

秦皇岛港股份有限公司

QINHUANGDAO PORT CO., LTD.*

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

Stock Code : 3369



SUSTAINABILITY REPORT 2016

* For identification purposes only



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ABOUT THIS REPORT

SUMMARY OF THE REPORT

This report is an annual report and also the first sustainability report published by Qinhuangdao Port Co., Ltd.* to review the Company's major works for sustainable development in 2016 and disclose the Company's philosophy, practices and performance in sustainable development.

BASIS OF PREPARATION

The report is prepared in accordance with Appendix 27 of the Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities ("Listing Rules") of the Hong Kong Stock Exchange Limited ("the Stock Exchange") with reference to the Sustainable Development Reporting Guidelines (G4) of the Global Reporting Initiative (GRI).

RANGE OF PERIOD

From 1 January 2016 to 31 December 2016. The coverage of certain statement and data may go beyond the aforesaid period.

SCOPE OF REPORTING

The report covers the headquarter, internal departments and all branches and subsidiaries of Qinhuangdao Port Co., Ltd.

SOURCE OF INFORMATION

The financial data in the report are extracted from the financial report for the year 2016 of Qinhuangdao Port Co., Ltd.* which is independently audited by Ernst & Young Hua Ming LLP; and other data are derived from the relevant systematic statistics of the Company.

DESCRIPTION OF REFERENCES

For the convenience of expression, "Qinhuangdao Port Co., Ltd.*" is also referred to as "we", "QHD Port" and "the Company".

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CHAIRMAN'S STATEMENT

Dear readers,

Hello, I am glad that you read the 2016 Sustainability Report of Qinhuangdao Port Co., Ltd.*, which is also the first sustainability report issued by the Company since its establishment with focus on our policies, system, practices and performance in economic, environmental and social matters in 2016.

Taking on a new path through transformation and upgrade. In 2016, the global economic growth continued to slow down, the potential economic growth rate also decreased, and the commodity prices experienced sharp fluctuation. Meanwhile, the PRC comprehensively implemented the supply side structural reform with continuous optimization in economic structure. However, demand for coal in South China decreased, the pattern of coal transportation industry experienced profound change, and the ports in Bohai Rim were faced with intensive competition. Under such tough challenges from external macro-economy and industry environment, we kept centering on economic benefits, deepened the cooperation with major customers and form strategic alliance to control the downward trend in production in full force and actively cultivate new profit growth drivers. The ports in Qinhuangdao, Tangshan and Cangzhou formed healthy interaction and mutual support relationship which further improved the cargoes portfolio and enabled the production and operation to stabilize and start to pick up. With the accelerating emerge of synergy from "One Belt One Road", cooperative development of Beijing, Tianjin and Hebei area and other major national strategies, we actively explored new sectors to capture the opportunities from economic globalization in broader scope and higher level.

Developing through green operation. We always attach great importance to environmental protection and continuously improve the environmental protection system covering various aspects such as environment management, pollutant monitoring and environmental protection assessment, which provides an important basis for conducting environmental management. We install and operate pollution prevention and treatment facilities and system which include dust prevention, controlling and removing system for dust from coal, mine and grain; desulfurization and dust removal device for boiler; and various kinds of wastewater treatment facilities. All the operation processes such as belt transmission, dumping, stacking, reclaiming and loading are equipped with a large number of sprinkling devices and dust removing devices as well as mobile sprinklers and dust collecting cars to ensure a clean environment in port areas. We also invest into the construction and upgrade of pollution treatment and environmental protection facilities with an aim to continuously improve and enhance the regional environment quality. In 2016, our sulphur dioxide emission decreased by 6.543 tonnes, representing a year-on-year decrease of 29.56%, and our nitrogen oxide emission decreased by 1.269 tonnes, representing a year-on-year decrease of 29.56%.

Achieving win-win situations through cooperation. The cooperation of internal and external stakeholders is essential to our sustainable development, therefore we strive to maintain good and interactive relationship with our staff, customers, suppliers, community and other stakeholders. We provide our staff with various training opportunities which meet their working requirement and needs for long-term development in order to help our staff expand the career path and formulate career plans, thereby continuously optimizing human resources allocation and improving the human resources efficiency. We provide quality services to our customers, continuously optimize the traditional services and ancillary services, facilitate the port's transition from a traditional logistics knot to a comprehensive logistics service network, increase the efforts in building an intelligent port and endeavor to maintain the service quality. We also strengthen the supply chain management, establish a tender procurement platform, standardize the project operation, monitor and manage the implementation, completion and process of the material plan, and pay attention to establishing a long-term and stable relationship with outstanding suppliers. We actively contribute to the community and society, participate in public welfare activities with our business strengths, and organize outstanding volunteer team to cultivate the spirit of public welfare and social contribution among our staff.

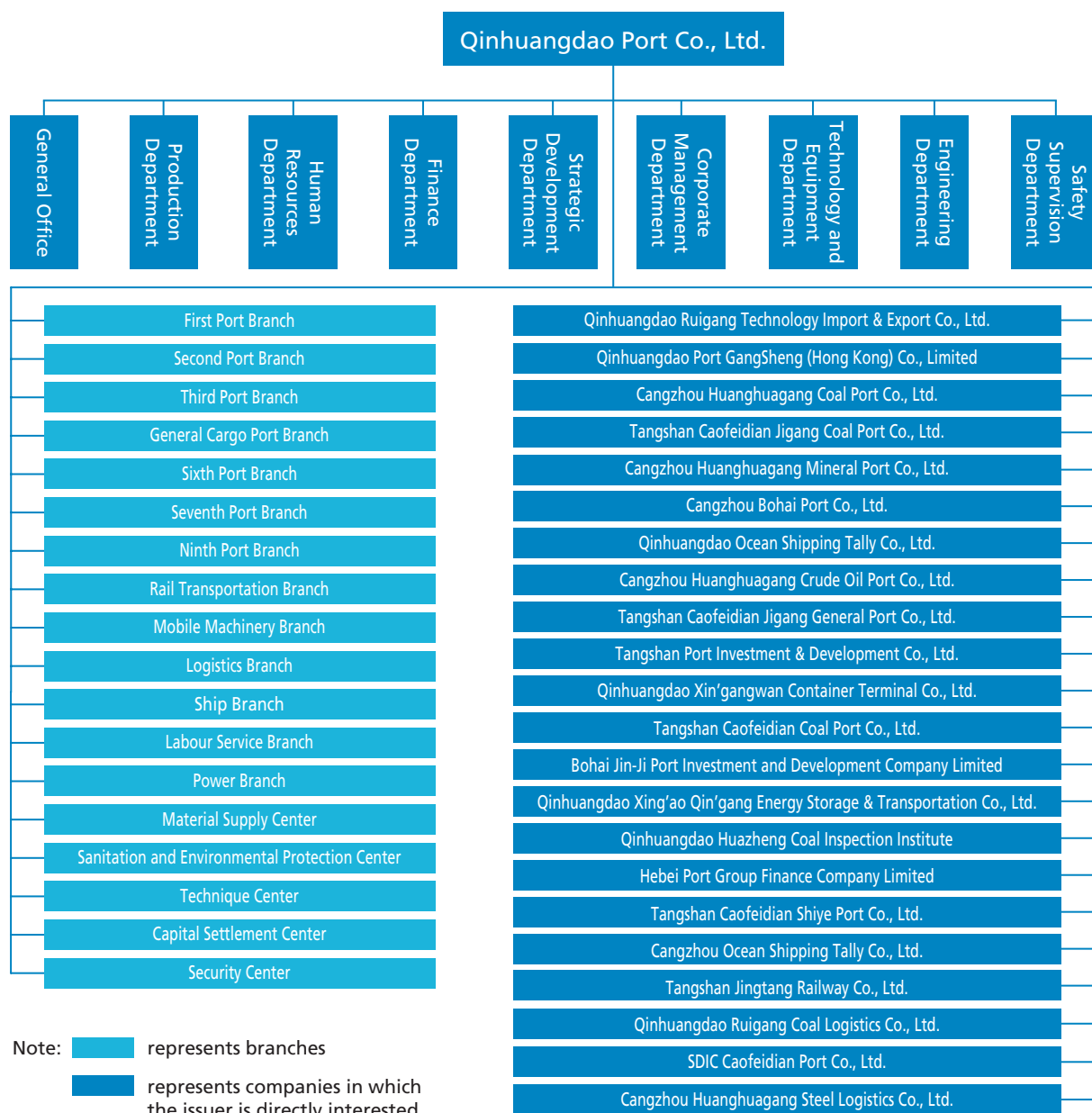
In 2017, facing both challenges and opportunities, we will implement various measures to facilitate the reform, development, transition and upgrade, make proactive and important contribution to the national energy transportation sector and actively support the local economic and social development. We will continue to focus on economic benefits with the aim of reform, expedite the strategic transition and upgrade, improve the operation management, strive to achieve continuous, stable and health growth of results and improve the Company's performance in social and environmental sectors.

