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

2017
ANNUAL REPORT

* For identification purpose only

Contents

Xiamen International Port Co., Ltd
2017 Annual Report

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS[2]

CHEN Zhiping[3]
FU Chengjing
HUANG Zirong
BAI Xueqing[3]

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIU Feng
LIN Pengjiu
YOU Xianghua
JIN Tao
JI Wenyuan

SUPERVISORS[4]

ZHANG Guixian
LIAO Guosheng
WU Weijian
TANG Jinmu
XIAO Zuoping

JOINT COMPANY SECRETARIES

CAI Changzhen
MOK Ming Wai

AUTHORISED REPRESENTATIVES

CHEN Zhaohui
CAI Changzhen

REGISTERED ADDRESS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36/F, Tower Two, Times Square
1 Matheson Street Causeway Bay
Hong Kong

AUDITORS

International auditor:
PricewaterhouseCoopers

PRC auditor:
PricewaterhouseCoopers Zhong Tian LLP

LEGAL ADVISERS

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

as to PRC law:
King & Wood Mallesons

PRINCIPAL BANKERS

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

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

3378

LISTING DATE

19 December 2005

Notes:

1. Appointed as Chairman since 28 February 2017
2. Mr. CHEN Dingyu resigned from the position of non-executive director on 23 March 2018
3. Newly appointed since 28 February 2017
4. Mr. SU Yongzhong resigned from the position of supervisor on 23 March 2018

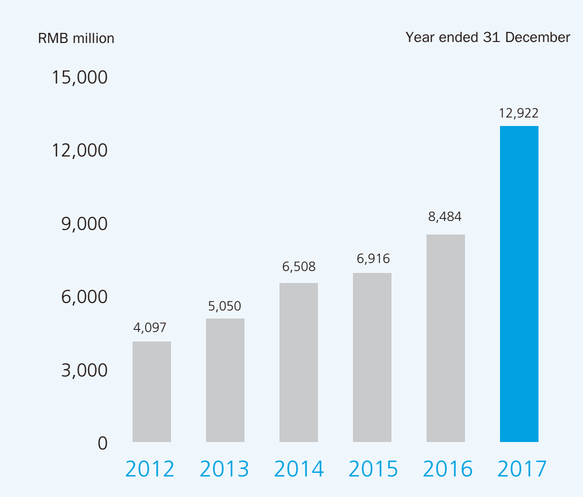
Corporate Profile

Xiamen International Port Co., Ltd ("Xiamen Port" or the "Company") and its subsidiaries (collectively referred to as the "Group") is the largest port terminal operator in Xiamen, the People's Republic of China (the "PRC" or "China"). It is also the only company providing full scale port comprehensive logistics services in Xiamen. The Group is principally engaged in container loading and unloading and storage for international and domestic trade, bulk/general cargo loading and unloading and storage and port comprehensive logistics services, including port-related logistics, tugboat services, shipping agency and tallying as well as the manufacturing, processing and selling of building materials and the trading of merchandise in Xiamen. The Group currently operates six container terminals, namely the Haitian Container Terminal ("Haitian Terminal"), Xiamen International Container Terminal ("XICT"), Hairun Terminal, Xiamen Haicang International Container Terminal ("XHICT"), Songyu Terminal and Xinhaida Terminal, as well as the ITG Terminal, Shihushan Terminal, Haiyi Terminal, Haiyu Terminal, Hailong Terminal and Huajin Terminal located at Quanzhou port, which operating bulk/general cargo business in respect of both international and domestic trade. The Group currently operates a total of 33 berths, the aforesaid terminal berths are capable of accommodating the largest container vessels in the world. Shipping routes have been developed from the container terminals to major ports including Europe, the United States (the "US"), the Mediterranean, Australia, Southeast Asia and Japan, as well as the major domestic shipping routes. In addition, the Group has leased Haicang berth No. 8 and Songyu berths No. 4 to No. 6 in the Haicang port area of Xiamen port for operation, and also leased berth No. 8 in the Qingzhou Operating Area of Mawei port area, Fuzhou City for operation, so as to meet the needs of its business development.

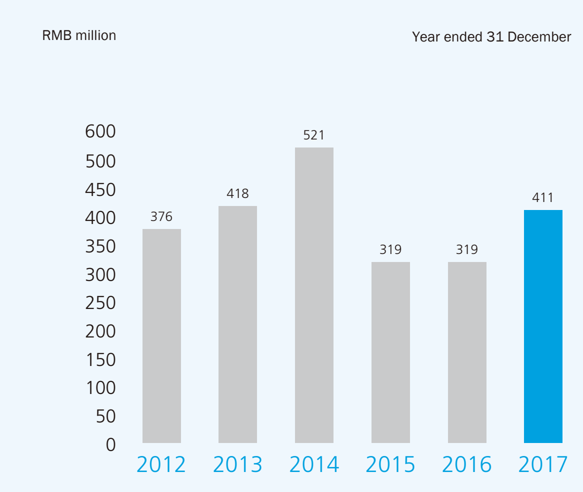
Financial Highlights

	Year ended 31 December					
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenues	4,097,210	5,050,060	6,507,876	6,915,686	8,483,998	**12,922,319**
Gross profit	765,972	825,309	1,032,814	1,039,847	1,127,715	**1,199,992**
Operating profit	688,272	831,296	1,192,456	995,789	1,051,049	**1,238,196**
Profit before income tax expense	666,704	807,832	1,108,306	943,785	1,021,337	**1,070,633**
Profit for the year	542,510	636,910	866,015	738,753	804,916	**819,595**
Profit attributable to owners of the Company	375,746	417,974	521,046	319,495	319,342	**411,157**
Earnings per share for profit attributable to owners of the Company during the year — Basic and diluted (in RMB cents)	13.79	15.34	19.11	11.72	11.71	**15.08**

Revenues



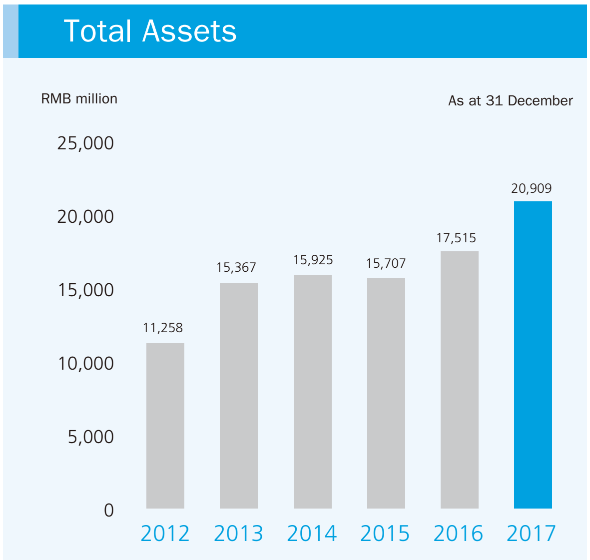
Profit attributable to owners of the Company

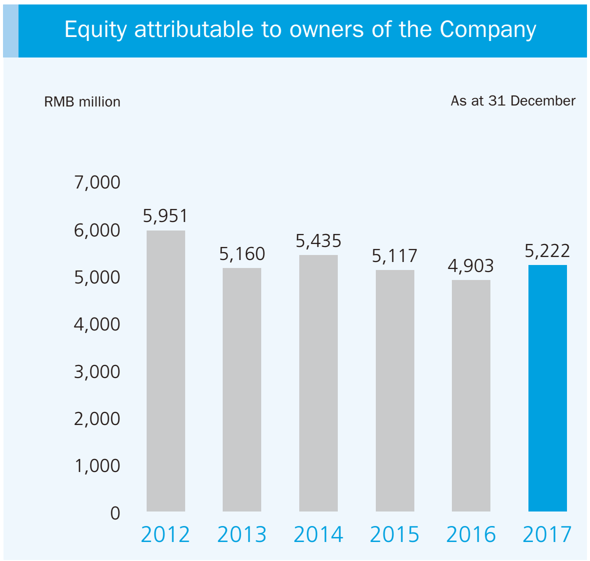


Financial Highlights

	Year ended 31 December					
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Total assets	11,257,546	15,367,316	15,924,575	15,707,285	17,514,627	**20,908,724**
Equity attributable to owners of the Company	5,951,066	5,159,529	5,434,600	5,116,580	4,902,861	**5,222,195**
Total liabilities	3,419,822	6,015,420	5,950,164	5,515,355	7,202,654	**9,065,237**
Cash and cash equivalents	1,030,046	1,064,058	750,654	861,733	1,140,956	**671,348**

	Year ended 31 December					
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Current ratio (times)	1.60	0.84	0.95	0.86	0.80	**0.63**
Gearing ratio (%)	(9.39)	(14.42)	(17.91)	(16.17)	(18.88)	**(31.58)**
Inventory turnover days	28	31	30	25	21	**21**
Accounts receivable turnover days	70	58	60	58	47	**32**





Chairman's Statement

I hereby present the annual report of the Group for the year ended 31 December 2017 (the "Year") to our Shareholders.

In 2017, the global economy recovered moderately, but the economic improvement was unbalanced among different countries and regions. In China, the economy exhibited a rising trend at a stable pace, supply-side structural reform produced an impressive result, and the economy has turned into the direction towards high-quality development. Hence, the port industry had to face increasingly severe challenges arising from the shipping company alliance and the increasing size of vessels. Confronted with such complex market environment, the Group closely focused on the construction of international shipping centers and endeavored to build its port arm by fully leveraging the operating scale and strengths in its comprehensive port logistics services. Meanwhile, the Group proactively promoted the expansion and integration of resources, intensified the refined management, improved the corporate governance and promoted the enterprise transformation and upgrade to maintain the stable and sound development of the Group.

For the Year, the revenue of Xiamen Port was approximately RMB12,922,319,000, representing an increase of approximately 52.3% as compared with the previous year; the profit after tax was approximately RMB819,595,000, representing an increase of approximately 1.8% as compared with the previous year; and the profit attributable to owners of the Company was approximately RMB411,157,000, representing an increase of approximately 28.8% as compared with the previous year (the Group recognized the investment income of RMB178,401,000 gained from the consolidation of XICT in 2017, of which, attributable to owners of the Company amounted to RMB106,059,000). Basic and diluted earnings per share attributable to owners of the Company were approximately RMB15.08 cents, representing an increase of approximately 28.8% as compared with the previous year.

The board (the "Board") of directors (the "Directors") of the Company recommended the payment of a final dividend of RMB3.5 cents per share (tax inclusive), thereby resulting in a total final dividend of RMB95,417,000 (tax inclusive).

In 2017, the Group actively responded to the changes in the market conditions. It focused on its core port business, consistently implemented the extensive operation and hinterland expansion strategy, and practically promoted the supply-side structural reform, which facilitated the steady development of the port business. As such, the Group has made great contribution to Xiamen port for its container throughput exceeding 10,000,000 twenty-foot equivalent units ("TEUs") for the first time in 2017, thus making it the first powerful international port of this level in Fujian province. Firstly, we have taken various measures to develop our principal port businesses, which mainly included the facts that (1) the headquarter marketing and overall marketing efforts were strengthened. We upheld the principle of "One Enterprise with One Strategy and Accurate Support" to intensify marketing to the headquarters of renowned shipping companies, consolidate strategic port and shipping partnership, deepen port and shipping business exchange, and expedite the growth of our major shipping business; meanwhile, we capitalized on our overall marketing strengths in the port supply chain and cooperated with our subsidiaries to jointly engage in the external marketing activities to facilitate the interactive development of various port businesses; (2) the incremental business was expanded to foster new drives for growth. We adopted the targeted price strategy by offering more discounts to container transshipment businesses, such as international transshipment, vessel transloading and domestic feeder line container transshipment, thus attracting container cargo sources; meanwhile, we promoted convenient customs clearance, took new business modes, and fostered new growth points such as waterway transport and waterway container-lading business; and (3) the consolidation of terminal resources has been deepened and the dominance to operate the core terminal business has been enhanced. Xiamen Container Terminal Group Co., Ltd. (廈門集裝箱碼頭集團有限公司) ("Xiamen Terminal Group"), a subsidiary of the Group, has completed the acquisition of 20% equity interest in Xiamen Haicang Xinhaida Container Terminals Co., Ltd. (廈門海滄新海達集裝箱碼頭有限公司) ("Xinhaida Terminal" or "XHD") held by Initial Sun Limited (禾陽有限公司), whereby the Group has effectively held 66% equity interest in Xinhaida Terminal and accordingly has predominated the operation of Xinhaida Terminal; moreover, Xiamen Terminal Group and Hutchison Ports Xiamen Limited have entered into a special matter agreement to reach consensus in respect of certain special corporate matters, thus enabling the Group to coordinate the operation of XICT. Secondly, we planned as a whole to implement the hinterland strategy, which mainly included the facts that (1) a container throughput of 270,000 TEUs was achieved by Haiying Terminal in 2017, intensifying the business of carrying both international and domestic cargos on same vessels and enhancing the feeding function of its feeder lines; the construction of the main hydraulic structure at berths No.1 and No.2 of Chaozhou feeder terminal has been completed, and the construction of the office building has officially commenced; (2) Xiamen Port Development Co., Ltd. (廈門港務發展股份有限公司) ("Xiamen Port Development" or "XPD"), a subsidiary of the Group, has acquired 75% equity interest in Shishi City Huajin Terminal Storage and Transportation Co., Ltd. (石獅市華錦碼頭儲運有限公司) ("Shishi Huajin" or "Shishi") at a consideration of approximately RMB200 million. As such, it has controlled and operated the company and has newly contributed RMB300 million at the same time. Thereafter, the Group has secured terminal resources in Quanzhou as the major cargo source land of Xiamen port, which facilitated the construction of the integrated logistics supply chain platform in Quanzhou and the network layout of the economic zone on the western coast of the Taiwan Straits; (3) the land-based ports and the cargo-canvassing networks were constructed. The Sanming and Ji'an land-based port businesses developed steadily which proactively set up direct selling centers and business points of imported goods. The Sanming land-based port continuously carried out the public bonded warehouse business to attract import and export logistics. The Ji'an land-based port proactively followed up and implemented comprehensive business cooperation with Ganzhou port to attract more cargo to go through Xiamen port to make their ways to and from Ganzhou. Thirdly, our overall port service capacity was enhanced, which mainly included the facts that (1) the service capability of our terminals was enhanced. We adapted to the trend of larger-sized vessels and the alliance of different shipping companies while focusing on hoisting the berthing capacity of deep water berths of Haicang port area and enhancing the service capability for larger-sized vessels. Xiamen Songyu Container Terminal Co., Ltd. (廈門嵩嶼集裝箱碼頭有限公司) ("Songyu Terminal") for the first time achieved the operation of turn-rounds and berthing along the left side of 200,000-tonne container vessels, and successively heightened two bridge cranes and added six new gantry cranes, thus enhancing the ancillary service capability and yard operating efficiency of 200,000-tonne container vessels, with a total of 84 200,000-tonne vessels berthed throughout the year. The steady promotion of the structural reinforcement and renovation and the turning basin expansion works at berths No. 1 to No. 3 of Haicang port area would have it equipped with the capability to regularly berth 120,000-tonne to 150,000-tonne container vessels as soon as possible. Xiamen Port Shipping Co., Ltd. (廈門港務船務有限公司) ("Xiamen Port Shipping"), a member company of the Group, added another four tugboats as a reserve for more tugboat sources within the port to ensure a smooth berthing and unberthing operation of vessels at terminals; (2) the operational efficiency was steadily improved. Songyu Terminal carried out the projects in due course to optimize the vessel operational efficiency and the operation and management of special goods. With the operational efficiency steadily improved, Songyu Terminal has received appreciation letters from relevant logistics companies. XICT was awarded the "2016 Terminals at Chinese Ports with Outstanding Container Vessel Loading and Unloading Efficiency" (2016年度中國港口傑出集裝箱船舶裝卸效率碼頭) from China Ports & Harbours Association, and Xinhaida Terminal was awarded the "2016 Outstanding Container Terminals at Chinese Ports Handling over 30 Containers per Bridge Crane per Hour on average" (2016年中國港口橋吊平均每台時超30自然箱傑出集裝箱碼頭); and (3) our service quality was improved and our customer satisfaction was increased. The Group established an integrated indicator system embracing containers and bulk/general cargos and further built a more established port service efficiency assessment system. Xiamen Terminal Group implemented the strategy of "Strengthening the Port with Services", introduced the first "Service Commitment" standards and implementation rules for the national port industry, imported a compensation mechanism in response thereto and innovated a mode under which terminals served as the service supply side to provide customers with unilateral benefits, which received the unanimous support from all sectors of the society. Fourthly, we facilitated the port transformation and upgrading in line with national policies, which mainly included the facts that: (1) we were proactively in response to the State's initiatives of the "Silk Road Economic Belt" and "21st Century Maritime Silk Road" ("One Belt, One Road") while focusing on expanding international shipping routes. In 2017, there were 48 shipping routes calling at the ports in Xiamen and those countries along the "One Belt, One Road", and four shipping routes from and to the "BRICS"; (2) we kept an eye not only on the opportunities brought by the reform of the power system nationwide and in Fujian province but also on the policy dynamics, and proactively participated in the reform of the electricity sale side. The market entry registration materials relating to the electricity sales company submitted by Xiamen Area of China (Fujian) Pilot Free Trade Zone Port Power Supply & Tech. Co., Ltd. (廈門自貿片區港務電力有限公司) ("Xiamen Port Power Supply & Tech."), a subsidiary of the Company, were reviewed and passed. The 110KV transformer station project of the cruise home port incremental power distribution project was listed into the preliminary work plan of the municipal infrastructure projects in Xiamen; and (3) China Ocean Shipping Agency Xiamen Co., Ltd. (中國廈門外輪代理有限公司) ("Ocean Shipping Agency"), a subsidiary of the Group, kept up with the construction of the cruise home port, expanded the cruise supply business, coordinately promoted the cost performance of maritime express and mail delivery, and attracted the express items flowing back to Xiamen from peripheral provinces, so as to boost the development of the international express collection and distribution center in Xiamen. During the period under review, the containers and the bulk/general cargo handling capacity of the Group in Xiamen were approximately 8.228 million TEUs and 26.531 million tonnes, respectively (the handling capacity of XICT, Shihushan Terminal and other terminals in respect of the above businesses were included on a 100% basis, same as below), among which, the container throughput accounted for 79.3% and 52.6% of the total throughput in Xiamen and Fujian province, respectively, which allowed the Group to continuously maintain its leading market position in the port industry in both Xiamen and Fujian province.

While devoting contribution to the core businesses, the Group has also actively strengthened its corporate governance and promoted refined corporate management, capital operation and the healthy development of the enterprise. During the Year, the Company has completed the re-elections for the Board, supervisory committee and five professional committees under the Board as scheduled according to the procedures and recognized the perfection of legal entity governance structures; The Group has strengthened the monitoring on substantial transactions and connected transactions and made appropriate information disclosure in respect of the amount of short-term notes, the issue of corporate bonds and the equity investment in Shishi Huajin, the construction of relevant berths of Gulei port area of Xiamen port; The Group has reinforced its relationship with investors, and convened a total of 14 meetings with investors in 2017 to efficiently uphold the market image for the Company. On the other hand, the Group expedited the improvement of internal control system and consolidated risk management. Firstly, the Group has perfected its internal control system and successively amended or re-enacted its management systems in relation to the debt investment, capital sharing services, material procurement, computer information technology, equipment management and charity activities. Secondly, the Group has strengthened its risk management, actively implemented corporate internal risk assessment, established a regular risk management reporting system and improved relevant risk management system. Thirdly, the Group has intensified its audit supervision and conducted the audit of the equipment procurement management of Xiamen Terminal Group and the resignation audit of the responsible persons of the relevant enterprises so as to leverage its audit supervision function. In addition, the Group has actively strengthened its capital operation, adhered to its refined management and strived to increase efficiency with lower costs, which mainly included: to connect to the capital market, facilitate Xiamen Port Development to make open offer and acquire 49% equity interest in Xiamen Port Group Shihushan Terminal Company Limited (廈門港務集團石湖山碼頭有限公司) ("Shihushan Terminal Company" or "Shihushan") held by Xiamen Port Holding Group Co., Ltd. (廈門港務控股集團有限公司) ("Xiamen Port Holding" or "XPHG") and utilize the good faith of the Company to issue corporate bonds during the year, so as to reduce its financing costs; to strengthen the construction of capital management platform and improve the efficiency in capital utilization of the Group through the establishment of a capital sharing services center to make overall use of funds, the strengthening of its internal financing and the extensions of both domestic and overseas financing channels; to flexibly leverage on financial and tax policies to increase revenue and reduce expenses and in this regard, certain subsidiaries of the Group have benefited from various preferential governmental policies in respect of exemption of value-added tax and land use tax for provision of cross-border services; and to stringently control costs and expenses and focus on controlling certain controllable costs and expenses. During the year, the Group has proactively advanced the construction of green and smart ports. The relevant terminals under the Group have explored the full-automatic terminal operation mode and gradually promoted the remote control of bridge crane and other equipment. The acceptance check of Container Business Management Platform Phase One Project has been completed, the Container Intelligent Logistics Platform was awarded the "2017 China Ports & Harbors Association Science and Technology Improvement Award (First Class)" (中國港口協會科技進步獎一等獎), and the Container Intelligent Tallying Operation System Fourth Phase Project has been put into use smoothly. The Group has promoted energy conservation and emission reduction and achieved varying degrees of breakthrough in technical transformation projects for energy conservation, such as the "Use of Shore-power Supply for Vessels" project, the "Change from Oil to Electricity" project, the "LED Lighting Engineering" and the "Solar Energy Application" project, and has therefore made a remarkable achievement in energy saving and consumption reduction with energy equal to 1,280 tonnes of standard coal equivalent saved in the full year; the Group has also promoted environmental protection, sewage treatment, dust prevention and control, garbage classification and fulfilled its corporate social responsibility, which was highly regarded by the society.

In 2018, it is expected that the global economic recovery will be continuously strengthened and the global economic growth may be slightly higher than that in 2017. However, there are still many uncertainties such as intensifying trade protectionism. From a domestic perspective, according to the forecasts of the PRC government and its relevant authorities, the estimated national economic growth rate in 2018 will be around 6.5%. Despite the large downward pressure on the PRC economy, the PRC government and the society will adhere to the mainline of supply-side structural reform, promote the innovation of quality, efficiency and motivation and endeavor to propel the healthy and steady transformation of the economy. On the other hand, the deepening impact of shipping company alliances, mega-vessels and the adjustment of shipping routes would pose challenges to the business development in the Group's terminals. As a result, the Group will encounter larger challenges from economic development in 2018 together with the existence of opportunities.

Looking forward to the year of 2018, the Group will adhere to its ultimate objective by continuing to pursue its sustainable development and maximizing the interests of shareholders taken as whole, and will closely focus on the port production and development of comprehensive logistics services as its core business. The Group will also adhere to the principle of seeking progress while maintaining stability, upholding the new development philosophy, fully explore the growth potential of the port to enlarge and intensify its core port businesses; and adhere to implement the supply-side structural reform, continuously deepen the integration of port resources, optimize the allocation of resources, promote the comprehensive coordinated-development of its port business; continuously promote its overall marketing activities and improve strategic hinterland layout to exert the integration development function of its port platform and stay committed to providing services of better quality to our customers, strengthen its excellent brand image among port operator peers with its focus on expanding the space for foreign development. Meanwhile, the Group will strictly comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), coordinately propel its environmental, social and corporate governance, continuously promote its meticulous management and enhance its internal control and risk management standards, facilitate the transformation and upgrade and innovation development of enterprise to promote the development of ports, the resource utilization and the environmental protection in a harmonious, coordinated and sustainable manner, so as to create stable returns for the shareholders of the Company.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the unrelenting trust and support of shareholders, investors and business partners, and great appreciation to all staffs for their unremitting hardworking and positive contributions to the Group's business development in the past year. With the joint efforts of all our staff and the fully support of our shareholders, I believe that the Group will continue to grow steadily and create a new stage of port development.

CAI Liqun
Chairman

Xiamen, the PRC
29 March 2018

Management Discussion and Analysis

INDUSTRY OVERVIEW

China's Foreign Trade and Port Container Business

In 2017, the global economy recovered at an accelerated pace, whilst the international trade saw a rising volume and price and a significant pick-up in growth. Internationally, a resilient growth was generally demonstrated in the gross national product ("GDP") in the developed economies including the United States, the Eurozone and Japan, coinciding with a rally in the overall growth of the emerging markets and developing economies. The PRC government adopted proactive fiscal policy and achieved preliminary success in the new development concept and the supply side structure reform. According to the PRC National Bureau of Statistics, China's GDP in 2017 reached approximately RMB82.7122 trillion, representing an increase of approximately 6.9% over the same period of 2016 (same as below); China's total import and export volume of goods recorded approximately RMB27.7923 trillion, an increase of approximately 14.2% over the previous year, reversing the two-consecutive-year decline. In particular, the export of goods increased by approximately 10.8% to approximately RMB15.3321 trillion and the import of goods increased by approximately 18.7% to approximately RMB12.4602 trillion for the full year; after the import and export volume of goods were offset against each other, the foreign trade surplus amounted to approximately RMB2.8718 trillion. For the port operation business, China's port cargo throughput achieved approximately 12.64 billion tonnes in 2017, representing a year-on-year increase of approximately 6.4%, while the port container throughput achieved was approximately 236.80 million TEUs, representing a year-on-year growth of approximately 8.3%.

Foreign Trade in Fujian and Ports in Xiamen

In 2017, although the economic operation of Fujian Province maintained an overall steady momentum with its economic growth rate anchored above the national overall level, part of its traditional industries and medium to low-end product orders have migrated to Southeast Asia, Central and Western China and other regions due to the factors such as rising costs and customs duties, as well as the advantages in the export of its traditional labor-intensive products being weakened. Although a resilient growth was recorded in the total import and export volume of the foreign trade in Fujian Province in 2017, it was still lower than the overall nationwide growth. According to the government of Fujian Province, the GDP of Fujian Province in 2017 was approximately RMB3.2298 trillion, representing a year-on-year growth of approximately 8.1%, a decrease of 0.3 percentage point over the last year; the total export and import amount of foreign trade was approximately RMB1.1591 trillion, representing a year-on-year increase of approximately 12.0%, among which, the cargo export value of the whole province was approximately RMB711.4 billion, representing a year-on-year increase of approximately 4.1%, while the cargo import value was approximately RMB447.7 billion, representing a year-on-year increase of approximately 27.5%; and the port cargo throughput amounted to approximately 520 million tonnes, representing a year-on-year increase of approximately 2.4%, and the container throughput achieved approximately 15.65 million TEUs, representing a year-on-year increase of approximately 8.7%.

In 2017, Xiamen City continuously promoted the construction of the international shipping center and the Xiamen Area of China (Fujian) Pilot Free Trade Zone (中國 (福建) 自由貿易試驗區廈門片區) (the "Xiamen Free Trade Zone") with the support of the initiative of the "One Belt, One Road". Its container throughput exceeded 10 million TEUs for the first time. The Port Smart Logistics Platform Demonstration Project of Xiamen International Shipping Center (廈門國際航運中心港口智慧物流平台示範工程) has been selected as the national smart port demonstration project, while the Xiamen Port Sea-rail Multimode Joint Transport Project (廈門港海鐵多式聯運項目) linking the "One Belt, One Road" has been selected as one of the second national multimode joint transport demonstration projects. In 2017, the total import and export of foreign trade of Xiamen City was approximately RMB581.6 billion, representing a year-on-year increase of approximately 14.3%, which was flat with the national average, and the growth of its export of goods was sluggish. However, benefiting from the development of the cross-border e-commerce in the Xiamen Free Trade Zone and affected by the price factor of international bulk commodities, the import of goods of Xiamen City increased significantly by approximately 28.4%. The total container throughput handled by Xiamen port was approximately 10.381 million TEUs, representing an increase of 7.99% over 2016, whose container throughput ranked seventh among the ports in Mainland China, accounting for approximately 66.3% of the total container throughput in Fujian Province.

BUSINESS REVIEW

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

Business Scale

During the Year, the Group owned and operated a total of 33 berths designated for containers and bulk/general cargos in both international and domestic trade, with a water depth of wharf apron ranging from 9.9 meters to 17.5 meters for accommodating vessels up to 200,000 dead-weight tonnage (DWT) with a maximum carrying capacity of 20,000 TEUs. The Group has also reserved sizeable space for storage facilities (depots/warehouses) and relevant auxiliary facilities both inside and outside the terminal areas.

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

In addition, the Group also operated ITG Terminal (Dongdu berths No. 20 and No. 21), Haiyi Terminal (Dongdu berth No. 18) and Shihushan Terminal (Dongdu berth No. 19) in Dongdu port area, Haiyu Terminal (Haicang berth No. 7) and Hailong Terminal (Haicang berths No. 20 and No. 21) in Haicang port area and Huajin Terminal (berths No. 1 to No. 3 of Huajin Terminal) in Quanzhou port for bulk/general cargo loading and unloading operations of international and domestic trade.

Apart from the aforesaid 33 berths owned by the Group, during the Year, the Group also leased and operated berth No. 8 in Haicang port area (Mingda Terminal) from Mingda Terminal (Xiamen) Limited (明達碼頭(廈門)有限公司), Songyu berths No. 4 to No. 6 (Haitong Terminal) from Xiamen Port Haitong Terminal Co., Ltd. (廈門港務海通碼頭有限公司) ("Haitong Terminal Company") and the berths No. 6 to No. 8 (Haixiang Terminal) in the south port area of Liuwudian of Xiamen from Xiamen Port Haixiang Terminal Co., Ltd. (廈門港務海翔碼頭有限公司) ("Haixiang Terminal Company"). In addition, the Group has also leased and operated berth No. 8 in Qingzhou operating area, Fuzhou ("Fuzhou Zhongying Terminal") from Fuzhou Zhongying Gangwu Co., Ltd. (福州中盈港務有限公司) ("Zhongying Gangwu") for operation of the container and general cargo loading and unloading business and the port-related comprehensive logistics business since 20 November 2012.

Container Port Business

During the Year, the Group achieved a container throughput of 8,549,709 TEUs. Details of the container throughput handled by each terminal are as follows:

	Container throughput		
	2017 (TEUs)	2016 (TEUs)	Increase/ (Decrease)
Haitian Terminal and Hairun Terminal of the Group#	**4,334,748**	4,490,845	(3.48%)
XICT and XHICT*	**1,292,835**	1,229,199	5.18%
Songyu Terminal⊕	**1,321,258**	1,178,300	12.13%
Xinhaida Terminal⊕	**1,279,257**	1,205,259	6.14%
Total throughput in Xiamen	**8,228,098**	8,103,603	1.54%
Fuzhou Zhongying Terminal△	**271,601**	252,849	7.42%
Quanzhou Huajin Terminal☆	**50,010**	—	100%
Total throughput	**8,549,709**	8,356,452	2.31%

\# Since 1 January 2016, Xiamen Terminal Group and Xiamen Hairun Container Terminals Co., Ltd. ("Hairun Terminal Company") have successively leased and operated Haitong Terminal (Songyu berths No. 4 to No. 6) from Haitong Terminal Company respectively, a wholly-owned subsidiary of Xiamen Port Holding, due to their business development requirements; since January 2017, Xiamen Terminal Group has leased the relevant berths in Haixiang Terminal for operation of the container business. Therefore, for the purpose of the operating information set out in this annual report, the related operating figures of Haitian Terminal and Hairun Terminal included the figures of container business relating to Dongdu berths No. 5 to No. 16, Haitong Terminal, berths No. 4, No. 5 and No. 6 in the Haicang port area of Xiamen port and the relevant berths in Haixiang Terminal.

* XICT and Xiamen Haicang International Container Terminals Ltd. ("XHICT") are the joint ventures established by Xiamen Terminal Group with Hutchison Ports Xiamen Limited and Hutchison Ports Haicang Limited, respectively. Since 1 September 2008, as a result of the commencement of unified operation between XICT and XHICT, the relevant operating information of XICT also included the figures of XHICT, which were consolidated in the calculation and were fully included in the port business. The Company adopted "HKFRS 11 — Joint Arrangements" for the financial year beginning on 1 January 2013 and determined the Group's jointly controlled entities as joint ventures with the interest accounted for using equity method. Pursuant to the relevant agreed arrangement entered into on 28 November 2016, XHICT has become a subsidiary of the Group. Pursuant to the relevant agreed arrangement entered into on 15 May 2017, XICT has become a subsidiary of the Group.

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

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

☆ Quanzhou Huajin Terminal was consolidated into the Group at the end of October 2017. Therefore, the relevant operating figures of this terminal in November and December 2017 were included in this annual report accordingly.

