5 Building a Green Port

Along with the increased size of the port thanks to the development of national economy, the port industry is also consuming more energy and discharging more pollutants. Against the background of global scarce energy and decreasing environmental capacity, the port is faced with increasingly pressing challenges in energy and environment.

Faced with these challenges, the Company focuses on the development of eco-economy, eco-environment, eco-culture, and eco-support. Powered by innovation in the system and technology, the Company unwaveringly implements the strategy of sustainable development to promote the construction of a green port. The Company also vigorously promotes circular economy and clean production, to achieve energy conservation and emissions reduction, industrial structure adjustment and economic growth mode change. Moreover, the Company also strengthens protection of ecological environment by improving the environment of the port environment and ensuring the safety of the ecological environment.

The Company employees have formed the concept of environmental protection as the basis to build a green ecological port. The management departments at all levels and their subordinate units should proactively abide by national requirements on environmental protection by carrying out related work in port planning, construction and operation. Training courses on energy conservation and emissions reduction were held to increase employees' awareness. Also, activities such as "Week of Promoting Energy Conservation", "Day of Promoting Low-Carbon Activities", and "Environmental Protection Day" were carried out to promote the ideal of building a green port by means of newspapers, columns and slogans. Moreover, teams and individuals that have excellent performance in energy conservation and emissions reduction are rewarded. As such, building a green, environmentally friendly and low-carbon port has been given top priority.

The Company also increases investment in environmental protection as a guarantee for a green port. Environmental protection has been included in annual budget, and the investment has been increased gradually. Plans to use the funds are made in accordance to the implementation of key projects. For major projects, the Company actively makes use of the preferential loads by financial institutions to low-carbon and energy-saving transportation, research and development of green and low-carbon technology, production of environment-friendly products, and transformation of environment-friendly technology, and also actively uses social capitals to speed up the construction of a green port.

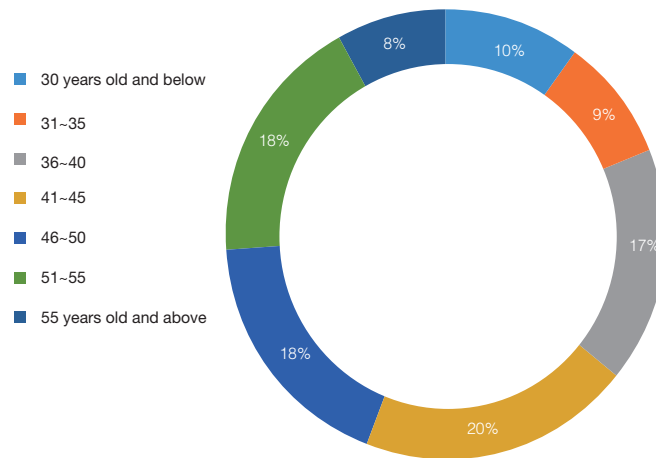
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3. Caring for Staff

The Company adheres to the core value of “people-oriented”, it not only deeply understands that talent is the power source to push our business forward, but also believes that corporate development bears employees’ expectation. As a result, the Company is committed to providing fair and just opportunities to people who are competent, and offering decent working environment and competitive remuneration. Meanwhile, the Company strives to provide good career development platform to college graduates, aiming to absorb and cultivate more talents for the port.

3.1 Employment and Staff Rights

The Company, adhering to the idea of “Talents First”, constantly improves its employment management system. In order to give full play to staff’s talents, and to satisfy its demand in human resources management, the Company established a series of provisions for remuneration, dismissal, recruitment, promotion, working hour, leave, equal opportunity, diversification, anti-discrimination and other benefits, such as the “Employees’ attendance and leave administrative provision of Dalian Port (PDA) Company Limited, Official Remuneration Enforcement Rules of Dalian Port (PDA) Company Limited, Employee’s Performance Assessment Guidance (Interim) of Dalian Port (PDA) Company Limited”. The branch offices of the Company can make adjustment in accordance with the overall framework of the Company administrative provisions to cater to their own characteristics of HR management. The Company believes that all employees are equal, irrespective of ethnic origin, gender, age, religion, region and nationality. Moreover, child labour and any forms of forced labour are strictly forbidden. In actual operation process, the Company actively complies with the labour laws and regulations, such as *Labour Law of the People’s Republic of China*, *Labour Contract Law of the People’s Republic of China*, *Minimum Wage Standard*, etc.