COMPANY PROFILE

Qinhuangdao Port Co., Ltd.*, a subsidiary of Hebei Port Group Co., Ltd., was founded on 31 March 2008, and is the world's largest independent port operator for major dry bulk cargo. The Company was listed on the Main Board of the Stock Exchange on 12 December 2013 and became the first listed port operator with dry bulk cargo as its main business in Hong Kong capital market. The Company is mainly engaged in the business of stevedoring, stacking, warehousing, transportation and logistics services, and handles various types of cargoes including coal, metal ores, oil and liquefied chemicals, containers and general cargoes. It also provides value-added services including towing, tallying and coal blending. The Company operates Qinhuangdao Port, Caofeidian Port Zone and Huanghua Port, all of which are located in the Bohai Rim.

We also actively carry out international communication and cooperation and have entered into friendship port agreements with eleven internationally renowned ports such as the Port of Boston in the United States, the Port of Rotterdam in Netherlands and the Port of Newcastle in Australia, based on which we continuously enhance the strategic influence of Qinhuangdao Port among international ports.

ORGANIZATIONAL CHART



COMPANY PROFILE

Awards at Provincial Level or above received by the Company in 2016

Issuing Organization	Name of Award
China Ports and Harbors Association	Four Stars Green Port in China
China Association for Quality All-China Federation of Trade Unions All-China Women's Federation China Association for Science and Technology	National Outstanding Quality Management Group
CPC Organization Department of Hebei Province Publicity Department of the CPC Committee of Hebei Province Hebei Provincial Department of Justice Hebei Provincial Department of Human Resources and Social Security Hebei Federation of Trade Unions Leader Group Office of Law Publicity and Education of Hebei Province	Advanced Entity for Law Publicity and Education in Hebei Province
Association of Transportation Enterprises in Hebei Province	Outstanding Enterprise in Hebei Province

SUSTAINABLE DEVELOPMENT MANAGEMENT

1. SUSTAINABLE DEVELOPMENT MANAGEMENT

We continuously improve the sustainable development management, promote the integration of sustainable development concept with business operation, and continuously facilitate the Company in achieving the objective of sustainable development. We establish the sustainable development management system step by step, set up the sustainable development management department in the headquarter, which is responsible for the formulation and implementation of the Company's overall sustainable development plan and the annual disclosure of information related to sustainable development. Liaison personnel for sustainable development are designated in all departments at the headquarter, all branches and subsidiaries, which are responsible for the implementation of sustainable development plan and the management of daily information of sustainable development.

1.1 Stakeholders Engagement

We attach great importance to the concerns and requests of our stakeholders, continuously improve the stakeholders engagement mechanism, strengthen the communication with the stakeholders and improve the operation transparency with a view to achieve win-win situations with the stakeholders.

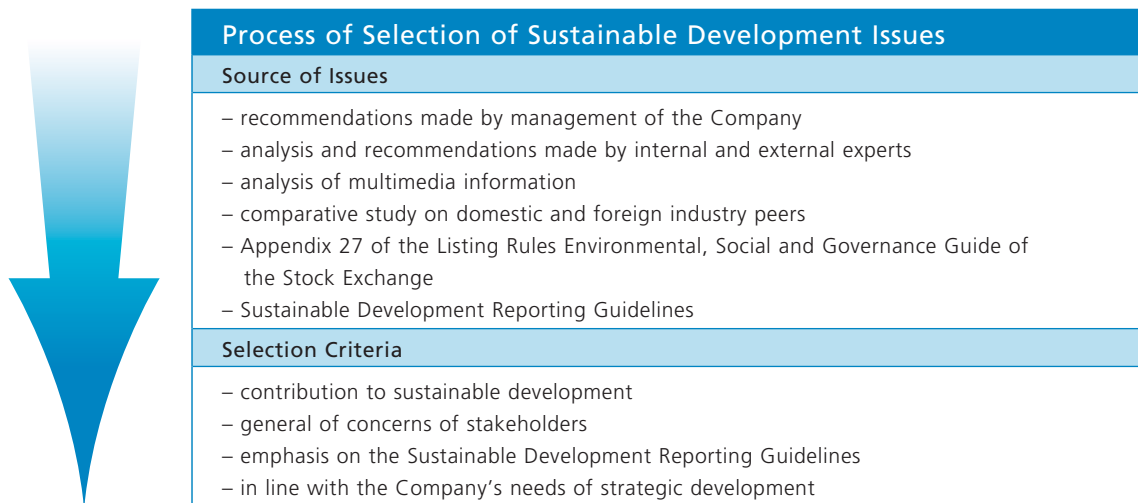
Communication with Stakeholders

Stakeholders	Requirements and Expectations	Communication and Response
Government	<ul style="list-style-type: none"> – compliance with laws and regulations – payment of taxes – support for economic development 	<ul style="list-style-type: none"> – conducting business in compliance with relevant laws and regulations – payment of taxes
Investors	<ul style="list-style-type: none"> – return on investment – growth of business and earnings – risk management – information disclosure 	<ul style="list-style-type: none"> – regular disclosure of operational information – general investor meetings – investor summits – roadshows
Customers	<ul style="list-style-type: none"> – provision of quality products and services – meeting customers' diversified needs – creation of value for customers 	<ul style="list-style-type: none"> – assurance of product quality – protection of customer information – survey of customer satisfaction
Employees	<ul style="list-style-type: none"> – protection of employee interests – sound career development paths – protection of occupational health – work and life balance 	<ul style="list-style-type: none"> – provision of good remuneration and welfare – improvement of career development paths – implementation of employee training
Partners	<ul style="list-style-type: none"> – open, fair and equitable purchase – compliance with contracts 	<ul style="list-style-type: none"> – performance of contracts according to law – open tendering – project cooperation
Environment	<ul style="list-style-type: none"> – energy saving and emission reduction – protection of ecology 	<ul style="list-style-type: none"> – managing emissions – increasing efficiency of resources and energy used – participation in environmental protection welfare
Society and the Public	<ul style="list-style-type: none"> – engagement in community development – support for charity 	<ul style="list-style-type: none"> – charity – volunteer services