Management Discussion and Analysis

In 2017, the development of the container business of the Group was confronted with greater challenges. With deepening development of the shipping company alliance and vessel up-sizing, some of the shipping routes predominated by relevant shipping companies streamed into the relevant terminals invested by their affiliates in the Haicang port area in Xiamen port, which affected the development of some of our businesses at the terminals within Xiamen port to some extent. Confronted with complicated and ever-changing economic and industrial situations, the Group proactively implemented the overall marketing and hinterland strategy, adopted targeted marketing strategies and strived to develop all incremental businesses so as to ensure that the container business of the Group would continue to maintain sustainable growth in 2017. In particular, the volume of the container business in Xiamen increased by approximately 1.54% over the previous year, mainly due to the following growth factors: the container throughput of the domestic trade was approximately 2.511 million TEUs, representing an increase of approximately 13.3% over the previous year; the container throughput of the domestic feeder lines was approximately 799,000 TEUs, representing an increase of approximately 16.4% over the previous year; and the vessel transloading throughput of containers increased almost three-fold to approximately 294,000 TEUs. In addition, the Group completed the acquisition of Quanzhou Huajin Terminal in late October 2017, which further strengthened the ability of the Group to penetrate into the source of goods in Quanzhou and proportionately increased the throughput of the container business of the Group in 2017.

Bulk/General Cargo Port Business

In 2017, the total annual bulk/general cargo throughput achieved by the Group was 26,897,710 tonnes, details of which are as follows:

	Bulk/general cargo throughput		
	2017 (Tonnes)	2016 (Tonnes)	Increase/ (Decrease)
Hailong Terminal/Dongdu Terminal, ITG Terminal and Songyu Terminal#	**8,026,467**	8,874,788	(9.56%)
Shihushan Terminal, Haiyi Terminal and Haiyu Terminal☆	**18,505,003**	1,599,579	1056.87%
Total throughput in Xiamen	**26,531,470**	10,474,367	153.30%
Fuzhou Zhongying Terminal△	**29,436**	32,754	(10.13%)
Quanzhou Huajin Terminal*	**336,804**	—	100%
Total throughput	**26,897,710**	10,507,121	156.0%

Hailong Terminal has been put into trial operation since August 2016. Due to the relevant land and asset resumption of Dongdu Terminal, the relevant bulk cargo business (including the grain bulk cargo business) at berth No. 2 has been relocated to Hailong Terminal for operation, while the other bulk/general cargo businesses have been gradually relocated to ITG Terminal, which has been leased respectively by Xiamen Port Development and Hailong Terminal Company successively since April 2014 for operation, from 1 April 2014. In addition, Xiamen Port Development and Hailong Terminal Company have successively and respectively leased parts of berth No. 8 (Mingda Terminal) in the Haicang port area of Xiamen port since November 2009 and the relevant assets of XICT since 1 July 2015 for operation of the bulk/general cargo business; Hailong Terminal Company has leased the relevant berths of Haixiang Terminal for operation of the bulk/general cargo business since January 2017; and the general cargo business of Songyu Terminal has been taken over by Hailong Terminal Company since November 2017 for operation, all with the relevant operating figures fully included in the port business. Therefore, for the purpose of the operating information set out herein, the related operating figures for each of the bulk/general cargo businesses of Hailong Terminal/Dongdu Terminal, ITG Terminal and Songyu Terminal in 2016 included that of Hailong Terminal, berth No. 2 of Dongdu Terminal, ITG Terminal, Songyu Terminal, XICT Terminal and Mingda Terminal, while the relevant operating figures for 2017 included that of the relevant berths of Hailong Terminal, ITG Terminal, Songyu Terminal, XICT Terminal, Mingda Terminal and Haixiang Terminal.

☆ Shihushan Terminal, Haiyi Terminal and Haiyu Terminal have been incorporated into the Group at the end of November 2016. Therefore, the relevant operating figures of the above three terminals for December 2016 and the full year of 2017 were included in this annual report.

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

* Quanzhou Huajin Terminal has been incorporated into the Group at the end of October 2017. Therefore, the relevant operating figures of this terminal in November and December 2017 were included in this annual report accordingly.

During the Year, the bulk/general cargo port business of the Group increased by approximately 156.0% compared with the previous year, primarily due to the contribution to the throughput of the bulk/general cargo port business by each of Shihushan Terminal, Haiyi Terminal and Haiyu Terminal, all of which have been incorporated into the Group in December 2016, and Quanzhou Huajin Terminal, which has been incorporated into the Group at the end of October 2017. Save as disclosed above, although the terminals within Xiamen, such as Hailong Terminal, exhibited varying degrees of growth in the import of grain, copper concentrates and the steel for foreign and domestic trade, the general cargo throughput of such terminals descended due to a significant decrease in the volume of the sand business as a result of the remediation of the foreign-export sand mine. Fuzhou Zhongying Terminal mainly provided berthing service and operation for container vessels, thus the throughput of its general cargo business decreased by approximately 10.1% correspondingly. In response to the above circumstances, the Group proactively promoted the construction of the relevant supporting infrastructures, such as grain storage facilities, at Hailong Terminal and strived to form the productivity as soon as possible to accommodate more bulk/general cargo port businesses. Meanwhile, the Group proactively facilitated the opening of the relevant ports of Haixiang Terminal to increase the throughput of the bulk/general cargo port business by operating commodities for foreign trade such as imported stone materials.

Comprehensive Port Logistics Services

The comprehensive port logistics services of the Group mainly included various businesses, such as shipping agency, tallying, tugboat berthing and unberthing, and related logistics services. During the reporting period, the Group fully leveraged on its overall supply chain strength of comprehensive port logistics services, to promote joint marketing and advance the interactive development between comprehensive port logistics services and the terminal loading and unloading business, thus effectively enhancing the external competitiveness of port business of the Group. During the Year, the Group maintained a steady growth in port comprehensive logistics services in general. Although the expansion of the tugboat-assisted berthing and unberthing business of the Group in some markets outside Xiamen port has been increasingly depressed by the impact of industry competition, its business within Xiamen port recorded a slight increase in general. The market share of shipping agency business in some market shrank due to the industrial homogeneous competition, but the volume of the main agency businesses increased as compared to last year, with significantly higher operational efficiencies. With the continuous innovation in the business mode, the market share of the tallying business remained relatively steady in the year, and the tallying business leveraged on its intelligent tallying operation system to effectively promote the development of its principal business. The Group proactively perfected the establishment of the networks of its port-related logistics services, promoted the transformation and upgrading of the warehouse storage business, and commenced the businesses related to the China-europe Railway Express during the Year.

Merchandise Trading Business

In 2017, adhering to the operation philosophy of port and trade integration and leveraging on the advantage of port platform, the Group strengthened the strategic cooperation with key state-owned coal enterprises, proactively promoted the optimization of coal procurement and distribution. Combined with rising price of bulk commodities and other factors, the Group boosted the rapid development of the portside supply chain businesses and related e-commerce business, such as coal, steel and chemical products for foreign and domestic trade, which made significant contributions to the port throughput of the Group. Meanwhile, the Group continued to strengthen the risk control of its trading business, advanced the informationization construction of the management of its trading business, improved the credit management and the management of sensitive posts, intensified the construction of the risk control system, and promoted the stable operation of the trading business.

FINANCIAL REVIEW

Revenue

Revenues of the Group increased by approximately 52.3% from approximately RMB8,483,998,000 for the year ended 31 December 2016 to approximately RMB12,922,319,000 for the year ended 31 December 2017. The increase was mainly due to the increase in revenue from the Group's trading business of merchandise.

Revenue by business sector

Business	For the year ended 31 December		
	2017 (RMB'000)	2016 (RMB'000)	Increase/ (Decrease)
Container loading and unloading and storage business	**1,944,260**	1,588,778	22.4%
Bulk/general cargo loading and unloading business	**598,847**	594,863	0.7%
Comprehensive port logistics service	**776,783**	753,043	3.2%
Manufacturing and selling of building materials	**329,927**	329,959	(0.0%)
Trading business of merchandise	**9,272,502**	5,217,355	77.7%
Total	**12,922,319**	8,483,998	52.3%

The reasons for the changes in the revenue of each business sector for the year ended 31 December 2017 compared with 2016 are as follows:

1. The increase of Group's container loading and unloading and storage business revenue was mainly due to the business combination of Xinhaida Terminal and XICT, representing an increase of 22.4% compared with 2016;

2. The increase of the bulk/general cargo loading and unloading business revenue was mainly due to the acquisition of Shishi by the Group during this reporting period, representing a slight increase of 0.7% compared with 2016;

3. The increase of Group's comprehensive port logistics service revenue was due to influences of increase in container throughput of the terminals and the expansion of trading business during this reporting period, representing an increase of 3.2% compared with 2016;

4. The revenue of the Group's manufacturing and sales of building materials basically equals to that of last year; and

5. The Group expanded the scale of trading business, which led to a significant increase in the revenue of the trading business of merchandise such as coal, chemical products, wastepaper and commodity.

Cost of sales

Cost of sales increased by approximately 59.4% from approximately RMB7,356,283,000 for the year ended 31 December 2016 to approximately RMB11,722,327,000 for the year ended 31 December 2017. The increase was primarily due to the increase in the cost of trading merchandise, cost of inventories consumed and employee benefits expense.

— Cost of trading merchandise and cost of inventories consumed increased by approximately 75.9% from approximately RMB5,463,767,000 for the year ended 31 December 2016 to approximately RMB9,611,635,000 for the year ended 31 December 2017. The increase was mainly due to the Group's expansion of the scope of trading business and the increase in the volume of merchandise trading business, which led to the corresponding increase in cost.

— Employee benefits expense increased by approximately 21.8% from approximately RMB684,445,000 for the year ended 31 December 2016 to approximately RMB833,393,000 for the year ended 31 December 2017. The increase was mainly due to the business combination of XICT, XHD and Shishi in 2017 by the Group and the subsequent increase in the number of staff of the Group.

Gross profit

Due to the increase in the container port business volume and trading business scale of the Group, the Group's gross profit increased by approximately 6.4% from approximately RMB1,127,715,000 for the year ended 31 December 2016 to approximately RMB1,199,992,000 for the year ended 31 December 2017. Gross profit margin of the Group decreased from approximately 13.3% for the year ended 31 December 2016 to approximately 9.3% for the year ended 31 December 2017. The decrease in gross profit margin was mainly due to the significant increase in revenues of the Group's trading business of merchandise which has a lower gross profit rate.

Other gains

Other gains of the Group increased by approximately 12.2% from approximately RMB188,240,000 for year ended 31 December 2016 to approximately RMB211,255,000 for the year ended 31 December 2017. The increase was mainly due to the investment gains from the business combination not under common control of XICT in 2017 by the Group.

Operating expenses

The Group's operating expenses increased by approximately 12.0% from approximately RMB383,097,000 for the year ended 31 December 2016 to approximately RMB429,238,000 for the year ended 31 December 2017. The increase was primarily due to the rise in the Group's revenue this year, along with rising operating expenses.

Operating profit

The Group's operating profit increased by approximately 17.8% from approximately RMB1,051,049,000 for the year ended 31 December 2016 to approximately RMB1,238,196,000 for the year ended 31 December 2017. The Group's operating profit margin decreased from approximately 12.4% for the year ended 31 December 2016 to approximately 9.6% for the year ended 31 December 2017, which was mainly due to the significant increase in revenue of the Group's trading business of merchandise which has a lower profit margin rate.

Income tax expense

The Group's income tax expense increased by approximately 16.0% from approximately RMB216,421,000 for the year ended 31 December 2016 to approximately RMB251,038,000 for the year ended 31 December 2017. The increase was mainly due to the increase in the Group's operating profit. The Group's applicable corporate income tax rate (except for Trend Wood Investments Limited (紀成投資有限公司) ("Trend Word"), Songyu Terminal, Xiamen Ocean Shipping Agency (Hong Kong) Limited (廈門外輪代理(香港)有限公司) ("Hong Kong Ocean Shipping Agency") and Xiaman Port Haiyu Terminal Co, Ltd. (廈門港務海宇碼頭有限公司) ("Haiyu Terminal") and Xiamen Port Haiheng (Hong Kong) Limited (廈門港務海衡(香港)有限公司) ("Haiheng Hong Kong") was 25%, same as that of last year.

Profit for the Year

The Group's profit for the Year increased by approximately 1.8% from approximately RMB804,916,000 for the year ended 31 December 2016 to approximately RMB819,595,000 for the year ended 31 December 2017. The Group's profit margin was approximately 9.5% for the year ended 31 December 2016 and approximately 6.3% for the year ended 31 December 2017. The decrease in profit margin for the Year was mainly due to the decrease in operating profit margin mentioned above.

Total comprehensive income for the Year

Total comprehensive income for the Year increased by approximately 0.5% from approximately RMB832,298,000 for the year ended 31 December 2016 to approximately RMB836,820,000 for the year ended 31 December 2017.

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

Total comprehensive income for the Year attributable to non-controlling interests decreased by approximately 15.9% from approximately RMB485,574,000 for the year ended 31 December 2016 to approximately RMB408,438,000 for the year ended 31 December 2017, which was primarily due to the decrease in profit of the Group's non-wholly owned subsidiaries.

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

Total comprehensive income for the Year attributable to owners of the Company increased by approximately 23.6% from approximately RMB346,724,000 for the year ended 31 December 2016 to approximately RMB428,382,000 for the year ended 31 December 2017. This was mainly due to the investment income amounted to RMB178,401,000 from the business combination of XICT, among which amounted to RMB106,059,000 attributable to the owners of the Company.

Accounts and notes receivable

The Group's net accounts and notes receivable decreased from approximately RMB1,152,686,000 as at 31 December 2016 to approximately RMB1,151,344,000 as at 31 December 2017. The decrease was a normal fluctuation.

As at 31 December 2017, the Group's gross accounts and notes receivable were approximately RMB1,266,507,000, of which approximately RMB946,934,000 accounts and notes receivable were aged within six months, accounting for approximately 74.8% of the total accounts and notes receivable, approximately RMB65,346,000 were aged between six months to one year, approximately RMB79,906,000 were aged between one year to two years, approximately RMB152,536,000 were aged between two years to three years and approximately RMB21,785,000 were aged over three years.

Accounts and notes payable

The Group's accounts and notes payable decreased by approximately 8.9% from approximately RMB1,047,631,000 as at 31 December 2016 to approximately RMB954,383,000 as at 31 December 2017. This was primarily due to the decrease in the payable of trading business at the end of this year.

As at 31 December 2017, the Group's accounts and notes payable within one year were approximately RMB727,637,000, accounting for approximately 76.2% and due over one year were approximately RMB226,746,000, accounting for approximately 23.8%.

Borrowings

The Group's borrowings increased from approximately RMB3,540,967,000 as at 31 December 2016 to approximately RMB6,137,797,000 as at 31 December 2017, which was primarily due to the increases in the corporate bonds and short-term bank loans for expansion of the operating businesses. In addition, the period-end balance of borrowings of XHD amounting to RMB813,371,000 was incorporated in the Group's consolidated balance sheet as at 31 December 2017.

As at 31 December 2017, borrowings due within one year were approximately RMB3,707,679,000, due within one to two years were approximately RMB1,613,603,000, due within two to five years were approximately RMB585,320,000 and due over five years were approximately RMB231,195,000.

As at 31 December 2017, total bank borrowings guaranteed were approximately RMB196,642,000, where a bank borrowing of RMB34,853,000 was guaranteed by China Construction Bank; A bank borrowing of RMB28,000,000 was guaranteed by Xiamen Port Holding; A bank borrowing of RMB133,789,000 was guaranteed by a non-controlling shareholder of subsidiary. Total bank borrowings secured were approximately RMB73,082,000, where a bank borrowing of RMB41,272,000 was secured by sea area use rights, a bank borrowing of RMB2,113,000 was secured by land use rights. The nature of finance lease liabilities of RMB29,697,000 was secured as the rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

Cash flows and working capital

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

The following table sets out the Group's cash flows derived from operating activities, investing activities and financing activities for the years ended 31 December 2016 and 2017 respectively:

	2017 **RMB'000**	2016 RMB'000
Net cash generated from operating activities	**667,101**	803,920
Net cash used in investing activities	**(717,145)**	(991,360)
Net cash (used in)/generated from financing activities	**(417,478)**	463,560
Net (decrease)/increase in cash and cash equivalents	**(467,522)**	276,120
Cash and cash equivalents at beginning of year	**1,140,956**	861,733
Exchange (losses)/gains on cash and cash equivalents	**(2,086)**	3,103
Cash and cash equivalents at end of year	**671,348**	1,140,956

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

Operating activities

The Group's net cash generated from operating activities decreased by approximately 17.0% from approximately RMB803,920,000 in 2016 to approximately RMB667,101,000 in 2017. The main reasons for the decrease in net cash of operating activities included the decrease in net cash generated from operations of approximately RMB8,923,000 the increase in income tax expense paid of approximately RMB14,916,000 and the increase in interest paid of approximately RMB112,980,000 in 2017.

Investing activities

The Group's net cash used in investing activities decreased from outflow of approximately RMB991,360,000 in 2016 to outflow of approximately RMB717,145,000 in 2017. The cash outflow in investment activities in 2017 was mainly due to subscriptions of wealth management products and acquisitions of property, plant and equipment, intangible assets and land use right.

Financing activities

The Group's net cash generated from/(used in) financing activities changed from inflow of approximately RMB463,560,000 in 2016 to outflow of approximately RMB417,478,000 in 2017. The net cash generated from financing activities outflow in 2017 was primarily due to (i) the cash outflow of approximately RMB3,943,299,000 from the payment to borrowed loans; (ii) payment for business combination under common control of approximately RMB501,546,000; and (iii) the cash outflow of dividends paid during the Year of approximately RMB903,124,000, partially offset by the cash inflow of newly borrowed loans of approximately RMB4,883,274,000 and the cash injection of approximately RMB117,217,000 by the non-controlling shareholders of the subsidiaries of the Company.

Capital expenditure

The Group's capital expenditures in 2016 and 2017 primarily included expenditures on port terminal infrastructure and purchase of equipment, machineries. The following table sets out the Group's capital expenditures in 2016 and 2017:

	2017 RMB'000	2016 RMB'000
Total capital expenditure	**674,784**	653,256

Capital expenditure commitments

On 29 September 2017, XPD, a non-wholly owned subsidiary of the Company, has entered into the Equity Interest Transfer Agreement with Xiamen Port Holding in relation to the acquisition of the remaining 49% of the equity interest in Shihushan Terminal Company at the consideration of RMB724,668,000.

As at 31 December 2017, the Group's capital expenditure commitments were approximately RMB789,173,000 mainly consisting of expenditure on constructing and improving port and storage infrastructure, acquisition of new loading machineries, other machineries and building renovation.

Exchange rate and interest rate risk

The Group's bank borrowings are denominated in RMB and US dollars. To the extent that RMB appreciates (or depreciates) against US dollars, the value of bank borrowings and repayment cost of such borrowings will decrease (or increase) correspondingly. In addition, since only a minor part of the business revenue is settled in foreign currencies, fluctuation in RMB exchange rate has no material impact on the business operations of the Group. The Group believes that the appreciation of RMB had no material impact on the operating results and financial position of the Group as at 31 December 2017.

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

Net debt to equity ratio

The Group's net gearing is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt. The Group's net gearing has changed from approximately 18.9% as at 31 December 2016 to approximately 31.6% as at 31 December 2017, which was mainly due to the increase in borrowings resulted from the expansion of businesses, the business combination and establishment of new subsidiaries.

Contingent liabilities

As at 31 December 2017, the Group had no significant contingent liabilities.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2017, the Group had a total of 7,572 employees, representing an increase of 515 employees as compared to 31 December 2016. The increase was mainly due to the fact that the Group has completed the acquisition of the 20% equity interests held by Initial Sun Limited (禾陽有限公司) ("Initial Sun") in Xinhaida Terminal, whereby the Group held an aggregate of 66% equity interest in Xinhaida Terminal, and completed the acquisition of and held the 75% equity interest in Shishi Huajin, such that each of Xinhaida Terminal and Shishi Huajin became a subsidiary of the Group, and their employees were included in the statistical scope of the Group. During the Year, the total staff cost accounted for approximately 8.3% of the revenue of the Group. Employees remunerations of the Group included basic salary, other allowances and performance-based bonus, which were determined according to job nature, individual performance, qualification and experience as well as the prevailing practice of the industry. Employees may be offered bonus or awards according to the Group's annual operating performance and the assessment results of their performance. The payment of rewards is an impetus to motivate employees. The Group's remuneration policy is reviewed on a regular basis.

ESTABLISHMENT OF NEW COMPANIES

On 25 May 2017, Xiamen Port Trading Co., Ltd. (廈門港務貿易有限公司) ("Xiamen Port Trading"), a subsidiary of the Company, invested to establish Haiheng Hong Kong in Hong Kong, which is principally engaged in the import and export and transshipment of cargos and technologies, trade services, etc.. The registered capital of Haiheng Hong Kong is HK$3.0 million, which is wholly owned by Xiamen Port Trading, and the relevant registration procedures have been completed.

On 15 June 2017, China Ocean Shipping Agency Xiamen Co., Ltd. (中國廈門外輪代理有限公司) ("Ocean Shipping Agency") and Xiamen Port Transport Co., Ltd. (廈門港務運輸有限公司) ("Xiamen Port Transport"), both subsidiaries of the Company, and Xiamen Port Financial Holding Co., Ltd. (廈門港務金融控股有限公司) ("Xiamen Port Financial Holding"), a subsidiary of Xiamen Port Holding, the controlling shareholder of the Company, jointly injected funds to establish Xiamen Port Hairongtong Supply Chain Management Company Limited (廈門港務海融通供應鏈管理有限公司) ("Hairongtong") in Xiamen, Fujian Province, which is principally engaged in the supply chain management, investment and investment management and consultancy, asset management, enterprise management consultancy, financial information service, business information consultancy, automotive retail. The registered capital of Hairongtong is RMB7,000,000, which is held as to 10% by Ocean Shipping Agency, 15% by Xiamen Port Transport and 75% by Xiamen Port Financial Holding, and the relevant industrial and commercial registration procedures have been completed.

On 16 June 2017, Ji'an Port Development Co., Ltd. (吉安港務發展有限公司) ("Ji'an Port"), a subsidiary of the Company, invested to establish Ji'an Port Nankang Branch (吉安港務南康分公司) in Nankang District, Ganzhou, Jiangxi Province, which is principally engaged in the wholesale, retail and online trade agency of health food, prepackaged food and unpacked food, dairy products, agricultural and poultry products, daily necessities, knitwear and textile products, stationery and sporting goods, hardware and electrical appliances, clothing, footwear and headwear and communication equipment. The relevant industrial and commercial registration procedures have been completed.

On 18 September 2017, Xiamen Port Logistics Free Trade Co., Ltd. (廈門港務物流保税有限公司) ("Xiamen Port Logistics"), a subsidiary of the Company, established the Haicang Branch of Xiamen Port Logistics in Xiamen Free Trade Zone, which is principally engaged in warehousing business, import and export of products and technology, and international freight agency services, etc. and the relevant industrial and commercial registration procedures have been completed.

OTHER MAJOR EVENTS IN 2017

On 13 February 2017, Xiamen Terminal Group has completed the acquisition of the 20% equity interest held by Initial Sun in Xinhaida Terminal, whereby Xiamen Terminal Group and Trend Wood, a wholly-owned subsidiary of Xiamen Terminal Group, and therefore now held a total of 66% equity interest in Xinhaida Terminal. In view of the completion of the aforesaid acquisition of equity interests and the concurrent amendments made to the articles of association of Xinhaida Terminal, Xinhaida Terminal has been accounted for as a subsidiary of the Group upon completion of the said acquisition. For details, please refer to the announcements of the Company dated 16 December 2016 and 13 February 2017, respectively.

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

On 15 May 2017, Xiamen Terminal Group and Hutchison Ports Xiamen Limited entered into an agreement in relation to XICT, pursuant to which Xiamen Terminal Group and Hutchison Ports Xiamen Limited have agreed to act in accordance with the agreed mechanism with regard to the approval of its special corporate matters by the board of directors of XICT for the period commencing on the date of the agreement and ending on 31 December 2022, unless otherwise extended by the relevant parties prior to expiry. By virtue of and in view of the arrangements contemplated under the agreement, XICT has been accounted for as a subsidiary of the Group in accordance with the HKFRS. For details of the above transaction, please refer to the announcement of the Company dated 15 May 2017.

On 15 June 2017, the annual general meeting of the Company resolved and approved the new application by the Company to the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) ("NAFMII") for the registration of the issue of short-term notes in China of an aggregate maximum principal amount of RMB2,500,000,000 on a rolling basis for a period of two years from the completion of the registration at the NAFMII, and the term of each tranche of 365 days commencing from the date of issue concerned; the above matters are subject to the approval of, and the completion of the relevant registration procedures with, the National Association of Financial Market Institutional Investors. For more details of the above matters, please refer to the Company's announcements dated 24 March 2017 and 15 June 2017 and the Company's circular dated 27 April 2017, respectively.

On 25 August 2017, the Company has made undertakings to Xiamen Port Development, pursuant to which the Company has agreed to subscribe, at a maximum total subscription price not exceeding RMB661,505,100, approximately 55.13% (in full) of the offer shares in Xiamen Port Development pursuant to the terms and conditions of the open offer of Xiamen Port Development. Assuming all the offer shares are taken up by the qualifying shareholders of Xiamen Port Development, the Company will continue to own approximately 55.13% of the enlarged issued share capital of Xiamen Port Development upon completion of the open offer. The above open offer of Xiamen Port Development is subject to the approval by the China Securities Regulatory Commission (中國證券監督管理委員會). Respectively on 25 August 2017 and 29 September 2017, Xiamen Port Development has entered into an equity transfer agreement and a supplemental agreement in relation to the 49% equity interest in Shihushan Terminal Company (at present Xiamen Port Development is holding 51% equity interest in Shihushan Terminal Company) with Xiamen Port Holding in succession, pursuant to which (i) Xiamen Port Development has exercised the call option in relation to the above 49% equity interest in Shihushan Terminal Company owned by Xiamen Port Holding and acquired from Xiamen Port Holding the 49% equity interest in Shihushan Terminal Company held by it for a consideration of

RMB724,667,600; (ii) the above consideration shall be paid after the receipt of the full sum of the proceeds from the open offer by Xiamen Port Development. For details, please refer to the Company's announcements dated 25 August 2017, 29 September 2017 and 15 November 2017 as well as the Company's circular dated 23 October 2017.

On 22 September 2017, the Company has completed the issue of the first tranche of the Corporate Bonds with a term of five years from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 4.69% per annum (the "First Tranche Corporate Bonds"). Pursuant to the principal terms of the First Tranche Corporate Bonds, at the end of the third year of the term, the Company is entitled to adjust the interest rate for the remaining term and the holders of the First Tranche Corporate Bonds may put back all or part of their bonds to the Company at the principal amount. The net proceeds from the issue of the First Tranche Corporate Bonds are principally used for satisfying working capital needs and adjusting the Company's debt structure (including, without limitation, repayment of bank loans) or other purposes not in violation of the relevant law and regulations.

SUBSEQUENT EVENTS

Since 31 December 2017 to the date of this annual report, there was no important events affecting the Group.

FUTURE PROSPECTS

The year of 2018 marks the 40th anniversary of China's reform and opening-up, and is a critical year form a connecting link between the preceding and the following for the Chinese government to carry on the "Thirteen Five-year Plan". Looking forward to 2018, the global economy is expected to enter a stage of rapid development. Internationally, according to the forecast from the International Monetary Fund in January 2018, the global economic growth is predicted to be 3.9% in 2018, representing an increase over 2017. However, there are uncertainties and instabilities in the global economy, as the fundamentals of the global economic recovery are weak due to issues including policy adjustment of the United States, anti-globalisation trend, high global debt levels, asset price bubbles and geopolitics conflicts. Domestically, the Chinese government will continue to implement active financial policies and stable monetary policies, solidly promote supply-side structural reform, speed up the optimization and upgrading of the manufacturing industry, and increase the attractiveness and competitiveness of the real economy. It will promote the trade balance, proactively increase import, while paying more attention to export quality, reinforcing the fundamental role of consumption in the economic development, and ensuring that the overall economy will perform in a reasonable range. In such regard, the Chinese government anticipates that the growth rate of the national economy will be approximately

6.5% in 2018, and the Fujian provincial government and Xiamen municipal government forecast that each of their local national economy will grow by approximately 8.5%. The national economy will strive to realize sustained and steady growth, which will set down a foundation for the development of Xiamen port and port business. On the other hand, the growing trend of shipping company alliance and vessel up-sizing will still have impact on some of the businesses of the terminals within Xiamen port.

Based on the above forecast on economic and trading situations in 2018, the Company expects that its port business will encounter a more complicated overall environment with new opportunities and challenges, about which the Company is prudent yet optimistic. Therefore, the Company will continue to look for a steady progress in 2018 and focus on the port core business, adopt effective measures, proactively respond to challenges, and capitalize on market opportunities to promote the sustainable and stable development of the Group. In 2018, the Group intends to roll out each of the following measures:

- To deepen the overall marketing, implement the extensive operation, and closely focus on the principal port business. Firstly, the Group will continue to adopt targeted marketing strategies, proactively implement the strategic port-shipping cooperation agreement, endeavor to procure key shipping companies to increase new shipping routes and voyages, and expand various port incremental businesses such as international container transshipment, domestic feeder line container transshipment, domestic trade container transshipment, vessel transloading, so as to foster driving forces for the sustainable development of port.

- To consistently implement the hinterland strategy and strive to expand the port hinterland. Firstly, the Group will strengthen the construction of land-based and sub-route ports, improve the cargo-canvassing network system, attract and gather cargo sources in hinterlands and enhance the radiation ability of Xiamen port through quality, convenient and efficient sea-rail and sea-land joint transportation networks. Secondly, the Group will put priority on the development of premium cargo sources and large-scale cargo sources, strengthen the project cooperation with major customers, and follow the implementation of the projects all the way, promote the expansion of hinterland with project cooperation to expand its hinterland into other regions such as the northern part of Fujian Province, the eastern part of Guangdong Province, the southern part of Jiangxi Province, and even Yangtze River basin and Bohai Bay.

- To promote transformation and upgrading, and improve quality and efficiency. Firstly, the Group will keep improve the service capabilities to adapt to the trend of vessel up-sizing. It will expedite the construction and upgrading of the supporting equipment of Songyu Terminal and Xinhaida Terminal, and the warehousing facilities of Hailong Terminal, promote the opening of foreign trade ports, such as Haixiang Terminal and Huajing Terminal, and speed up the construction of the relevant berths in the Gulei port area and Xiaohongshan Terminal in Chaozhou, so as to constantly meet the needs of business development. Secondly, the Group will keep to the strategy of building powerful port boasting of quality services. It will continue to implement the container service commitments to provide customers with services of high quality in order to build its brand in the port services sector. Thirdly, the Group will improve the industry patterns. It will expand the customs-supervised warehouse business by taking the advantage of policies related to Xiamen Free Trade Zone, and actively respond to the "One Belt, One Road" Initiative, grasp the development opportunities, increase shipping routes between Xiamen port and countries and regions under the "One Belt, One Road" Initiative.

- To intensify the refined management. Firstly, the Group will constantly improve its internal control system by strengthening risk control work such as budget enforcement, auditing supervision and management of accounts receivable, and increase revenue and reduce expenditure. Secondly, the Group will promote the ecological progress of port. It will make more efforts in energy conservation and emission reduction and pollution prevention, give priority to a number of projects, such as the "Use of Shore-power Supply for Vessels", the "Change from Oil to Electricity", the "Change from Oil to Gas", and the transformation of green lighting, and actively participate in the incremental electric power distribution business pilot reform. Thirdly, the Group will promote the construction of an intelligent port. It will explore the terminal automatic transformation by innovation, and focus on speeding up the construction of container business management platform, the smart logistics platform project (phase II) and the applications thereof.

- To strengthen capital operation. Firstly, the Group will actively follow up on and facilitate the allotment and issue of shares by Xiamen Port Development. Secondly, the Group will make full use of the financing platform of the Company, expand financing channels, coordinate and plan the application of financing tools, such as corporate bonds, short-term notes and super short-term notes, and promote the coordination and management of its capital operation in order to reduce operating costs. Thirdly, the Group will take the advantage of the resource consolidation platform of the listed company to constantly consolidate the port resources and enhance the efficiency of resource utilization.

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

Corporate Governance Report

The corporate governance framework of the Company is designed to ensure the Company's performance and maintenance of its corporate conduct at a high level. The Board fully believes that the good corporate governance is the core of proper management of an organization, which helps to achieve the corporate goal and ensures a higher level of transparency, thus better protecting the interests of its shareholders. The Board strives to maintain, promote and enhance the corporate governance level of the Company with responsible attitude and policies in a timely, transparent and effective manner.

