秦皇島港股份有限公司
QINHUANGDAO PORT CO., LTD.*

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

(Stock Code: 3369)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

– For the Year, our revenue amounted to RMB4,911,006 thousand, representing a decrease of 28.72% as compared with the last year.

– For the Year, our net profit amounted to RMB371,565 thousand, representing a decrease of 72.40% as compared with the last year.

– For the Year, our net profit attributable to owners of the parent company amounted to RMB365,029 thousand, representing a decrease of 72.85% as compared with the last year.

– In order to actively facilitate and ensure that the Company will complete the A Shares IPO as scheduled and safeguard the interest of the Company and all Shareholders as a whole, the Board has considered and approved not to distribute the profits (dividends) for the year ended 31 December 2016 tentatively.

The Board is pleased to announce the audited financial statements of the Group for the year ended 31 December 2016 prepared in accordance with the China Accounting Standards for Business Enterprises, together with the comparative figures for the corresponding period of 2015.

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET
31 December 2016
RMB

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

CONSOLIDATED BALANCE SHEET (continued)
31 December 2016
RMB

Liabilities and shareholders' equity	*Note IV*	**31 December 2016**	31 December 2015
Current liabilities			
Short-term borrowings	*6*	**1,545,000,000.00**	1,450,000,000.00
Accounts payable	*7*	**102,726,569.27**	100,933,703.32
Advances from customers	*8*	**472,335,724.01**	387,831,826.28
Employee benefits payable		**85,000,711.31**	117,489,734.18
Taxes payable	*9*	**34,730,467.55**	64,247,956.26
Interest payable		**15,296,378.10**	17,522,440.97
Dividends payable		**608.34**	2,309.54
Other payables		**1,244,623,623.17**	1,438,689,342.57
Non-current liabilities due within one year		**1,056,586,108.28**	679,102,320.56
Total current liabilities		**4,556,300,190.03**	4,255,819,633.68
Non-current liabilities			
Long-term borrowings	*10*	**8,664,816,348.70**	9,455,851,621.98
Long-term employee benefits payable		**71,807,543.84**	65,492,908.50
Deferred income		**332,110,009.53**	352,227,786.10
Total non-current liabilities		**9,068,733,902.07**	9,873,572,316.58
Total liabilities		**13,625,034,092.10**	14,129,391,950.26
Shareholders' equity			
Share capital		**5,029,412,000.00**	5,029,412,000.00
Capital surplus		**4,506,377,828.61**	4,506,903,112.81
Other comprehensive income		**4,623,646.56**	1,788,437.76
Special reserve		**18,615,022.77**	10,884,608.51
Surplus reserve		**1,044,974,250.76**	1,015,722,853.98
Retained earnings		**832,687,475.08**	1,251,321,607.34
Equity attributable to shareholders of the parent		**11,436,690,223.78**	11,816,032,620.40
Minority interests		**1,228,962,354.92**	1,224,866,008.75
Total shareholders' equity		**12,665,652,578.70**	13,040,898,629.15
Total liabilities and shareholders' equity		**26,290,686,670.80**	27,170,290,579.41

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

RMB

	Note IV	2016	2015
Revenue	11	**4,911,006,419.74**	6,889,894,269.46
Less: Cost of sales	11	**3,573,437,467.42**	4,078,925,529.15
Tax and surcharges		**67,178,488.18**	35,269,099.09
Selling expenses		**114,270.81**	24,168.19
General and administrative expenses		**799,715,940.01**	1,072,525,456.51
Financial expenses	12	**258,567,697.13**	296,972,798.07
Impairment losses		**(15,903,389.84)**	(15,583,682.92)
Add: Investment income	13	**120,749,116.36**	238,593,530.24
Including: investment income from Associates and joint ventures		**111,809,735.32**	171,912,497.39
Operating profits		**348,645,062.39**	1,660,354,431.61
Add: Non-operating income	14	**141,203,894.42**	68,487,321.11
Including: Gain on disposal of non-current assets		**1,261,030.26**	3,633,926.03
Less: Non-operating expenses		**4,568,160.64**	15,423,935.82
Including: Losses on disposal of non-current assets		**1,832,124.80**	9,970,696.17
Total profit		**485,280,796.17**	1,713,417,816.90
Less: Income tax expenses	15	**113,715,781.36**	367,055,676.40
Net profit		**371,565,014.81**	1,346,362,140.50
Net profit attributable to shareholders of the parent		**365,029,064.52**	1,344,490,396.47
Minority interests		**6,535,950.29**	1,871,744.03
Other comprehensive income, net of tax			
Other comprehensive income attributable to the shareholders of the parent, net of tax			
Other comprehensive income that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign currency denominated financial statements		**2,835,208.80**	1,788,437.76
Other comprehensive income attributable to minority shareholders, net of tax		**–**	–
Total comprehensive income		**374,400,223.61**	1,348,150,578.26
Including:			
Total comprehensive income attributable to the shareholders of the parent		**367,864,273.32**	1,346,278,834.23
Total comprehensive income attributable to minority shareholders		**6,535,950.29**	1,871,744.03
Earnings per share			
Basic and diluted earnings per share	16	**0.07**	0.27