SUSTAINABLE DEVELOPMENT MANAGEMENT

1.2 Material Issues Assessment

According to the requirements of Appendix 27 of the Listing Rules of the Environmental, Social and Governance Reporting Guide of the Stock Exchange, the Board of Directors of the Company evaluates and determines the risks in relation to sustainable development in environmental, social and governance aspects, and ensures that we have an appropriate and effective environmental, social and governance risk management and internal control system. In 2016, we further improved the process for the determination of content for reporting, strengthened the interaction with stakeholders through various ways, identified and determined the material issues concerned by the stakeholders, and eventually determined the extent and scope of disclosure, so as to ensure a more accurate and complete disclosure of information related to operation and management.



Result of Materiality Assessment



STRENGTHENING THE MANAGEMENT TO ENSURE STABLE AND HEALTHY OPERATION

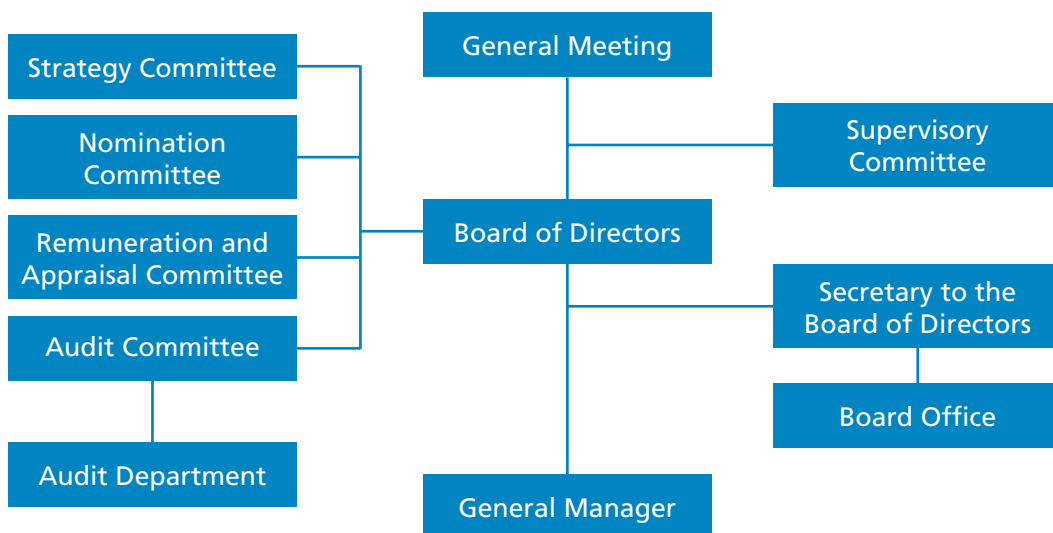
2. STRENGTHENING THE MANAGEMENT TO ENSURE STABLE AND HEALTHY OPERATION

Since the establishment of the Company, we have implemented comprehensive internal control system and measures to ensure sound corporate governance in place for the Company, including measures which clarify authorization and power delegation for each layer of management from shareholder's meetings, board of directors, chairman of the board to the general manager, adopt stringent risk control for external investments, strengthen project management for engineering projects, optimize procurement and purchase system and plug the loopholes of the procurement process and provide guidance for transactions with related parties so as to ensure stable and healthy operation of the Company.

2.1 Corporate Governance

In 2016, QHD Port held a total of 6 Board meetings; 2 meetings of the Supervisory Committee; 4 working meetings of the Audit Committee and 1 working meeting of the Nomination Committee; the annual general meeting for the year 2015 and the first extraordinary general meeting in 2016. The Company strengthened the communication with external directors and shareholders, fully reviewed the advices from relevant parties regarding the resolutions, sought the voting support from the directors and shareholders, and passed all the resolutions by voting.

Corporate Governance Structure



In 2016, we continuously strengthened the communication with institutional investors, analysts in investment banks and financial medias to maintain outstanding image as a joint stock company in the capital market and establish better interaction with the investors through communication, which increased the confidence among the investors. Through one-to-one visitation, one-to-many introduction, teleconference and other approaches, we conducted over one hundred in-depth and detailed communication with domestic and foreign investors and industry analysts.

We strictly implemented the approving procedures for publish of announcements, reports and documents, strengthened the assessment on the compliant operation of corporate governance, and carried out information disclosure and compliant operation in a prudent manner. In 2016, we disclosed 46 announcements on the website of the Stock Exchange.

STRENGTHENING THE MANAGEMENT TO ENSURE STABLE AND HEALTHY OPERATION

2.2 Internal Control and Anti-corruption

We strictly implemented the relevant requirements of Hebei SASAC on strengthening the risk prevention and control, integrated risk management in the whole process of corporate operation and development, adhered to the guideline of strategic orientation and risk management and control, handled the relationship between business development and risk management in a scientific manner, and actively established the core risk management system covering strategic risk, financial risk, investment risk, safety risk, legal risk and other risks, thereby facilitating the Company in achieving sustainable development through risk management.

We adhered to the major strategies of the CPC Central Committee, the CPC Hebei Provincial Committee and the Hebei SASAC on strict governance of the CPC and strict corporate governance, carried out the reform of designation of disciplinary bodies and the integration of internal supervisory resources within the Group, established a supervisory system led by the CPC committee and the disciplinary committee, achieved the effective integration of CPC supervision and management and control of the Group and organically unified the strict governance of the CPC and the prevention of corporate operation risk so as to provide solid foundation for reform and development. In 2016, we implemented the conversation-admonition system and conducted integrity conversation with 14 people, reminder conversation with 9 people, interview with 13 people and admonition with 19 people in order to prevent the development of minor mistakes.

In 2016, there was no legal proceeding regarding corrupt practices within the Company.

IMPROVING AND OPTIMIZING THE PROVISION OF INTEGRATED SERVICES

3. IMPROVING AND OPTIMIZING THE PROVISION OF INTEGRATED SERVICES

We continuously facilitate the port's transition from a traditional logistics knot to a comprehensive logistics service network in order to meet the customers' demand for diversified, customized and softened logistics services, improve the market competitiveness and profitability and enhance the ability in creating value for the customers. We also continue to build an intelligent port, establish a new operation model of "internet + port services" and expand the function of port services.