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

With reference to the Corporate Governance Code, this annual report elaborates on the corporate governance practices of the Company for the period from 1 January 2017 to 31 December 2017 (the "Reporting Period") and covers the information regarding the mandatory disclosure requirements and most of the recommended disclosures set out in Appendix 14 to the Listing Rules. The Directors consider that the Company has complied with the relevant requirements of the applicable code provisions of the Corporate Governance Code for the year ended 31 December 2017. The Company's compliance with the Corporate Governance Code is detailed in the following sections.

THE BOARD

The Board operates based on the principle of maximizing the interests of the Company and its shareholders as a whole. The Board is responsible for leading and supervising the Group, and collectively facilitates continuous development of the Group through instructing and monitoring the Group's business.

DIRECTORS

At the beginning of the Reporting Period, the fourth session of the Board comprised of fourteen Directors, including five executive Directors, namely Mr. LIN Kaibiao, Mr. CAI Liqun, Mr. FANG Yao, Mr. CHEN Zhaohui and Mr. KE Dong, four non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. HUANG Zirong, and five independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan.

In accordance with the articles of association of the Company (the "Articles"), the term of office of each of the Directors is three years and each of them shall be eligible for re-election and re-appointment upon expiration of the term. At the Company's first extraordinary general meeting in 2017 held on 28 February 2017, the twelve Directors in office, namely Mr. CAI Liqun, Mr. FANG Yao, Mr. CHEN Dingyu, Mr. FU Chengjing, Mr. HUANG Zirong, Mr. CHEN Zhaohui, Mr. KE Dong, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were re-elected and Mr. CHEN Zhiping and Ms. BAI Xueqing were elected as Directors of the fifth session of the Board, of which, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were independent non-executive Directors. On the same date, the Company convened the first meeting of the fifth session of the Board to elect Mr. CAI Liqun as the Chairman and to elect Mr. FANG Yao as the Vice Chairman, appointed Mr. CAI Liqun, Mr. FANG Yao, Mr. CHEN Zhaohui and Mr. KE Dong as executive Directors, and appointed Mr. CHEN Dingyu, Mr. CHEN Zhiping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing as non-executive Directors and continued to appoint Mr. CAI Changzhen as a joint company secretary of the Company (the "Company Secretary").

Accordingly, as at 31 December 2017, the fifth session of the Board comprised a total of fourteen Directors, including four executive Directors, five non-executive Directors and five independent non-executive Directors, details of which are as follows:

Executive Directors	Gender	Ethnicity	Age	Term of Service
CAI Liqun *(Chairman)*	Male	Han	48	Appointed on 28 February 2017
FANG Yao *(Vice Chairman)*	Male	Han	57	Appointed on 28 February 2017
CHEN Zhaohui	Male	Han	48	Appointed on 28 February 2017
KE Dong	Male	Han	57	Appointed on 28 February 2017

Non-executive Directors	Gender	Ethnicity	Age	Term of Service
CHEN Dingyu	Male	Han	60	Appointed on 28 February 2017
CHEN Zhiping	Male	Han	51	Appointed on 28 February 2017
FU Chengjing	Male	Han	55	Appointed on 28 February 2017
HUANG Zirong	Male	Han	54	Appointed on 28 February 2017
BAI Xueqing	Female	Han	53	Appointed on 28 February 2017

Independent Non-executive Directors	Gender	Ethnicity	Age	Term of Service
LIU Feng	Male	Han	51	Appointed on 28 February 2017
LIN Pengjiu	Male	Han	51	Appointed on 28 February 2017
YOU Xianghua	Male	Han	52	Appointed on 28 February 2017
JIN Tao	Male	Han	52	Appointed on 28 February 2017
JI Wenyuan	Male	Han	50	Appointed on 28 February 2017

THE SUPERVISORY COMMITTEE

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

In accordance with the Articles, the term of office of each of the Supervisors is three years and each of them shall be eligible for re-election and re-appointment upon expiration of the term. At the Company's first extraordinary general meeting in 2017 held on 28 February 2017, three Supervisors in office, namely Mr. ZHANG Guixian, Mr. TANG Jinmu and Mr. XIAO Zuoping, were re-elected, and Mr. SU Yongzhong was elected as the Supervisors of the fifth session of the Supervisory Committee (Mr. LIAO Guosheng and Mr. WU Weijian were staff representative Supervisors who had been re-elected and re-appointed at the general meeting of staff representatives of the Company held on 23 February 2017), of which, Mr. TANG Jinmu and Mr. XIAO Zuoping were independent Supervisors. On the same date, the Company convened the first meeting of the fifth session of the Supervisory Committee to elect Mr. SU Yongzhong as the Chairman of the Supervisory Committee.

Accordingly, as at 31 December 2017, the fifth session of the Supervisors committee of the Company is as follows:

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

The biographical details of the above Directors and Supervisors are set out on pages 69 to 82 of this annual report and published on the Company's website at http://www.xipc.com.cn.

The structure, size and composition of the executive Directors, non-executive Directors and independent non-executive Directors of the Board are well balanced and appropriate. All members of the Board possess professional knowledge required for performing their duties as well as extensive operation and management experience in various aspects such as terminal operation, corporate governance, finance, law and investment and financing and is capable of acting in good faith, exercising due diligence and acting in the best interest of the Group and its shareholders.

During the year ended 31 December 2017, the Company has complied with the relevant requirements of Rule 3.10 and Rule 3.10A of the Listing Rules by appointing at least three independent non-executive Directors and having two independent non-executive Directors with appropriate professional qualifications or professional knowledge in accounting or relevant financial management, and the number of independent non-executive Directors appointed (i.e. five) is accounted for at least one-third of the members of the Board of the Company (which is fourteen in total).

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

RESPONSIBILITY OF THE BOARD

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

The Board is accountable to shareholders and owes fiduciary and statutory obligations towards the Company and the Group. Under the leadership of the Chairman of the Company and pursuant to the requirements of the Articles, the Board collectively exercises a number of powers, including:

- formulating long-term strategy;
- formulating annual financial budget and final accounts proposal;
- approving public announcements, including interim and annual financial statements;
- formulating dividend policy;
- deciding on the establishment of the Company's internal management structure;
- formulating the Company's basic management system;

- approving material borrowings and treasury policy;
- carrying out major acquisitions and disposals, formation of joint ventures and entering into capital transactions; and
- formulating the Company's corporate governance policy and performing the corporate governance duties.

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

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

On 28 February 2017, it was resolved that Mr. CHEN Zhaohui was appointed as the General Manager of the Company at the first meeting of the fifth session of the Board of the Company, Mr. KE Dong was re-appointed as Deputy General Managers of the Company, Mr. XU Xubo and Mr. CHEN Zhen were appointed as Deputy General Managers and chief financial officer of the Company respectively. Mr. CAI Changzhen was re-appointed as the joint company secretary of the Company. Accordingly, as at 31 December 2017, the senior management of the Company included Mr. CHEN Zhaohui (General Manager), Mr. KE Dong (Deputy General Manager), Mr. XU Xubo (Deputy General Manager), Mr. CHEN Zhen (chief financial officer) and Mr. CAI Changzhen (joint company secretary).

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

Each of the Directors (including all non-executive Directors) and Supervisors has entered into a service contract with the Company for a term of not more than three years, and each new member of the Board and the Supervisory Committee has also entered into a service contract with the Company for a term of not more than three years after his or her respective appointment. Other than that, none of the Directors and Supervisors has any personal effective interest, direct or indirect, in the material contracts entered into by the Company or any of its subsidiaries during the year of 2017, or has entered into with the Company any service contract which shall be not terminable within one year without payment of compensation (other than statutory compensation) by the Company.

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

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

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

BOARD MEETINGS

The Company strives to provide all Directors with sufficient information concerning the matters to be reviewed and resolved at the meetings of the Board and each professional committee, and provide each Director with the relevant information in respect of the operation, management and finance of the Company on a monthly basis in accordance with the Listing Rules to ensure that the Directors have readily available information in making informed decisions and discharging their functions and responsibilities. During the year of 2017, other than Mr. LIN Kaibiao, the Chairman of the fourth session of the Board, whose responsibilities as the Chairman have been assumed by Mr. CAI Liqun, an executive Director and a Vice Chairman of the fourth session of the Board, on an interim basis as disclosed in the Company's announcement dated 1 December 2015 due to his health condition, all Directors proactively attended each of the Board meetings and professional committee meetings. The Board believes that each of the above Directors has devoted sufficient time to the business of the Company during the Reporting Period and is capable of discharging their functions diligently.

The Board has held regular meetings in accordance with the requirements of code provision A.1.1 of the Corporate Governance Code. In accordance with the requirements of the Articles, the Board shall convene at least four meetings every year and the Board meetings shall be convened by the Chairman. In order to facilitate maximum attendance, notices (including the relevant agendas) of Board meetings were dispatched to all Directors at least fourteen days in advance during the year of 2017. In respect of the extraordinary Board meetings, notices as to the time, venue, subject matters and meeting method to be applied shall be given to all the Directors at least ten days before the meeting was convened.

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

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

During the year of 2017, the fourth session of the Board has held one meeting. The attendance record of each Director is set out below:

Members of the Board	Number of the Board Meeting Attended in Person/by Proxy	Attendance Rate
Executive Directors		
LIN Kaibiao	0/0[a]	0%
CAI Liqun	1/0	100%
FANG Yao	1/0	100%
CHEN Zhaohui	1/0	100%
KE Dong	1/0	100%
Non-executive Directors		
ZHENG Yongen	1/0	100%
CHEN Dingyu	1/0	100%
FU Chengjing	1/0	100%
HUANG Zirong	1/0	100%
Independent Non-executive Directors		
LIU Feng	1/0	100%
LIN Pengjiu	1/0	100%
YOU Xianghua	1/0	100%
JIN Tao	1/0	100%
JI Wenyuan	1/0	100%

Note:

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

The fifth session of the Board was elected and appointed on 28 February 2017, and has held nine meetings in 2017. The attendance record of each Director is set out below:

Members of the Board	Number of the Board Meeting Attended in Person/by Proxy	Attendance Rate
Executive Directors		
CAI Liqun	9/0	100%
FANG Yao	8/1[a]	100%
CHEN Zhaohui	9/0	100%
KE Dong	9/0	100%
Non-executive Directors		
CHEN Dingyu	8/1[b]	100%
CHEN Zhiping	9/0	100%
FU Chengjing	9/0	100%
HUANG Zirong	7/2[c]	100%
BAI Xueqing	9/0	100%
Independent Non-executive Directors		
LIU Feng	9/0	100%
LIN Pengjiu	9/0	100%
YOU Xianghua	9/0	100%
JIN Tao	9/0	100%
JI Wenyuan	8/1[d]	100%

Notes:

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

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

c Mr. HUANG Zirong was present in person in seven of the nine Board meetings, and the remaining two Board meetings were attended and voted on his behalf by other authorized Director during his business trip away from Xiamen.

d Mr. JI Wenyuan was present in person in eight of the nine Board meetings, and the remaining one Board meeting was attended and voted on his behalf by other authorized Director during his business trip away.

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

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

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

Notes:

*: Mr. LIN Kaibiao was unable to attend the relevant trainings during his tenure as a Director in 2017 due to his health condition.

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

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

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

COMMITTEES ESTABLISHED UNDER THE BOARD

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

Each committee has specific functions and authorities. Members of the committees are entitled to make decisions on relevant issues within the terms of reference delegated to each committee.

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

NOMINATION COMMITTEE

At the beginning of the Reporting Period, the second session of the Nomination Committee of the Company comprised Mr. LIN Kaibiao, the former Chairman and an executive Director, and Mr. LIN Pengjiu and Mr. JIN Tao, two independent non-executive Directors. The Nomination Committee was chaired by Mr. LIN Kaibiao. On 28 February 2017, upon the formation of the fifth session of the Board of the Company through re-election and appointment, Mr. CAI Liqun, the Chairman and an executive Director of the Company, and Mr. LIN Pengjiu and Mr. JIN Tao, two independent non-executive Directors were appointed as members of the third session of the Nomination Committee, of which, Mr. CAI Liqun was appointed as the Chairman of the third session of the Nomination Committee, following the approval of resolution at the first meeting of the fifth session of the Board of the Company on the same date.

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

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

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

During the Reporting Period, the Nomination Committee of the Company has held a total of three meetings, mainly for conducting the following businesses: making recommendations to the Board in respect of the nomination of the Directors (including independent non-executive Directors), the Chairman, the Vice Chairman of the fifth session of the Board of the Company and the General Manager of the Company; and reviewing the structure of the Board and assessing the independence of the independent non-executive Directors.

In 2017, the second session of the Nomination Committee held one meeting, and the members' attendance records of the meetings are as follows:

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

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

In 2017, the third session of the Nomination Committee held two meetings, and the members' attendance records of the meetings are as follows:

Members of the Nomination Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
CAI Liqun	2/0	100%
LIN Pengjiu	2/0	100%
JIN Tao	2/0	100%

NOMINATION OF DIRECTORS

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

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

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

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

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

AUDIT COMMITTEE

At the beginning of the Reporting Period, the fourth session of the Audit Committee of the Company comprised Mr. LIU Feng and Mr. YOU Xianghua, two independent non-executive Directors and Mr. FU Chengjing, one non-executive Director. The Audit Committee was chaired by Mr. LIU Feng. On 28 February 2017, upon the formation of the fifth session of the Board of the Company through re-election and appointment, Mr. LIU Feng and Mr. YOU Xianghua, the independent non-executive Directors, and Mr. FU Chengjing, a non-executive Director, were appointed as members of the fifth session of the Audit Committee, of which, Mr. LIU Feng was appointed as the Chairman of the fifth session of the Audit Committee, following the approval of resolution at the first meeting of the fifth session of the Board of the Company on the same date. All members of the Committee possess relevant professional skills and experiences and two of them are independent non-executive Directors with professional qualifications and financial management expertise. Accordingly, the Company has been in compliance with the requirements in respect of audit committee as set out under Rule 3.21 of the Listing Rules during the Reporting Period.

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

During the Reporting Period, the Company's Audit Committee has held a total of three meetings, mainly for conducting the following businesses: reviewing the accounting principles and practices adopted by the Group, financial reporting, internal control and risk management and other material matters; reviewing the Group's annual report on annual results for the year ended 31 December 2016 and the environmental, social and governance report as well as the Group's interim report on interim results for the six months ended 30 June 2017; reviewing the audited results presented by the auditors and discussing with the external auditors in respect of any important findings and auditing matters; reviewing the non-exempted continuing connected transactions of the Group; re-appointment of external auditors and fixing its remuneration and making recommendations to the Board for approval; and discussing and approving the action plan for the internal audit of the Group in 2017.

During the Reporting Period, the members' attendance records of the meetings of the fifth session of the Audit Committee are as follows:

Members of the Audit Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
LIU Feng	3/0	100%
FU Chengjing	3/0	100%
YOU Xianghua	3/0	100%

REMUNERATION COMMITTEE

At the beginning of the Reporting Period, the fourth session of the Remuneration Committee of the Company comprised Mr. YOU Xianghua and Mr. LIU Feng, two independent non-executive Directors and Mr. CHEN Dingyu, one non-executive Director. The Remuneration Committee was chaired by Mr. YOU Xianghua. On 28 February 2017, upon the formation of the fifth session of the Board of the Company through re-election and appointment, Mr. YOU Xianghua and Mr. LIU Feng, the independent non-executive Directors, and Mr. CHEN Zhiping, a non-executive Director, were appointed as members of the fifth session of the Remuneration Committee, of which, Mr. YOU Xianghua continued to be appointed as the Chairman of the Remuneration Committee, following the approval of resolution at the first meeting of the fifth session of the Board of the Company on the same date.

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

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

During the Reporting Period, the members' attendance records of meeting of the fifth session of the Remuneration Committee are as follows:

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

REMUNERATION POLICY FOR DIRECTORS

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

As the Company's customary practice, the Remuneration Committee submits the remuneration plan to the Board for initial consideration. Such plan will then be submitted to the general meeting for further consideration and approval after it has been approved by the Board. The emoluments paid to each Director by the Company for the year ended 31 December 2017 are set out in Note 28(c) to the financial statements.

BUSINESS STRATEGY COMMITTEE

At the beginning of the Reporting Period, the fourth session of the Business Strategy Committee of the Company comprised five Directors, namely, independent non-executive Director Mr. JIN Tao, executive Directors, Mr. LIN Kaibiao and Mr. CAI Liqun, and non-executive Directors, Mr. CHEN Dingyu and Mr. HUANG Zirong. The Business Strategy Committee was chaired by Mr. JIN Tao. On 28 February 2017, upon the formation of the fifth session of the Board of the Company through re-election and appointment, Mr. JIN Tao, an independent non-executive Director, Mr. CAI Liqun and Mr. CHEN Zhaohui, the executive Directors, and Mr. CHEN Dingyu and Ms. BAI Xueqing, the non-executive Directors, were appointed as members of the fifth session of the Business Strategy Committee, of which, Mr. JIN Tao continued to be appointed as the Chairman of the Business Strategy Committee, following the approval of resolution at the first meeting of the fifth session of the Board of the Company on the same date.

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

During the Reporting Period, the Business Strategy Committee of the Company held one meeting to discuss and review such matters related to the Company's business operation schedule for 2017. During the Reporting Period, a majority of the members of the Business Strategy Committee were also involved in the evaluation of the Company's major investments and financing exercises, major capital and asset management issues and other business opportunities that might have an impact on the future development of the Group's business.

During the Reporting Period, the members' attendance records of the meeting of the fifth session of the Business Strategy Committee are as follows:

Members of the Business Strategy Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
JIN Tao	1/0	100%
CAI Liqun	1/0	100%
CHEN Dingyu	1/0	100%
BAI Xueqing	1/0	100%
CHEN Zhaohui	1/0	100%

CORPORATE GOVERNANCE COMMITTEE

At the beginning of the Reporting Period, the first session of the Corporate Governance Committee of the Company comprised two independent non-executive Directors, Mr. LIN Pengjiu and Mr. JI Wenyuan, and one executive Director, Mr. FANG Yao. The Corporate Governance Committee was chaired by Mr. LIN Pengjiu. On 28 February 2017, upon the formation of the fifth session of the Board of the Company through re-election and appointment, Mr. LIN Pengjiu and Mr. JI Wenyuan, independent non-executive Directors, Mr. FANG Yao, an executive Director, were appointed as members of the second session of the Corporate Governance Committee, of which, Mr. LIN Pengjiu continued to be appointed as the Chairman of the Corporate Governance Committee, following the approval of resolution at the first meeting of the fifth session of the Board of the Company on the same date.

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

During the Reporting Period, the Corporate Governance Committee of the Company has held two meetings, mainly for conducting the following businesses: discussing and reviewing the corporate governance report for the year ended 31 December 2016 of the Company, which sets out the Company's policies and practices on corporate governance and includes mandatory disclosure requirements and most information to be disclosed under the Appendix 14 to the Listing Rules, and reviewing the environmental, social and governance report of the Group for the year ended 31 December 2016.

During the Reporting Period, the members' attendance records of the meetings of the second session of the Corporate Governance Committee are as follows:

Members of the Corporate Governance Committee	Number of Committee Meetings Attended in Person/by Proxy	Attendance Rate
LIN Pengjiu	2/0	100%
JI Wenyuan	2/0	100%
FANG Yao	2/0	100%

JOINT COMPANY SECRETARIES

As at 31 December 2017, Mr. CAI Changzhen and Ms. MOK Ming Wai, a director of TMF Hong Kong Limited (a company providing a range of corporate accounting and corporate secretarial services in Hong Kong), were the joint company secretaries of the Company. The primary contact person at the Company was Mr. CAI Changzhen. Each of Mr. CAI Changzhen and Ms. MOK Ming Wai has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules during the Reporting Period.

EXTERNAL AUDITORS

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers were re-appointed as the PRC and international auditors of the Company respectively at the 2016 annual general meeting held on 15 June 2017, for a term until the expiration of the forthcoming annual general meeting.

During the Year, the total remuneration paid and payable to the external auditors by the Group amounted to RMB3,225,000 (of which, the remuneration payable by the Company was RMB2,075,000), exclusively for audit services. In addition, the Company also paid RMB75,000 to PricewaterhouseCoopers Zhong Tian LLP for the auditor's fee in respect of the agreed procedures performed on the return on equity computation of the relevant joint ventures under the Company. Except for the above, the Company did not pay any other fees for non-audit services to the external auditors.

INTERNAL CONTROL AND RISK MANAGEMENT

The maintenance of a high standard of internal control environment has been and remains a top priority of the Group. The Board assumes the ultimate responsibility for the effectiveness of the Group's internal control and the risk management control system, which is designed to manage and minimise risks of failure in operational systems, and to provide reasonable but not absolute assurance that material misstatement or loss can be avoided. During the year of 2017, the Audit Committee of the Company has assisted the Board in conducting review on the effectiveness and the adequacy of the internal control and risk management control system twice a year, i.e., the effectiveness review for the year of 2016 was conducted in March 2017, and the effectiveness review for the first half year of 2017 was conducted in August 2017, the scope of which covers all material aspects of the control system, including the financial, operational, compliance monitoring and risk management functions etc. The Audit Committee has examined the relevant review report and discussed with the external auditor regarding the relevant issues and recommendations, and then will report the relevant situation to the Board. The Board is satisfied with the existing internal control and risk management control system of the Group and is of the view that the control system is adequate and effective in all material areas, and also complies with the code provisions on risk management and internal control set out in the Corporate Governance Code. No significant control deficiency and major concerns which may affect the interest of the shareholders has been identified during the Reporting Period, and the Board will continue to improve the risk management and internal control system to facilitate our corporate governance.

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

(1) Financial control

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

The Audit Committee of the Company shall act in accordance with the responsibilities and procedures stipulated in the "Terms of Reference of the Audit Committee", be responsible for assisting the Board in reviewing and monitoring the financial reports independently, and procure to make itself satisfied with the effectiveness of the Group's risk management and internal control as well as the adequacy of the internal and external auditing. In 2017, the Audit Committee has made recommendations to the Board in respect of the matters relating to the Group's audited accounts for the year ended 31 December 2016, internal and external audit findings, accounting principles and practices adopted by the Group, re-appointment of external auditors and fixing of audit fees, and the interim results for the six months ended 30 June 2017.

The Company attaches great importance on the internal audit functions. The internal audit includes the examination of all activities of the Group and conducting a comprehensive review of all practices and procedures without any restrictions, and hence assists the management and the Audit Committee in maintaining an effective risk management and internal control system within the Group. The audit department, as an internal audit function of the Company, is accountable to the Board, and the Audit Committee is responsible for its management and the performance appraisal. The Audit Committee may make recommendations in respect of the appointment and removal of the employees of the audit department (including the head of the department), and its relevant members shall examine and audit the relevant documents before they are issued in accordance with certain prescribed procedures. As the supervisor of internal audit function, the head of the audit department can contact the Audit Committee without any restrictions, attend the meetings of the Audit Committee and report the matters revealed during the internal audit process to the Audit Committee. The management and reporting structure above enables the independence and effectiveness of the internal audit of the Company. The annual internal audit plan of the Company was reviewed and approved by the Audit Committee. According to the 2017 Internal Audit Plan considered and agreed by the Audit Committee, the Company conducted special audits on items such as the operation and management of the relevant entities under the Company, assets management, accounts receivable management and the leaders of the relevant enterprises leaving their posts, etc. The Company also reviewed the business risk and internal control inspection, and made corresponding recommendations for improvement on the relevant business risk management and internal control construction.

(2) **Operational control**

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

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

The Group attaches great importance to the safety production in the ports and allocates adequate resources in terms of allocation of safety equipment and facilities, safety promotion, safety drilling and staff training. Regardless of the locations and nature of businesses, the Group makes a continuing effort to build the highest safety standard within the organizations so that the manager and staff at all levels put safety as the top priority, and make effort to promote the safety standard to all sites. During the Reporting Period, The Company has newly issued and implemented the "Emergency Response Plan for Production Safety Accidents", so as to improve the emergency rescue system, enhance the emergency response capability and prevent and reduce port incidents and the damage caused.

(3) Compliance Control

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

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

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

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

(4) Risk Management

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors declared that they are responsible for the preparation of the financial statements for each financial year which gives a true and fair view of the results and financial conditions of the Company and the Group. The Directors considered that, in preparing the financial statements for the year ended 31 December 2017, the Group has adopted appropriate accounting policies, applied them consistently and complied with all relevant accounting standards. Having made appropriate enquiries, and judgments and estimates that are prudent and reasonable, the Directors also considered that it is appropriate to prepare the financial statements on a going concern basis.

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

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

The auditor's statement of responsibility report on the financial statements is set out on page 107 of this annual report.

SHAREHOLDERS' RIGHTS

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

The Company considers that the annual general meeting is an appropriate forum at which shareholders can timely communicate with the Board and senior management, and all the shareholders will be given notice of the meeting at least 45 days before the meeting is held and they are encouraged to attend the annual general meeting or other extraordinary general meetings. The Company complies with the provisions of the code as stipulated in the Corporate Governance Code whose principle is to encourage shareholders' participation and encourages and welcomes shareholders to raise their questions at the above meetings. The Company Secretary, on behalf of the chairman of the general meetings, explains the detailed procedures for conducting a poll at the commencement of general meetings. In order to ensure that shareholders can express their intentions freely at general meetings, the rights of shareholders, and the rights, notices, procedures and voting pertinent to general meetings are clearly and adequately provided for in Chapters 7 and 8 of the Articles respectively. The Board is committed to maintaining communication with shareholders, and all Directors and senior management will try their best to attend those meetings, while the chairmen of the Board, the Nomination Committee, the Audit Committee, the Remuneration Committee, the Business Strategy Committee and the Corporate Governance Committee as well as the Company's auditors will try their best to attend the annual general meeting to answer shareholders' questions. In 2017, the Company convened three general meetings in total, namely the first extraordinary general meeting in 2017 and the second extraordinary general meeting in 2017 on 28 February 2017 and 15 November 2017, respectively, and the 2016 annual general meeting on 15 June 2017.

The attendance record of each Director of the fourth session of the Board of the Company at the general meetings in 2017 is set out below:

Members of the Board	Number of the General Meetings Attended	Attendance Rate
Executive Directors		
LIN Kaibiao *(former Chairman of the Nomination Committee)*[a]	0	0%
CAI Liqun	1	100%
FANG Yao	1	100%
CHEN Zhaohui	1	100%
KE Dong	1	100%
Non-executive Directors		
ZHENG Yongen[b]	0	0%
CHEN Dingyu	1	100%
FU Chengjing	1	100%
HUANG Zirong	1	100%
Independent Non-executive Directors		
LIU Feng *(Chairman of the Audit Committee)*	1	100%
LIN Pengjiu *(Chairman of the Corporate Governance Committee)*	1	100%
YOU Xianghua *(Chairman of the Remuneration Committee)*	1	100%
JIN Tao *(Chairman of the Business Strategy Committee)*	1	100%
JI Wenyuan[c]	0	0%

a Mr. LIN Kaibiao was not present at the first extraordinary general meeting in 2017 due to his health condition;

b Mr. ZHENG Yongen was not present at the first extraordinary general meeting in 2017 during his business trip away from Xiamen;

c Mr. JI Wenyuan was not present at the first extraordinary general meeting in 2017 during his business trip away.

The attendance record of each Director of the fifth session of the Board of the Company at the general meetings in 2017 is set out below:

Members of the Board	Number of the General Meetings Attended	Attendance Rate
Executive Directors		
CAI Liqun *(Chairman of the Nomination Committee)*	2	100%
FANG Yao[a]	0	0%
CHEN Zhaohui	2	100%
KE Dong	2	100%
Non-executive Directors		
CHEN Dingyu[a]	0	0%
CHEN Zhiping[b]	1	50%
FU Chengjing	2	100%
HUANG Zirong	2	100%
BAI Xueqing[c]	1	50%
Independent Non-executive Directors		
LIU Feng *(Chairman of the Audit Committee)*	2	100%
LIN Pengjiu *(Chairman of the Corporate Governance Committee)*	2	100%
YOU Xianghua *(Chairman of the Remuneration Committee)*	2	100%
JIN Tao *(Chairman of the Business Strategy Committee)*	2	100%
JI Wenyuan	2	100%

a Mr. FANG Yao and Mr. CHEN Dingyu were not present at the 2016 annual general meeting and the second extraordinary general meeting in 2017 due to during their business trips away from Xiamen;

b Mr. CHEN Zhiping was not present at the second extraordinary general meeting in 2017 during his business trip away from Xiamen;

c Ms. BAI Xueqing was not present at the 2016 annual general meeting during her business trip away from Xiamen.

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

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

INVESTOR RELATIONSHIP

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

The Company has adopted and implemented a fair, transparent and timely disclosure policies and practices. Prior to the convening of individual meetings with investors or analysts, all price sensitive information or data should have been announced to the public in accordance with the disclosure policies and practices of the Company. The Company provides comprehensive information about the

Group's business, business strategy and development in its annual and interim reports, and results announcements. The Company also timely publishes the latest announcements of the Group as well as detailed information about the Group and the development dynamics of its new businesses by electronic means through its website www.xipc.com.cn as required by the Stock Exchange, which enables shareholders and investors to grasp the Company's latest operating conditions and developments instantly. They can also make enquiries to the Company through its Investor Relationship webpage (the contact details are set out in the Company's website).

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious of its role as a socially responsible group of companies. It cares for and supports the communities where it operates. The Group has made donations for community well-being from time to time. During the Reporting Period, the Company has newly issued and implemented the "Management Guidance of Charities and Public Welfare Activities", so as to better regulate charity and public welfare activities and promote the fulfillment of social responsibilities by the Company.

The Company is committed to the sustainable development of the environment and the society. In accordance with the "Environmental, Social and Governance Reporting Guide" as amended by the Stock Exchange in December 2015, the Company has accordingly established the "Administrative System for Environmental, Social and Governance Report" , and published the Group's 2016 environmental, social and governance report as required by the aforesaid guidelines. During the Reporting Period, the Company has issued and implemented the "Living Garbage Classification Work Implementation Plan", so as to promote the Company and its subsidiaries to actively fulfill their corporate social responsibility, coordinately consider the factors of all aspects, including human, society and environment, in the operation and management process, operate in accordance with the laws, be honest and trustworthy, resources saving and environmentally friendly, people-oriented with harmonious development, strive for the balanced development of economy, environment and society and promote the sustainable development of enterprises. In recognition of the potential climate impact due to the development and operation of port business, the Company strives to enhance the environmental performance of the development and management of its port business through eco-friendly engineering design, equipment configuration and technological transformation as well as operational measures. The Company set corresponding indices each year to promote and enhance energy efficiency and reduce carbon emissions. In the year of 2017, the Company saved energy of 1,280 tonnes of coal equivalent throughout the year.

Details of the Company's environmental and social responsibility performance for the year of 2017 will be separately disclosed by the end of first half of 2018 pursuant to the Listing Rules.

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

By order of the Board

CAI Liqun
Chairman

Xiamen, the PRC
29 March 2018

Biographies of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. CAI Liqun, aged 49, is an executive Director and the Chairman of the Company. He graduated in 1991 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a Master's degree in economics and is a Senior Economist. He was a planning coordinator of the planning office of Dongdu Port Services Company of Xiamen Harbour Bureau from July 1991 to October 1994 and was a deputy general manager of Xiamen Haijie Freight Company Limited from October 1994 to January 1998. He was the deputy director of the planning office of Dongdu Port Services Branch of Xiamen Port (Group) from January 1998 to October 1998. He was a deputy manager of Xiamen Port (Group) Domestic Shipping Agency Co., Ltd. from October 1998 to September 2001. He was a deputy general manager of Dongdu Port Services Branch of Xiamen Port (Group) from September 2001 to September 2004. He was a deputy general manager, then the general manager of Xiamen Port Development Co., Ltd. ("Xiamen Port Development") (a company listed on the Shenzhen Stock Exchange in the PRC) from September 2004 to November 2015. He also was the chairman of Xiamen Ocean Shipping Tally Co., Ltd. from March 2006 to December 2015. He also was the chairman of Xiamen Road and Bridge Building Materials Company from August 2006 to December 2015. He was the general manager of Dongdu Branch of Xiamen Port Development from January 2009 to January 2010. He has been a director of Xiamen Port Development since May 2009. He also was a director of Xiamen Port Trading Co., Ltd. from August 2010 to November 2015. He also was the chairman of Sanming Port Development Co., Ltd. from February 2011 to January 2016.He also was the chairman of Ji'an Port Development Co., Ltd. from June 2011 to December 2015. He also was an executive director of Xiamen Hailong Terminal Co., Ltd. from September 2012 to December 2015. He also was the chairman of Chaozhou Port Development Co., Ltd. from December 2012 to January 2016. He has also been a director of Xiamen Container Terminal Group Co., Ltd. since December 2013. He has been a deputy general manager of Xiamen Port Holding since September 2015. He has been an executive Director of the Company since 1 December 2015. He was a Vice Chairman of the Company from 1 December 2015 to 27 February 2017. He has been the Chairman of the Company since 28 February 2017.