NOTES TO FINANCIAL STATEMENTS

31 December 2016

I. GENERAL INFORMATION OF THE GROUP

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

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

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

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

III. TAXATION

1. Major Categories of Taxes and Respective Tax Rates

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

2. Tax Preferences

Enterprise income tax

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

IV. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Notes receivable

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

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

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

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

2. Accounts Receivable

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

Ageing analysis of the accounts receivable is usually presented based on relevant invoices and notices of payment, an ageing analysis of the accounts receivable is as follows:

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

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

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

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

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

3. Inventories

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

4. Fixed Assets

2016

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

2015

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

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

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

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

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

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

5. **Construction in Progress**

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

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

2016

	Budget	Opening balance	Increase in the year	Transferred from fixed assets or intangible assets during the year	Transferred to fixed assets and intangible assets during the year	Closing balance	Source of funds	Percentage of accumulated project input to budget (%)
Phase Two of coal terminal project in Caofeidian	5,428,903,500.00	4,633,263,190.17	263,214,619.76	–	(117,021.37)	4,896,360,788.56	Loans from financial institutes and self-owned capital	91
Phase One of metal ores terminal project in the bulk cargo area of Huanghua Port	5,790,815,353.83	4,713,322,622.32	187,033,049.58	22,492,900.65	(4,279,277,984.10)	643,570,588.45	Funds raised, loans from financial institutes and self-owned capital	85
Commencing project of complex port zone in Huanghua Port	7,555,702,691.90	220,310,366.09	78,901,489.94	–	(187,885,592.61)	111,326,263.42	Loans from financial institutes and self-owned capital	87
Construction project of wind-proof net for coal stacking yards	378,000,000.00	715,800.00	33,822,727.23	–	–	34,538,527.23	Self-owned capital	72
Renovation project for reutilization of wastewater with dust	32,020,000.00	13,953,619.38	10,025,946.66	–	(23,979,566.04)	–	Self-owned capital	79
Wastewater treatment project of Phase One and Phase Two coal project	33,790,000.00	16,337,266.00	13,403,977.00	–	–	29,741,243.00	Self-owned capital	88
Renovation project for dry fog dust suppression of dumpers	19,480,000.00	9,048,197.76	5,489,389.75	–	–	14,537,587.51	Self-owned capital	75
Others	640,633,613.85	48,869,404.64	130,577,343.76	76,658.16	(78,604,449.35)	100,918,957.21		
Total	19,879,345,159.58	9,655,820,466.36	722,468,543.68	22,569,558.81	(4,569,864,613.47)	5,830,993,955.38		

2015

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

2016

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

2015

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

6. Short-term Borrowings

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

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

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

7. Accounts Payable

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

Ageing analysis of accounts payable is calculated based on the dates of invoices and bills, and an ageing analysis of accounts payable is as follows:

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

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

8. Advances from customers

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

As at 31 December 2016, the Group had no significant advances from customers ageing more than 1 year (31 December 2015: nil).

9. Taxes Payable

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

10. Long-term Borrowings

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

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

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

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

11. Operating Revenue and Cost

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

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

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

Revenue is as follows:

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

12. Financial expenses

	2016	2015
Interest expenses	**563,473,101.47**	666,385,181.57
Including: interest on bank loans repayable within 5 years	**392,033,576.44**	442,252,790.12
Less: interest income	**26,280,523.75**	38,670,366.63
Less: capitalised interest	**267,688,043.92**	327,968,584.26
Foreign exchange gain	**(11,248,887.43)**	(3,228,578.70)
Others	**312,050.76**	455,146.09
	258,567,697.13	296,972,798.07

The amount of capitalised borrowing costs has been included in construction in progress.