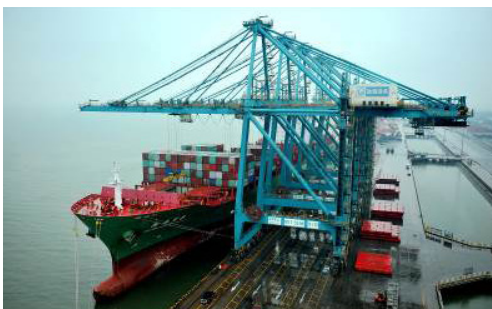
Qinhuangdao Port

Qinhuangdao Port is divided into east and west port areas. The east port area is mainly used for energy transportation, and is equipped with terminals for crude oil and refined oil as well as a world class modern coal terminal; the west port area is mainly used for containers and import and export of dry bulk cargoes, and is equipped with advanced terminals for general cargoes and containers. Qinhuangdao Port has suitable conditions for cargo collection and distribution with advanced locomotive and marshalling yard among other ports in the PRC, which form a cargo collection and distribution network connecting the port with roads, railways, pipelines and air transportation. It also has comprehensive facilities for port storage, communication and services for entry and exit of vessels, which provide convenient cargo transportation conditions for the customers. In 2016, Qinhuangdao Port recorded cargo throughput of 179.66 million tonnes.



Caofeidian Port

Caofeidian Port is located in the coastal area in south Tangshan, and is the only natural harbour in Bohai Gulf that can be built with 300,000-tonne grade large deep water berth without construction of waterways and harbour basin. It is well connected with road networks and has abundant cargo sources with low overall transportation cost. As a pioneer of Caofeidian Port, the Company gradually invested in construction of professional terminals for ores and coal, and will also actively make plans for construction of multipurpose terminals to further enhance the Company's strategic position in Caofeidian Port. In 2016, Caofeidian Port recorded cargo throughput of 73.11 million tonnes, in which 70.10 million tonnes were iron ores.



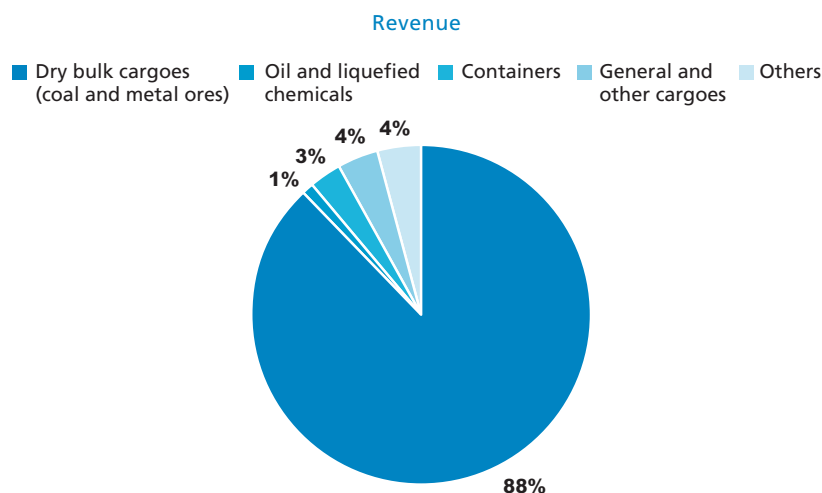
Huanghua Port

Huanghua Port is located near the economic hinterland of south central Hebei Province and northwest of Shandong Province, and is the preferred port for seaborne trade in the region and also one of the most convenient and economical sea access points in central and south Hebei Province. Huanghua Port is expected to be built as the major port for transiting imported ore cargo by large-scale steel producers in the region (including Cangzhou, Xingtai and Handan regions) and the major ore port in Bohai Rim in the future. In 2016, Huanghua Port recorded cargo throughput of 59.99 million tonnes.

IMPROVING AND OPTIMIZING THE PROVISION OF INTEGRATED SERVICES

3.1 Providing Diversified Transportation Services

We provide stevedoring, stacking, warehousing, transportation and logistics services to our customers with coal as the major cargo. We also handle metal ores, oil and liquefied chemicals, containers, general and other cargoes.

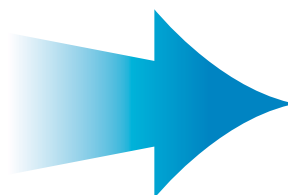


3.1.1 Coal Transportation

In the recent decade, the domestic coal market showed a trend of satisfactory development. With Qinhuangdao Port as the major hub port, the coal terminals play an important role in the coal transportation from north to south, and the coal handled are mainly seaborne coal. With Qinhuangdao Port strategically located at the east end of the west-to-east transportation artery for PRC's domestic coal trade, most of the coal handled by us is carried through the Daqin Line from coal mines in Inner Mongolia, Shanxi and Shaanxi and loaded onto vessels for further north-to-south transportation to PRC's south and east coastal regions. Coal mainly arrives at the our ports via railway. During the reporting period, we recorded coal throughput of 177 million tonnes.

Effective Railway and Port Transportation

Through the extensive experience in working with coal, railway and power companies, we have developed an effective communication model regarding transport plans, and a cooperation mechanism that collects, analyzes and feeds information of the demand for coal to the relevant departments to facilitate the management of coal cargo flows based on road and railway transportation capacity, which in turn, enhances our service quality and increases the cargo turnover rate and facility utilization rates.



Unloading from Trains and Loading to Ships with High Efficiency

Our highly automated and integrated operation system is able to efficiently unload and load coal from trains to ships, which increases the loading and unloading efficiency, thereby increasing port throughput capacity. Our designed rate of train unloading and ship loading for coal is 6,000 tonnes/hour. We also work closely with relevant railways, maritime bureaus and maritime piloting departments, which facilitates the information exchange, enables seamless intermodal transits and promotes organized ship loading and orderly berthing.

IMPROVING AND OPTIMIZING THE PROVISION OF INTEGRATED SERVICES

3.1.2 Metal Ore Transportation

Hebei Province is the largest steel production base in the PRC, and Tangshan and Handan are the major steel production areas in Hebei Province. The steel production enterprises in such areas are located within the hinterland of Caofeidian Port and Huanghua Port, and have significant demand for imported metal ores. To capture the opportunities from the decreasing competitiveness of domestic metal ores and the increasing market shares of imported metal ores, the Company actively constructed professional metal ore terminals in Caofeidian Port and Huanghua Port for vigorous expansion of imported metal ores unloading business. During the reporting period, we recorded metal ores throughput of 113 million tonnes.

Case: Cangzhou Huanghuagang Mineral Port Co., Ltd. completed the first cargo distribution by train after the official open of Hanhuang Railway

On 22 March 2016, after the official open of Hanhuang Railway, a train with 56 carts drove into the rear part of the terminal stacking yard of Cangzhou Huanghuagang Mineral Port Co., Ltd. ("Cangzhou Mineral"), which marked the completion of the first railway cargo distribution of Cangzhou Mineral's metal ore terminal in the year. Cangzhou Mineral has been operating through vehicle cargo distribution since its trial operation. With the official open of the Hanhuang Railway and the connecting railway and cargo railway of Huanghua Port terminal, railway transportation will become the major way of transportation of Cangzhou Mineral. Cangzhou Mineral will fully utilize the railway and waterway resources to achieve seamless transit of cargo transportation.