Biographies of Directors, Supervisors and Senior Management

Mr. FANG Yao, aged 58, is an executive Director and a Vice Chairman of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute) with a Bachelor's degree in harbour engineering and is a Senior Engineer. He joined Xiamen Harbour Bureau in October 1982 and was a technician of the Heping terminal operating area, deputy leader of the mechanical team, deputy head of the technical office and deputy head of the harbour engineering factory of the Dongdu operating area and deputy manager of the Shihushan terminal operating area from October 1982 to June 1998. He was a manager of the Gangwan Supervising Company of Xiamen Port (Group) Co., Ltd. from June 1998 to April 2001 and was the party secretary of Xiamen Haitian Company from April 2001 to October 2005. He was also a director of Xiamen Haitian Company from March 2002 to December 2013. He was appointed as the general manager of the Company from March 2005 to March 2012. He has been an executive Director of the Company since 2005. He has been the Vice Chairman of the Company since August 2013.

Mr. CHEN Zhaohui, aged 49, is an executive Director and the general manager of the Company. He graduated in July 1990 from Wuhan Institute of Water Transport Engineering with a Bachelor's degree in engineering. He graduated from the School of Management of Xiamen University in December 2000 and obtained a Master's degree in business administration and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1990 and was a technician and deputy leader of the gantry crane team of Dongdu operating area of Xiamen port from July 1990 to August 1992. He was the leader of mechanical team, deputy general manager and general manager of Xiamen Port Shihushan Terminal Company from August 1992 to March 2006, during which he attended the job training of "Advanced Course of the Terminal Management" (Magum) held by A.P. Moller Maersk Terminal from May 2004 to March 2006 and acted as the duty manager at the container terminal in Aqaba, Jordan and PIER 400 container terminal in Los Angeles, the United States respectively. He also acted as an executive director, legal representative and the general manager of Xiamen Port Power Supply Service Co., Ltd. from May 2003 to October 2006. He was then acted as an executive director and legal representative of Xiamen Free Trade Zone Port Services Power Co., Ltd. (formerly Xiamen Port Power Supply Service Co., Ltd.) since August 2012. He was the deputy general manager, and then the general manager of Xiamen Songyu Container Terminal Co., Ltd. from March 2006 to November 2013. He was also the director of the Office of Safety Committee of Xiamen Port Holding from October 2012 to December 2013. He was a deputy general manager of the Company from 27 March 2012 to 27 February 2017. He was also a director of Xiamen Container Terminal Group Co., Ltd. from December 2013 to December 2016. He has also been the chairman of Xiamen Container Terminal Group Co., Ltd. since December 2016 and the chairman of the supervisory committee of Xiamen Port Development from January 2014 to 10 April 2017. He has been an executive Director of the Company since 1 December 2015. He has been the general manager of the Company since 28 February 2017. He has also been a director of Xiamen Port Development since 10 April 2017.

Mr. KE Dong, aged 58, is an executive Director and the deputy general manager of the Company. He graduated in 1982 from Shanghai Maritime University (formerly known as Shanghai Shipping Institute). In June 2009, he graduated from Xiamen University with an EMBA degree. He is an Economist and a Political Instructor. He joined Xiamen Harbour Bureau in 1982, where he was a business representative from 1982 to 1984, the deputy general manager of the Xiamen Ocean Shipping Agency from November 1984 to February 2001, and also the general manager of Xiamen Penavico International Freight from June 1999 to December 2000, then became the general manager of Xiamen Port Logistics from February 2001 to July 2004. He was a director and the general manager of Xiamen Port Development, a company listed on the Shenzhen Stock Exchange in the PRC, from August 2004 to April 2006, and he has been the chairman of Xiamen Port Development since April 2006. He was also a director of Xiamen Haitian Company from March 2002 to December 2013. He has also been the chairman of Xiamen Ocean Shipping Agency Co., Ltd. since 20 April 2006. He has also been the chairman of Zhangzhou Gulei Port Development Co., Ltd. since 28 February 2012. He was a non-executive Director of the Company from March 2005 to 28 February 2014. He has also been a deputy general manager of the Company since August 2013. He has been re-designated from a non-executive Director to an executive Director of the Company since 28 February 2014.

Non-executive Directors

Mr. CHEN Zhiping, aged 52, is a non-executive Director of the Company. He graduated in July 1986 from the Jimei Finance and Economics School in Xiamen majoring in finance, and from May 1987 to October 1990 he studied finance at Xiamen University. From August 1997 to December 1999, he studied economics management at the Central Party Correspondence School, and from September 2007 to July 2010 he studied economics with a focus on economics management at the Central Party Correspondence Graduates School, and is currently an Accountant. From August 1986 to April 2003, he worked in the Finance Bureau of Xiamen Municipality as a cadre, an officer, and a deputy director and a researcher of the Administrative Department of Culture and Education. From April 2003 to November 2008, he was the deputy secretary of the Party Working Committee and the director of the Street Office, and then the secretary of the Party Working Committee and the director of the National People's Congress Liaison Office of Yundang Street of Xiamen City. From November 2008 to June 2016, he was the deputy director of the State-owned Assets Supervision and Administration Commission of the Xiamen Municipal People's Government and a member of the Party Working Committee. He was a deputy party secretary and the general manager of Xiamen Port Holding from June 2016 to February 2018. He has been the party secretary and the chairman of Xiamen Port Holding since February 2018. He has also been a non-executive Director of the Company since 28 February 2017.

Biographies of Directors, Supervisors and Senior Management

Mr. FU Chengjing, aged 56, is a non-executive Director of the Company. He graduated in 1983 from Jiangxi Institute of Finance and Economics with a bachelor's degree in economics and is an Accountant. He has been a cadre, a section member, deputy head of credit finance management office, deputy head and head of the industry and communication office and office head of the Xiamen Finance Bureau from August 1983 to February 2004. From February 2004 to March 2005, he was a director and deputy general manager of Xiamen Port (Group) Co., Ltd. Since January 2005, Mr. Fu has been a director of Xiamen Port Holding; and also a non-executive Director of the Company since March 2005. He has been a deputy general manager of Xiamen Port Holding since July 2005 and also acts as its chief accountant since February 2007. He also acts as the chairman of Xiamen Port Financial Holding Co., Ltd. since December 2015.

Mr. HUANG Zirong, aged 55, is a non-executive Director of the Company. He graduated in August 1983 from Shanghai Jiaotong University with a Bachelor's degree in mechanics and obtained a Master's degree in business administration from the School of Management of Xiamen University in October 2000 and is a Senior Engineer. He joined Xiamen Harbour Bureau in 1983, was a technician and deputy leader of the mechanical team of Dongdu operating area, and was also a deputy supervisor and deputy head of the harbour engineering factory of Xiamen Harbour Bureau. He was the deputy general manager of Xiamen Port Container Company from October 1990 to April 2001. He was the general manager of Xiamen Port (Group) Co., Ltd. Haitian Port Services Branch from April 2001 to March 2002. He was the general manager of Xiamen Haitian Company from March 2002 to 31 March 2012. Mr. Huang was an executive Director and a deputy general manager of the Company from March 2005 to 27 March 2012. He was an executive Director and the general manager of the Company from 27 March 2012 to 1 December 2015. He was also a director of Xiamen Container Terminal Group Co., Ltd. from December 2013 to December 2016. He was also a director of Xiamen Port Development Co., Ltd. from January 2014 to 10 April 2017. He has been the chief engineer of Xiamen Port Holding since September 2015. He has been re-designated from an executive Director to a non-executive Director of the Company since 1 December 2015.

Ms. BAI Xueqing, aged 54, is a non-executive Director of the Company and a Senior Economist with a Bachelor's degree in mechanical manufacturing engineering, a Master's degree in currency banking and a Master's degree in business administration. From 1985 to 1990, she worked in the Jimei University as a teaching assistant and a lecturer. From 1990 to 1999, she worked in the Xiamen Branch of China People's Insurance Company as deputy chief, chief of the business department and a managerial assistant of the Kaiyuan Sub-branch. From 2001 to 2007, she worked in the Xiamen Branch of China People's Insurance Company as a deputy director of the statistics department, deputy general manager of the marketing management department, general manager of the marketing management department, director of the underwriting center and general manager of the property insurance and reinsurance department. From 2007 to 2016, she was the deputy general manager of the non-water insurance department of Taiping General Insurance Co., Ltd. (where she presided over the work), and the general manager of the Xiamen Branch. She has also been the vice chairman of the Xiamen Municipal Committee of the China Democratic National Construction Association since 2007. She has also been the deputy director of the People's Congress Standing Committee of the Siming District, Xiamen City, Fujian Province since 2011. She has been a deputy general manager of Xiamen Port Holding since 2016. She has also been a non-executive Director of the Company since 28 February 2017.

Mr. CHEN Dingyu, aged 61, resigned from the position of non-executive Director of the Company since 23 March 2018. He graduated in 1999 from the Central Party Correspondence School with a Bachelor's degree in economics and management and is a Senior Economist and an Engineer. From 1980 to January 1998, he worked as the chief engineer of the Tugboat Company of Xiamen Harbour Bureau and a technician of the technical department at Xiamen Harbour Bureau as well as deputy manager, manager and the party secretary of Xiamen Port Shipping Company. From January 1998 to March 2005, he was a director and a deputy general manager of Xiamen Port (Group) Co., Ltd.. From January 2005 to February 2018, he was a director of Xiamen Port Holding. He was also a deputy general manager of Xiamen Port Holding from July 2005 to January 2007, and acted as the general manager of Xiamen Port Holding from February 2007 to June 2016. He was also the chairman of Xiamen Port Holding from June 2016 to February 2018. He was a Vice Chairman and an executive Director of the Company from March 2005 to 28 February 2011 and was a non-executive Director of the Company from 28 February 2011 to 23 March 2018.

Independent Non-executive Directors

Mr. LIU Feng, aged 52, is an independent non-executive Director of the Company. He graduated from the accountancy department of Xiamen University in 1994 and obtained a doctoral degree in economics (accountancy). He was a teacher of Xiamen University since July 1987 and taught in Zhongshan University as a Distinguished Professor in January 2000, and was a supervisor of doctoral candidates of the accountancy of School of Management, Zhongshan University, the director of Modern Accountancy and Finance Research Center of Zhongshan University and the vice president of School of Management, Zhongshan University. He was invited as a professor and a supervisor of doctoral candidates of accountancy department of School of Management, Xiamen University since September 2010. He also acts an independent director in three listed companies, namely Cosco Shipping Co., Ltd., Xiamen C&D Inc. and Bank of Hangzhou Co., Ltd. (all listed on the Shanghai Stock Exchange in the PRC). Currently, he is a member of the Professional Responsibility Appraisal Committee of Chinese Institute of Certified Public Accountants. He also acts as an independent non-executive Director of the Company since 28 February 2011.

Mr. LIN Pengjiu, aged 52, is an independent non-executive Director of the Company. He graduated from the Department of Navigation of Dalian Maritime University with a Bachelor's degree in engineering in 1988 and a Postgraduate Degree in Maritime Law in 1991 respectively. He also obtained a Master Degree in laws from Jilin University. From 1991 to 1997, Mr. Lin taught maritime law in the Faculty of Law of Dalian Maritime University while engaging in the provision of legal services on a part-time basis. He joined Heng Xin Law Office in Liaoning in 1997 and became a qualified lawyer and partner of Heng Xin Law Office in 1998. He has been a full-time lawyer, partner and director of Liaoning Tytop Law Firm since the end of 2008. He also acts as an arbitrator of the China Maritime Arbitration Commission, vice president of Liaoning Province Maritime Law Institute, council member of Dalian Lawyers Association, vice president of the Supervisory Commission of the Dalian Maritime University Si Yuzhuo Maritime Law Education Fund, member of the Specialized Maritime Committee of All China Lawyers Association, and member of the Specialized Rescue and Salvage Committee of the China Maritime Law Association and an arbitrator of Dalian Arbitration Commission and Wuhan Arbitration Commission. He also acts as an independent non-executive Director of the Company since 28 December 2012.

Mr. YOU Xianghua, aged 53, is an independent non-executive Director of the Company. He graduated in July 1986 from the accounting department of Anhui University of Finance and Economics (formerly known as Anhui Institute of Finance and Trade) with a Bachelor's degree in economics, in July 1991 from Xiamen University's accounting department with a Master's degree in economics, and in July 1999 from Xiamen University's accounting department with a Doctorate in management and accounting, and is currently a senior accountant. From July 1986 to August 1988 he worked as a lecturer at Anhui University of Finance and Economics's accounting department. From August 1991 to March 1999 he worked as the finance manager of Xiamen Huicheng Construction Development Co., Ltd. From August 1999 to September 2001 he worked as the chief accountant of Xiamen State-owned Assets Investment Company and acted as a director to numerous companies including Xiamen City Commercial Bank. From September 2001 to August 2007, he worked as an associate professor at the accounting department of the School of Management of Xiamen University, and also was an independent director at Xiamen Road & Bridge Co., Ltd. and its subsequently renamed entity Xiamen Port Development Co., Ltd. (which is listed on the Shenzhen Stock Exchange of the PRC), Xiamen King Long Motor Group Co., Ltd. (which is listed on the Shanghai Stock Exchange of the PRC), and Xiamen Speed Logistics Development Co., Ltd. From March 2006 to February 2007, he was sent by the PRC as a visiting scholar to the accounting department of the University of Houston in the United States of America. From September 2007 to April 2009, he was the deputy general manager of the Shenzhen Litong Investment Development Co., Ltd., an independent director of Xiamen Port Development Co., Ltd., and the chairman of the supervisory committee of Mintaian Insurance Surveyors & Loss Adjusters Group Co., Ltd. Since May 2009, he is the chairman of the board of directors and general manager of China Universal Finance Consulting (Xiamen) Ltd., and also an independent director of Holsin Engineering Consulting Group Co., Ltd. (which is listed on the Shanghai Stock Exchange of the PRC) and Tianguang Zhongmao Co., Ltd. (which is listed on the Shenzhen Stock Exchange of the PRC). Since January 2018, he is also an independent director of Xiamen Hongxin Electron-tech Co., Ltd. (which is listed on the Shenzhen Stock Exchange of the PRC). Additionally, he was previously an independent director of TianGuang Fire- Fighting Co., Ltd. (which is listed on the Shenzhen Stock Exchange of the PRC). In addition, he is also the vice president of the Xiamen Cross-Strait Accounting Cooperation and Exchange Promotion Association, the vice president of the Xiamen Accounting Association, an executive director of the Xiamen Chief Accountants Association, and an executive director of the Xiamen Accounting Industry Association. He also acts as an independent non-executive Director of the Company since 26 February 2016.

Mr. JIN Tao, aged 53, is an independent non-executive Director of the Company. He graduated in July 1988 from Kaifeng University and Henan University's Joint Undergraduate Geography Program with a Bachelor's degree in science from Henan University, studied at Henan University's geography department and majored in economic geography from September 1991 to August 1994 and graduated with a Master's degree in economics, and studied at Nankai University's Economics Research Institute and majored in political economics from September 2001 to July 2004 and graduated with a Doctorate in economics. From August 1988 to August 1991, he taught at No. 18 Middle School at Kaifeng, Henan. From September 1994 to August 2001 he worked in the Administrative Committee of Ningbo Economic and Technological Development Zone. From August 2004 to October 2008, he worked as an associate professor at the Economics Research Institute of Xiamen University. From November 2006 to March 2014, he also acted as the associate chief editor of Economic Issues in China, a core economics national journal in the PRC. Since November 2008, he worked as a professor and a doctorate tutor at Xiamen University. From October 2008 to February 2012, he worked as the deputy head of Xiamen University's Economics Research Institute. Since February 2012, he acted as the head of Xiamen University's Economics Research Institute. Since March 2014, he also acted as the joint chief editor of Economic Issues in China. Since December 2016 he acted as the vice president of the Fujian Province Securities Economics Research Association. He also acts as an independent non-executive Director of the Company since 26 February 2016.

Mr. JI Wenyuan, aged 51, is an independent non-executive Director of the Company. He graduated in March 1993 from Shanghai Maritime University's (formerly known as Shanghai Shipping Institute) international shipping department majoring in shipping economics and business with a Master's degree in economics management. From April 1993 to October 1995, while he was in the shipping department of Shanghai Ocean Shipping Co. Ltd., he worked in the container shipping division, container management division, bulk shipping division and the chartering division, and then as the manager of the chartering division. From November 1995 to December 1996, he was the manager of the chartering branch office of the chartering division of Beijing China Ocean Shipping Group Co., Ltd. and COSCO Bulk Carrier Co., Ltd.. From January 1997 to December 1997, he was the deputy department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd., and from January 1998 to April 1998 he was the deputy department manager of the Third Shipping Department of COSCO Bulk Carrier Co., Ltd.. From May 1998 to September 1998, he was the department manager of the First Shipping Department of COSCO Bulk Carrier Co., Ltd.. From October 1998 to April 2000, he acted as the Hong Kong and Macau region chief representative of COSCO Bulk Carrier Co., Ltd., and as the deputy general manager of Fansco Shipping (Hong Kong) Co., Ltd.. From May 2000 to September 2002, he was the general manager and director of Jinjiang Shipping (Hong Kong) Corporation Limited. From September 2002 to December 2005, he was the senior vice president of the Parakou Group, the fourth largest shipping corporation in Hong Kong. In January 2006, he established Seamaster Chartering Limited in Hong Kong and since then acts at its general manager. In October 2010, he established Shanghai Seamaster Shipbroking Company Limited and since then acts as the chairman of the board of directors. In addition, he is also a visiting professor at Shanghai Maritime University, an invited shipping expert of the Shanghai Municipal Transport and Port Authority, an executive director of the Shanghai Shipping Broker Club, a director of the Shanghai Table Tennis Career Development Foundation, the special business advisor to the president of the International Table Tennis Federation, a director of International Maritime Organization-Maritime Technology Cooperation Centre for Asia and a founding member of Shanghai Charity Foundation-Wealove Foundation. He also acts as an independent non-executive Director of the Company since 26 February 2016.

SUPERVISORS

Mr. ZHANG Guixian, aged 51, is a Supervisor of the Company. He graduated from Hohai University with a Bachelor's degree in engineering in July 1987. In April 1998, he graduated from Shanghai Maritime University with a Master's degree in economics and is now an auditor, economist and engineer. From July 1987 to September 1995, he worked as an engineer and was engaged in the design of port and sea-route engineering at Fujian Traffic Planning & Design Institute. From April 1998 to July 2009, he worked as an economist at the corporate management department of Xiamen Port Holding. He has been working in the audit department of Xiamen Port Holding since August 2009, currently being the deputy manager of the audit department. He has also been a supervisor of Xiamen Port Financial Holding Co., Ltd. since December 2015. He has also been a Supervisor of the Company since 28 February 2014.

Mr. LIAO Guosheng, aged 55, is a staff representative Supervisor of the Company. He graduated from the Central Party School in 2002 and obtained a part-time bachelor's degree in economics management and is a senior economist. He served as a tallying officer, business representative, deputy office director, head of business division, deputy general manager and secretary of China Ocean Shipping Tally Company Xiamen Branch from September 1983 to April 2001. He had been the general manager and secretary of Xiamen Haicang Port Co. Ltd., and the deputy general manager and Chinese representative of Xiamen International Container Terminal Co. Ltd from May 2001 to March 2006. During the period from April 2006 to April 2009, he had been the director and general manager of Xiamen Port Development Co., Ltd., and he concurrently served as the chairman of Xiamen Port Logistics Co., Ltd., Xiamen Port Shipping Co., Ltd. and Xiamen Port Transportation Co., Ltd. From May 2009 to December 2013, he had been the party secretary of Xiamen Haitian Container Co., Ltd and has been the party secretary, deputy general manager and chairman of the workers union of Xiamen Container Terminal Group Co., Ltd since December 2013. He has been the staff representative Supervisor of the Company since 28 February 2014, and has been the secretary of the Commission for Discipline Inspection of the Company since 20 April 2016. He has also been the chairman of the supervisory committee of Xiamen Port Development Co., Ltd since 10 April 2017.

Mr. WU Weijian, aged 59, is a staff representative Supervisor of the Company. He graduated from the distance learning school of the Central Party School and obtained a college diploma in party and politics in 1996 and is a Senior Political Instructor. He was the sub-team leader of the port loading and unloading team of Xiamen Harbour Bureau from December 1976 to March 1978. He then served in a division of the People's Liberation Army of the PRC as soldier, squad leader and acting platoon leader from March 1978 to October 1981. From October 1981 to June 1983, he was the dispatch head of the port loading and unloading team of Xiamen Harbour Bureau. From July 1983 to December 1992, he was the deputy secretary and then the secretary of the party branch of Haibin Loading and Unloading Company of Xiamen Harbour Bureau. He was then the deputy head and the person-in-charge of the party branch of the preparatory office of Shihushan Terminal of Xiamen Harbour Bureau from December 1992 to October 1994. Then from December 1994 to April 2001, he was the secretary of the party branch of Xiamen Port Group, Shihushan Terminal Branch. From April 2001 to September 2009, he has been the party secretary of Xiamen Port Group, Dongdu Port Branch (which was renamed as Xiamen Port Development Dongdu Branch, in December 2004). He has also been the director of Xiamen Lurong Water-Railway Joint Transportation Co., Ltd since September 2001, and the supervisor of Xiamen Port Development (a company listed on the Shenzhen Stock Exchange in the PRC) since July 2004. He was the deputy party secretary of Xiamen Port Development from October 2009 to October 2017. He was also the secretary of the disciplinary committee of C.P.C. of Xiamen Port Development from October 2009 to January 2017. From 2 July 2010 to September 2013, he has also been acting as an executive director and the legal representative of Xiamen Port Group Labour Services Co., Ltd and the legal representative of Xiamen Port Group Hailongchang International Freight Co., Ltd. He has also been a supervisor of Zhangzhou Shi Gulei Port Development Co., Ltd. since 28 February 2012. Since 23 October 2008, he has also been the staff representative Supervisor of the Company. From October 2013 to October 2017 he was the general manager of the bulk /general cargo unit of Xiamen Port Development, and since November 2017, he has been a consultant of Xiamen Port Development.

Mr. TANG Jinmu, aged 52, is an independent Supervisor of the Company and a senior accountant and a member of the 12th session of Xiamen Committee of Chinese People's Political Consultative Conference. He graduated in 1988 from the accountancy department of Xiamen University with a Bachelor's degree. He obtained a Master's degree in business administration from the Open University of Hong Kong in December 2002. He graduated from the Economics School of Xiamen University with a doctoral degree and academic qualification in finance in July 2011. He worked for Xiamen Finance Bureau from September 1988 to June 1994. He was deputy head of Xiamen Certified Public Accountants and head of Xiamen Asset Valuation Office from July 1994 to December 1998. He worked for Xiamen Huatian Certified Public Accountants from January 1999 to October 2000 and as a partner of Xiamen Tianjian Huatian Certified Public Accountants from November 2000 to December 2001. He has been working in Xiamen Institute of Certified Public Accountants since January 2002, currently being the secretary general of Xiamen Institute of Certified Public Accountants and is also the secretary general of Xiamen Asset Appraisal Association. He has also been acting as an independent director of Tsann Kuen (China) Enterprise Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the

PRC) since June 2014, an independent director of Xingye Leather Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) since February 2015, an independent director of Xiamen Guangpu Electronics Co., Ltd. (which is listed on the Shenzhen Stock Exchange of the PRC) since February 2016, and an independent director of Xiamen Red Phase Instruments Inc. (which is listed on the Shenzhen Stock Exchange of the PRC) since November 2017. He has also been a Supervisor of the Company since March 2005.

Mr. XIAO Zuoping, aged 43, is an independent Supervisor of the Company. He graduated from the School of Management, Xiamen University in July 2004 and obtained a doctoral degree in Management (Finance). He was engaged in post-doctoral research from April 2005 to April 2007 in the School of Economics and Management, Tsinghua University and was exceptionally promoted to a professor of Southwest Jiaotong University in July 2006, and currently being a professor and a supervisor of doctoral candidates of accountancy of the School of Economics & Management, Southwest Jiaotong University. He has been also acting as an independent Supervisor of the Company since 28 February 2011. He has been also acting as an independent director of Guizhou Bijie Rural Commercial Bank Co., Ltd. since February 2015. He was an independent director of Dalian East New Energy Development Co., Ltd. (a company listed on the Shenzhen Stock Exchange in the PRC) from May 2015 to July 2017. He has also been an independent director of Sichuan Sundaily Farm Ecological Food Co., Ltd. since December 2015. He is the excellent talent of Ministry of Education in the new century, the national leading talent in accounting of the Ministry of Finance, the expert of excellence with outstanding contribution of Sichuan Province, a non-practicing member of Chinese Institute of Certified Public Accountants (“CPA”), a standing director of the Financial Cost Branch of China Accounting Society, a standing director of the Accounting Society of Sichuan Province, a member of the Accounting Society of America, a senior member of the Accounting Society of the PRC, a director of the Council of “China Accounting Review”. He is also an evaluation expert of the Ministry of Education in degree and postgraduate education, a peer review expert of the State Natural Fund Commission, a peer review expert of the Doctoral Fund of the Ministry of Education, an evaluation expert of Scientific Research Fund and Awards for Science and Technology of the Ministry of Education and a specially requested member of Editorial Committee of the “Securities Market Herald”, a journal published by the Shenzhen Stock Exchange.

Mr. SU Yongzhong, aged 50, resigned from the positions of the chairman of the Supervisory Committee and Supervisor of the Company since 23 March 2018. In July 1987, he graduated from Fujian Xiamen Teaching School, and from September 1989 to July 1992 he studied economic law at the Xiamen Radio and Television University. From September 1994 to January 1997 he joined the Central Party Correspondence School and studied party and government. From September 2002 to July 2005 he joined the Central Party Correspondence Graduates School and studied economic management, and is currently a Senior Political Engineer. From August 1987 to September 1991 he worked as a teacher at the Houjiang Primary School in Xiamen City, Fujian Province. From September 1991 to March 1995 he worked as an officer at the General Office of Xiamen Municipal Government, Fujian Province. From March 1995 to February 2003 he worked at the Family Planning Commission at Xiamen City, Fujian Province as an officer and an assistant researcher. From February 2003 to May 2006 he worked as the deputy head and the director of the Supervision Office of the Xiamen City Family Planning Commission Discipline Inspection Group at Xiamen City, Fujian Province. From May 2006 to January 2015 he worked as the deputy head and director of the Supervision Office of the Xiamen City Population and Family Planning Commission Discipline Inspection Group at Xiamen City, Fujian Province. From March 2012 to March 2015 he was the deputy director (ranked at Division Chief level) of the Fujian Provincial Supervision Office in Pingtan Ombudsman Office. From January 2015 to August 2015 he was the deputy head of the Xiamen City Health and Family Planning Commission Discipline Inspection Group at Xiamen City, Fujian Province. He was the secretary of the Commission for Discipline Inspection and a member of the Party Committee of Xiamen Port Holding Group Company Limited from August 2015 to February 2018. He was also the vice chairman of the supervisory committee of Xiamen Port Holding Group Company Limited from June 2016 to February 2018. He was also the chairman of the Supervisory Committee of the Company from 28 February 2017 to 23 March 2018.

JOINT COMPANY SECRETARIES

Mr. CAI Changzhen, aged 46, is a joint Company Secretary of the Company. He graduated from the Faculty of Law of Xiamen University with a bachelor's degree in law in July 1995. From September 1993 to July 1995, he studied in the evening session of Xiamen University and graduated with a second major in business administration. From October 1998 to May 2002, he studied in the graduate training course offered by the Faculty of Business Administration of the Graduate School of Xiamen University and graduated with a master's degree in management. In July 1997 he was admitted as a lawyer by the Chinese Ministry of Justice and is currently an economist. From July 1995 to June 1998, he was the secretary of the Office of Xiamen Harbour Bureau, and from June 1998 to March 2004 he was the secretary of the Office of Xiamen Port (Group) Co., Ltd. From March 2004 to September 2006, he was the secretary of the Board Secretariat and the Affairs Department of the Company, during which he participated in the Company's asset reorganization and listing projects. From September 2006 to November 2014, he was the deputy manager of the Affairs Department of the Company and primarily assisted the Board Secretary. He has been a deputy officer of the Board Secretariat and a deputy officer of the Office of the Company since November 2014. He has been a joint Company Secretary of the Company since 18 April 2016. He has also been a supervisor of Xiamen Container Terminal Group Co., Ltd. since December 2016.

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

SENIOR MANAGEMENT

CHEN Zhaohui, General Manager

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

KE Dong, Deputy General Manager

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

XU Xubo, Deputy General Manager

Mr. XU Xubo, aged 48, is a deputy general manager of the Company. He graduated in July 1993 from Xiamen University with a Bachelor's degree in engineering. He graduated in June 2006 from the Management School of Xiamen University with a Master's degree in Business Administration, and is now a Senior Economist. From July 1993 to April 1995, he was a warehouse managing worker of the warehousing and storage section of Xiamen Harbour Bureau Heping Loading and Unloading Company, and from May 1995 to April 1998 he was a computer center technician of Xiamen Port Haitian Loading and Unloading Company. From April 1998 to September 2001, he was the deputy chief and then the chief of the warehousing and storage section of Xiamen Port Haitian Loading and Unloading Company. From September 2001 to February 2006 he was the assistant general manager of Xiamen Port Group Haitian Container Co., Ltd., and from February 2003 to February 2006 he was also the manager of the commerce department of Xiamen Port Group Haitian Container Co., Ltd. From February 2006 to December 2013, he was a deputy general manager, executive deputy general manager, general manager and the deputy party secretary of Xiamen Port Group Haitian Container Co., Ltd. in succession. Since December 2013, he has been the general manager, the deputy party secretary and a director of Xiamen Container Terminal Group Co., Ltd., and since December 2013, he has also been the chairman of Xiamen Songyu Container Terminal Co., Ltd., the chairman of Xiamen International Container Terminal Co., Ltd. and the chairman of Xiamen Haicang International Container Terminal Co., Ltd. Since January 2014, he has also been the chairman of Xiamen Haicang Xinhaida Container Terminal Co., Ltd., and since April 2016, he has also been an executive director of Xiamen Hairun Container Terminal Co., Ltd.. He was also the general manager of Xiamen Hairun Container Terminal Co., Ltd. from April 2016 to September 2017. He has been a deputy general manager of the Company since 28 February 2017. He has also been a director of Xiamen Port Development since 10 April 2017.

CHEN Zhen, Chief Financial Officer

Mr. CHEN Zhen, aged 44, is the chief financial officer of the Company. He graduated in 1995 from the Jimei University School of Finance and Economics majoring in foreign economic enterprise accounting. He graduated in 2004 from Xiamen University majoring in business administration with a Bachelor's degree in management. He graduated in 2007 from Xiamen University with a Master's degree in professional accounting, and is now a Senior Accountant and a top tier talent of management accounting in Fujian Province. From July 1995 to October 1995, he was an accountant of Xiamen Port Container Company. From October 1995 to October 1996, he was the financial director of International Freight Forwarding Company, a subsidiary of Xiamen Port Container Company. From October 1996 to June 2002, he was the assistant general manager and also the finance manager of Xiamen Jianhong Container Freight Co., Ltd., and during which he was also the manager of the container management department. From June 2002 to September 2009, he was the deputy manager, and then the manager of finance department of Xiamen Port Group Haitian Container Co., Ltd. From September 2009 to October 2013, he was the assistant manager, and then the deputy manager of the finance department of Xiamen Port Holding Group Company Limited. From October 2013 to February 2017, he was the chief financial controller of Xiamen Port Development Co., Ltd. From December 2013 to June 2017, he was also a supervisor of China Xiamen Foreign Shipping Agency Co., Ltd., Chaozhou Port Development Co., Ltd. and Xiamen Port YCH Logistics Co., Ltd.. From December 2013 to June 2017, he was also the chairman of the supervisory committee of Xiamen Port Transport Co., Ltd., Xiamen Port Logistics Co., Ltd. and Xiamen Port Shipping Co., Ltd.. From March 2014 to March 2017, he was also the chairman of the supervisory committee of Xiamen Port Trade Co., Ltd., and since December 2016 he has also been a director of Xiamen Container Terminal Group Co., Ltd. He has been the chief financial officer of the Company since 28 February 2017.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

During the Year, the principal activities of the Group include: (i) container, bulk and general cargo loading and unloading and storage businesses; (ii) port comprehensive logistics services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and (iii) building materials manufacturing, processing and selling and the trading of merchandise (the above collectively referred to as the "Core Businesses"). Besides the Core Businesses, the Group is also engaged in long term investment business. The principal activities of our subsidiaries are set out in Note 39 to the financial statements.