Workforce by Age

Attaching great importance to the rights and interests of and extending care to its employees, PDA resolutely safeguards the employees’ legitimate rights and interests, and provides a series of supplementary welfare and care fund for its employees.

Regular Benefits

- Maternity leave
- Breastfeeding leave
- Leave for visiting parents
- Marriage leave
- Leave for family members’ funeral
- Annual leave
- Physical examination

Other Benefits

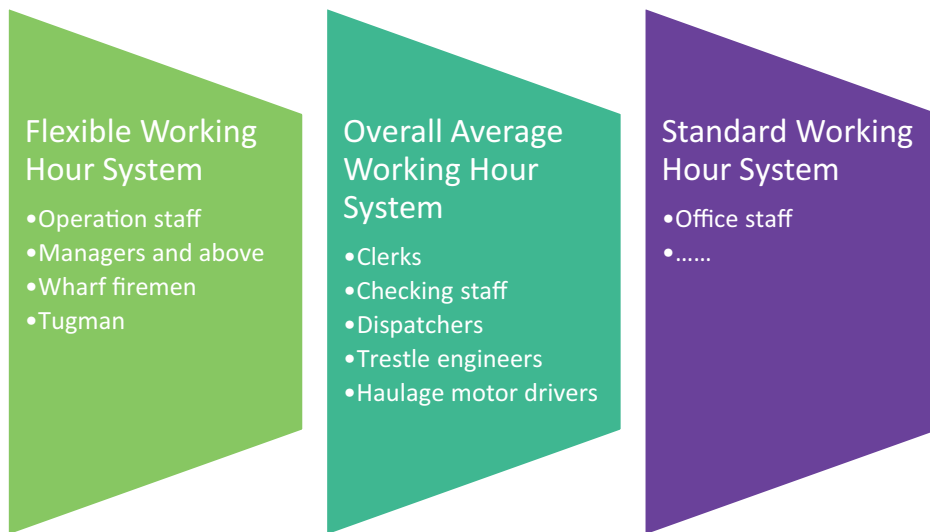
- Supplementary medical insurance
- Money gift for birthday
- Money gift for wedding
- Holiday benefits
- Rental subsidy
- Infant room

Caring for Staff

- Staff Internal fund
- Care fund
- Medical mutual assistance fund
- Contract employee assistance fund
- Schooling subsidy for children of employees in need
- Staff recuperation

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The Company strictly prevents child labour and force labour in human resources management. The HR Department, obeys the *Labour Law of the People's Republic of China* and other relevant laws and regulations during recruitment. It is clearly stated in the recruitment requirement that all applicants should be graduates of secondary school or above, to prevent from child labour. Meanwhile, HR Department mainly confirms recruiters' ID information by means of ID card check, qualification review, and social insurance payment record check², and employees' information will be input into HR Information Management System and maintained by HR Department. For working hour management, on one hand, the HR Department of the Company applies for permit from the Bureau of Human Resources and Social Security of Dalian for flexible working hours and integrated computational working hour management every year; on the other hand, the HR Department of the Company checks and maintains staff working hour regularly, according to employees' attendance. If there is abnormal condition, for instance someone worked over 12 hours per day, HR Department will communicate with and warn the department manager immediately, and provide leaves on working days for these staff. In 2016, there were no material violation of laws and regulations related to employment.



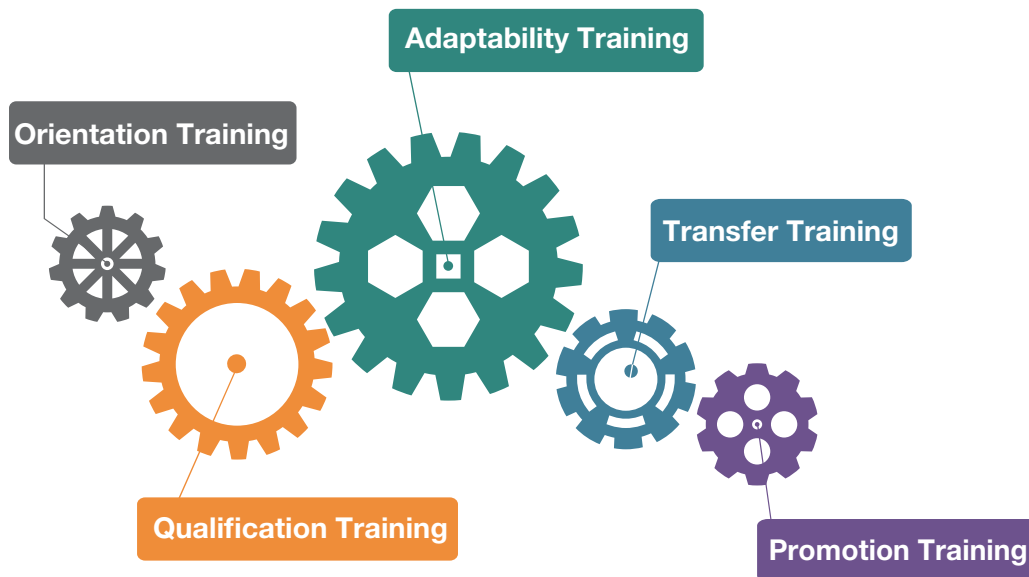
Working Hours Systems in Dalian Port (PDA) Company Limited