3.1.3 Container Transportation

We operate various multipurpose berths for loading and unloading of container cargoes in Qinhuangdao Port and Huanghua Port, and provide loading and unloading and warehousing services to container transportation companies which engage in domestic and foreign container trading business. During the reporting period, we have opened various new shipping lines including Huanghua Port to Tianjin, Fuzhou, Quanzhou and Ningbo as well as the direct shipping line from Qinhuangdao Port to Nansha Port in Guangzhou, and recorded container throughput of 1,116,647 TEU, equivalent to a total throughput of 13.25 million tonnes.

Case: Cangzhou Bohai Port Co., Ltd. undertook its first transportation of ceramic powder

In 2016, the containers loaded with ceramic powder from BASF arrived in the supervisory premise for foreign trade containers of Cangzhou Bohai Port Co., Ltd. ("Cangzhou Bohai"). This was the first time for Huanghua Port to undertake ceramic powder transportation business. Ceramic powder is a fine powder with relatively high economic value and the main material for production of metal porcelain teeth and whole porcelain teeth, and is widely used in clinical dental repair. After conducting various on-site visits, BASF Metals decided to transport such batch of cargoes through Huanghua Port. Cangzhou Bohai actively facilitated the customs authority in conducting sample inspection and strived to provide quality services to ensure the smooth transportation of cargoes.

IMPROVING AND OPTIMIZING THE PROVISION OF INTEGRATED SERVICES

3.2 Improving Ancillary and Value-added Services

We also provide various ancillary port services and value-added services to our customers. In particular, ancillary port services mainly include tugging, tallying, trans-shipping, and shipping agency services, and value-added services mainly include towing, tallying, coal blending and tariff-free warehouse and export supervisory warehouse services.

3.2.1 Construction of Tariff-free and Export Supervisory Warehouses

We have obtained the approval to establish the tariff-free warehouse and export supervisory warehouse so as to provide convenient services to customers engaging in loading, unloading, storage, delivery and shipping of import and export cargoes. Based on the platform of tariff-free and export supervisory warehouses, we can expand the functions of port services, and create trading exchanges with long cycle and rapid logistics for the process trading business in Beijing, Tianjin and Hebei area and Bohai Economic Rim, thereby providing win-win services to the cargo owners by reducing disperse storage and lowering the storage cost.

Case: General Cargo Port Branch improved the service ability of tariff-free warehouse by using "internet + port" model

In order to further enhance the function of tariff-free warehouse, started from March 2016, the General Cargo Port Branch cooperated with Yanshan University and Pingyang Trading Co., Ltd. (our supplier) to carry out research and development of product displaying system and e-commerce platform for tariff-free warehouse. Based on the concept of "internet + port", a tariff-free warehouse product displaying system was developed through the application of internet technology, TV surveillance system, mobile terminal and other diversified systems, which can enable the customers to monitor the tariff-free product inventory, import and export procedures of tariff-free products and the management and control safety in the tariff-free warehouse, thereby achieving the objective of being true, safe and reassuring.

3.2.2 Building an Intelligent Port Coal Logistics Platform

Based on our intelligent port coal logistics platform, we have established an intelligent operation model integrated with standard data management, practical coal loading and unloading, organized logistics services, interactive governmental supervision, innovative business model and public information services with a view to building an intelligent port. With the support from the port, such project targets the government and enterprises and other partners in upstream and downstream of the coal logistics industry, uses advanced information technology to conduct thorough analysis, in-depth exploration and effective utilization of abundant data resources, thereby creating powerful data production capacity, which can provide the relevant entities involved in port coal logistics operation with an advanced tool integrated with various data, highly efficient, fast and real time sharing of logistics information, cooperation mechanism, innovative model and public services to complete the transition from a traditional digital port to a modern intelligent port.

IMPROVING AND OPTIMIZING THE PROVISION OF INTEGRATED SERVICES

3.3 Enriching the Service Offerings

Based on the requirement for highly efficient, accurate, comprehensive and integrative modern logistics services, we fully utilize our own operation characteristics, explore the service offerings, formulate innovative service concept and detailed measures with focus on major customers of coal and general cargoes and provide refined coal blending, "one-to-one" special services and other services.

3.3.1 Providing Special Services

We provide free refined coal blending services to the coal business customers, who are unable to purchase directly from coal producers the types of coal they need and therefore require blending services. Coal blending is carried out before shipping and involves the process of mixing two or more different types of coals to obtain a coal product with the desired properties. The refined coal blending services enable us to cater clients' different needs of coal quality and lower their costs.

We provide "one-to-one" special services to the general cargo business customers. In particular, the Company's staffs responsible for different cargo types make proactive contact with customers and provide accurate services to the customers in various aspects such as contract execution, calculation of transportation cost, stockpiling, custodian of goods and shipment of goods, so as to enhance our competitiveness through expansion of service scope. In 2016, we provided "one-to-one" special services to 28 major cargo owners. Based on the classification of "bulk cargoes, equipment, packaged cargoes", the division heads instructed the planning staff and business staff to provide special services, customized management and implement highly efficient loading and unloading measures on a lump sum basis based on the actual situation and reasonable and legal requirements of different enterprises.

3.3.2 Customer Communication and Information Management

We carry out a variety of customer communication activities to enhance the understanding of our customers and continuously improve our services based on the advices and recommendations from the customers. In order to receive the supervision from the customers and ensure the performance of undertakings, we set up a customer complaint hotline ((0335) 3092222) and reply general problems from the customer complaint within 24 hours and major problems within 48 hours.

Case: Operation of customer video system

The port customer video service system based on mobile internet officially commenced operation in December 2014. Based on the demands of customers, such system utilizes mobile internet, video compression and encoding, big data exploration and other advanced information technologies to establish a customer service model integrated with supervision and management of port coal operation. Such system enables various functions such as customer basic information management, access to video and data of stockpiling operation and unloading operation, search of historical video information of stockpiling and unloading, video playback of production operation and access to video and information through mobile devices, which integrates the core concept of customer services into port operation and effectively improves the customer service level by providing quality, thoughtful, convenient and differentiated services to the customers.



IMPROVING AND OPTIMIZING THE PROVISION OF INTEGRATED SERVICES

3.4 Consolidating the Service Quality

We adhere to the philosophy of “quantity is meaningless without quality”, strengthen quality management, establish comprehensive quality management system, strictly implement equipment management, continuously optimize the operation process and carry out strict on-site quality supervision and assessment.

3.4.1 Establishing the Quality Management System

We establish a comprehensive, scientific and well-structured quality management system and continuously standardize and innovate quality management works so as to lay a solid foundation for facilitating the improvement of quality. As of the end of 2016, 10 of our companies passed the quality management system certification.