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

No analysis by geographical segment is presented since the Core Businesses are mainly operated in Xiamen City, the PRC; and all of the Group's activities are conducted in the PRC during the year of 2017.

BUSINESS REVIEW

Review of the business of the Group during the Year and discussion on the Group's future business development, as well as introduction of the possible risks and uncertainties that the Group may be facing are set out in the Chairman's Statement on pages 6 to 11 and the Management Discussion and Analysis on pages 12 to 32 of this annual report. Also, the financial risk management objectives and policies of the Group can be found in Note 3 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017 are provided in Note 42 to the consolidated financial statements. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the Group's Financial Highlights on pages 4 to 5 of this annual report. In addition, discussion on the Group's corporate social responsibility, environmental policies, investor relationship and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report on pages 33 to 68 and this Report of the Directors on pages 83 to 99 respectively.

RESULTS

The Group's results for the Year are set out in the consolidated income statement on page 112.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB3.5 cents per share (tax inclusive), aggregating RMB95,417,000 (tax inclusive) to all shareholders whose names appeared on the Register of Members on 27 June 2018, subject to the consideration and approval of the same by shareholders at the forthcoming annual general meeting to be held on 15 June 2018.

RESERVES

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

DONATIONS

Charitable and other donations made by the Group in the Year were approximately RMB465,000 in aggregate.

SHARE CAPITAL

The table below sets out the share capital structure of the Company as at 31 December 2017:

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

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

RESERVES AVAILABLE FOR DISTRIBUTION

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

As at 31 December 2017, the amount of reserves available for distribution of the Company, calculated on the above basis, was approximately RMB171,342,000. Such amount was prepared under the Rules and the generally accepted accounting principles in Hong Kong.

PRE-EMPTION RIGHTS

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

SHARE OPTION SCHEME

The Company did not implement any share option scheme.

FINANCIAL HIGHLIGHTS

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

PURCHASE, SALE AND REDEMPTION OF SECURITIES

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

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

On 13 February 2017, Xiamen Terminal Group (a non-wholly owned subsidiary of the Company) has completed the acquisition of the 20% equity interest held by Initial Sun in Xinhaida Terminal, and therefore now Xiamen Terminal Group and Trend Wood, a wholly-owned subsidiary of Xiamen Terminal Group, held a total of 66% equity interest in Xinhaida Terminal. In view of the completion of the aforesaid acquisition of equity interests and the amendments concurrently made to the articles of association of Xinhaida Terminal, Xinhaida Terminal shall be accounted for as a subsidiary of the Group upon completion of the said acquisition. For details, please refer to the announcements of the Company dated 16 December 2016 and 13 February 2017, respectively.

On 25 August 2017, the Company has made undertakings to Xiamen Port Development, pursuant to which the Company has agreed to subscribe, at a maximum total subscription price not exceeding RMB661,505,100, approximately 55.13% (in full) of the offer shares in Xiamen Port Development pursuant to the terms and conditions of the open offer of Xiamen Port Development. Assuming all the offer shares are taken up by the qualifying shareholders of Xiamen Port Development, the Company will continue to own approximately 55.13% of the enlarged issued share capital of Xiamen Port Development upon completion of the open offer. The above open offer of Xiamen Port Development is subject to the approval by the China Securities Regulatory Commission (中國證券監督管理委員會). Respectively On 25 August 2017 and 29 September 2017, Xiamen Port Development has entered into an equity transfer agreement and a supplemental agreement in relation to the 49% equity interest in Shihushan Terminal Company (at present Xiamen Port Development is holding 51% equity interest in Shihushan Terminal Company) with Xiamen Port Holding in succession, pursuant to which (i) Xiamen Port Development has exercised the call option in relation to the above 49% equity interest in Shihushan Terminal Company owned by Xiamen Port Holding and acquired from Xiamen Port Holding the 49% equity interest in Shihushan Terminal Company held by it for a consideration of RMB724,667,600; (ii) the above consideration shall be paid after the receipt of the full sum of the proceeds from the open offer by Xiamen Port Development. For details, please refer to the Company's announcements dated 25 August 2017, 29 September 2017 and 15 November 2017 and the Company's circular dated 23 October 2017.

On 1 September 2017, Xiamen Port Development (a non-wholly owned subsidiary of the Company) has entered into a transfer agreement in relation to the 75% equity interest in Shishi Huajin with Shishi City Well Able Group Co., Ltd. ("Well Able", (石獅市華寶集團有限公司)) and Qiu Yitian, pursuant to which

(i) Xiamen Port Development has acquired from Well Able for its 60% equity interest in Shishi Huajin for a consideration of RMB163,609,020 and acquired from Qiu Yitian for his 15% equity interest in Shishi Huajin for a consideration of RMB40,902,255, respectively. The above acquisitions and the relevant registration procedures for the change of equity holders have been completed on 26 October 2017. Therefore Shishi Huajin has been accounted for as a subsidiary of the Group accordingly; (ii) after completion of the above acquisition of equity interests, Xiamen Port Development, Well Able and Qiu Yitian have contributed RMB300,000,000, RMB60,000,000 and RMB40,000,000 respectively by way of cash injection in proportion to their respective equity interest in Shishi Huajin, so as to increase the registered capital of Shishi Huajin from RMB200,000,000 to RMB600,000,000. The above capital increase and the registration procedures for the change of equity interests have been completed on 1 November 2017. For details, please refer to the Company's announcements dated 1 September 2017, 4 September 2017 and 27 October 2017, respectively.

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

DIRECTORS AND SUPERVISORS

The fourth session of the Board comprised fourteen Directors, including five executive Directors, namely Mr. LIN Kaibiao, Mr. CAI Liqun, Mr. FANG Yao, Mr. CHEN Zhaohui and Mr. KE Dong, four non-executive Directors, namely Mr. ZHENG Yongen, Mr. CHEN Dingyu, Mr. FU Chengjing and Mr. HUANG Zirong, and five independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan. The fourth session of the Supervisory Committee of the Company comprised six Supervisors, including two Shareholders representative Supervisors, namely Mr. YU Mingfeng and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. WU Weijian, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

In accordance with the Articles, the term of office of each of the Directors and Supervisors is three years and each of them shall be eligible for re-election and re-appointment upon the expiration of the term. At the Company's first extraordinary general meeting in 2017 held on 28 February 2017, the twelve Directors in office, namely Mr. CAI Liqun, Mr. FANG Yao, Mr. CHEN Dingyu, Mr. FU Chengjing, Mr. HUANG Zirong, Mr. CHEN Zhaohui, Mr. KE Dong, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were re-elected and Mr. CHEN Zhiping and Ms. BAI Xueqing were elected as Directors of the fifth session of the Board, of which, Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan were independent non-executive Directors. At the same extraordinary general meeting, three Supervisors in office, namely Mr. ZHANG Guixian, Mr. TANG Jinmu and Mr. XIAO Zuoping, were re-elected, and Mr. SU Yongzhong was elected, as the Supervisors of the fifth session of the Supervisory Committee (Mr. LIAO Guosheng and Mr. WU Weijian were staff representative Supervisors who had been re-elected and re-appointed at the general meeting of staff representatives of the Company held on 23 February 2017), of which, Mr. TANG Jinmu and Mr. XIAO Zuoping were independent Supervisors.

On 28 February 2017, the Company convened the first meeting of the fifth session of the Board to elect Mr. CAI Liqun as the Chairman and Mr. FANG Yao as the Vice Chairman, appointed Mr. CAI Liqun, Mr. FANG Yao, Mr. CHEN Zhaohui and Mr. KE Dong as executive Directors, and appointed Mr. CHEN Dingyu, Mr. CHEN Zhiping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing as non-executive Directors and continued to appoint Mr. CAI Changzhen as the secretary to the Board/the Company Secretary. On the same date, the Company convened the first meeting of the fifth session of the Supervisory Committee to elect Mr. SU Yongzhong as the Chairman of the Supervisory Committee.

Accordingly, as at 31 December 2017, members of the fifth session of the Board comprised four executive Directors, namely Mr. CAI Liqun (Chairman), Mr. FANG Yao (Vice Chairman), Mr. CHEN Zhaohui and Mr. KE Dong, five non-executive Directors, namely Mr. CHEN Dingyu, Mr. CHEN Zhiping, Mr. FU Chengjing, Mr. HUANG Zirong and Ms. BAI Xueqing, and five independent non-executive Directors, namely Mr. LIU Feng, Mr. LIN Pengjiu, Mr. YOU Xianghua, Mr. JIN Tao and Mr. JI Wenyuan. Members of the fifth session of the Supervisory Committee of the Company included two Shareholders representative Supervisors, namely Mr. SU Yongzhong (being the Chairman of Supervisory Committee) and Mr. ZHANG Guixian, two staff representative Supervisors, namely Mr. LIAO Guosheng and Mr. WU Weijian, and two independent Supervisors, namely Mr. TANG Jinmu and Mr. XIAO Zuoping.

Besides, there is no requirement of retirement by rotation under the Articles.

DIRECTORS’ AND SUPERVISORS’ SERVICE CONTRACTS

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

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

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Remuneration paid by the Company to the senior management (excluding the Directors) for the Year ranges from approximately RMB502,600 to RMB937,000 each.

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

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biography of each of the current and resigned Directors, Supervisors and senior management of the Company as at the date of this annual report are set out on pages 69 to 82.

RIGHTS TO ENABLE DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2017, none of the Directors, Supervisors, chief executives of the Company or their associates had any interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any Director, Supervisor or chief executive of the Company is deemed or taken to be under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2017, to the best of the knowledge of the Directors, the following persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which should be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Save as disclosed above, as at 31 December 2017, to the best of the knowledge of the Directors, no other persons (other than the Directors or Supervisors) had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

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

DEBENTURES ISSUED

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

Employees

As at 31 December 2017, the Group had a total of 7,572 employees. For details of employees' remuneration, please refer to the Management Discussion and Analysis on page 27 of this annual report.

The Group strictly protects the lawful rights and interests of its employees according to law, attaches great importance to the optimization of its personnel structure and the occupational health and individual development of its employees, and provides differentiated training to enhance their professional quality, thereby benefits business development of the Group. The management proactively communicate with the employees to foster the harmonious relationship between the Company and the employees.

Customers

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

Suppliers

The Group attaches great importance to supplier procurement management. Based on the full investigation and analysis of operation qualification, industry background, scale of production, product quality and business integrity of the suppliers, the Group conducts supplier assessment to rate their performance on a regular or irregular basis to ensure the normal operation of the port while reducing corporate costs and decreasing potential supplier risk. Through sincere cooperation, the Group has set up long-term cooperation relationships with our major suppliers. During the Year, total purchases from the five largest suppliers of the Group accounted for approximately 32.0% of the Group's total purchases, of which, the purchase from the largest supplier accounted for approximately 9.4% of the total purchases of the Group.

To the best knowledge of the Directors, the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the total number of issued shares of the Company) did not have any beneficial interest in any of the Group's five largest suppliers during the Year.

CONNECTED TRANSACTIONS

In 2017, the Company and/or its related subsidiaries entered into the following one-off connected transactions with certain connected parties:

On 15 May 2017, Xiamen Terminal Group and Hutchison Ports Xiamen Limited (和黃港口廈門有限公司, an associate of Hutchison Ports Haicang Limited (和記港口海滄有限公司), which is a connected person of the Company due to its shareholdings in XHICT), entered into an agreement in relation to XICT, pursuant to which Xiamen Terminal Group and Hutchison Ports Xiamen Limited have agreed to act in accordance with the agreed mechanism with regard to the approval of its special corporate matters by the board of directors of XICT for the period commencing on the date of the agreement and ending on 31 December 2022, unless otherwise extended by the relevant parties prior to expiry. By virtue of and in view of the arrangements contemplated under the agreement, XICT shall be accounted for as a subsidiary of the Group in accordance with the HKFRS. For details of the above transaction, please refer to the announcement of the Company dated 15 May 2017.

On 8 September 2017, Xinhaida Terminal has entered into a finance lease agreement with Xiamen Haixinsheng Financial Leasing Co., Ltd. ("Xiamen HXS", (廈門海信升融資租賃有限公司), a non-wholly owned subsidiary of Xiamen Port Holding), pursuant to which Xiamen HXS agreed to purchase the equipment from an independent supplier at the request of Xinhaida Terminal and upon which Xinhaida Terminal shall lease the equipment from Xiamen HXS for a term commencing from the date of payment of the first instalment for acquiring the equipment by Xiamen HXS to the said supplier to the expiration of the eight-year finance lease period starting from the date of its payment of the last instalment. The lease consideration consists of payment of the principal amount of RMB101,600,000 (which is equivalent to the acquisition cost of the equipment) and lease interest. Based on the assessment of the Board, it is currently estimated that the total amount of the lease interest payable by Xinhaida Terminal for the entire lease term will not exceed RMB41,052,005 after taking the possible future adjustment to the annual lease interest rate into account. In addition, Xinhaida Terminal shall pay a sum of RMB2,946,400 (which is equivalent to 2.90% of the principal amount, inclusive of value-added tax) to Xiamen HXS as commission fee under the finance lease agreement. Upon expiry of the lease term, Xinhaida Terminal shall purchase and acquire the ownership of the equipment from Xiamen HXS at a nominal purchase price of RMB100 on the condition that Xinhaida Terminal has performed its obligations under the finance lease agreement. On the same date of entering into the finance lease agreement, Xiamen Terminal Group has also entering into a guarantee contract with Xiamen HXS accordingly so as to provide an irrevocable joint liability guarantee for the debts owed by Xinhaida Terminal under the finance lease agreement for a period from the effective date of finance lease agreement up to and until 6 months after Xinhaida Terminal's discharge of its final debt owed under the finance lease agreement. For details of the above transaction, please refer to the announcement of the Company dated 8 September 2017.

On 25 August 2017 and 29 September 2017, Xiamen Port Development has entered into an equity transfer agreement and a supplemental agreement in relation to the 49% equity interest in Shihushan Terminal Company with Xiamen Port Holding in succession, pursuant to which (i) Xiamen Port

Development has exercised the call option in relation to the above 49% equity interest in Shihushan Terminal Company owned by Xiamen Port Holding and acquired from Xiamen Port Holding the 49% equity interest in Shihushan Terminal Company held by it for a consideration of RMB724,667,600; (ii) the above consideration shall be paid after the receipt of the full sum of the proceeds from the open offer by Xiamen Port Development. Details of the above transaction are set out in the aforesaid section titled "MAJOR ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATED COMPANIES AND JOINT VENTURES".

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

Transaction particulars	Connected persons	Date of signing the agreement	Amount (RMB)
A. Xiamen Terminal Group and Hutchison Ports Xiamen Limited have agreed to act in accordance with the agreed mechanism entering into by the two parties with regard to the approval of its special corporate matters by the board of directors of XICT	Hutchison Ports Xiamen Limited	15 May 2017	Not applicable
B. Xinhaida Terminal shall lease the equipment from Xiamen HXS	Xiamen HXS	8 September 2017	The estimated lease consideration will not exceed RMB142,652,005
Upon expiry of the lease term, Xinhaida Terminal shall purchase the equipment from Xiamen HXS			100
Xinhaida Terminal shall pay commission fee to Xiamen HXS under the finance lease agreement			2,946,400
Xiamen Terminal Group has provided a joint liability guarantee to Xiamen HXS for the debts owed by Xinhaida Terminal under the finance lease agreement			The debts owed by Xinhaida Terminal under the finance lease agreement
C. Xiamen Port Development acquired the 49% equity interest in Shihushan Terminal Company from Xiamen Port Holding	Xiamen Port Holding	25 August 2017 and 29 September 2017	724,667,600

In addition, in 2017, due to its operation demands, the Group also entered into certain non-exempt continuing connected transactions with the Company's controlling shareholder, Xiamen Port Holding and its subsidiaries (collectively known as the "Xiamen Port Holding Group") and certain other connected parties outside the Group. The table below sets out a summary of the above-mentioned non-exempt continuing connected transactions:

Services	Connected persons	2017 Proposed annual cap (RMB)	2017 Actual amount incurred (RMB)
A. Office/premises/terminal facilities lease	Xiamen Port Holding Group	120,000,000	53,977,000
		(Being rent payable by the Group)	
		40,000,000	504,000
		(Being rent receivable by the Group)	
B. Logistics property services	Xiamen Port Holding Group	26,000,000	11,974,000
C. Comprehensive services	Xiamen Port Holding Group	37,500,000	24,027,000
D. Construction project management	Xiamen Port Holding Group	28,500,000	10,645,000
E. Port facilities engineering and construction	Xiamen Port Holding Group	197,000,000	91,415,000
F. Port-related labour services	Xiamen Port Holding Group	120,000,000	75,948,000
G. Electrical equipment maintenance	Xiamen Port Holding Group	25,500,000	3,330,000
H. Port services	COSCO Shipping Container Lines Co., Ltd①	195,000,000	166,471,000
I. Power supply and maintenance	Xiamen Port Holding Group	38,000,000	19,726,000
J. Port services	Xiamen Port Holding Group	115,000,000	56,429,000
K. Information services	Xiamen Port Holding Group	35,000,000	13,930,000
L. Port services	Maersk (China) Shipping Co., Ltd	225,000,000	208,429,000
M. Purchase of oil products	Xiamen Port Holding Group	82,000,000	39,044,000
N. Concrete sale and purchase	Xiamen Port Holding Group	25,000,000	3,813,000
O. Mutual trade	Xiamen Xiangyu Logistics Group Co., Ltd	170,000,000	11,705,000
		(Being fee payable by the Group)	
		170,000,000	69,651,000
		(Being fee receivable by the Group)	
P. Mutual trade	Xiamen ITG Holding Co., Ltd	170,000,000	36,056,000
		(Being fee payable by the Group)	
		170,000,000	18,854,000
		(Being fee receivable by the Group)	

① COSCO Container Lines Co., Ltd has been renamed to COSCO Shipping Container Lines Co., Ltd.

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

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

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

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

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

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

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

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

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

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

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

Details of significant related party transactions undertaken in the ordinary and usual course of business are set out in Note 38 to the consolidated financial statements. None of the related party transactions constitutes a connected transaction that should be disclosed, except for the above connected transactions, in respect of which the disclosure requirements in accordance with Chapter 14A to the Listing Rules have been complied with.

PENSION SCHEME

Pursuant to the relevant laws and regulations of the PRC and Xiamen Municipal Government regarding the administration of corporate annuity, the Group has implemented corporate annuity schemes combined with its actual situation. According to the statistics, the aggregate corporate contribution of the Group to the corporate annuity for the Year was approximately RMB27,249,500, of which the aggregate contribution of the Company to the corporate annuity was approximately RMB547,200.

The abovementioned corporate annuity is a contribution scheme. The forfeited contribution may be used by the Group. As at 31 December 2017, the forfeited contribution available for the use of the Group amounted to RMB2,414,820.0. The Group had not utilised the forfeited contribution during the Year.

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2017 are set out in note 23 of the Notes to the Consolidated Financial Statements.

ENTRUSTED DEPOSITS AND OVERDUE DEPOSITS

As at 31 December 2017, the Group did not make any entrusted deposit with financial institutions in the PRC nor was there any overdue term deposit irrecoverable.

TAXATION

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

Approved by Xiamen Guo Shui Zhi Han [2008] No. 1 issued by State Administration of Taxation Xiamen Branch, Songyu Terminal, a subsidiary of the Company, is entitled to a five-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent five years, commencing from 2008. The income tax rate for the year ended 31 December 2017 is 12.5% (2016: 12.5%).

As approved by State Administration of Taxation of Xiamen Branch, Haiyu Terminal, a subsidiary of the Company, is entitled to a three-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years, commencing from 2014. The income tax rate for the year ended 31 December 2017 is 12.5% (2016: 0%).

Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng Hong Kong all being subsidiaries of the Company, are incorporated in Hong Kong, thus their applicable income tax rate is 16.5%. Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the Year.

Except for Songyu Terminal, Haiyu Terminal, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng Hong Kong, the Company and other subsidiaries of the Company are subjected to income tax rate of 25% for the year ended 31 December 2017 (2016: 25%).

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

Company and some of its subsidiaries generated from the provision of logistics auxiliary services to overseas clients was exempted from value-added tax.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

By order of the Board

CAI Liqun
Chairman

Xiamen, the PRC
29 March 2018

Report of the Supervisory Committee

To Shareholders of Xiamen International Port Co., Ltd :

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

I. STATUS OF THE SUPERVISORY COMMITTEE IN 2017

In the year of 2017, all members of the Supervisory Committee of the Company had been discharging their duties conscientiously and performing its work sedulously and initiatively pursuant to the provisions of the Company Law, the Articles, the Listing Rules and other applicable laws and regulations on the basis of integrity and diligence so as to safeguard the interests of the Company and the shareholders as a whole.

During the Reporting Period, the Supervisory Committee of the Company convened a meeting of re-election that according to the provisions of the Articles, the Supervisory Committee of the Company shall be comprised of six members. The members of the fourth session of the Supervisory Committee include Mr. YU Mingfeng, the Chairman of the Supervisory Committee and a shareholder Supervisor, Mr. ZHANG Guixian, a shareholder Supervisor, Mr. LIAO Guosheng and Mr. WU Weijian, the staff representative Supervisors, and Mr. TANG Jinmu and Mr. XIAO Zuoping, the independent Supervisors. At the Company's first extraordinary general meeting in 2017 held on 28 February 2017, three Supervisors in office, namely Mr. ZHANG Guixian, Mr. TANG Jinmu and Mr. XIAO Zuoping, were re-elected, and Mr. SU Yongzhong was elected as the Supervisors of the fifth session of the Supervisory Committee (Mr. LIAO Guosheng and Mr. WU Weijian were staff representative Supervisors who had been re-elected and re-appointed at the general meeting of staff representatives of the Company held on 23 February 2017), of which, Mr. TANG Jinmu and Mr. XIAO Zuoping were independent Supervisors. On the same date, the Company convened the first meeting of the fifth session of the Supervisory Committee to elect Mr. SU Yongzhong as the Chairman of the Supervisory Committee.

In the year of 2017, the Supervisory Committee of the Company convened four meetings, mainly for reviewing and approving the financial documents such as the annual report and the interim report of the Company and the working report of the Supervisory Committee in 2016, and nominating the relevant candidates for the fifth session of the Supervisory Committee of the Company, reviewing and approving the service agreements of the fifth session of the Supervisory Committee of the Company, and electing Mr. SU Yongzhong as the Chairman of the fifth session of the Supervisory Committee of the Company, and the above issues had formed specific resolutions.

During the Reporting Period, all members of the Supervisory Committee of the Company had monitored and reviewed the agendas of the Board meetings and the general meetings, the relevant resolutions passed and their implementations by attending the Board meetings and the general meetings convened in 2017, debriefing on the work report and financial situation report concerning the operations of the Company, reviewing the financial report and audit report and listening to the reporting of the external auditors about their audit work on the Company. In the opinion of the Supervisory Committee, the Directors and senior management of the Company were capable of performing their duties conscientiously according to the resolutions passed at general meetings or by the Board.

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE IN RESPECT OF RELEVANT MATTERS OF THE COMPANY IN 2017

1. Operation of the Company in compliance with the law

The Supervisory Committee had monitored the operation and management of the Company and the performance of duties conducted by its Directors and senior management as well as the implementation of the risk management and internal control system of the Company pursuant to the provisions of the Listing Rules, applicable laws and regulations and the Articles. The Supervisory Committee was of the opinion that, during the Reporting Period, the Company's procedures of decision-making were standard and legal, the risk management and internal control system had been implemented strictly and further improved, and the Company was able to strictly execute all the applicable laws and regulations and to operate in accordance with the requirements of the Listing Rules. The Board and senior management had duly and diligently discharged their duties and operated the Company with a standardized operation system in place. The Supervisory Committee did not find any contravention of applicable laws or regulations or the Articles or acts which were detrimental to the interests of the Company and its shareholders done by the Directors and senior management.

2. **Financial position of the Company**

The Supervisory Committee had carefully audited the 2017 financial report, the 2017 profit allocation proposal of the Company and the 2017 auditors' report issued by the auditors of the Company in Hong Kong, PricewaterhouseCoopers, Certified Public Accountants, and other relevant information. The Supervisory Committee is of the opinion that during the Reporting Period, the financial condition of the Company was sound with standardized financial management strictly implemented. The 2017 financial report of the Company gives an objective, true and fair view of the financial conditions and operating results of the Company for the Reporting Period. The Supervisory Committee concurred with the auditors' opinions and also opined that the relevant profit allocation proposal of the Company was in line with the Company's current status of operation.

3. **Connected transactions of the Company**

The Supervisory Committee is of the opinion that, during the Reporting Period, the transaction prices in connection with the acquisition or disposal of assets were reasonable, no insider dealings were discovered, and there existed no circumstances which would have been detrimental to any shareholders or would have resulted in any loss of the Company's assets. During the Reporting Period, every connected transaction was concluded in the ordinary course of business of the Company, on normal or better commercial terms and the terms of transaction were fair and reasonable and adhering to the principle of fairness, openness and impartiality. These transaction prices were negotiated and determined on the basis of fair market value. No circumstances which would have been detrimental to the interests of the Company and its shareholders as a whole were discovered.

In 2018, all members of the Supervisory Committee will continue to strictly discharge their duties pursuant to the authorities conferred by the laws, regulations and the Articles and put more effort on supervision in order to practically safeguard and protect the interests of the Company and its shareholders as a whole.

By order of the Supervisory Committee

ZHANG Guixian
Representative of the Supervisory Committee

Xiamen, the PRC
29 March 2018

Independent Auditor's Report

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Xiamen International Port Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 236, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Key Audit Matters

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

- Key audit matters identified in our audit is non-current asset impairment assessments for container loading and unloading and storage business segment.

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

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Other Information

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

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2018

Consolidated Balance Sheet

As at 31 December 2017

		As at 31 December	
		2017	2016
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Investment properties	5	**159,063**	135,171
Property, plant and equipment	6	**11,790,983**	8,448,360
Land use rights	7	**3,686,592**	2,802,592
Intangible assets	8	**619,034**	310,519
Interests in joint ventures	10	**73,286**	895,839
Interests in associates	11	**50,071**	58,864
Available-for-sale financial assets	12	**403,632**	112,417
Long-term receivables and prepayments	16	**57,259**	201,466
Deferred income tax assets	13	**278,153**	266,649
Total non-current assets		**17,118,073**	13,231,877
Current assets			
Available-for-sale financial assets	12	**373,500**	300,000
Inventories	14	**587,377**	541,034
Accounts and notes receivable	15	**1,151,344**	1,152,686
Other receivables and prepayments	16	**961,605**	1,090,656
Term deposits with initial term over three months	17	**8,000**	22,931
Restricted cash	18	**37,477**	34,487
Cash and cash equivalents	19	**671,348**	1,140,956
Total current assets		**3,790,651**	4,282,750
Total assets		**20,908,724**	17,514,627
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**2,726,200**	2,726,200
Reserves	25	**2,495,995**	2,176,661
		5,222,195	4,902,861
Non-controlling interests		**6,621,292**	5,409,112
Total equity		**11,843,487**	10,311,973

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	**2,430,118**	1,323,592
Deferred government grants and income	22	**134,958**	143,390
Long-term payables and advances	21	**1,816**	1,849
Deferred income tax liabilities	13	**452,811**	383,243
Total non-current liabilities		**3,019,703**	1,852,074
Current liabilities			
Accounts and notes payable	20	**954,383**	1,047,631
Other payables and accruals	21	**1,264,784**	2,008,614
Borrowings	23	**3,707,679**	2,217,375
Taxes payable		**118,688**	76,960
Total current liabilities		**6,045,534**	5,350,580
Total liabilities		**9,065,237**	7,202,654
Total equity and liabilities		**20,908,724**	17,514,627

The notes on pages 118 to 236 are an integral part of these consolidated financial statements.

The financial statements on pages 83 to 99 were approved by the Board of Directors on 29 March 2018 and were signed on its behalf.

Cai Liqun
Director

Chen Zhaohui
Director

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenues	26	**12,922,319**	8,483,998
Cost of sales		**(11,722,327)**	(7,356,283)
Gross profit		**1,199,992**	1,127,715
Other income	26	**256,187**	118,191
Other gains — net	27	**211,255**	188,240
Selling and marketing expenses		**(76,739)**	(52,393)
General and administrative expenses		**(352,499)**	(330,704)
Operating profit		**1,238,196**	1,051,049
Finance income	30	**28,383**	40,373
Finance costs	30	**(193,640)**	(106,095)
		1,072,939	985,327
Share of profits less losses of joint ventures	10	**(5,671)**	36,348
Share of profits less losses of associates	11	**3,365**	(338)
Profit before income tax expense		**1,070,633**	1,021,337
Income tax expense	31(a)	**(251,038)**	(216,421)
Profit for the year		**819,595**	804,916
Profit attributable to:			
Owners of the Company		**411,157**	319,342
Non-controlling interests		**408,438**	485,574
		819,595	804,916
Earnings per share for profit attributable to owners of the Company during the year			
— Basic and diluted (in RMB cents)	33	**15.08**	11.71

The notes on pages 118 to 236 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Profit for the year	**819,595**	804,916
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss		
— Fair value gains on available-for-sale financial assets, net of tax	**17,225**	27,382
Total comprehensive income for the year	**836,820**	832,298
Total comprehensive income for the year attributable to:		
— Owners of the Company	**428,382**	346,724
— Non-controlling interests	**408,438**	485,574
	836,820	832,298

The notes on pages 118 to 236 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

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

The notes on pages 118 to 236 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company					
	Share capital RMB'000 (Note 24)	Other reserves RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	**2,726,200**	**(358,229)**	**2,534,890**	**4,902,861**	**5,409,112**	**10,311,973**
Comprehensive income						
Profit for the year	—	—	**411,157**	**411,157**	**408,438**	**819,595**
Other comprehensive income						
Fair value gains on available-for-sale financial assets	—	**17,225**	—	**17,225**	—	**17,225**
— Gross	—	**22,967**	—	**22,967**	—	**22,967**
— Related deferred income tax	—	**(5,742)**	—	**(5,742)**	—	**(5,742)**
Total comprehensive income	—	**17,225**	**411,157**	**428,382**	**408,438**	**836,820**
Total transaction with owners, recognised directly in equity						
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	**(264,534)**	**(264,534)**
2016 final dividends	—	—	**(109,048)**	**(109,048)**	—	**(109,048)**
Profit appropriation	—	**19,038**	**(19,038)**	—	—	—
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	**1,068,276**	**1,068,276**
Total transaction with owners, recognised directly in equity	—	**19,038**	**(128,086)**	**(109,048)**	**803,742**	**694,694**
Balance at 31 December 2017	**2,726,200**	**(321,966)**	**2,817,961**	**5,222,195**	**6,621,292**	**11,843,487**

The notes on pages 110 to 236 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Net cash generated from operations	34(a)	**1,111,944**	1,120,867
Interest paid		**(215,822)**	(102,842)
Income tax paid		**(229,021)**	(214,105)
Net cash generated from operating activities		**667,101**	803,920
Cash flows from investing activities			
Purchases of property, plant and equipment, intangible assets and land use rights		**(592,429)**	(664,775)
Proceeds from disposals of property, plant and equipment and land use rights		**38,906**	84,013
Capital reduction to associate	11	**767**	—
Capital injection to associate	11	**—**	(1,200)
Cash paid for acquisition of a subsidiaries in prior year		**—**	(1,337)
Cash received from disposal of an associate		**8,586**	—
Investment in Build and Transfer project		**—**	(20,000)
Investment return from Build and Transfer project		**155,449**	172,000
Interested loan to a related party		**—**	(440,000)
Repayment of loan from related parties		**—**	190,860
Interest received		**26,067**	59,851
Dividends received		**5,697**	17,956
Payment for business combination under common control		**—**	(214,948)
Settlement of wealth management product		**396,500**	130,000
Purchase of wealth management product		**(745,000)**	(300,000)
Payment for business combination under non-common control	37	**(50,389)**	—
Cash received from business combination		**—**	2,512
Cash received from disposal of available for sale financial assets		**26,760**	—
Net (increase)/decrease in restricted cash		**(2,990)**	10,024
Net decrease/(increase) in term deposits with initial term of over three months		**14,931**	(16,316)
Net cash used in investing activities		**(717,145)**	(991,360)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		**4,883,274**	4,207,347
Repayments of borrowings		**(3,943,299)**	(3,485,634)
Contribution from non-controlling shareholders of subsidiaries		**117,217**	11,250
Payment for business combination under common control		**(501,546)**	—
Interested loan repayment to a related party		**(70,000)**	—
Dividends paid to owners of the Company		**(109,048)**	(111,153)
Dividends paid to non-controlling shareholders of subsidiaries		**(794,076)**	(158,250)
Net cash (used in)/generated from financing activities		**(417,478)**	463,560
Net (decrease)/increase in cash and cash equivalents		**(467,522)**	276,120
Cash and cash equivalents at beginning of year		**1,140,956**	861,733
Exchange (losses)/gains on cash and cash equivalents		**(2,086)**	3,103
Cash and cash equivalents at end of year	19	**671,348**	1,140,956

The notes on pages 110 to 236 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. General information

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

The Company and its subsidiaries (together the "Group") are principally engaged in the relevant terminals in Dangdu port area and Haicang port area of Xiamen, Qingzhou operating area in Fuzhou and Quanzhou port, in container, bulk and general cargo loading and unloading and storage businesses; comprehensive port logistics services, including port-related logistics, shipping agency, tugboat berthing and unberthing services, tallying; and building materials manufacturing, processing and selling and the trading of merchandise (the above collectively referred to as the "Core Businesses"). Besides the Core Businesses, the Group is also engaged in long term investment business.