13. Investment Income

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

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

14. Non-operating Income

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

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

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

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

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

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

15. Income Tax Expense

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

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

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

16. Earnings per Share

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(I) INDUSTRY OVERVIEW

(1) Overview of Port Industry in the PRC

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

(2) Overview of Port Coal Industry in the PRC

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

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

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

(4) Overview of Port Oil Industry in the PRC

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

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

(II) RESULTS OF OPERATION AND FINANCIAL PERFORMANCE

(1) Revenue

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

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

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

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

(2) Operating Costs

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

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

(3) Gross Profit Margin

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

Gross profit is revenue less operating cost.

(4) Segment Analysis1 (Business Review)

During the Year, the Group achieved a total cargo throughput of 312.76 million tonnes1, representing a decrease of 57.4 million tonnes or approximately 15.51%, as compared with the throughput of 370.16 million tonnes[1] in 2015. The throughputs generated from each of the ports which we operate are as follows:

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

During the Year, the Group achieved a cargo throughput of 179.66 million tonnes[5] in Qinhuangdao Port, representing a decrease of 66.89 million tonnes or approximately 27.13% from 246.55 million tonnes[5] for 2015. The decrease was mainly due to the fact that the main cargo handled in Qinhuangdao Port was coal, and the coal throughput recorded year-on-year decrease as affected by the weak demand and supply of coal, the increase in the number of southbound transportation channels for coals from northern region and the intensified competition from surrounding ports,

The Group achieved a cargo throughput of 73.11 million tonnes[6] in Caofeidian Port, representing a decrease of 7.31 million tonnes or approximately 9.09% from 80.42 million tonnes[6] for 2015. The main reasons for the decrease are: Caofeidian Shiye was faced with various difficulties in 2016 including the intensifying competition for cargo sources between Jingtang Port and Caofeidian Port. The suspension of vessel berthing at Phase One 2# berth created significant impact on the operation of Caofeidian Shiye. In addition, the operation was also affected by the long downtime of the bucket unloader chain at Phase 2 of the metal ore terminal.

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

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

	For the year ended 31 December					
	2016		2015			
	Throughput *(million tonnes)*	**Percentage of total throughput** *(%)*	Throughput *(million tonnes)*	Percentage of total throughput *(%)*	**Increase/ (decrease)** *(million tonnes)*	**Increase/ (decrease)** *(%)*
Dry bulk[2]	**289.78**	**92.65**	341.42	92.24	(51.64)	(15.13)
– Coal	**177.04**	**56.60**	230.41	62.25	(53.37)	(23.16)
– Metal ore	**112.74**	**36.05**	111.01	29.99	1.73	1.56
Oil and liquefied chemicals	**3.31**	**1.06**	7.01	1.89	(3.7)	(52.78)
Container[3]	**13.25**	**4.24**	12.53	3.38	0.72	5.75
General and other cargoes[4]	**6.42**	**2.05**	9.20	2.49	(2.78)	(30.22)
Total1	**312.76**	**100.00**	370.16	100.00	(57.4)	(15.51)

(i) Dry bulk cargoes handling services

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

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

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

(ii) Oil and liquefied chemicals handling services

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

(iii) Container services

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

(iv) General cargoes handling services

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

(v) Ancillary port services and value-added services

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

Note:

1. Throughput includes that of Caofeidian Shiye. Caofeidian Shiye operates terminals in Caofeidian Port and is a non-consolidated associate company of, and is 35% owned by, the Company. The Company is the largest shareholder of Caofeidian Shiye. During the Year, the throughput of Caofeidian Shiye was 73.11 million tonnes, consisting of 2.78 million tonnes of coal, 70.1 million tonnes of metal ores and 0.23 million tonnes of general cargoes.

2. Includes containers throughput. Using TEU as the measuring unit, the Group recorded a containers throughput of 515,482 TEU in Qinhuangdao Port during the Year.

3. Representing throughput from Caofeidian Shiye.

4. Includes containers throughput. Using TEU as the measuring unit, the Group recorded a containers throughput of 601,165 TEU in Huanghua Port during the Year.