Case: Indoor production deduction management project of the Sixth Port Branch

The Sixth Port Branch implemented the indoor production deduction management project to optimize the existing production organization and management model and achieve refined management.

Indoor production deduction method is originated from the sand table simulation and deduction in military field. In particular, simulation of real production environment is created indoor to provide straightforward presentation of situation and problems that may occur during production in the next day and night through deduction based on the “Production Process Chart of the Sixth Port Branch” and the production information and factors currently available. Based on the deduction result, the business staff can make arrangement for loading and unloading operation, vessel berthing and equipment repairing in a scientific and reasonable manner, and also formulate backup operation plan in response to emergency and variable factors that may occur, so as to facilitate the smooth production with high efficiency and capacity.

3.4.2 Enhancing the Service Awareness among Staff

We formulate and continuously improve the ten undertakings for service quality, strengthen the education for staff, enhance their service awareness, make innovation in service concept and continuously improve the quality management level in order to build the image of a port with quality services.

Ten Undertakings for Service Quality
All production processes at the port shall be supervised by relevant customers, and the customers shall be provided with convenient methods to access relevant data of port operation
The cargo transportation service fees of the port shall be charged on a reasonable basis with open and transparent prices in accordance with the pricing standards and measures as stated in the public announcements or agreed in the contracts
Incoming cargoes shall be stacked in accordance with relevant rules with reasonable protection to prevent the damage to cargoes that beyond reasonable range due to defective protection and management measures
Loading and unloading at the port shall not cause damage and thereby impairment to the container and packaged cargoes
Cargo transportation measurement such as draft survey, cargo tally and weighting shall be conducted in a compliant and accurate manner, and the accuracy of the measurement devices shall meet national standards
The loss of bulk cargoes within the port shall not exceed the national standards or the standards agreed in contracts, the loss of coal during the transshipment in the port shall not exceed 1% of the total incoming amount, and the loss or shortage of oil product shall be controlled within the range of 3‰
Incoming vessels shall be berthed in accordance with the general principle of “first come, first berthed” and the Notice on Rules of Coal Vessel Berthing of Qinhuangdao Port published by the port, and no operation engagement from non-compliant vessels shall be accepted
For provision of coal blending service, the port shall ensure that the coal blending operation is in compliance with relevant requirements set out in the coal blending agreement
The comprehensive service center of Qinhuangdao Port shall open for business as usual in the morning of holidays, and, if required by business need, shall provide relevant business procedure services in non-office hours to facilitate the customers in handling relevant port business
If the port fails to perform the third, fourth and sixth undertakings above and the liability is attributable to the port, the Production Department of the Company shall make compensation with authorization

FOCUSING ON ENVIRONMENTAL PROTECTION AND CONSTRUCTING GREEN PORT

4. FOCUSING ON ENVIRONMENTAL PROTECTION AND CONSTRUCTING GREEN PORT

The Company persists in implementing and developing cyclical economy, and formulating a development plan of building eco-friendly and garden-like green ports, to elevate the standard of clean production and green growth up to the same of production, operation, equipment operation and safety management, and to continuously explore effective ways to develop a low energy consumption and environment-friendly enterprise. It also promotes the four majors projects of “blue sky, clean water, green areas, and energy saving and emission reduction”. The environmental impact assessment system and the environmental protection system of “Three-Simultaneity” are strictly executed throughout the process of port construction to production operations, to develop a well-established and comprehensive system of environmental protection, pollution prevention and control, management and monitoring of ports, thereby ensuring that no environment pollution accident happens in the ports and the enterprise works peacefully with the natural environment.

In June 2016, the Company organized the Sixth and the Seventh Port Branch to participate in the first Green Port Grade Evaluation in China, and was awarded the highest level of “Green Port (4 Stars)” in China. Based on the achievement of winning the highest marks among various professional ports of dry bulk cargoes by the Sixth Port Branch, the Company made an application to APSN, a port organization of Asia Pacific, for participating in the assessment of Asia Pacific Green Port (“GPAS”), and was recognized as one of the first “Asia Pacific Green Port”.



Green Port

In order to facilitate the development of green ports, the PRC Ministry of transportation issued the “Standard for Green Port Grade Evaluation” in 2013 to provide quantization requirements on the concepts, actions, management and effects in relation to the green development (such as energy conservation, low carbon and environmental protection) of professional production ports, by classifying green ports into three grades, namely 3 stars, 4 stars and 5 stars.

4.1 Improving the Environmental Management System

The Company commenced the construction of environmental protection system in the aspect of overall management of environmental protection and prevention and cure of pollution, and improved its environmental protection system. A management system, centering on the “Administrative Measures on Environmental Protection” and covering various projects such as prevention and cure of dust pollution, oil pollution and hazardous waste management, was formed. It further strengthened the construction of a self-discipline system of environment management, concreted the foundation of environmental protection management and enhanced the normalized standard of environmental protection management.

The Company has established an effective environment management network. The leader in charge of the Company takes charge of the execution of environmental protection procedures to implement a three-tier environmental protection management. A specific environmental protection department was established to organize, coordinate and carry out environmental protection comprehensively, formulate environmental protection measures, conduct supervisory checks on environmental protection. The goals of environmental protection are segmented for every employee, which has formed a responsibility network of environmental protection encompassing staffs of various departments and divisions horizontally and workers of various working groups vertically. To supervise the environmental protect of production sites, we formulated the “Rules on Site Inspection and Evaluation of Environmental Protection for Qinquangdao Port Co., Ltd. (Provisional)”. A special incentive payment based on staff salary was established. The environmental protection assessment was included in the integrated management assessment of the Company, which improved the environment management and control of ports effectively.

To unify and improve the standardized environment management, the Company actively implemented the certification of environmental management system. As of 31 December 2016, the Second Port Branch, the Sixth Port Branch and the Seventh Port Branch have obtained the ISO14001 Environmental Management System Certification, and other branch offices and subsidiaries are proactively applying for the certification of environmental management system.

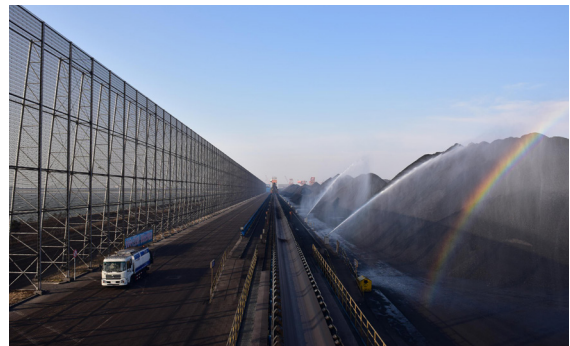
FOCUSING ON ENVIRONMENTAL PROTECTION AND CONSTRUCTING GREEN PORT

4.2 Strengthening the Dust Treatment to Create a Blue Sky for the Public

To control the coal dust of ports, the Company has established a dust suppression and removal system covering the whole process from dumping to loading. We adopt control measures to vacuum and suppress dust when dumping, transmitting, stacking and loading coal, thereby reducing the dust raised during the transportation of coal and strictly controlling the dust raised when dropping and stacking coal. Meanwhile, our ports have been equipped with large vacuum sweepers and water spray vehicles as an ancillary means to control dust in a mobile manner, which effectively eliminates secondary dusting on sites and roads. In respect of ambient air monitoring, the Company persists in monitoring the dust in the surrounding atmospheric environment.