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

These consolidated financial statements were approved for issue by the Board of Directors (the "Board") of the Company on 29 March 2018.

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.The financial statements have been prepared on a historical cost basis, except for: available-for-sale financial assets, which are carried at fair value.

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

As at 31 December 2017, the Group's current liabilities exceeded to current assets by RMB2,255 million. For the year ended 31 December 2017, the cash and cash equivalent of the Group decreases by RMB470 million. As at 31 December 2017, the available unused bank facilities of the Group amounted to RMB8,109 million. The board of directors of the Company believes that the credit period of these bank facilities can be extended if needed. Based on the cash inflows from operating activities and the bank facilities available to the Group, the board of directors believes that the Group would continue to receive enough finance to support the operation and debt repayment and capital expenditure during at least twelve months from the date of the financial statement. As a result of this, these financial statements are prepared on going-concern basis.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following new and amendments to the standards have been adopted by the Group for the first time for the financial year beginning 1 January 2017:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
Amendments to HKFRS 12	Disclosure of interest in other entities	1 January 2017

The adoption of the above new standards and amendments starting from 1 January 2017 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2017.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 34(b).

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

(b) New standards and interpretations not yet adopted

The following new and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018 but have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKAS 40	Transfer of investment property	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale for contribution of assets between an investor and its associates or joint venture	To be determined

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

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It will apply to the Group's financial assets classified at amortized cost.

The Group has yet to undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it will result in an earlier recognition of credit losses. There will be no material impact on the Group's credit lossed.

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

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

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

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations;

(5) Recognize revenue when performance obligation is satisfied.

The Group has assessed the impact of applying HKFRS 15 on the Group's financial statements by reviewing the contracts, identifying the separate performance obligations in the contracts, evaluating the timing for revenue recognition against the 5-step approach of the new standard. There will be no material impact on recognition of revenue for the Group.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

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

HKFRS 16 will result in almost all leases being recognized on the balance sheet for lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB352,810,000, see Note 35. There will be no material impact on recognition of leases for the Group.

Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt HKFRS 9 and HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

(a) Business combinations under common control

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

2. Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries (continued)

(a) Business combinations under common control (continued)

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

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

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

(b) Business combinations not under common control

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

2. Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.1 Subsidiaries (continued)

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2. Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see 2.2.4 below), after initially being recognised at cost.

2.2.3 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has both joint operations and joint ventures.

Interests in joint ventures are accounted for using the equity method (see 2.2.4 below), after initially being recognised at cost in the consolidated balance sheet.

2.2.4 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2. Summary of significant accounting policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.4 Equity accounting (continued)

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

2.2.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

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

2. Summary of significant accounting policies (continued)

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

2. Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

(b) Transactions and balances

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

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

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

2.6 Investment properties

Investment properties are held for long-term rental yields.

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

2. Summary of significant accounting policies (continued)

2.6 Investment properties (continued)

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

An investment property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

2.7 Property, plant and equipment

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

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

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

2. Summary of significant accounting policies (continued)

2.8 Land use rights

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

2.9 Intangible assets

(a) Port line use rights

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

(b) Sea area use rights

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

(c) Computer software

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

2. Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

(d) Goodwill

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

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

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

2.10 Impairment of non-financial assets

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

2. Summary of significant accounting policies (continued)

2.11 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. See note 12 for details about each type of financial asset.

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

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, if are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. The Group has not elected to designate any financial assets at fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of trade and other receivables and cash and cash equivalents. (Note 2.15 and 2.16).

2. Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

(a) Classification (continued)

(iii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

2. Summary of significant accounting policies (continued)

2.11 Investments and other financial assets (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' — in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency — translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale — in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the income statement as part of revenue from continuing operations.

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

2. Summary of significant accounting policies (continued)

2.12 Offsetting financial instruments

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

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

2. Summary of significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

- The disappearance of an active market for that financial asset because of financial difficulties; or

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

2. Summary of significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(b) Assets classified as available for sale

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

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

2.14 Inventories

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

2.15 Accounts and other receivables

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

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

2. Summary of significant accounting policies (continued)

2.16 Cash and cash equivalents

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

2.17 Share capital

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

2.18 Accounts and other payables

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

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

2.19 Borrowings

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

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

2. Summary of significant accounting policies (continued)

2.20 Borrowing costs

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

2. Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Inside basis differences (continued)

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

Outside basis differences

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

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

(c) Offsetting

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

2. Summary of significant accounting policies (continued)

2.22 Employee benefits

(a) Retirement benefit obligations

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

(b) Early retirement benefits

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

(c) Housing benefits

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

2. Summary of significant accounting policies (continued)

2.23 Provisions

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

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

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

2.24 Government grants and subsidies

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

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

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

2. Summary of significant accounting policies (continued)

2.25 Recognition of revenue and income

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

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

(a) Revenue from container loading and unloading and storage

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

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

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

(c) Revenue from comprehensive port logistics services

Revenue from comprehensive port logistics services is recognised when the services are rendered.

(d) Revenue from sales of building materials

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

2. Summary of significant accounting policies (continued)

2.25 Recognition of revenue and income (continued)

(e) Revenue from merchandise trading

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

(f) Interest income

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

(g) Rental income

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

(h) Dividend income

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

2.26 Operating leases

(a) The Group as lessee

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

2. Summary of significant accounting policies (continued)

2.26 Operating leases (continued)

(b) The Group as lessor

Assets leased out under operating leases by the Group are included in the Group's balance sheet in accordance with their nature and where applicable, are depreciated in accordance with the Group's depreciation policy as set out in Note 2.8. Rental income arising from assets leased out under operating lease is recognised in accordance with the Group's income recognition policy as set out in Note 2.25(g) above.

2.27 Contingent liabilities and contingent assets

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

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

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

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

2. Summary of significant accounting policies (continued)

2.28 Dividend distribution

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

3. Financial risk management

3.1 Financial risk factors

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

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. However, foreign currencies are required to settle the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. Details of the Group's term deposits, restricted cash, cash and bank balances, accounts receivable, accounts payable and borrowings as at 31 December 2017 which are denominated in currencies other than RMB (primarily with respect to United States Dollars ("USD"), European Dollars ("EUR") and Hong Kong Dollars ("HKD") (collectively the "Non-functional Currency Financial Assets/Liabilities"), are disclosed in Notes 15, 17, 19, 20 and 23 respectively.

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign exchange risk (continued)

At 31 December 2017, if RMB had weakened/strengthened by 5% against the USD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB11,852,588 lower/higher (2016: RMB17,202,819 lower/higher); If RMB had weakened/strengthened by 5% against the EUR with all other variables held constant, the Group's pre-tax profit for the year would have been RMB18,842 higher/lower (2016: RMB43,695 higher/lower); if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, the Group's pre-tax profit for the year would have been RMB7,483 lower/higher (2016: RMB20,547 lower/higher), mainly as a result of foreign exchange losses/gains on translation of the Non-functional Currency Financial Assets/Liabilities.

(b) Interest rate risk

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

Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2017, approximately 72% (2016: 90%) of the Group's borrowings are fixed interest rates borrowings. The effective interest rates and terms of repayment of the Group's borrowings are disclosed in Note 23.

At 31 December 2017, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the Group's pre-tax profit for the year would have been RMB5,190,245 (2016: RMB5,310,040) lower/higher, mainly as a result of higher/lower finance costs on bank borrowings.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Price risk

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

As at 31 December 2017, if market price of the listed equity securities had been 10% higher/lower with all other variables held constant, the carrying amounts of available-for-sale financial assets and the Group's total equity would have been increased/decreased by the same amount of RMB12,447,901 (2016: RMB10,977,659), excluding the tax effect.

(d) Credit risk

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

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Credit risk (continued)

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

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

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

(e) Liquidity risk

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

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

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Liquidity risk (continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
Group				
At 31 December 2017				
Borrowings	3,876,900	1,698,912	626,327	247,719
Long-term payables and advances	—	72	128	1,616
Accounts and notes payable	954,383	—	—	—
Other payables and accruals	1,264,784	—	—	—
	6,096,067	1,698,984	626,455	249,335

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

3. Financial risk management (continued)

3.2 Capital risk management

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

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

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

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain a low gearing ratio. The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Total borrowings (Note 23)	**6,137,797**	3,540,967
Less: Cash and cash equivalents (Note 19)	**(671,348)**	(1,140,956)
Net debt	**5,466,449**	2,400,011
Total equity	**11,843,487**	10,311,973
Total capital	**17,309,936**	12,711,984
Gearing ratio (%)	**31.58%**	18.88%

The increase in the gearing ratio during 2017 resulted primarily from the increase in bank borrowings during the year (Note 23).

3. Financial risk management (continued)

3.3 Fair value estimation

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

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

The following table presents the Group's assets that are measured at fair value at 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity investments	**124,479**	**—**	**4,153**	**128,632**
— Wealth management products	**—**	**—**	**648,500**	**648,500**

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

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

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

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

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

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2 (continued)

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in level 3

As at 31 December 2017, the Group classified the wealth management products as financial instruments in level 3. The fair value of wealth management products is approximately equal to their carrying amount due to short maturity.

4. Critical accounting estimates and assumptions

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

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

4. Critical accounting estimates and assumptions (continued)

4.1 Impairments of non-current assets

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

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

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

4. Critical accounting estimates and assumption (continued)

4.2 Useful lives of property, plant and equipment

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

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

— increase the carrying amounts of property, plant and equipment and decrease the depreciation charge by RMB47,578,323, if favourable; or

— decrease the carrying amounts of property, plant and equipment and increase the depreciation charge by RMB47,578,323, if unfavourable.

4.3 Purchase price allocation for business combination

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

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

4. Critical accounting estimates and assumption (continued)

4.4 Taxation

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

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

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

4.5 Net realisable value of inventories

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

4. Critical accounting estimates and assumption (continued)

4.5 Net realisable value of inventories (continued)

Were the actual selling price of inventories different by 10% from management's estimates, the Group would need to decrease the carrying amounts of inventories and increase the provision for impairment of inventories by RMB19,168,308 (2016: RMB7,946,035), if unfavourable.

4.6 Provision for impairment of receivables

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

4.7 The progress and cost of construction in progress

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

4.8 Government grants

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

5. Investment properties

	2017 RMB'000	2016 RMB'000
Opening net book amount	**135,171**	118,901
Additions	**—**	7,490
Transferred in from property, plant and equipment (Note 6)	**37,297**	28,320
Transferred to property, plant and equipment (Note 6)	**(7,269)**	(14,407)
Depreciation	**(6,136)**	(5,133)
Closing net book amount	**159,063**	135,171
Cost	**209,294**	176,082
Accumulated depreciation	**(50,231)**	(40,911)
Net book amount	**159,063**	135,171

No independent valuation was carried out for the investment properties. As at 31 December 2017, the management estimated fair value of the Group's investment properties amounted to approximately RMB196,836,000 (2016: RMB144,540,000) by making reference to current market prices for similar properties in the similar location and condition with similar leasing arrangement.

Depreciation expense of RMB6,136,000 (2016: RMB5,133,000) has been charged in cost of sales (Note 29).

As at 31 December 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: Nil).

6. Property, plant and equipment

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vehicles RMB'000	Vessels RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
At 1 January 2016										
Cost	459,597	3,926,569	535,551	2,350,712	506,470	219,418	558,392	195,334	1,430,915	10,182,958
Accumulated depreciation	(141,746)	(607,868)	(165,754)	(971,506)	(272,982)	(124,570)	(239,297)	(146,258)	—	(2,669,981)
Accumulated impairment losses	—	(1,849)	(349)	—	(6,878)	—	—	(4)	(3,170)	(12,250)
Net book amount	317,851	3,316,852	369,448	1,379,206	226,610	94,848	319,095	49,072	1,427,745	7,500,727
Year ended 31 December 2016										
Opening net book amount	317,851	3,316,852	369,448	1,379,206	226,610	94,848	319,095	49,072	1,427,745	7,500,727
Additions	8,348	26,874	7,086	4,933	22,620	15,988	—	22,620	480,274	588,743
Transferred in from construction-in-progress	143,441	759,556	250,540	69,775	174,864	—	—	19,963	(1,418,139)	—
Transferred in from investment properties (Note 5)	14,407	—	—	—	—	—	—	—	—	14,407
Business combination	1,412	569,725	47,762	97,741	5,132	569	—	273	6,233	728,847
Transferred to investment properties (Note 5)	(5,124)	—	—	—	—	—	—	—	(23,196)	(28,320)
Transferred to intangible Assets (Note 8)	—	—	—	—	—	—	—	—	(1,798)	(1,798)
Disposals (Note 27)	(942)	(1,994)	(167)	(324)	(5,578)	(1,045)	—	(701)	(831)	(11,582)
Depreciation	(22,150)	(99,168)	(24,568)	(104,084)	(30,441)	(20,954)	(26,340)	(17,379)	—	(345,084)
Impairment	—	26	349	—	2,045	—	—	—	—	2,420
Closing net book amount	457,243	4,571,871	650,450	1,447,247	395,252	89,406	292,755	73,848	470,288	8,448,360
At 31 December 2016										
Cost	618,159	5,280,280	840,588	2,516,689	658,190	225,021	558,392	223,560	473,458	11,394,337
Accumulated depreciation	(160,916)	(706,586)	(190,138)	(1,069,442)	(258,103)	(135,615)	(265,637)	(149,708)	—	(2,936,145)
Accumulated impairment losses	—	(1,823)	—	—	(4,835)	—	—	(4)	(3,170)	(9,832)
Net book amount	457,243	4,571,871	650,450	1,447,247	395,252	89,406	292,755	73,848	470,288	8,448,360

6. Property, plant and equipment (continued)

	Buildings RMB'000	Port infrastructure RMB'000	Storage infrastructure RMB'000	Loading machineries RMB'000	Other machineries RMB'000	Vehicles RMB'000	Vessels RMB'000	Furniture, fittings and equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended 31 December 2017										
Opening net book amount	457,243	4,571,871	650,450	1,447,247	395,252	89,406	292,755	73,848	470,288	8,448,360
Additions	15,077	13,224	5,630	64,072	56,032	7,356	—	39,362	457,257	658,010
Transferred in from construction-in-progress	2,332	19,572	11,816	34,047	7,957	5,298	102,010	17,744	(200,776)	—
Transferred in from investment properties (Note 5)	7,269	—	—	—	—	—	—	—	—	7,269
Business combination (Note 37)	101,636	2,005,634	97,647	794,667	33,054	7,328	—	17,891	162,823	3,220,680
Transferred to investment properties (Note 5)	(14,748)	(14,452)	(310)	—	(6,751)	—	—	—	(1,036)	(37,297)
Transferred to intangible assets (Note 8)	—	—	—	—	—	—	—	—	(4,082)	(4,082)
Disposals (Note 27)	(822)	(2,014)	(482)	(265)	(862)	(2,894)	(164)	(1,040)	(17,631)	(26,174)
Depreciation	(27,615)	(164,815)	(29,810)	(140,351)	(38,408)	(20,615)	(28,399)	(25,770)	—	(475,783)
Closing net book amount	540,372	6,429,020	734,941	2,199,417	446,274	85,879	366,202	122,035	866,843	11,790,983
At 31 December 2017										
Cost	726,299	7,299,879	955,148	3,361,256	740,437	221,052	654,922	292,892	870,013	15,121,898
Accumulated depreciation	(185,927)	(869,036)	(220,207)	(1,161,839)	(289,328)	(135,173)	(288,720)	(170,853)	—	(3,321,083)
Accumulated impairment losses	—	(1,823)	—	—	(4,835)	—	—	(4)	(3,170)	(9,832)
Net book amount	540,372	6,429,020	734,941	2,199,417	446,274	85,879	366,202	122,035	866,843	11,790,983

Depreciation expense of RMB458,412,000, RMB223,000 and RMB17,148,000 (2016: RMB333,499,000, RMB224,000 and RMB11,361,000) has been charged in cost of sales, selling and marketing expenses, general and administrative expenses respectively (Note 29).

During the year ended, the Group has capitalised borrowing costs amounting to RMB11,708,000(2016: RMB15,906,000) on qualifying assets (Note 30). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.47% (2016: 4.90%).

7. Land use rights

	RMB'000
At 1 January 2016	
Cost	2,904,918
Accumulated amortisation	(371,162)
Net book amount	2,533,756
Year ended 31 December 2016	
Opening net book amount	2,533,756
Additions	45,052
Business combination	296,647
Amortisation	(72,863)
Closing net book amount	2,802,592
At 31 December 2016	
Cost	3,246,617
Accumulated amortisation	(444,025)
Net book amount	2,802,592
Year ended 31 December 2017	
Opening net book amount	**2,802,592**
Additions	**8,352**
Business combination (Note 37)	**975,325**
Amortisation	**(99,677)**
Closing net book amount	**3,686,592**
At 31 December 2017	
Cost	**4,230,294**
Accumulated amortisation	**(543,702)**
Net book amount	**3,686,592**

The Group's interests in land use rights represent operating lease prepayments for the use of land in the PRC which are held on leases between 26 and 50 years (2016: between 26 and 50 years).

7. Land use rights (continued)

Amortisation expense of RMB29,214,000 and RMB70,463,000 (2016: RMB22,517,000 and RMB50,346,000) has been charged in cost of sales, general and administrative expenses respectively (Note 29).

As at 31 December 2017, transfer of certain newly acquired land use right during the year are still in progress. The Directors of the Group are of the opinion that the use of and the conduct of operating activities in these lands are not affected and this issue does not have any material impact on the financial position of the Group.

8. Intangible assets

	Goodwill (Note 8 (i)) RMB'000	Port line use rights RMB'000	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2016					
Cost	129,261	119,594	18,498	65,289	332,642
Accumulated amortisation	—	(20,966)	(3,124)	(36,705)	(60,795)
Net book amount	129,261	98,628	15,374	28,584	271,847
Year ended 31 December 2016					
Opening net book amount	129,261	98,628	15,374	28,584	271,847
Additions	—	—	7,765	4,206	11,971
Business combination	—	33,649	—	—	33,649
Transferred in from construction-in-progress (Note 6)	—	—	—	1,798	1,798
Amortisation	—	(2,667)	(368)	(5,711)	(8,746)
Closing net book amount	129,261	129,610	22,771	28,877	310,519
At 31 December 2016					
Cost	129,261	153,243	26,263	71,199	379,966
Accumulated amortisation	—	(23,633)	(3,492)	(42,322)	(69,447)
Net book amount	129,261	129,610	22,771	28,877	310,519

8. Intangible assets (continued)

	Goodwill (Note 8 (i)) RMB'000	Port line use rights RMB'000	Sea area use rights RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2017					
Opening net book amount	**129,261**	**129,610**	**22,771**	**28,877**	**310,519**
Additions	**—**	**—**	**—**	**8,422**	**8,422**
Business combination (Note 37)	**20,867**	**285,583**	**—**	**3,168**	**309,618**
Transferred in from construction-in-progress (Note 6)	**—**	**—**	**—**	**4,082**	**4,082**
Amortisation	**—**	**(4,569)**	**(445)**	**(8,593)**	**(13,607)**
Closing net book amount	**150,128**	**410,624**	**22,326**	**35,956**	**619,034**
At 31 December 2017					
Cost	**150,128**	**438,826**	**26,263**	**86,871**	**702,088**
Accumulated amortisation	**—**	**(28,202)**	**(3,937)**	**(50,915)**	**(83,054)**
Net book amount	**150,128**	**410,624**	**22,326**	**35,956**	**619,034**

Amortisation expense of RMB9,559,000 and RMB4,048,000 (2016: RMB5,116,000 and RMB3,630,000) has been charged in cost of sales, general and administrative expenses respectively (Note 29).

8. Intangible assets (continued)

(i) Impairment testing of goodwill

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

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

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

For Xiamen Terminal Group, the key assumptions used in the value-in-use calculation in 2017 and 2016 are as follows.

	2017	2016
Sales volume (% annual growth rate)	6%	6%
Sales price (% annual growth rate)	1%	1%
Gross margin (% of revenue)	43%	43%
Long term growth rate used to extrapolate cash flows beyond five-year period	2%	2%
Pre-tax discount rate	14%	14%

8. Intangible assets (continued)

(i) Impairment testing of goodwill (continued)

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

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

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

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

On 26 October 2017, Xiamen Port Development Co., Ltd. ("XPD") has entered into the Acquisition Agreement with Shishi City Well Able Group Co.,Ltd. ("Well Able") and Mr. Qiu Yitian ("Mr. Qiu"), pursuant to which XPD has agreed to acquire, and Well Able and Mr. Qiu have agreed to sell an aggregate of 75% equity interest in Shishi City Huajin Terminal Storage and Transportation Co., Ltd ("Shishi Huajin") for a total consideration of approximately RMB204,511,000. Goodwill of RMB20,867,000 was resulted due to acquisition of Shishi Huajin.

9. Subsidiaries

(a) Material non-controlling interests

The total non-controlling interests as at 31 December 2017 is RMB6,621,292,000 of which RMB2,060,203,000 is for XPD and RMB4,561,089,000 is attributed to Xiamen Terminal Group.

9. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

The total comprehensive income for non-controlling interests as at 31 December 2017 is RMB408,438,000 of which RMB112,587,000 is for XPD and RMB295,851,000 is attributed to Xiamen Terminal Group.

The total dividend for non-controlling interests for year ended 31 December 2017 is RMB264,534,000 of which RMB32,092,000 is for XPD and RMB232,442,000 is attributed to Xiamen Terminal Group.

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

Summarised balance sheet

	Xiamen Terminal Group		XPD	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Current assets	**1,007,680**	1,035,173	**2,480,343**	3,044,243
Current liabilities	**(1,993,794)**	(1,446,652)	**(2,979,749)**	(2,955,069)
Total current net liabilities	**(986,114)**	(411,479)	**(499,406)**	89,174
Non-current assets	**10,915,912**	8,372,796	**5,616,665**	4,464,136
Non-current liabilities	**(1,237,732)**	(378,501)	**(1,578,984)**	(1,416,111)
Total non-current net assets	**9,678,180**	7,994,295	**4,037,681**	3,048,025
Net assets	**8,692,066**	7,582,816	**3,538,275**	3,137,199
Equity attributable to owners	**6,909,657**	6,642,135	**2,693,760**	2,511,998
Non-controlling interests	**1,782,409**	940,681	**844,515**	625,201

9. Subsidiaries (continued)

(a) Material non-controlling interests (continued)

Summarised statement of comprehensive income

	Xiamen Terminal Group		XPD	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**1,886,600**	1,556,139	**11,000,204**	6,977,800
Profit before income tax	**856,173**	759,364	**253,155**	434,416
Income tax expense	**(189,256)**	(135,772)	**(76,675)**	(91,133)
Profit after income tax	**666,917**	623,592	**176,480**	343,283
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**666,917**	623,592	**176,480**	343,283
Total comprehensive income allocated to non-controlling interests	**45,885**	28,478	**60,584**	73,261
Dividend paid to non-controlling interests	**94,000**	25,000	**19,702**	37,642

Summarised cash flows

	Xiamen Terminal Group		XPD	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash generated from/(used in) operations	**1,123,861**	794,590	**(40,995)**	338,717
Interest paid	**(96,082)**	(37,533)	**(68,140)**	(36,983)
Income tax paid	**(146,824)**	(122,596)	**(88,408)**	(85,953)
Net cash generated from/(used in) operating activities	**880,955**	634,461	**(197,543)**	215,781
Net cash used in investing activities	**(446,085)**	(400,247)	**(662,474)**	(315,207)
Net cash (used in)/generated from financing activities	**(484,084)**	(188,142)	**364,303**	324,401
Net (decrease)/increase in cash and cash equivalents	**(49,214)**	46,072	**(495,714)**	224,975
Cash and cash equivalents at beginning of year	**256,799**	210,720	**796,443**	568,373
Exchange (losses)/gains on cash and cash equivalents	**(30)**	7	**(2,057)**	3,095
Cash and cash equivalents at end of year	**207,555**	256,799	**298,672**	796,443

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

Particulars of the subsidiaries are set out in Note 39(a).

10. Interests in joint ventures

	2017 RMB'000	2016 RMB'000
At 1 January	**895,839**	1,178,344
Dividends received	**(1,429)**	(16,036)
Share of results	**(5,671)**	36,348
Business combination (Note 37)	**(815,453)**	(302,817)
At 31 December	**73,286**	895,839

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

	2017 RMB'000	2016 RMB'000
Revenue	**84,872**	127,036
(Loss)/Profit for the year	**(5,671)**	36,348

	2017 RMB'000	2016 RMB'000
Total assets	**228,356**	1,871,339
Total liabilities	**155,070**	975,500

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

As at 31 December 2017, there are no significant commitments and contingent liabilities relating to the Group's interests in the joint ventures and the joint ventures did not have significant contingent liabilities (2016: Nil).

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

Particulars of the Group's joint ventures are set out in Note 39(b).

11. Interests in associates

	2017 RMB'000	2016 RMB'000
Share of net assets	**50,071**	58,864
Unlisted investments, at cost	**40,962**	41,730

Movement in investments in associates is set out as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**58,864**	59,923
Addition	**—**	1,200
Reduction in capital	**(767)**	—
Disposal	**(9,577)**	—
Dividends received	**(1,814)**	(1,921)
Share of results before income tax expense	**4,801**	659
Share of income tax expense	**(1,436)**	(997)
	3,365	(338)
At 31 December	**50,071**	58,864

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

	2017 RMB'000	2016 RMB'000
Revenue	**41,146**	21,129
Profit/(Loss) for the year	**3,365**	(338)

	2017 RMB'000	2016 RMB'000
Total assets	**237,865**	114,091
Total liabilities	**187,794**	55,227

Particulars of the Group's associates are set out in Note 39(c).

11. Interests in associates (continued)

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

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

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

12. Available-for-sale financial assets

	2017 RMB'000	2016 RMB'000
At 1 January	**412,417**	206,233
Net fair value gains transferred to equity	**41,462**	36,509
Disposal of listed equity investments	**(26,760)**	—
Addition of unlisted equity investments	**1,600**	—
Provision for unlisted equity investments	**(87)**	(325)
Purchase of Wealth management product (b)	**745,000**	300,000
Disposal of Wealth management product (b)	**(396,500)**	(130,000)
At 31 December	**777,132**	412,417

Available-for-sale financial assets include the following:

	2017 RMB'000	2016 RMB'000
Equity investments listed in the PRC, at fair value (a)	**124,479**	109,777
Wealth management products (b)	**648,500**	300,000
Unlisted equity investments (c)	**9,808**	8,208
Less: provision for impairment (c)	**(5,655)**	(5,568)
	777,132	412,417

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

(a) As at 31 December 2017, the Group holds 6,436,000(2016: 6,436,000) shares of Fujian Sansteel MinGuang Co., Ltd. (the "Sansteel Shares"), which are listed in the Shenzhen Stock Exchange. The fair values of these investments are determined based on the quoted market prices of respective shares as of the balance sheet dates.

The aggregated costs of investments in the Sansteel Shares amounted to RMB9,869,000(2016: RMB9,869,000).

In 2017, the Group disposed 4,301,000 shares of Bank of Communications Co., Ltd. (the "BOCOMM Shares"), which are listed in the Shanghai Stock Exchange, with the fair value of RMB26,760,000. The aggregated cost of investments in the BOCOMM Shares amount to RMB8,265,000.

(b) In 2017,the Group subscribed for wealth management products for an aggregated amount of RMB648,500,000(2016:RMB300,000,000), with floating average annual return amounted to 6.10% (2016: 4.8%). The maturity of the wealth management products amount of RMB373,500,000 are within one year and amount of RMB275,000,000 are over one year.

(c) As at 31 December 2017, impairment provision amounted to RMB5,655,000(2016: RMB5,568,000) was made for certain of the unlisted investments.

13. Deferred income tax

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

	2017 RMB'000	2016 RMB'000
Deferred income tax assets		
At 1 January	266,649	270,681
(Credited)/Charged to		
— consolidated income statement (Note 31)	7,316	(4,032)
— Business combinations (Note 37)	4,188	—
At 31 December	278,153	266,649
To be recovered:		
Within 12 months	8,550	8,063
After more than 12 months	269,603	258,586
	278,153	266,649
Deferred income tax liabilities		
At 1 January	383,243	347,582
Credited/(Charged) to		
— consolidated income statement (Note 31)	(12,395)	(2,710)
— other comprehensive income (Note 25)	5,742	9,127
— Business combination (Note 37)	76,221	29,244
At 31 December	452,811	383,243
To be settled:		
Within 12 months	14,300	141,681
After more than 12 months	438,511	241,562
	452,811	383,243

13. Deferred income tax (continued)

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

	Revaluation in connection with businesses contributed to subsidiary (a) RMB'000	Deferred income (b) RMB'000	Unrealised profit RMB'000	Impairment of assets and provisions RMB'000	Others RMB'000	Total RMB'000
Deferred income tax assets at 1 January 2017	**202,083**	**12,819**	**4,035**	**30,187**	**17,525**	**266,649**
Credited/(charged) to consolidated income statement (Note 31)	**(5,947)**	**3,220**	**(4,035)**	**3,245**	**10,833**	**7,316**
— Business combinations (Note 37)	**—**	**—**	**—**	**44**	**4,144**	**4,188**
Deferred tax assets at 31 December 2017	**196,136**	**16,039**	**—**	**33,476**	**32,502**	**278,153**

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

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

13. Deferred income tax (continued)

(a) The balance represents the deferred income tax assets of RMB43,701,000 (2016:RMB45,026,000) arising from the Berth No.6 of Haicang Port injected by XPHG into Xiamen Terminal Group as part of its capital contributions and the deferred income tax assets of RMB152,435,000 (2016:RMB157,057,000) arising from the Berth No 4-5 of Haicang Port and Berth No.5-11 of Dongdu Port injected by the Company into Xiamen Terminal Group as part of its capital contributions. The valuation amounts form the base for calculating the future taxable profits, while the accounting base of these assets have not been adjusted for such surplus in the consolidated financial statements.

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

Deferred tax liabilities

	Revaluation deficit in connection with transformation of Xiamen Haitian Container Terminal Co., Ltd. ("Haitian Terminal") RMB'000	Fair value gain on available-for-sale financial assets RMB'000	Gain on land and asset resumption (c) RMB'000	Fair value adjustments arising from Acquisition of subsidiaries (d) RMB'000	Total RMB'000
Deferred income tax liabilities at 1 January 2017	1,207	22,911	134,560	224,565	383,243
(Credited) to consolidated income statement (Note 31)	(567)	—	(2,563)	(9,265)	(12,395)
Credited to equity	—	5,742	—	—	5,742
Business combinations (Note 37)	—	—	—	76,221	76,221
Deferred income tax liabilities at 31 December 2017	640	28,653	131,997	291,521	452,811

13. Deferred income tax (continued)

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

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

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

(d) The balance represents the deferred tax liability of RMB291,521,000(2016: RMB224,565,000) resulting from the establishment of Xiamen Terminal Group in 2013, the acquisition of Xiamen Haicang International Container Terminals Limited ("XHICT") in 2016, the acquisition of Xiamen International Container Terminals Limited ("XICT") in 2017 and the acquisition of Shishi Huajin in 2017(Note 37).

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

13. Deferred income tax (continued)

Unrecognised deferred tax assets due from the annual deductible loss:

	2017 RMB'000	2016 RMB'000
2017	—	1,027
2018	399	2,745
2019	2,922	3,002
2020	88,189	88,189
2021	85,031	97,402
2022	167,968	—
	344,509	192,365

14. Inventories

	2017 RMB'000	2016 RMB'000
Raw materials	67,708	43,549
Finished goods and merchandise	504,891	485,838
Spare parts and consumables	19,001	15,806
	591,600	545,193
Less: provision for impairment	(4,223)	(4,159)
	587,377	541,034

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

The cost of inventories recognised as expense and included in cost of sales of the Group amounted to RMB9,604,576,000 (2016: RMB5,464,572,000) (Note 29).