5. The dry bulk cargoes we handle mainly consist of coal and metal ores.

6. During the Year, using TEU as the measuring unit, the Group recorded a containers throughput of 1,116,647 TEU.

7. General and other cargoes include grain, fertilizer, etc.

(5) Administrative Expenses and Selling Expenses

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

(6) Financial Costs

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

(7) Investment Income

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

(8) Net Non-operating Revenue and Expenses

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

(9) Income Tax Expense

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

(10) Net Profit

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

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

(11) Earnings Per Share

Earnings per Share are calculated by dividing the net profit attributable to owners of the parent for the Year by the weighted average number of ordinary Shares in issue during the Year. Earnings per Share of the Group for the Year amounted to RMB0.07, representing a decrease of 74.07% from RMB0.27 for 2015. Please refer to Note IV and 16 to the financial statements in this annual report for the calculation of earnings per Share.

(12) Capital Structure, Cash Flows and Financial Resources

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

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

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

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

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

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

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

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

(13) Exchange Rate Risks

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

(14) Bank Loans and Other Borrowings

As at 31 December 2016, the details of the Group's bank loans and other borrowings are set out in Notes IV-6 to IV-10 to the financial statements in this results announcement.

(15) Pledge of Assets and Contingent Liabilities

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

(16) Capital Commitment

	31 December 2016	31 December 2015
Contracted, but not provided for		
Capital commitments	**359,519,405.87**	242,837,857.88
Investment commitments	**1,816,515,800.00**	1,186,670,000.00
	2,176,035,205.87	1,429,507,857.88

(17) Management of Working Capital

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

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

(18) Overview of Major Investments

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

1. On 19 July 2016, Tangshan Jingtang Railway Co., Ltd. ("Jingtang Railway Co") (a 16.67% owned associated company of the Company) and China Railway Group Limited ("China Railway") entered into the General Contracting Agreement on Investment and Construction of Jishugang Railway Project from Newly Constructed Shuichang Mine Area to Caofeidian Port Area (the "General Contracting Agreement"). Under the General Contracting Agreement, China Railway shall invest in and construct the Shuicao Railway Project undertaken by Jingtang Railway Co and increase the capital of Jingtang Railway Co for no more than RMB2.9 billion to subscribe its equity interests. However, the Company

and Beijing Shougang Resource Reuse Technology Co., Ltd., being the existing shareholders of Jingtang Railway Co shall repurchase the equity interests held by China Railway in Jingtang Railway Co within a specified period at the original cost. Accordingly, the Company shall undertake to China Railway to repurchase its equity interests in Jingtang Railway Co.

2. On 18 November 2016, Cangzhou Bohai Port Co., Ltd.* (a 96.08% owned subsidiary of the Company) established Cangzhou Bohai Jinji Container Terminal Co., Ltd.* (滄州渤海津冀集裝箱碼頭有限公司) with registered capital of RMB100 million, which became a wholly-owned subsidiary of Cangzhou Bohai Port Co., Ltd.

(III) PROSPECTS

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

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

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

OTHER INFORMATION

(I) Use of Proceeds from the Global Offering

Since 12 December 2013, H Shares of the Company have been listed and traded on the Stock Exchange. The net proceeds from the Global Offering received by the Company, after deduction of related expenses, was HK$3,823 million, the use of which was in line with that disclosed in the Prospectus during the Year.

(II) Repurchase, Sales and Redemption of Listed Securities

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

(III) Compliance with Corporate Governance Code

During the relevant period, the Company has continued to improve and optimize its internal control system in order to implement sound corporate governance.

The Company has adopted and complied with all applicable provisions of the Corporate Governance Code. During the Year, the Company had been complying with the applicable provisions of the Corporate Governance Code, except for Code Provision A.6.7, pursuant to which, independent non-executive Directors and non-executive Directors should attend general meetings.

During the Year, Zhao Ke, a non-executive Director, was absent from all of the general meetings of the Company during his term of office due to other business engagement.

(IV) Compliance with Model Code

During the Reporting Period, the Company has adopted the Model Code as the code of conduct for securities transactions by the Directors and supervisors of the Company to regulate the securities transactions made by the Directors and supervisors of the Company. Upon specific enquiries by the Company, all the Directors and supervisors of the Company confirmed that they have complied with the provisions of the Model Code during the relevant period.