Picture: Zero dust operation in the coal terminals of Qinhuangdao Port



Picture: The longest dust filters in Asia built in 2014 by the Company (5,038 meters), with an extended length of 1,432 meters in 2016



Picture: 1,978 spray guns currently operated by the Company use reclaimed water to remove dust and spray all year round.

FOCUSING ON ENVIRONMENTAL PROTECTION AND CONSTRUCTING GREEN PORT

Case: Contingency Plan for heavily polluted weather

To implement the "Guiding Opinions on Strengthening the Emergencies Management in Response to Heavily Polluted Weather" (Huan Ban No. [2013]106) issued by the General Office of the State Environmental Protection Ministry, we formulated the "Contingency Plans for Heavily Polluted Weather of Qinhuangdao Port Co., Ltd.*" based on the "Emergency Response Plan for Heavily Polluted Weather of the Qinhuangdao Municipal". We endeavor to facilitate emergency response for heavily polluted weather, and take measures to prevent and control atmospheric pollution under seriously polluted weather in a scientific approach. We have initiated the preparation for emergency treatment, such as emergency response initiation, site treatment, manpower mobilization, and resources allocation. Drills on contingency plan in response to heavily polluted weather are carried regularly on demand.

4.3 Increasing the Efforts in Pollution Prevention and Treatment to Keep the Water Clear

Preventing pollution in sea area is the focal point of the pollution prevention work of the Company, with an emphasis on the pollution prevention of sea area close to the ports. Over the years, we have insisted on implementing clean water projects, and the waters surrounding Qinhuangdao Port in Beidaihe, a summer resort, has maintained clean seawater quality.

4.3.1 Monitoring of water environment

We attach great importance to the impact of our operation on the sea area. Therefore, we actively monitor the water quality of the surrounding waters. We also monitor the water quality and sediment of the whole sea area annually. Our production process involves oil operations, hence preventing sea pollution is a key part of our environmental protection work. Our oil operation unit is equipped with relevant wastewater treatment system. The system runs intermittently. Wastewater is discharged after centralized wastewater treatment. We monitor the major pollutants in the wastewater for every batch of wastewater discharge, to ensure that wastewater is discharged in compliance with the standards. Meanwhile, we set up a precaution mechanism for preventing and controlling oil pollution across a wide spectrum of areas. The oil in the coastal water of the basin is monitored during critical periods and the frequency of monitoring is increased when appropriate, so as to strengthen the supervision of the oil pollutants in the basin.

4.3.2 Prevention and cure of water pollution

We have our own wastewater treatment plant, which comprises a crude oil effluent treatment system, a refined oil effluent treatment system and a chemicals effluent treatment system to handle the ballast water of oil tankers, remaining oil effluent, chemicals effluent, etc. The designed handling capability of the crude oil effluent treatment system is 400 tons/hour, with a maximum storage capacity of 10,000 tons; the maximum recycling capacity of the effluent storage tanks of the refined oil effluent treatment system is 2,200 m³, with a designed handling capacity of 50m³/h; the designed handling capacity of the chemicals wastewater treatment plant is 30 tons/day. In 2016, the wastewater treatment plant of the Company has received and disposed effluent of 11,951 tons, and the effluent in the port area is recycled, handled and discharged in compliance with the standards at a ratio of 100%.

We actively develop the project of utilization of reclaimed water. The water treated by the first wastewater treatment plant in the Qinhuangdao Municipal will undergo advanced treatment, and will be used to remove the dusts of coal in the eastern zone of Qinhuangdao Port after meeting the standard of reclaimed water. In 2016, the reclaimed water used to remove the dusts of coal in Qinhuangdao Port amounted to 177.7 million tons. The project of utilizing reclaimed water not only acts as an environmental-friendly means to remove dusts, but also delivers significant savings in costs and conserves valuable water resources.

4.3.3 Management of solid waste

- Management of general industrial solid waste

We formulated the "Administrative Measures on the Environmental Appearance of Qinhuangdao Port Co., Ltd.*" according to the relevant national and provincial laws and regulations, to regulate the management of wastes in the port areas. The waste generated by the Company shall be stored and transported in an enclosed way, discharged at designated locations, and delivered to the municipal administration authorities for centralized processing. Garbage on ships, industrial solid waste and other toxic and hazardous (i.e. combustible, explosive, poisonous) wastes are collected, transported and disposed of separately in compliance with the relevant national requirements, and are prohibited to be mixed with household waste and construction waste. The construction waste shall be disposed of in the areas designated by the government and are prohibited to be discarded and casted into the port areas. In 2016, the general industrial solid waste generated by the Company amounted to 22,600 tons.

FOCUSING ON ENVIRONMENTAL PROTECTION AND CONSTRUCTING GREEN PORT

- Management of hazardous waste

We formulated the “Administrative Measures on the Hazardous Waste of Qinhuangdao Port Co., Ltd.” to strictly manage the hazardous waste in the aspects of basic information, process control, storage venues, transfer and disposal. Precautions against storm and leakage are taken in the venues for storing hazardous waste to prevent and cure the pollution. The management of marks and labels in the storage venue of hazardous waste is regulated. Zoning storage of hazardous waste is implemented and the storage of hazardous waste shall not be mixed with those of non-hazardous waste, to ensure that pollution incidents will not happen. The management process of hazardous waste is executed strictly. The “Management Plan of Hazardous Waste” is prepared based on the requirements of the Municipal Environmental Protection Bureau and the “Application Form for Transferring Hazardous Waste” is submitted timely. We enter into contracts of transfer and disposal of hazardous waste with qualified units and obtain the duplicated form for transferring hazardous waste based on the prescribed process. The operation and management of the transfer of hazardous waste is strictly implemented based on the duplicated form. The duplicated form is filled in and processed as prescribed to carry out and record the handover of hazardous waste accordingly, thereby ensuring that the transfer and disposal of hazardous waste are conducted safely and in compliance with the regulation. In 2016, the hazardous waste safely transferred and disposed of by the Company amounted to 426.046 tons.

4.4 Embracing Ecological Thinking to Create Green Land

While conserving the natural environment, we also continuously improve the environment of our plant area. We plant various backbone tree species (such as locust tree, ash tree, platanus and cypress) tailored to the local conditions to highlight the characteristics of the port areas. Appropriate trees are planted in the appropriate areas. Large-scale greening and reconstruction are carried out in key districts, roads and yards in stages as planned. Green land are opened up step by step in the port areas and residential areas, transforming from intensive planting of trees to a multi-functional, multi-layer, and diversified development. The tree-based or lawn-based greening structure is changed to a natural greening structure, with port areas covered with “trees+shrubs+grasses (or earth)+rattan+flowers” and relatives areas covered with “shrubs+grasses+fence+small trees”. Meanwhile, forests for the purpose of dust filter are built in key areas, to improve the ecology of the ports and reduce the pollution of dust from coal and mine to the port areas and the surrounding environment.