15. Accounts and notes receivable

	2017 RMB'000	2016 RMB'000
Accounts receivable	**1,126,442**	1,070,781
Less: provision for impairment	**(115,163)**	(90,201)
	1,011,279	980,580
Due from parent company (Note 38(b))	**89**	110
Due from fellow subsidiaries (Note 38(b))	**32,438**	14,142
Due from joint ventures (Note 38(b))	**5,054**	57,368
Due from associates (Note 38(b))	**180**	543
Due from other related parties (Note 38(b))	**46,480**	16,450
Notes receivable	**55,824**	83,493
	1,151,344	1,152,686

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

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

15. Accounts and notes receivable (continued)

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

	2017 RMB'000	2016 RMB'000
Less than 6 months	**946,934**	927,024
6 months to 1 year	**65,346**	84,774
1 year to 2 years	**79,906**	171,630
2 years to 3 years	**152,536**	43,708
Over 3 years	**21,785**	15,751
	1,266,507	1,242,887
Less: provision for impairment	**(115,163)**	(90,201)
	1,151,344	1,152,686

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

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

As at 31 December 2017, the Group's trade receivables of RMB891,097,000 (2016: RMB847,590,000) were undue or not yet mature and not impaired.

15. Accounts and notes receivable (continued)

Generally, trade receivables that are past due less than 6 months are not considered as impaired. As at 31 December 2017, the Group's accounts receivable of RMB65,262,000 (2016: RMB82,928,000) were past due but not impaired.

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

	2017 RMB'000	2016 RMB'000
Less than 6 months	65,262	82,928
More than 6 months	—	—
	65,262	82,928

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

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

	2017 RMB'000	2016 RMB'000
Less than 6 months	14	25
More than 6 months	84	4,381
1 year to 2 years	79,906	161,398
2 years to 3 years	152,536	43,410
Over 3 years	21,784	19,662
	254,324	228,876

15. Accounts and notes receivable (continued)

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

	2017 RMB'000	2016 RMB'000
RMB	1,108,927	1,092,369
USD	42,417	60,317
	1,151,344	1,152,686

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

	2017 RMB'000	2016 RMB'000
At 1 January	90,201	40,326
Provision for impairment	25,407	49,875
Uncollectible receivables written off during the year	(445)	—
At 31 December	115,163	90,201

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

16. Other receivables and prepayments

	2017 RMB'000	2016 RMB'000
Other receivables (a)	**372,209**	367,246
Advances to suppliers	**518,226**	381,306
Less: provision for impairment	**(10,164)**	(5,214)
	880,271	743,338
Due from parent company (Note 38(b))	**24,455**	280
Due from fellow subsidiaries (Note 38(b))	**1,347**	2,573
Due from joint ventures (Note 38(b))	**2,045**	441,445
Due from other related parties (Note 38(b))	**6,654**	1,646
Prepayments and deposits	**103,661**	102,240
Interest receivable	**431**	600
	1,018,864	1,292,122
Less: long-term receivables and prepayments		
— Payments made to Build and Transfer project (b)	**—**	(131,713)
— Prepayment for operating lease in the Qingzhou operating area (c)	**(55,731)**	(55,731)
— Prepayment for acquisition of property, plant and equipment	**(1,528)**	(14,022)
	(57,259)	(201,466)
Current portion	**961,605**	1,090,656

(a) Amount mainly represents receivable for Build-Transfer ("BT") project of RMB151,186,000 (2016: RMB266,153,000) and VAT receivable of RMB198,910,000 (2016: RMB20,880,000).

16. Other receivables and prepayments (continued)

(b) In July 2012, XPD, CCCC Third Harbor Engineering Co., Ltd. ("Third Harbor Engineering") entered into a Build-Transfer agreement (the "BT Agreement") with Zhangzhou Gulei Port Road Construction Co., Ltd.. The total investment amount of the BT Project is estimated to be approximately RMB563 million with an investment return which will be calculated at an annual interest rate of 8.63% to 10.70%.

As at 31 December 2017, payment made by XPD together with the associated interests amounted to RMB613,075,000 (31 December 2016: RMB573,286,000), among which the first investment return of RMB134,440,000 was fully collected in February 2015, the second investment return of RMB172,000,000 was fully collected in August 2016, the third investment return of RMB155,449,000 was fully collected in February 2017, the fourth investment return of RMB151,186,000 is expected to be paid within 1 year, thus is recorded in other receivables' current portion.

As at 31 December 2017, the total investment commitment for the BT project is estimated to be approximately RMB21,455,000.

(c) The Company and its subsidiary, Fuzhou Haiying Port Co., Ltd., entered into a ten-year operating lease with Fuzhou Zhongying Gangwu Co., Ltd.. RMB1,000,000 and RMB89,000,000 was paid by the Company in 2012 and 2013 respectively as the rental deposits, which will be refunded at the end of the lease term. The difference at any point in time between cash paid and annual charge is recognised as a prepayment or accrual on the balance sheet. As at 31 December 2017, the prepayment for the coming year of approximately RMB33,269,000 (2016:RMB33,269,000) was recorded in short-term prepayment, and the rest of approximately RMB55,731,000 (2016:RMB55,731,000) was recorded as long term prepayments.

16. Other receivables and prepayments (continued)

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

	2017 RMB'000	2016 RMB'000
At 1 January	**5,214**	14,472
Provision/(reversal of) for impairment	**5,385**	(4,946)
Uncollectible receivables written off during the year	**(435)**	(4,312)
At 31 December	**10,164**	5,214

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

The Group's maximum exposure to credit risk in respect of other receivables and prepayments at 31 December 2017 is the carrying amount of each class of receivables and prepayments mentioned above. The Group did not hold any collateral as security for other receivables and prepayments as at 31 December 2017.

17. Term deposits with initial term over three months

	2017 RMB'000	2016 RMB'000
Term deposits denominated in		
RMB	**8,000**	2,120
USD	**—**	20,811
	8,000	22,931

The weighted average effective interest rate on term deposits, with maturity ranging from 3 months to 1 year, is 1.35% (2016: 1.76%) per annum.

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

18. Restricted cash

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

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

19. Cash and cash equivalents

	2017 RMB'000	2016 RMB'000
Cash at bank and in hand	**679,348**	1,163,887
Less: term deposits with initial term over three months (Note 17)	**(8,000)**	(22,931)
Cash and cash equivalents	**671,348**	1,140,956
Maximum exposure to credit risk (net of cash in hand)	**671,348**	1,140,956
Denominated in:		
RMB	**634,970**	1,091,837
USD	**33,842**	48,544
HKD	**2,412**	459
EUR	**124**	116
	671,348	1,140,956

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

20. Accounts and notes payable

	2017 RMB'000	2016 RMB'000
Accounts payable	**762,868**	713,760
Due to parent company (Note 38(b))	**10,123**	110,011
Due to fellow subsidiaries (Note 38(b))	**72,813**	50,813
Due to joint ventures (Note 38(b))	**453**	65,448
Due to associates (Note 38(b))	**—**	436
Due to other related parties (Note 38(b))	**3,058**	—
Notes payable	**105,068**	107,163
	954,383	1,047,631

20. Accounts and notes payable (continued)

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

	2017 RMB'000	2016 RMB'000
Within 1 year	**727,637**	985,349
1 year to 2 years	**174,501**	58,025
2 years to 3 years	**48,137**	500
Over 3 years	**4,108**	3,757
	954,383	1,047,631

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

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

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

	2017 RMB'000	2016 RMB'000
RMB	**868,532**	936,328
USD	**85,851**	111,303
	954,383	1,047,631

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

21. Other payables and accruals

	2017 RMB'000	2016 RMB'000
Due to parent company (Note 38(b))	**98**	501,596
Due to fellow subsidiaries (Note 38(b))	**10,541**	20,627
Due to joint venture (Note 38(b))	**143**	64,300
Due to associates (Note 38(b))	**3,020**	3,211
Due to other related parties (Note 38(b))	**3,184**	883
Payables for purchases of property, plant and equipment and construction-in-progress	**283,052**	241,550
Salary and welfare payables	**215,082**	205,172
Customer deposits	**476,968**	463,392
Accrued expenses	**9,267**	4,205
Dividends payable to		
— shareholders of the Company (Note 38(b))	**3,111**	3,111
— non-controlling shareholders of subsidiaries (Note 38(b))	**—**	421,323
Interest payables	**22,916**	33,390
Payables for business combination (Note 37)	**124,511**	—
Other payables	**114,707**	47,703
	1,266,600	2,010,463
Less: long-term payables and advances		
— Others	**(1,816)**	(1,849)
Current portion	**1,264,784**	2,008,614

As at 31 December 2017, the payables due to parent company, fellow subsidiaries, joint venture, associates and other related parties are unsecured, free of interest and without fixed repayment term.

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

22. Deferred government grants and income

	2017 RMB'000	2016 RMB'000
Deferred income on tax credit related to purchases of domestic manufactured equipment (a)	**8,284**	9,746
Government grants on purchases of property, plant and equipment (b)	**126,674**	133,644
	134,958	143,390

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

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

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

23. Borrowings

	2017 RMB'000	2016 RMB'000
Non-current		
Long-term bank borrowings	**805,866**	228,277
Debentures (c)	**1,594,555**	1,095,315
Finance lease liabilities	**29,697**	—
	2,430,118	1,323,592
Current		
Short-term bank borrowings	**3,437,638**	170,000
Long-term bank borrowings — current portion	**270,041**	67,375
Debentures (d)	**—**	1,980,000
	3,707,679	2,217,375
Total borrowings	**6,137,797**	3,540,967
Representing:		
— guaranteed (a)	**196,642**	149,532
— secured (b)	**73,082**	—
— unsecured	**5,868,073**	3,391,435
Total borrowings	**6,137,797**	3,540,967

(a) As at 31 December 2017, a bank borrowing of RMB34,853,000 was guaranteed by China Construction Bank (31 December 2016: RMB44,217,000); A bank borrowing of RMB28,000,000 was guaranteed by XPHG (31 December 2016: RMB73,600,000); A bank borrowing of RMB133,789,000 was guaranteed by a non-controlling shareholder of a subsidiary (31 December 2016: RMB31,715,000).

23. Borrowings (continued)

(b) As at 31 December 2017, bank borrowings of RMB41,272,000 were secured by sea area use rights; Bank borrowings of RMB2,113,000 were secured by land use rights; The nature of finance lease liabilities of RMB29,697,000 is secured as the rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

(c) On 29 June 2016, XPD issued the first tranche of the Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB600,000,000 at a fixed interest rate of 3.25% per annum (the "XPD First Tranche Corporate Bonds") on the ShenZhen Stock Exchange. Pursuant to the principal terms of the "XPD First Tranche Corporate Bonds", at the end of the third year of the term, XPD is entitled to increase the interest rate for the remaining term and the holders of the XPD First Tranche Corporate Bonds may put back all or part of their bonds to XPD at the nominal value.

On 25 October 2016, XPD issued the second tranche of the Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 3.02% per annum (the "XPD Second Tranche Corporate Bonds") on the ShenZhen Stock Exchange. Pursuant to the principal terms of the "XPD Second Tranche Corporate Bonds", at the end of the third year of the term, XPD is entitled to increase the interest rate for the remaining term and the holders of the XPD Second Tranche Corporate Bonds may put back all or part of their bonds to XPD at the nominal value.

On 22 September 2017, the Company issued the first tranche of the Corporate Bonds with a term of five year from the date of issue with a total principal amount of RMB500,000,000 at a fixed interest rate of 4.69% per annum (the "XIP First Tranche Corporate Bonds") on the ShenZhen Stock Exchange. Pursuant to the principal terms of the "XIP First Tranche Corporate Bonds", at the end of the third year of the term, XIP is entitled to increase the interest rate for the remaining term and the holders of the XIP First Tranche Corporate Bonds may put back all or part of their bonds to the Company at the nominal value.

23. Borrowings (continued)

(d) On 15 June 2016, the Company issued the first tranche of the super short-term notes with a term of 270 days from the date of issuance with an aggregate principal amount of RMB450,000,000 at a fixed interest rate of 3.01% per annum (the "First Tranche Super Short-Term Notes of XIP") to certain domestic institutional investors in the PRC. On 12 March 2017, the "First Tranche Super Short-Term Notes of XIP" was repaid.

On 27 June 2016, the Company issued the second tranche of the short-term notes with a term of one year from the date of issuance with an aggregate principal amount of RMB300,000,000 at a fixed interest rate of 3.04% per annum (the "Second Tranche Short-Term Notes of XIP") to certain domestic institutional investors in the PRC. On 27 June 2017, the "Second Tranche Short-Term Notes of XIP" was repaid.

On 8 September 2016, the Company issued the second tranche of the super short-term notes with a term of 270 days from the date of issuance with an aggregate principal amount of RMB730,000,000 at a fixed interest rate of 2.88% per annum (the "Second Tranche Super Short-Term Notes of XIP") to certain domestic institutional investors in the PRC. On 5 June 2017, the "Second Tranche Super Short-Term Notes of XIP" was repaid.

On 22 November 2016, the Company issued the third tranche of the super short-term notes with a term of 270 days from the date of issuance with an aggregate principal amount of RMB500,000,000 at a fixed interest rate of 3.31% per annum (the "Third Tranche Super Short-Term Notes of XIP") to certain domestic institutional investors in the PRC. On 19 August 2017, the "Third Tranche Super Short-Term Notes of XIP") was repaid.

23. Borrowings (continued)

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

	2017 RMB'000	2016 RMB'000
Bank borrowings repayable:		
— within 1 year	**3,707,679**	2,217,375
— between 1 and 2 years	**1,613,603**	40,503
— between 2 and 5 years	**585,320**	1,210,511
— over 5 years	**231,195**	72,578
	6,137,797	3,540,967

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

	2017 RMB'000	2016 RMB'000
RMB	**6,102,944**	3,496,750
USD	**34,853**	44,217
Total borrowings	**6,137,797**	3,540,967

23. Borrowings (continued)

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

	2017	2016
Bank borrowings		
— RMB	**3.05%**	3.22%
— USD	**2.44%**	1.52%

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

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

	2017 RMB'000	2016 RMB'000
Carrying amounts	**2,430,118**	1,323,592
Fair values	**2,389,511**	1,323,592

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates, and are within level 2 of the fair value hierarchy.

24. Share capital

	Domestic shares of RMB1 each RMB'000	H-shares of RMB1 each RMB'000	Total RMB'000
At 31 December of 2017 and 2016	**1,739,500**	**986,700**	**2,726,200**

The Company was established in the PRC on 25 May 1998 as a wholly state-owned company under the Company Law of the PRC. On 3 March 2005, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its registered capital of RMB500,000,000 and reserves of RMB1,256,000,000 as at 30 September 2004 into 1,756,000,000 shares of RMB1 each.

On 2 June 2005, the registered share capital was further increased from 1,756,000,000 to 1,829,200,000 shares of RMB1 each which were issued to owners at RMB1.23 each for cash.

The Company's H-shares were listed on the Main Board on 19 December 2005 and 858,000,000 H-shares, consisting of 780,000,000 new shares and 78,000,000 shares converted from domestic shares, with a nominal value of RMB1 each were issued to the public by the way of global offering at offer price of HKD1.38 each.

On 3 January 2006, the Company allotted and issued 117,000,000 additional H-shares at the offer price of HKD1.38 per H-share as a result of the exercise of the over-allotment option granted on 29 December 2005 as part of global offering of the Company's H-shares. In addition, XPHG transferred 11,700,000 domestic shares of the Company to National Council for Social Security Fund (the "NCSSF"), which in turn entrusted the Company to convert these shares into H-shares and sold them together with the additional H-shares immediately after the share transfer.

The domestic shares and H-shares rank pari passu in all material respects except that the dividends in respect of H-shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in Renminbi. In addition, the transfer of domestic shares is subject to certain restriction imposed by PRC law from time to time.

During the year ended 31 December 2017, there was no movement in the share capital of the Company (2016: Nil).

25. Reserves

	Note	Other reserves: Capital surplus RMB'000 (ii)	Other reserves: Statutory surplus reserve RMB'000	Other reserves: Investment revaluation reserve RMB'000	Other reserves: Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016		(237,909)	286,503	7,609	56,203	2,334,177	2,390,380
Fair value gain on available-for-sale financial assets		—	—	27,382	27,382	—	27,382
— Gross		—	—	36,509	36,509	—	36,509
— Related deferred income tax		—	—	(9,127)	(9,127)	—	(9,127)
Profit for the year		—	—	—	—	319,342	319,342
Non-controlling interests arising from business combination		(56,392)	—	—	(56,392)	—	(56,392)
2015 final dividends		—	—	—	—	(109,048)	(109,048)
Profit appropriation	(i)	—	9,581	—	9,581	(9,581)	—
Business combination under common control		(395,003)	—	—	(395,003)	—	(395,003)
Balance at 31 December 2016		(689,304)	296,084	34,991	(358,229)	2,534,890	2,176,661
Representing:							
— 2016 proposed final dividends		—	—	—	—	109,048	109,048
— Others		(689,304)	296,084	34,991	(358,229)	2,425,842	2,067,613
		(689,304)	296,084	34,991	(358,229)	2,534,890	2,176,661

25. Reserves (continued)

		Other reserves					
			Statutory	Investment			
		Capital	surplus	revaluation		Retained	
		surplus	reserve	reserve	Total	earnings	Total
	Note	RMB'000'	RMB'000'	RMB'000'	RMB'000	RMB'000	RMB'000
		(ii)					
Balance at 1 January 2017		(689,304)	296,084	34,991	(358,229)	2,534,890	2,176,661
Fair value gain on available-for-sale financial assets		—	—	17,225	17,225	—	17,225
— Gross		—	—	22,967	22,967	—	22,967
— Related deferred income tax		—	—	(5,742)	(5,742)	—	(5,742)
Profit for the year		—	—	—	—	411,157	411,157
2016 final dividends		—	—	—	—	(109,048)	(109,048)
Profit appropriation	(i)	—	19,038	—	19,038	(19,038)	—
Balance at 31 December 2017		(689,304)	315,122	52,216	(321,966)	2,817,961	2,495,995
Representing:							
— 2017 proposed final dividends		—	—	—	—	(95,417)	(95,417)
— Others		(689,304)	315,122	52,216	(321,966)	2,722,544	2,400,578
		(689,304)	315,122	52,216	(321,966)	2,722,544	2,400,578

25. Reserves (continued)

(i) In accordance with the PRC regulations and the Articles of Association of the companies within the Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under Accounting Standards for Business Enterprises issued by Ministry of Finance on 15 February 2006 (the "PRC GAAP") to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of the company's issued capital after such issuance. The current year profit appropriation represented the Company's profit appropriation to statutory surplus.

(ii) The opening balance as at 1 January 2015 was mainly resulted from the re-organisation in 2005, when the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its net assets reported under PRC accounting regulations as at 30 September 2004 into 1,756,000,000 shares of RMB1 each, while the net assets reported under HKFRSs as at 30 September 2004 were lower than the transferred amounts; and the establishment of Xiamen Terminal Group in 2013, when the XPHG injected certain port assets into the Group.

26. Revenues and segment information

(a) Revenues and other income

The Group's revenues (representing turnover) and other income are analysed as follows:

	2017 RMB'000	2016 RMB'000
Revenues	**12,922,319**	8,483,998
Other income		
Government subsidies	**171,703**	47,675
Dividend income	**2,455**	1,161
Rental income	**41,614**	47,687
Others	**40,415**	21,668
	256,187	118,191
Total	**13,178,506**	8,602,189

(b) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the chairman and the chief executive officer that makes strategic decisions.

The chief operating decision-maker considers the business from service/product perspective and assesses the performance of the following segments: (1) container loading and unloading and storage business; (2) bulk/general cargo loading and unloading business; (3) comprehensive port logistics services; (4) manufacturing and selling of building materials; and (5) trading business of merchandise. As all of the Group's activities are conducted in the PRC, virtually all of the Group's revenues and operating profits are earned within the PRC and all assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns. As such, management did not evaluate segment on geographical basis.

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment results provided to management for the reportable segments for the year ended 31 December 2017 and 2016 are as follows:

	For the year ended 31 December 2017					
	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Port comprehensive logistics services RMB'000	Manufacturing and selling of building materials RMB'000	Trading business of merchandise RMB'000	Total RMB'000
Total segment revenues	1,944,260	598,847	1,075,350	329,927	9,272,502	13,220,886
Inter-segment revenues	—	—	(298,567)	—	—	(298,567)
Revenues	1,944,260	598,847	776,783	329,927	9,272,502	12,922,319
Operating profit	955,822	53,212	158,717	14,923	55,522	1,238,196
Finance income						28,383
Finance costs						(193,640)
						1,072,939
Shares of profits less losses of joint ventures	(1,025)	—	(4,646)	—	—	(5,671)
Share of profits less losses of associates	(1,129)	—	2,435	2,059	—	3,365
Profit before income tax expense						1,070,633
Income tax expense						(251,038)
Profit for the year						819,595
Other information						
Depreciation	281,100	116,178	74,607	4,154	5,880	481,919
Amortisation	82,686	18,181	8,277	163	3,977	113,284
Net provision for/(reversal of) impairment of						
— inventories	64	—	—	—	—	64
— receivables and advances to suppliers	(636)	1,043	5,575	682	24,128	30,792

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment results provided to management for the reportable segments for the year ended 31 December 2017 and 2016 are as follows: (continued)

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

26. Revenues and segment information (continued)

(b) Segment information (continued)

The segment information provided to management for the reportable segments as at 31 December 2017 and 2016 is as follows: (continued)

	Container loading and unloading and storage business RMB'000	Bulk/general cargo loading and unloading business RMB'000	Comprehensive port logistics services RMB'000	Manufacturing and selling of building materials RMB'000	Trading business of merchandise RMB'000	Total RMB'000
As at 31 December 2017						
Segment assets	**11,772,893**	**3,919,235**	**2,464,291**	**223,116**	**1,473,904**	**19,853,439**
Include:						
Interest in joint ventures	**5,860**	**—**	**67,426**	**—**	**—**	**73,286**
Interests in associates	**—**	**—**	**43,177**	**6,894**	**—**	**50,071**
Additions to non-current assets	**316,171**	**44,496**	**293,101**	**17,828**	**3,188**	**674,784**
Segment liabilities	**659,439**	**438,626**	**699,130**	**105,244**	**453,502**	**2,355,941**
As at 31 December 2016						
Segment assets	9,465,334	2,964,632	2,732,170	213,472	1,459,953	16,835,561
Include:						
Interest in joint ventures	822,339	—	73,500	—	—	895,839
Interests in associates	10,706	—	40,741	7,417	—	58,864
Additions to non-current assets	197,848	225,854	219,577	4,302	5,675	653,256
Segment liabilities	491,189	877,056	1,058,559	121,582	653,098	3,201,484

The chief operating decision-maker assesses the performance of the operating segments based on operating profit. Finance income and costs are not included in the result for each operating segment that is reviewed by the chief operating decision-maker. Other information provided, except as noted below, to the chief operating decision-maker is measured in a manner consistent with that in the financial statements.

Segment assets mainly exclude deferred income tax assets and available-for-sale financial assets. These are part of the reconciliation to total balance sheet assets.

Segment liabilities mainly exclude items such as deferred income tax liabilities, taxes payable and borrowings. These are part of the reconciliation to total balance sheet liabilities.

26. Revenues and segment information (continued)

(b) Segment information (continued)

Sales between segments are carried out on terms agreed by the parties involved. The revenue from external parties reported to the management meeting is measured in a manner consistent with that in the consolidated income statement.

Reportable segments' assets are reconciled to total assets as follows:

	2017 RMB'000	2016 RMB'000
Total segment assets	**19,853,439**	16,835,561
Add: Deferred income tax assets	**278,153**	266,649
Available-for-sale financial assets	**777,132**	412,417
Total assets per consolidated balance sheet	**20,908,724**	17,514,627

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2017 RMB'000	2016 RMB'000
Total segment liabilities	**2,355,941**	3,201,484
Add: Deferred income tax liabilities	**452,811**	383,243
Taxes payable	**118,688**	76,960
Borrowings	**6,137,797**	3,540,967
Total liabilities per consolidated balance sheet	**9,065,237**	7,205,654

27. Other gains — net

	2017 RMB'000	2016 RMB'000
Gain on remeasuring existing interest in XICT and Xiamen Haicang Xinhaida Container Terminals Group Co., Ltd. ("XHD") on acquisition (Note 37)	**179,400**	—
Gain on disposal of property, plant and equipment and land use rights	**31,940**	98,985
Gain on remeasuring existing interest in XHICT on acquisition	**—**	88,803
Others	**(85)**	452
	211,255	188,240

28. Employee benefit expenses

	2017 RMB'000	2016 RMB'000
Salaries, wages and bonuses	**817,177**	688,320
Welfare, medical and other expenses	**113,666**	80,621
Contributions to pension plans	**124,955**	94,283
Contributions to supplementary pension scheme	**21,146**	17,406
	1,076,944	880,630

(a) Pensions — defined contribution plans

The employees of the Group participate in various pension plans organised by the relevant municipal and provincial governments under which the Group is obliged to make monthly defined contributions to these plans based on 18% to 25.5% (2016: 17% to 25%) of the employees' monthly salaries and wages, depending on the applicable social security regulations. In addition, from 2008, the Group has also participated in a supplementary pension scheme under which the Group is required to make monthly payments to insurance companies for its existing qualifying employees. The Group has no further obligation for payments of retirement and other postretirement benefits beyond the above contributions. Contributions to these pension plans or scheme are expensed as incurred.

28. Employee benefit expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including three (2016: three) directors and one supervisor (2016: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2016: one) individual (the "Individual") during the year are as follows:

	2017 RMB'000	2016 RMB'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	**477**	457
Contributions to pension plans	**100**	60
Discretionary bonuses	**360**	336
	937	853

During the year, no emoluments were paid by the Company to the individual as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the Individual fall within the following bands:

	Number of individuals 2017	Number of individuals 2016
Nil to HK$1,000,000 (equivalent to RMB835,910)	**—**	—
HK$1,000,001 to HK$1,500,000 (equivalent to RMB1,259,865)	**1**	1

(c) Details of remuneration payable to members of senior management (excluding directors) of the Group presented by band during the Year are as follows:

Remuneration by band*	Number of individuals
RMB 500,000 to RMB 800,000	**2**
RMB 800,000 to RMB 1,100,000	**3**

* To the nearest RMB 100,000

29. Expenses by nature

	2017 RMB'000	2016 RMB'000
Cost of inventories sold/consumed (Note 14)	**9,604,576**	5,464,572
Employee benefit expenses (Note 28)	**1,076,944**	880,630
Depreciation of		
— investment properties (Note 5)	**6,136**	5,133
— property, plant and equipment (Note 6)	**475,783**	345,084
Distribution, transportation and labour outsourcing	**437,061**	494,673
Business tax, stamp duty and real estate tax	**36,304**	36,121
Advertising and marketing expenses	**43,341**	26,562
Amortisation of		
— land use rights (Note 7)	**99,677**	72,863
— intangible assets (Note 8)	**13,607**	8,746
Operating lease rental in respect of property, plant and equipment	**109,655**	140,898
General office expenses	**45,323**	30,665
Repairs and maintenance	**93,715**	79,426
Insurance expenses	**13,869**	11,596
Net provision for/(reversal of) impairment of		
— inventories	**64**	(4,467)
— receivables and advances to suppliers	**30,792**	44,929
Auditors' remuneration	**3,701**	5,027
Dredging expense	**35,006**	18,076
Project subcontract expense	**7,185**	9,008
Others	**18,826**	69,838
Total cost of sales, selling and marketing expenses and general and administrative expenses	**12,151,565**	7,739,380

30. Finance income and costs

	2017 RMB'000	2016 RMB'000
Interest income	**25,898**	60,139
Net foreign exchange gain/(loss)	**2,485**	(19,766)
	28,383	40,373
Interests on bank borrowings	**(205,348)**	(122,001)
Less: amounts capitalised	**11,708**	15,906
	(193,640)	(106,095)
Finance costs — net	**(165,257)**	(65,722)

Borrowing costs capitalised are related to the construction of property, plant and equipment. The weighted average interest rate on such capitalised borrowings for the year ended 31 December 2017 was 4.47% (2016: 4.90%) per annum.

31. Taxation

(a) Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

Trend Wood Investments Limited ("Trend Wood"), Xiamen Ocean Shipping Agency Hongkong Limited ("Hong Kong Ocean Shipping Agency") and Xiamen Port Haiheng (Hongkong) Limited ("Haiheng Hongkong") are being subsidiaries of the Company, are incorporated in Hong Kong, thus their applicable income tax rate is 16.5%.

Approved by Xiamen Guo Shui Zhi Han [2008] No.1 issued by State Administration of Taxation Xiamen Branch, Xiamen Songyu Container Terminal Co., Ltd ("Songyu Terminal") is entitled to a five-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent five years, commencing from 2008. The income tax rate for the year ended 31 December 2017 is 12.5% (2016: 12.5%).

31. Taxation (continued)

(a) Income tax expense (continued)

Approved by State Administration of Taxation Xiamen Branch, Xiamen Haiyu Terminal Co.,Ltd ("Haiyu") is entitled to a three-year exemption from corporate income tax followed by a 50% reduction in corporate income tax for subsequent three years, commencing from 2014. The income tax rate for the year ended 31 December 2017 is 12.5% (2016: 0%).

Except for Songyu Terminal, Haiyu, Trend Wood, Hong Kong Ocean Shipping Agency and Haiheng Hongkong, the Company and other subsidiaries of the Company are subjected to income tax rate of 25% for the year ended 31 December 2017 (2016: 25%).

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

	2017 RMB'000	2016 RMB'000
PRC corporate income tax	**270,749**	215,099
Deferred income tax charge (Note 13)	**(19,711)**	1,322
	251,038	216,421

31. Taxation (continued)

(a) Income tax expense (continued)

The difference between the actual income tax charge in the consolidated income statement and the amounts which would result from applying the enacted tax rate to profit before income tax expense can be reconciled as follows:

	2017 RMB'000	2016 RMB'000
Profit before income tax expense	**1,070,633**	1,021,337
Less: share of profits less losses of joint ventures	**5,671**	(36,348)
Less: share of profits less losses of associates	**(3,365)**	338
	1,072,939	985,327
Tax calculated at the applicable tax rate of 25% (2016: 25%)	**268,235**	246,332
Effect of preferential tax rate of:		
— Haiyu	**(12,319)**	(21,224)
— Songyu Terminal	**(7,477)**	(11,531)
Income not subject to income tax	**—**	(163)
Expenses not deductible for income tax purposes	**4,108**	1,596
Tax losses which no deferred tax assets were recognised	**41,477**	26,039
Business combination (Note 27)	**(44,850)**	(22,201)
Others	**1,864**	(2,427)
Income tax expense	**251,038**	216,421

32. Dividends

	2017 RMB'000	2016 RMB'000
Proposed final dividends		
— Domestic share	**60,883**	69,580
— H share	**34,534**	39,468
	95,417	109,048

The dividends declared in 2017 and 2016 were RMB95,417,000 (RMB3.5 cents per share) and RMB109,048,000 (RMB4 cents per share) respectively.

At a Board meeting held on 29 March 2018, the directors of the Company proposed a final dividend of RMB3.5 cents per share (tax inclusive) for the year ended 31 December 2017. This proposed dividend is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting to be held on 15 June 2018, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

33. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company for the year ended 31 December 2017 of RMB411,157,000 (2016: RMB319,342,000) by the weighted average number of the Company's shares in issue during the year of 2,726,200,000 (2016: 2,726,200,000) shares.