(V) Final Dividends

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

(VI) Audit Committee

The Audit Committee of the Company has reviewed the annual results for 2016 and the financial statements for the year ended 31 December 2016 of the Group prepared under the China Accounting Standards for Business Enterprises.

(VII) Auditors

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

(VIII) Publication of Annual Results and Annual Report

This annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qhdport.com). In accordance with the requirements under the Listing Rules applicable in the Reporting Period, the 2016 annual report containing all information about the Company set out in this preliminary results announcement for the year ended 31 December 2016 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company, respectively.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"A Share IPO"	proposed initial public offering of not more than 558,000,000 A Shares by the Company which will be listed on the Shanghai Stock Exchange
"AGM" or "Annual General Meeting"	the annual general meeting or its adjourned meetings of the Company to be held at 10:00 am on Friday, 16 June 2017 at Holiday Inn, 25 Donggang Road, Haigang District, Qinhuangdao, Hebei Province, PRC
"class meetings"	the class meeting for holders of H Shares to be held immediately after the conclusion of the AGM and the class meeting for holders of Domestic Shares to be held immediately after the conclusion of the said class meeting for holders of H Shares
"Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Berth"	area for mooring of vessels on the shoreline. A berth means one designated place for a vessel to moor
"Board of Directors" or "Board"	the board of directors of the Company
"Cangzhou Bohai"	Cangzhou Bohai Port Co., Ltd.* (滄州渤海港務有限公司), a company incorporated in the PRC with limited liability on 31 October 2007, with 96.08% of its equity interest held by the Company as at the date of this results announcement
"Caofeidian Port"	Caofeidian Port Zone in Tangshan Port, Tangshan City, Hebei Province
"Caofeidian Shiye"	Tangshan Caofeidian Shiye Port Co., Ltd.* (唐山曹妃甸實業港務有限公司), a company incorporated in the PRC with limited liability on 4 September 2002, with 35% of its equity interest held by our Company
"Company" or "the Company"	Qinhuangdao Port Co., Ltd.* (秦皇島港股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on 31 March 2008
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary share(s) of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi

"dry bulk"	solid commodity cargo comprised of major dry bulk (coal, metal ore and grain) and other dry bulk commodities such as sugar, cement and fertilizer
"Global Offering"	the issuance of H Shares of the Company by way of Hong Kong public offering and international offering in 2013
"Group", "the Group", "us" or "we"	the Company and all of its subsidiaries (unless the context otherwise requires)
"harbour"	a port of haven where ships may anchor
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HPG"	Hebei Port Group Co., Ltd.* (河北港口集團有限公司), previously known as Qinhuangdao Port Group Co., Ltd.* (秦皇島港務集團有限公司), holds 61.11% equity interest of the Company
"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed and dealt in, on the Stock Exchange
"Huanghua Port"	Huanghua Port in Cangzhou City, Hebei Province
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"PRC" or "China"	the People's Republic of China which, for the purpose of this results announcement, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 29 November 2013 in connection with the Global Offering
"Qinhuangdao Port"	Qinhuangdao Port in Qinhuangdao City, Hebei Province
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended from time to time
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including Domestic Share(s) and H Share(s)

"Shareholder(s)"	holder(s) of our Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Terminal"	a major construction of a harbour which is designated for mooring vessels, loading and unloading cargoes and boarding travelers
"TEU" or "container"	a box made of aluminum, steel or fiberglass and used to transport by ship, rail or barge. The standardized dimension (i.e one TEU) is twenty feet in length, eight feet and six inches in height and eight feet in width
"the Year" or "Reporting Period"	the year ended 31 December 2016
"Throughput"	a measure of the volume of cargo handled by a port. Where cargoes are transshipped, each unloading and loading process is measured separately as part of throughput
"Shuicao Railway Project"	a construction project including Jishugang Railway from the Shuichang mine area to the Caofeidian port area, which is located within Tangshan City

By order of the Board
Qinhuangdao Port Co., Ltd.*
CAO Ziyu
Chairman

Qinhuangdao, Hebei Province, the PRC
15 March 2017

As at the date of this announcement, the executive Directors of the Company are CAO Ziyu, WANG Lubiao and MA Xiping; the non-executive Directors of the Company are LI Jianping and MI Xianwei; and the independent non-executive Directors of the Company are LI Man Choi, ZHAO Zhen, ZANG Xiuqing and HOU Shujun.

* *For identification purpose only*