² In Chinese mainland, only people who are 16 years old and above can be paid of social insurance.

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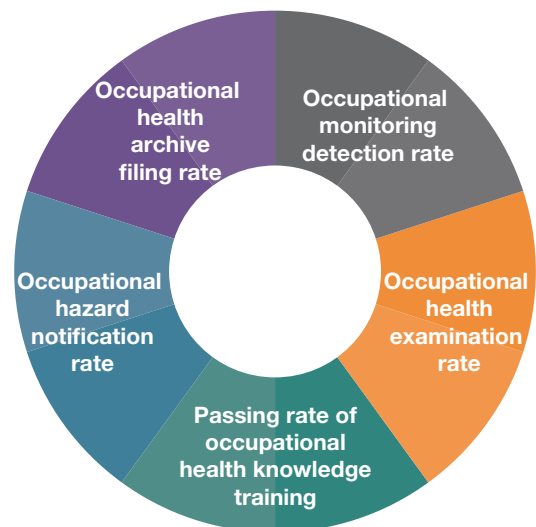
3.2 Training and Development

The Company sticks to the idea of developing talents, and provides various training opportunities, so as to give full play to employees' talents. The Company strictly follows the "Official Staff Training Provisions of Dalian Port (PDA) Company Limited", and continuously improves the training system. Every year, the HR Department formulates training programs and notifies each department and all branch offices to conduct the training activities. Information about these training courses are recorded by the HR Department, including opening and closing of the training courses, attendance signature, effectiveness evaluation table and training time, etc. In 2016, there were over 1,200 training classes. Meanwhile, as part of the departments offer special posts such as seamen and captains, the Company arranged these staff to take part in the training held by the regulatory agencies, and to complete the assessment, in accordance with the requirement from Dalian Maritime Safety Administration of the People's Republic of China and other relevant regulatory agencies.



3.3 Occupational Health and Safety

Be people-oriented. With a hundred years' history, the Company always adheres to the core value of "people-oriented, clients-oriented and responsibility-guided". PAD regards employees' occupational health and safety as the premise and foundation of corporate development, so it tries its best to ensure employee's health and safety. The Company applied and gained certification on OHSAS18001, which provides a systematic guarantee for occupational health and safety management. In 2016, while maintaining stable growth of production, the Company successfully achieved all target indicators related to occupational health and safety.



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Be well-organized. In occupational health and safety management, the Company gradually established a sustainable management model with legal compliance as its foundation, management rules as guidance, regulatory inspection as guarantee, assessment indicators as basis, and improvement and innovation as the new goal. The Company actively identifies and forms a deep understand of national and local laws and regulations that have a significant impact on the Company related to occupational health and safety, such as the *Labour Law of the People's Republic of China*, the *Law of the People's Republic of China on Work Safety*, and the *Law of the People's Republic of China on the Prevention and Control of Occupational Health and Safety*. Based on a clear understanding of the laws and regulations, PAD created comprehensive management system and measures, such as the “Management Methods on QHSE Comprehensive Management System Construction of Dalian Port (PDA) Company Limited”, “Safety Management Rules of Dalian Port (PDA) Company Limited” and “Occupational Health Management system of Dalian Port (PDA) Company Limited”, which offers clear provisions for day-to-day occupational health and safety management. At the same time, in order to guarantee effective implementation of the management system and rules, the management of headquarters of the Company, the management of branches, and operation units established hierarchical regulation mechanism, so as to identify and prevent potential health and safety risks. In addition, the Company constantly strengthens the implementation of accountability in health and safety production management, and set up assessment indicator targets at all levels of companies to urge companies to achieve occupational health and safety. Moreover, the Company also strictly carries out the important instructions from President Xi Jinping and Premier Li Keqiang on safe production of adhering to the “red line” and holding the “bottom line”. While achieving all indicator targets, the Company constantly keeps a sense of crisis and takes improvement and innovation as the new goal by constantly improving its management.