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

34. Notes to consolidated statement of cash flows

(a) Reconciliation of profit before income tax expense to net cash generated from operations:

	2017 RMB'000	2016 RMB'000
Profit before income tax expense	**1,070,633**	1,021,337
Adjustments for:		
— Share of profits less losses of associates	**(3,365)**	338
— Share of profits less losses of joint ventures	**5,671**	(36,348)
— Depreciation of property, plant and equipment	**475,783**	345,084
— Depreciation of investment properties	**6,136**	5,133
— Amortisation of land use rights	**99,677**	72,863
— Amortisation of intangible assets	**13,607**	8,746
— Gain on disposal of property, plant and equipment	**(31,940)**	(98,985)
— Provision for impairment of inventories	**64**	(4,467)
— Provision for impairment of receivables	**30,792**	44,929
— Dividend income	**(2,455)**	(1,161)
— Interest income	**(25,898)**	(60,139)
— Interest expenses	**193,640**	106,095
— Unrealised foreign exchange gain	**(2,086)**	3,103
— Business combination	**(179,400)**	(88,803)
	1,650,859	1,317,725
Changes in working capital :		
— Accounts and notes receivable	**(23,620)**	(146,228)
— Other receivables and prepayments	**268,308**	(17,231)
— Inventories	**(46,407)**	(202,478)
— Accounts and notes payable	**(93,248)**	(37,922)
— Other payables and accruals	**(643,948)**	207,001
Net cash generated from operations	**1,111,944**	1,120,867

For the year ended 31 December 2017, there are no other significant non-cash transactions. (2016:Nil)

34. Notes to consolidated statement of cash flows (continued)

(b) Net debt reconciliation

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	**671,348**	1,140,956
Borrowings — repayable within one year (including overdraft)	**(3,707,679)**	(2,217,375)
Borrowings — repayable after one year	**(2,430,118)**	(1,323,592)
Net debt	**(5,466,449)**	(2,400,011)
Cash and liquid investments	**671,348**	1,140,956
Gross debt — fixed interest rates	**(4,407,352)**	(3,195,315)
Gross debt — variable interest rates	**(1,730,445)**	(345,652)
Net debt	**(5,466,449)**	(2,400,011)

	Other assets	Liabilities from financing activities			
	Cash/ bank RMB'000	Finance leases due after 1 year RMB'000	Borrow due within 1 year RMB'000	Borrow due after 1 year RMB'000	Total RMB'000
Net debt as at 31 December 2016	1,140,956	—	(2,217,375)	(1,323,592)	(2,400,011)
Cash flows	(635,470)	(29,697)	(1,384,491)	44,730	(2,004,928)
Foreign exchange adjustments	(2,086)	—	1,687	461	62
Other non-cash movements	167,948	—	(107,500)	(1,122,020)	(1,061,572)
Net debt as at 31 December 2017	**671,348**	**(29,697)**	**(3,707,679)**	**(2,400,421)**	**(5,466,449)**

35. Commitments

(a) Capital commitments

The Group's capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2017 RMB'000	2016 RMB'000
Purchases of property, plant and equipment	**789,173**	272,767

Committed capital expenditure as at 31 December 2017 mainly related to the construction and upgrade of port and storage infrastructure, acquisitions of new loading, other machineries and renovation of buildings.

(b) Commitment for equity investment

	2017 RMB'000	2016 RMB'000
Acquisition of target equity interest	**724,668**	138,337

In 2017, XPD entered into the Equity Interest Transfer Agreement with XPHG in relation to the acquisition of the remaining 49% of the equity interest in Xiamen Port Group Shihushan Terminal Company Limited. ("Shihushan"). On 29 September 2017, XPD and XPHG entered into the Supplemental Agreement in relation to, among other matters, the determination of the final Consideration at the cash consideration of RMB724,668,000.

35. Commitments (continued)

(c) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases on property, plant and equipment are as follows:

	2017 RMB'000	2016 RMB'000
Not later than 1 year	**108,649**	92,020
Later than 1 year and not later than 5 years	**209,986**	177,967
Later than 5 years	**34,175**	34,175
	352,810	304,162

(d) Commitment for deposit of BT project

As at 31 December 2017, the total commitment for BT project is estimated to be approximately RMB21,455,000 (31 December 2016: RMB20,300,000). Details are set out in Note 16(b).

36. Contingent liabilities

As at 31 December 2017, the Group have no significant contingent liabilities (2016: Nil).

37. Business combinations

(a) Acquisition of Xinhaida

On 13 February 2017 , Xiamen Terminal Group has entered into the acquisition agreement with Initial Sun Limited ("Initial Sun"), pursuant to which Xiamen Terminal Group has agreed to acquire 20% equity interest in Xinhaida from Initial Sun at the cash consideration of RMB138,336,800 (the "Acquisition").

Before the Acquisition, Xinhaida was held by Trend Wood (a wholly owned subsidiary of Xiamen Terminal Group), Xiamen Haicang Investment Group Co., Ltd. and Initial Sun with respective share of 46%, 34% and 20%, and was accounted for as a joint venture by the Group.

37. Business combinations (continued)

(a) Acquisition of Xinhaida (continued)

After the Acquisition, the equity interests of Xinhaida are held by Trend Wood as to 46%, Xiamen Haicang Investment Group Co., Ltd. as to 34% and Xiamen Terminal Group as to 20% respectively. As a result, Xinhaida is accounted for as a subsidiary of the Group from 13 February 2017.

The following table summarises consideration paid for, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

Purchase consideration: At 13 February 2017	RMB'000
Fair value of equity interest held by the Group before the Acquisition of Xinhaida	308,011
Cash and cash equivalents	138,337
Total purchase consideration	**446,348**
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalents	52,127
Trade and other receivables	83,768
Inventories	4,048
Land use rights (Note 7)	573,024
Intangible assets (Note 8)	57,385
Property, plant and equipment (Note 6)	1,633,066
Available-for-sale financial assets	1,513
Trade and other payables	(696,326)
Borrowings	(1,032,320)
Net identifiable assets acquired	**676,285**
Less: non-controlling interest	(229,937)
Net assets acquired	**446,348**

Purchase consideration — cash outflow	2017 RMB'000
Outflow of cash to acquire Xinhaida, net of cash acquired	
— Cash consideration	(138,337)
Less: Balances acquired	
Cash	52,127
Net outflow of cash — investing activities	**(86,210)**

37. Business combinations (continued)

(b) Acquisition of XICT

On 15 May 2017, Xiamen Terminal Group has entered into an agreement with Hutchison Ports Xiamen Ltd. ("HXC") in relation to XICT, the equity interest of which is owned by Xiamen Terminal Group as to 51% and by HXC as to 49%. Pursuant to the agreement, Xiamen Terminal Group and HXC agreed that with immediate effect that they will act in accordance with the agreed mechanism, the effect of which is that Xiamen Terminal Group is able to exercise control over XICT. No consideration has been and shall be given by the Group for the arrangements contemplated under the agreement. As a result, XICT is accounted for as a subsidiary of the Group from 15 May 2017.

The following table summarises consideration paid for, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

Purchase consideration: At 15 May 2017	RMB'000
Fair value of equity interest held by the Group before the Acquisition of XICT	686,842
Total purchase consideration	**686,842**
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalents	115,539
Trade and other receivables	147,608
Inventories	15,010
Land use rights (Note 7)	334,352
Intangible assets (Note 8)	38,058
Property, plant and equipment (Note 6)	780,910
Deferred tax asset	4,127
Deferred tax libilities	(42,753)
Trade and other payables	(46,102)
Net identifiable assets acquired	**1,346,749**
Less: non-controlling interests	(659,907)
Net assets acquired	**686,842**

37. Business combinations (continued)

(c) Acquisition of Shishi Huajin

On 26 October 2017, XPD has entered into the an agreement with Well Able and Mr. Qiu, pursuant to which XPD has agreed to acquire 75% equity interest in Shishi Huajin at the cash consideration of approximately RMB204,511,000. As a result, Shishi Huajin is accounted for as a subsidiary of the Group from 26 October 2017.

The following table summarises consideration paid for, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

Purchase consideration: At 26 October 2017	RMB'000
Cash and cash equivalents	204,511
Total purchase consideration	**204,511**
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalents	282
Trade and other receivables	17,905
Inventories	792
Land use rights (Note 7)	67,949
Intangible assets (Note 8)	193,308
Property, plant and equipment (Note 6)	806,704
Deferred tax asset	61
Borrowings	(197,200)
Deferred tax libilities	(33,468)
Trade and other payables	(611,474)
Net identifiable assets acquired	**244,859**
Less: non-controlling interests	(61,215)
Add: goodwill	20,867
Net assets acquired	**204,511**

Purchase consideration — cash outflow	2017 RMB'000
Outflow of cash to acquire Shishi Huajin, net of cash acquired — Cash consideration	(80,000)
Less: Balances acquired Cash	282
Net outflow of cash — investing activities	**(79,718)**

38. Significant related party transactions

The Company is controlled by XPHG, the parent company, which is in turn subject to the control of the PRC Government.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, during the year ended 31 December 2017 and balances arising from these significant related party transactions.

(a) During the year, same as disclosed elsewhere in the notes in the consolidated financial statements, the Group had the following significant transactions with related parties:

	Note	2017 RMB'000	2016 RMB'000
Transactions with parent company			
Revenue			
Power supply and maintenance and electrical equipment maintenance	(i)	**15,009**	33,745
Expenses			
Operating lease rental in respect of land, port facilities and office premises	(i)	**35,935**	29,029
Transactions with fellow subsidiaries			
Revenue			
Port services	(i)	**51,686**	33,565
Trading sales	(i)	**1,874**	1,473
Transportation service	(i)	**40**	1,062
Tally Service	(i)	**4,703**	2,465
Operating lease rental in respect of land, port facilities and office premises	(i)	**504**	504
Expenses			
Office and property management	(i)	**11,974**	12,629
Operating lease rental in respect of land, port facilities and office premises	(i)	**3,891**	2,901
Comprehensive service fee	(i)	**24,027**	22,817
Labour service fee	(i)	**75,948**	42,674
Information Services	(i)	**13,930**	14,795
Project Management Services	(i)	**10,645**	6,308
Others			
Purchases of property, plant and equipment	(i)	**91,415**	112,745

38. Significant related party transactions (continued)

(a) During the year, same as disclosed elsewhere in the notes in the consolidated financial statements, the Group had the following significant transactions with related parties (continued):

	Note	2017 RMB'000	2016 RMB'000
Transaction with joint ventures			
Revenues			
Power supply and maintenance and electrical equipment maintenance	(i)	**5,140**	12,177
Transportation	(i)	**6,327**	36,588
Operating lease rental in respect of land, port facilities and office premises	(i)	**6,456**	9,150
Loading and unloading services rendered	(i)	**46,721**	81,346
Inspection service	(i)	**—**	3,378
Tally service	(i)	**97**	401
Expenses			
Project management	(i)	**3,973**	117,120
Operating lease rental in respect of land, port facilities and office premises		**342**	—
Transaction with associates			
Revenues			
Operating lease rental in respect of land, port facilities and office premises	(i)	**1,291**	—
Transactions with other related parties			
Revenues			
Loading and unloading services rendered	(i)	**166,471**	120,380
Expenses			
Purchases of commercial goods	(i)	**39,044**	39,796

(i) Transactions rendered to the related parties were carried out on terms that were mutually agreed among the involved parties.

38. Significant related party transactions (continued)

(b) The balances with related parties of the Group at the balance sheet dates are as follows:

	Note	2017 RMB'000	2016 RMB'000
Balances with parent company			
Accounts receivable	(i)	**89**	110
Other receivables and prepayments		**24,455**	280
Dividend payable		**3,111**	3,111
Accounts payable	(i)	**10,123**	110,011
Other payables and accruals		**98**	501,596
Balances with fellow subsidiaries			
Accounts receivable	(i)	**32,438**	14,142
Other receivables and prepayments		**1,347**	2,573
Accounts payable	(i)	**72,813**	50,813
Other payables and accruals		**10,541**	20,627
Balances with joint ventures			
Accounts receivable	(i)	**5,054**	57,368
Other receivables and prepayments		**2,045**	441,445
Accounts payable	(i)	**453**	65,448
Other payables and accruals		**143**	64,300
Balances with associates			
Accounts receivable	(i)	**180**	543
Accounts payable	(i)	**—**	436
Other payables and accruals		**3,020**	3,211
Balances with non-controlling shareholders of subsidiaries			
Dividends payable		**—**	421,323
Balances with other related parties			
Accounts receivable	(i)	**46,480**	16,450
Other receivables and prepayments		**6,654**	1,646
Accounts payable	(i)	**3,058**	—
Other payables and accruals	(ii)	**3,184**	883

(i) As at 31 December 2017, balances with the parent company, associates, fellow subsidiaries, joint ventures and non-controlling shareholders of subsidiaries are unsecured, interest free and have no fixed terms of repayment or subject to agreed credit terms for trade receivables.

(ii) As at 31 December 2017, the balance referred to port construction fee collected on behalf of Xiamen Port Authority and the balance is unsecured, interest free and has no fixed terms of repayment.

38. Significant related party transactions (continued)

(c) Key management compensation:

	2017 RMB'000	2016 RMB'000
Emoluments	**3,024**	2,016
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,565**	1,647
Contributions to pension plans	**615**	549
Discretionary bonuses	**3,581**	2,944
	8,785	7,156

39. Particulars of subsidiaries, joint ventures and associates

(a) Subsidiaries

As at 31 December 2017, the Company had direct and indirect interests in the following subsidiaries:

		Issued share/paid-in capital		Attributable equity interests				
		2017	2016	2017		2016		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Listed								
Xiamen Port Development Co., Ltd. ("XPD")	Joint stock limited company	531,000	531,000	55.13%	—	55.13%	—	Container loading and unloading for domestic trade and bulk/general cargo loading and unloading for both domestic and international trade
Unlisted								
China Ocean Shipping Agency Xiamen Co., Ltd. ("Ocean Shipping Agency")#	Limited liability company	30,000	30,000	—	33.08%	—	33.08%	Shipping agency services for international vessels
Xiamen Waili Tally Co.,Ltd.#	Limited liability company	17,000	17,000	—	47.41%	—	47.41%	Tallying of cargo and container services
Xiamen Port Shipping Co., Ltd.	Limited liability company	135,000	135,000	10%	49.62%	10%	49.62%	Tugboat berthing and unberthing

39. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital 2017 (RMB'000)	Issued share/paid-in capital 2016 (RMB'000)	Attributable equity interests 2017 Directly held	Attributable equity interests 2017 Indirectly held	Attributable equity interests 2016 Directly held	Attributable equity interests 2016 Indirectly held	Principal activities
Unlisted (continued)								
Xiamen Port Logistics Co., Ltd. ("XPL")	Limited liability company	65,000	65,000	—	55.26%	—	55.26%	Container deposit, land transport, international freight agency
Xiamen Port Domestic Shipping Agency Co., Ltd.#	Limited liability company	2,000	2,000	—	44.10%	—	44.10%	Shipping agency services for domestic trade
Xiamen Port Group Power Supply Service Co., Ltd.	Limited liability company	80,000	10,000	100%	—	100%	—	Operation and management of the equipment at the transformer substation
Xiamen Road and Bridge Building Materials Corporation Ltd.	Limited liability company	70,000	70,000	—	52.37%	—	52.37%	Manufacturing, processing and selling of building materials
Xiamen Penavico International Freight and Forwarding Co., Ltd.#	Limited liability company	12,000	12,000	—	33.08%	—	33.08%	Agency services for import and export of products/technology, international and domestic agency services
Xiamen Penavico Navigation Co., Ltd.#	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Domestic transportation agency and labour services
Xiamen Penavico Customs Broker Co., Ltd.#	Limited liability company	5,000	5,000	—	33.08%	—	33.08%	Agency services for customs declaration
Xiamen Penavico Logistics Co., Ltd.#	Limited liability company	3,800	3,800	—	33.08%	—	33.08%	Agency services for imports and exports of products and technology and operations of bonded warehouse
Xiamen Penavico Air Freight Co., Ltd.#	Limited liability company	8,000	8,000	—	33.08%	—	33.08%	Agency services for international air transportation
Xiamen Port Logistics Free Trade Co., Ltd.	Limited liability company	35,000	35,000	—	55.25%	—	55.25%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Ganghua Container Service Co., Ltd.	Limited liability company	6,630	6,630	50%	27.63%	50%	27.63%	Repair, maintenance, cleaning and renovation of containers
Xiamen Port Transportation Co., Ltd.	Limited liability company	81,000	81,000	—	55.17%	—	55.17%	Container deposit, land transport

39. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

		Issued share/paid-in capital		Attributable equity interests				
		2017	2016	2017		2016		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Unlisted (continued)								
Xiamen Port Trading Co., Ltd.	Limited liability company	180,000	85,000	—	55.13%	—	55.13%	Commodity export agency and sales
Xiamen Port Hailuda Building Material., Ltd.#	Limited liability company	7,000	7,000	—	44.10%	—	44.10%	Manufacturing, processing and selling of building materials
Xiamen Waili Logistics Management Co., Ltd.#	Limited liability company	300	300	—	47.41%	—	47.41%	Container deposit, land transport and logistics management
Xiamen Port Haicang Container Inspection Services Co., Ltd. ("Haicang Container Inspection")#	Limited liability company	1,000	1,000	—	44.81%	—	44.81%	Container loading and unloading, stacking and storage management, container packing and unpacking, storage and container cargo inspection
Sanming Port Development Co., Ltd.# (Changed from "Samming Lugang Logistics Co., Ltd.")	Limited liability company	135,000	135,000	—	44.10%	—	44.10%	Freight forwarding and agency business, warehousing services, packing and processing, logistics and distribution and logistics information consulting services
Sanming Port Logistics Co., Ltd#	Limited liability company	10,000	10,000	—	44.10%	—	44.10%	National and international freight agency,cargo storage, deposit and packing services
Ji'an Port Development Logistics Co., Ltd. (Changed from "Ji'an Lugang Logistics Co., Ltd.")	Limited liability company	70,000	70,000	—	55.13%	—	55.13%	Freight forwarding and agency business, warehousing services and logistics information services
Fuzhou Haiying Port Co., Ltd.	Limited liability company	15,000	15,000	100.00%	—	100.00%	—	Container loading and unloading, stacking and storage management, container packing and unpacking
Zhangzhou City Gulei Port Development Co., Ltd.#	Limited liability company	125,953	100,000	—	38.59%	—	38.59%	Port supporting services, investment and development
Zhangzhou Gulei Harbour Highway Co., Ltd.	Limited liability company	40,000	40,000	—	55.13%	—	55.13%	Road construction,port supporting services, investment and development
Xiamen Hailong Terminal Co., Ltd.	Limited liability company	450,000	450,000	—	55.13%	—	55.13%	Bulk/general cargo loading and unloading business

39. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

		Issued share/paid-in capital		Attributable equity interests				
		2017	2016	2017		2016		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Unlisted (continued)								
Chaozhou Port Development Co., Ltd.#	Limited liability company	144,000	144,000	—	38.59%	—	38.59%	Port supporting services, investment and development
Xiamen Port Wine Co., Ltd.#	Limited liability company	8,000	8,000	—	38.59%	—	38.59%	Wholesale of pre-packaged food; import and export of merchandise and technology
Sanming Port Customs Declaration Co., Ltd.#	Limited liability company	1,500	1,500	—	44.10%	—	44.10%	Customs Declaration services
Shanghai Haiheng Industrial Co., Ltd.	Limited liability company	10,000	10,000	—	55.13%	—	55.13%	Commodity export agency and sales
Xiamen Agency Cruise Agency Co., Ltd.#	Limited liability company	2,000	2,000	—	33.08%	—	33.08%	Belt tightening pulley agency services for domestic trade
Zhangzhou City Longchi Port Development Co., Ltd.#	Limited liability company	55,000	45,000	—	30.32%	—	30.32%	Port supporting services, investment and development
Xiamen Terminal Group	Limited liability company	2,436,604	2,436,604	59.45%	0.3%	59.45%	0.3%	Container loading and unloading services
Xiamen Hairun Container Terminal Co., Ltd	Limited liability company	10,000	10,000	—	59.45%	—	59.45%	Container loading and unloading services
Zhangzhou City Gulei Tugboat Co., Ltd.	Limited liability company	50,000	50,000	—	64.7%	—	64.7%	Port logistics
Xiamen Songyu Container Terminal Co., Ltd. ("Songyu Terminal")#	Limited liability company	1,680,000	1,680,000	—	44.81%	—	44.81%	Container loading and unloading services
Hainan Xiagang Tugboat Co., Ltd.#	Limited liability company	72,000	72,000	—	49.62%	—	49.62%	Operation of port tugboat
Ji'an Port Logistics Co., Ltd. ("Jian Logistics") ("Ji'an Port Logistics")	Limited liability company	10,000	10,000	—	55.13%	—	55.13%	National and domestic merchandise agency, keeping and warehousing service

39. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

		Issued share/paid-in capital		Attributable equity interests				
		2017	2016	2017		2016		
Name	Type of legal entity	(RMB'000)		Directly held	Indirectly held	Directly held	Indirectly held	Principal activities
Unlisted (continued)								
Xiamen Gangjixing Transportation Co., Ltd. ("Gangjixing Transportation") ("Xiamen Gangjixing")#	Limited liability company	9,500	9,500	—	28.14%	—	28.14%	Container transport
Xiamen Haicang International Container Terminal Ltd. ("XHICT")#	Limited liability company	555,515	555,515	—	30.46%	—	30.46%	Container loading and unloading for international trade
Xiamen Port Shihushan Terminal Co., Ltd ("Shihushan")#	Limited liability company	40,000	40,000	—	28.12%	—	28.12%	Bulk/general cargo loading and unloading business
Xiamen Port Haiyu Terminal Co., Ltd#	Limited liability company	462,000	462,000	—	28.12%	—	28.12%	Bulk/general cargo loading and unloading business
Xiamen Port Haiyi Terminal Co., Ltd#*	Limited liability company	278,000	278,000	—	28.12%	—	28.12%	Bulk/general cargo loading and unloading business
Xiamen Port Shihushan Terminal Labour Services Co., Ltd#	Limited liability company	740	740	—	28.12%	—	28.12%	Labour Services
Shishi City Huajin Terminal Storage and Transportation Co., Ltd ("Shishi Huajin")*	Limited liability company	600,000	200,000	—	41.35%	—	—	Bulk/general cargo loading and unloading business
Xiamen International Container Terminals Ltd. ("XICT")*#	Limited liability company	1,148,700	1,148,700	—	30.32%	—	30.32%	Container loading and unloading for international trade
Xiamen Haicang XinHaiDa Container Terminals Co., Ltd. ("XinHaiDa")*	Limited liability company	756,000	756,000	—	39.24%	—	39.24%	Terminal operation and rendering of relevant port services

39. Particulars of subsidiaries, joint ventures and associates (continued)

(a) Subsidiaries (continued)

Name	Type of legal entity	Issued share/paid-in capital 2017 (RMB'000)	Issued share/paid-in capital 2016 (RMB'000)	Attributable equity interests 2017 Directly held	Attributable equity interests 2017 Indirectly held	Attributable equity interests 2016 Directly held	Attributable equity interests 2016 Indirectly held	Principal activities
Unlisted and incorporated in Hong Kong								
Trend Wood Investments Limited ("Trend Wood")	Limited liability company	HKD1	HKD1	—	59.75%	—	59.75%	Investment holding
Xiamen Ocean Shipping Agency (Hongkong) Limited ("Hong Kong Ocean Shipping Agency")#	Limited liability company	HKD 1,000,000	HKD 1,000,000	—	33.08%	—	33.08%	Shipping agency services for international vessels
Xiamen Port Haiheng (Hongkong) Limited (Haiheng Hong Kong)&#	Limited liability company	HKD 3,000,000	—	—	55.13%	—	—	Commodity export agency and sales

\# The directors of the Company consider that the Group has control over these companies through its representatives on the board of directors and voting power in these companies.

& Established during the year ended 31 December 2017.

* The entities has been included in the consolidation scope of the Group consolidated financial statements in 2017 due to business combination.

39. Particulars of subsidiaries, joint ventures and associates (continued)

(b) Joint ventures

As at 31 December 2017, the Group had interests in the following joint ventures:

Name	Paid-in capital 2017 (RMB'000)	Paid-in capital 2016 (RMB'000)	Proportion of ownership held by the Group and profit sharing 2017	Proportion of ownership held by the Group and profit sharing 2016	Proportion of voting rights held by the Group 2017	Proportion of voting rights held by the Group 2016	Principal activities
Xiamen Port YCH Logistics Co., Ltd. ("XPYCH")	152,650	146,250	62%	62%	60%	60%	Agency services for import and export of products/technology and operations of bonded warehouse
Xiamen Port Container Co., Ltd. ("XPC")	5,000	5,000	51%	51%	60%	60%	Container loading and unloading for international trade
Xiamen Port Baohe Logistics Co., Ltd. ("XPBL")	6,000	6,000	35%	35%	43%	43%	Container deposit, land transport, international freight agency
Fuzhou Mawei Shipping Co., Ltd.	9,000	9,000	51%	51%	51%	51%	Container liner shipping
Xiamen Ocean Shipping Agency All-Trans Logistic Co., Ltd ("Xiamen Agency All-Trans")	37,882	37,882	49%	49%	49%	49%	Container deposit, land transport, international freight agency

39. Particulars of subsidiaries, joint ventures and associates (continued)

(c) Associates

As at 31 December 2017, the Group had interests in the following associates:

		Issued share/paid-in capital		Attributable equity interests		
		2017	2016	2017	2016	
Name	Type of legal entity	(RMB'000)				Principal activities
Unlisted						
Xiamen Penavico Tungya Logistics Co., Ltd.	Sino-foreign cooperative joint venture	18,000	18,000	50%	50%	Provision of storage services
Quanzhou Qing Meng Logistics Co., Ltd.	Limited liability company	10,000	10,000	40%	40%	Provision of container storage, traffic and maintenance services
Xiamen Jida Building Materials Technology Co., Ltd.	Limited liability company	9,400	7,480	40%	40%	Manufacturing, processing and selling of building materials
Sanming Port construction Co.,Ltd.	Limited liability company	5,000	5,000	35%	35%	Construction and operation of the relevant projects of Sanming land-based port
Xiamen China United Tally Co.,Ltd	Limited liability company	3,000	1,200	40%	40%	Tallying of cargo and container services

* Acquired during the year ended 31 December 2017.

Except for Trend Wood, Hong Kong Ocean Shipping Agency and Xiamen Port Haiheng (Hongkong) Limited which are incorporated in Hong Kong, all other subsidiaries, joint ventures and associates are incorporated in the PRC.

The operations of all subsidiaries (except for Trend Wood, Hong Kong Ocean Shipping Agency and Xiamen Port Haiheng (Hongkong) Limited), joint ventures and associates are principally carried out in the PRC.

Except for XPD which is a listed company in the PRC, all subsidiaries, joint ventures and associates are private companies having substantially the same characteristics as a Hong Kong incorporated private company.

The English names of certain subsidiaries, joint ventures and associates referred to in this report represent the English translation of the Chinese names of these companies for identification purpose only as no English names have been registered.

40. Balance sheet and reserve movement of the Company

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Investment property		**74,819**	37,344
Property, plant and equipment		**99,431**	164,038
Land use rights		**—**	49,601
Intangible assets		**602**	—
Investments in subsidiaries		**5,389,968**	5,313,592
Interests in joint ventures		**4,285**	4,285
Available-for-sale financial assets		**124,479**	109,777
Long-term receivables and prepayments		**410,731**	55,731
Deferred income tax assets		**625**	625
Total non-current assets		**6,104,940**	5,734,993
Current assets			
Available-for-sale financial assets		**648,500**	300,000
Accounts and notes receivable		**6,471**	4,116
Other receivables and prepayments		**803,678**	963,200
Restricted cash		**80**	80
Cash and cash equivalents		**138,084**	44,536
Total current assets		**1,596,813**	1,311,932
Total assets		**7,701,753**	7,046,925
EQUITY			
Equity attributable to owners of the Company			
Share capital		**2,726,200**	2,726,200
Reserves	(a)	**2,223,462**	2,124,904
Total equity		**4,949,662**	4,851,104
LIABILITIES			
Non-current liabilities			
Borrowings		**526,826**	37,002
Long-term payables and advances		**384**	386
Deferred income tax liabilities		**28,652**	22,911
Total non-current liabilities		**555,862**	60,299
Current liabilities			
Other payables and accruals		**398,748**	148,307
Borrowings		**1,797,481**	1,987,215
Total current liabilities		**2,196,229**	2,135,522
Total liabilities		**2,752,091**	2,195,821
Total equity and liabilities		**7,701,753**	7,046,925

Cai Liqun
Director

Chen Zhaohui
Director

40. Balance sheet and reserve movement of the Company (continue)

(a) Reserve movement of the Company

	Other reserves					
	Capital surplus RMB'000	Statutory surplus reserve RMB'000	Investment revaluation reserve RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016	(61,484)	286,533	41,350	266,399	1,844,356	2,110,755
Fair value gain on available-for-sale financial assets	—	—	27,382	27,382	—	27,382
— Gross	—	—	36,509	36,509	—	36,509
— Related deferred income tax	—	—	(9,127)	(9,127)	—	(9,127)
Profit for the year	—	—	—	—	95,815	95,815
2015 final dividends	—	—	—	—	(109,048)	(109,048)
Profit appropriation	—	9,581	—	9,581	(9,581)	—
Balance at 31 December 2016	(61,484)	296,114	68,732	303,362	1,821,542	2,124,904
Representing:						
— 2016 proposed final dividends	—	—	—	—	109,048	109,048
— Others	(61,484)	296,114	68,732	303,362	1,712,494	2,015,856
	(61,484)	296,114	68,732	303,362	1,821,542	2,124,904
Balance at 1 January 2017	**(61,484)**	**296,114**	**68,732**	**303,362**	**1,821,542**	**2,124,904**
Fair value gain on available-for-sale financial assets	**—**	**—**	**17,225**	**17,225**	**—**	**17,225**
— Gross	**—**	**—**	**22,967**	**22,967**	**—**	**22,967**
— Related deferred income tax	**—**	**—**	**(5,742)**	**(5,742)**	**—**	**(5,742)**
Profit for the year	**—**	**—**	**—**	**—**	**190,381**	**190,381**
2016 final dividends	**—**	**—**	**—**	**—**	**(109,048)**	**(109,048)**
Profit appropriation	**—**	**19,038**	**—**	**19,038**	**(19,038)**	**—**
Balance at 31 December 2017	**(61,484)**	**315,152**	**85,957**	**339,625**	**1,883,837**	**2,223,462**
Representing:						
— 2017 proposed final dividends	**—**	**—**	**—**	**—**	**(95,417)**	**(95,417)**
— Others	**(61,484)**	**315,152**	**85,957**	**339,625**	**1,788,420**	**2,128,045**
	(61,484)	**315,152**	**85,957**	**339,625**	**1,788,420**	**2,128,045**

41. Emoluments of directors, supervisors and senior management

The emoluments received by individual directors, supervisors and senior management are as follows:

Year ended 31 December 2017

Name (*)	Emoluments RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Cai Liqun	—	310	75	589	974
Ke Dong	—	400	78	439	917
Chen Zhaohui	—	288	75	552	915
Fang Yao	—	291	75	465	831
Non-executive Directors:					
Chen Dingyu	114	—	—	—	114
Huang Zirong	114	—	—	—	114
Fu Chengjing	114	—	—	—	114
Chen Zhiping	96	—	—	—	96
Bai Xueqin	96	—	—	—	96
Independent Non-executive Directors:					
Liu Feng	114	—	—	—	114
Lin Pengjiu	114	—	—	—	114
You Xianghua	114	—	—	—	114
Jin Tao	114	—	—	—	114
Ji Wenyuan	114	—	—	—	114
Supervisors:					
Liao Guosheng	468	53	60	390	971
Wu Weijian	336	40	70	302	748
Su Yongzhong	61	—	—	—	61
Zhang Guixian	72	—	—	—	72
Tang Jinmu	72	—	—	—	72
Xiao Zuoping	72	—	—	—	72
Senior Management:					
Xu Xubo	468	49	60	360	937
Chen Zhen	194	68	61	179	502
Board secretary:					
Cai Changzhen	177	66	61	305	609
	3,024	1,565	615	3,581	8,785

* Directors, supervisors and senior management are listed by their positions as at 31 December 2017.

41. Emoluments of directors, supervisors and senior management (continued)

Year ended 31 December 2016

Name (*)	Emoluments RMB'000	Basic salaries, housing allowances, other allowances and benefits-in-kind RMB'000	Contributions to pension plans RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Lin Kaibiao	—	276	71	515	862
Fang Yao	—	297	71	419	787
Ke Dong	—	402	76	431	909
Cai Liqun	—	252	71	253	576
Chen Zhaohui	—	273	72	450	795
Non-executive Directors:					
Zheng Yongen	105	—	—	—	105
Chen Dingyu	105	—	—	—	105
Fu Chengjing	105	—	—	—	105
Huang Zirong	105	—	—	—	105
Independent Non-executive Directors:					
Liu Feng	105	—	—	—	105
Lin Pengjiu	105	—	—	—	105
You Xianghua	88	—	—	—	88
Ji Wenyuan	88	—	—	—	88
Jin Tao	88	—	—	—	88
Supervisors:					
Yu Mingfeng	66	—	—	—	66
Zhang Guixian	66	—	—	—	66
Liao Guosheng	378	49	60	345	832
Wu Weijian	336	42	68	282	728
Tang Jinmu	66	—	—	—	66
Xiao Zuoping	66	—	—	—	66
Board Secretary:					
Cai Changzhen	144	56	60	249	509
	2,016	1,647	549	2,944	7,156

* Directors, supervisors and senior management are listed by their positions as at 31 December 2016.

41. Emoluments of directors and supervisors (Continued)

During the year, no directors or supervisors of the Company have waived their emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

42. Subsequent events

From 31 December 2017 to the date of this annual report, there were no important events affecting the Group.

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