Be pragmatic. The Company deeply understands that the protection of the health and safety of employees at operation units is the premise and basis for its development. As a result, the management of operation units is key to the health and safety management of the Company. To ensure the effective implementation of the management system in these operation units, the headquarters of the Company set up Department of Safety Supervision to guide the overall health and safety management. At the same time, according to the requirements of the Department of Safety Supervision at the headquarters, the branches set up corresponding Department of Safety Supervision to directly management their own health and safety respectively. In daily work, the Company comprehensively identifies and remove health and safety risks in management departments at both the headquarters and operation units by providing complete protective measures and equipment to employees who are exposed to occupational risks. At the same time, as required by laws and regulations, the Company provides pre-job, on-the-job and off-post physical examination for all employees. According to the results of physical examination, the Company will change employees' posts in a timely manner and help them get targeted treatment, so as to better protect employees' health.

4. Operation Practices

4.1 Supply Chain Management

The Company believes that good management of supply chain is the premise to achieve sustainable development. In the process of providing high-quality service, the Company strives for a win-win cooperation, aiming to improve environmental and social risk management. Furthermore, the Company maintains long-term strategic relationship with the suppliers who have spirit of contract and good business ethics, and resists all illegal business and improper procurement.

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The Company and its branch offices mainly cooperate with large state-owned enterprises and world famous enterprises. In addition, to the quality of suppliers' products, we also focus on suppliers' compliance management and social responsibility performance with the expectation that building up the honest and fair supply chain with all suppliers. For that target, the Company established the "Financial Activities Approval Guidance of Dalian Port (PDA) Company Limited" and other relevant provisions, to clarify the duties during procurement, by gradual approval management. Meanwhile, the branch offices prepared their own "Procurement Administrative Provision", to roundly manage suppliers and procurement. According to requirement from the "Supplier Assessment Record Table", the branch offices assess the suppliers regularly, and introduce new or eliminate existing supplies based on the final assessment results.

4.2 Service Liabilities

The Company believes that "Adding client's value is our responsibility, and excellent service is our standard". For various requirements from different clients, we provide customized service. In addition, we attach importance to develop supply chain service function, in order to achieve the objective of resource element gathering and higher quality service. Moreover, the Company increases interaction with clients through various means, such as the service hotline, mobile APP and Micro Port System.



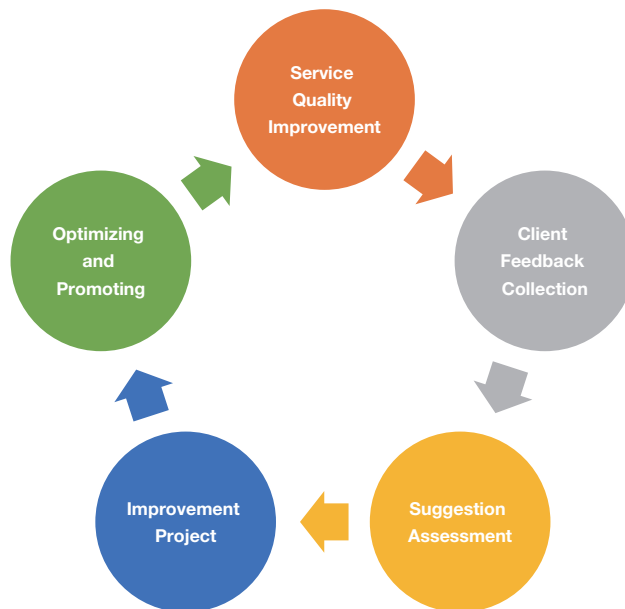
ESG Report

When providing service, we give priority to standard and safety. The Company established a series of provisions regarding to service quality and information protection. Furthermore, the Company encourages branch offices to obtain ISO9001, ISO14001 and OHSAS18001 certification, so as to improve service quality. Additionally, we forbid false publicity and strictly maintain the brand image of the Company. In compliance management, the Company complies with laws and regulations regarding to product responsibility, and is dedicate to be a benchmarking enterprise. In 2016, the Company had no material violation of laws and regulations relevant to product quality.

PDA Internal Service Quality Provisions and External Laws and Regulations of Dalian Port (PDA) Company Limited

Internal Administrative Provisions	External Laws and Regulations
<ul style="list-style-type: none"> ✓ The Special Material Transportation Administrative Provisions of Dalian Port (PDA) Company Limited ✓ The Cargo Transportation Administrative Provisions of Dalian Port (PDA) Company Limited ✓ The Customer Satisfaction Assessment Administrative Provisions of Dalian Port (PDA) Company Limited ✓ The Information Security Administrative Provisions of Dalian Port (PDA) Company Limited ✓ ISO9001 ✓ ISO14001 ✓ OHSAS18001 ✓ 	<ul style="list-style-type: none"> ✓ Law of the People's Republic of China on the Protection of Consumer Rights and Interests ✓ Advertisements Law of the People's Republic of China ✓ Railway Law of the People's Republic of China ✓ Regulation of the People's Republic of China on Road Transport ✓

Clients' suggestions and opinions play a crucial role for corporate development. The Company keeps good relationship with clients continuously, to ensure the clients' information is well protected. The Company also carries out investigation regularly on customer satisfaction, and makes adjustment and improvement accordingly, so that the Company could meet the clients' higher expectation and requirement.



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4.3 Anti-Corruption

Adhering to the enterprise spirit of “Self-Discipline and Social Commitment”, the Company promotes honest and integrity in its corporate culture. The Company established the “Anti-fraud Management Provision of Dalian Port (PDA) Company Limited”, and distributed the notification about integrity via corporate intranet, to prevent fraud, leaking business secrets, corruption, appropriation, throwing banquets and offering gifts. It also aims to improve staff’s professional ethics consciousness and help staff build correct value concept, to increase staff’s anti-fraud consciousness, and to improve their loyalty and moral standards. Also, related complaints and reports are collected through public mailbox, phone calls, letters and bidding supervision mailbox by related departments for further investigation and handling. The results will be reported to the management and are available on the company’s intranet, so as to protect employees’ interests.

The Company always follows clauses relevant to corporate conducts set out in the *Criminal Law of the People’s Republic of China*. At the same time, the company carries out activities to promote integrity. The Company pays great attention on the middle-level cadres’ leadership, and specially established “Management Provisions on Staff to Do Business”, which restricts cadres of middle level or above and their relatives from doing business by taking advantage of their posts, and requires transparent investigation of leaders’ assets. At the same time, the Company randomly chooses more than 10 units to investigate important disciplinary issues of the year, and handles all problems identified in a timely manner. In 2016, there was no material non-compliance with relevant standards.

4.4 Community Investment

In the process of development, the Company is deeply appreciated for the society and the nation, and is committed to repaying the society. Adhering to the mission of “prospering the city through the port, and serving the nation with industrial development”, the Company deeply understands its corporate social responsibility, so it is actively involved in public welfare activities, and implementation of tasks assigned by the government. The Company actively responds to the calls of the country, Liaoning Province and Dalian Government by engaging in activities such as poverty alleviation and donations. Each year, the Company gets to know the needs from specific villages, towns and regions, and carried out targeted poverty relief projects, such as providing funds, volunteering activities and visiting military families. Meanwhile, the Company encourages all organs and departments to spare no effort to make donations, so as to bring warmth to millions of households.

In 2016, the Company organized more than 300 employees to participate in blood donation, actively carried out designated poverty relief projects in Lejia town of Pulandian City and Guangsheng Village of Jinzhou City made an exchange of experience speech on the conference of Dalian City low-income villages. As the only corporate representative, the Company delivered a speech at the conference on the targeted poverty relief projects for low-income villages.

Besides material investment, social responsibility is also about offering a helping hand when people’s lives and property security are threatened. Based on its own integrated maritime service capabilities, the Company shoulders the salvage tasks to make quick action when receiving distress message. While promoting the spirit of the Company, the social responsibility work also makes the Company’s employees to feel proud of their works and contributions.



大連港股份

DALIAN PORT (PDA) COMPANY LIMITED

大連港股份有限公司

(A sino-foreign joint stock limited company incorporated in the People's Republic of China)

(於中華人民共和國註冊成立之外商投資股份有限公司)

(Stock Code 股份代號 : 2880)