As of the end of 2016, the green coverage of Qinhuangdao Port reached 920,000 square meters, with a landscaping ratio of 13% and a forest area for the purpose of dust filter of over 220,000 square meters. *

* Note: the statistical standards for calculating the green coverage is the sea area of Qinhuangdao Port

4.5 Exploring the Potential in Environmental Protection to Save Energy and Reduce Emission

We formulated the “Administrative Measures on the Conservation of Energy (Water) of Qinhuangdao Port Co., Ltd.”, “Assessment Guideline of Energy Conservation of Qinhuangdao Port Co., Ltd.” and other management system of energy and water resources, to implement the national energy conservation policies and further promote the work on energy conservation. We formulate plans to conserve energy and water periodically and convene meetings on conservation of energy and water regularly, so as to actively enhance the specialization of management. The goals of meeting the indicators of energy conservation are segmented for every employee and their performance is strictly assessed. We actively take measures to reduce consumption, losses and discharge of pollutants, and eliminate squander in each process of production, so that resources are utilized effectively and reasonably. The technological renovation projects for energy and water conservation are developed.

Each of our branch offices and subsidiaries are requested to prepare a report of energy consumption cost management system and energy utilization, the content of which includes energy purchase and consumption (expenses), energy saving (cost saving), unit consumption for throughput or unit consumption for revenue, analysis of energy efficiency and efficiency gains, and energy saving measures.

In 2016, the overall energy consumption of the Company is 512.4957 million tons standard coal*; overall energy consumption per RMB10,000 amounted to 0.1367 tons standard coal per RMB10,000; unit consumption for throughput is 2.85 tons standard coal/10,000 tons; and total water consumption is 1,756,712.38 cubic meters. Sulphur dioxide emissions reduced by 6.543 tons or 29.56% YoY, and nitrogen oxide emissions reduced by 1.269 tons or 29.56% YoY.

* Note: the statistical standards for calculating the overall energy consumption is the sea area of Qinhuangdao Port

CONSOLIDATING THE FOUNDATION TO ENSURE SAFE PRODUCTION

5. CONSOLIDATING THE FOUNDATION TO ENSURE SAFE PRODUCTION

The Company strictly implements the new Production safety Law and other national laws and regulations in relation to production safety, to assume full responsibility for production safety, earnestly adhere to the philosophy of “people-oriented, accountability, stepping up management, and controlling incidents”, thereby building an enterprise with essential safety.

5.1 Improving the Safety Management

Since 2009, the Company has gradually specified the safety management structure and staff qualification, and the “Three Systems” for production safety, namely safe production responsibility, operational safety rules and other regulations and systems for safe production required to be implemented, by issuing the “Notice on Issue of Corporate Standard Q/QGGF.G.006.001-2008<Safety Management Standardization>”. To assume the safe production responsibility, the Company has formulated the “Administrative Measures on Safe Production Commitments”. It requires employees (including those of branch offices and subsidiaries) of all levels to make safe production commitments to their superiors in written form to assume safe production responsibility.

Being one of the first model enterprises in Hebei Province, the Company actively carried out the construction of production safety standardization and obtained the “Certification for Safety Production Standard Level II Enterprise” from Hebei Administration of Work Safety in 2012. At the end of 2015, the Company was awarded the “Certification for Safety Production Standard Level I Enterprise of Transportation”. In 2016, the Company issued the “Implementation Plan for Building a Safety Production Standard Level I Enterprise” to continuously promote the construction and management of production safety standardization.

5.2 Guaranteeing Safe Operation

To facilitate the enhancement of production safety management standard and the sustainable development of production safety, the Company implements the management of production safety targets. The completion of production safety targets is assessed annually, and the incentive and constraint mechanism for production safety is further improved. We attach a high value to the inspection and rectification of potential safety hazards and emergency management, and make extensive efforts to carry out the identification of safety risks and the classified management and control of risks. We also push forward the construction of safety culture and safety education and training system for staff, with a view to effectively enhance the safety management for various operations and earnestly safeguard safe operation of ports and occupational health and safety of staff. In 2016, the Company did not have any injury case.

CONSOLIDATING THE FOUNDATION TO ENSURE SAFE PRODUCTION

5.2.1 Safety production operation

The Company fully reinforces the management of production safety, to ensure safe and reliable operations of the ports.



5.2.2 Building safety culture

To enhance the safety awareness of staff, the Company has established a safety reward and punishment mechanism which includes quarterly safety incentive, annual safety award, reward for safety production campaign, and punishment for production safety incident and breach of regulations. It also specifies the determination of score and bonus and the specific implementation measures of safety assessment, reward and punishment.

The Company formulates various safety training programs at the beginning of each year. The programs are implemented by the management of each subsidiary and apply to the monthly working plan of each employee. We open a training file for each staff to record all information in relation to safety training. Safety training is conducted twice every year and employees are required to sit examinations in safety semi-annually. The result of examination is archived permanently. In 2016, the Company organized trainings on safety qualification for 438 staff; production safety for 1,964 staff; special operations, safety qualification for port equipment and special projects for 849 staff; repair, inspection and maintenance of electrical equipment for 240 staff; safety management for 386 staff and occupational health for 26 staff.

CONSOLIDATING THE FOUNDATION TO ENSURE SAFE PRODUCTION

5.2.3 Emergencies management

The Company has revised the “Comprehensive Contingency Plan for Production Safety Incident of Qinhuangdao Port Co., Ltd.” based on the “Guidelines for the Preparation of Contingency Plan of Production Safety Incident of Production and Operation Units” (GB/T 29639-2013), the “Administrative Measures for Contingency Plan of Production Safety Incident” (Order No. 88 of State Administration of Work Safety [2016]) and other laws and regulations. It was issued and implemented after the review of the contingency expert panel of production safety incident of Qinhuangdao Municipal, and was filed with the industry regulatory authority. The Company has set up a contingency system for production safety incidents, which includes a comprehensive contingency plan for production safety incidents, a special contingency plan, an on-site emergency response plan for subsidiaries (centers) and emergency response measures for operation team (posts). In 2016, the Company organized 12 emergency drills to continuously regulate and enhance the capability of emergency rescue management and action.



Fire drills for terminals of crude oil chemicals



Marine fire drills

5.3 Occupational Health and Safety

The Company strictly complies with the national laws and regulations in relation to occupational health and safety. In 2016, it actively conducted safety training, promotion of prevention and control of occupational diseases, safety contest and other activities, with a view to regulate safety behavior. It also dedicated to enhance safety awareness of staff, reinforce supervision of labour protection and occupational hazards, and put more effort in tackling the potential occupational hazardous factors, thereby ensuring that national standards were complied with. Occupational health checks were conducted for our employees, with a health check rate of 100%. The Company provide a safe, healthy and clean working environment for its employees.

The Company further regulates the management of occupational health. We arrange pre-employment, on-post, dismissal and contingency occupational health check for our employees, and implement the management of occupational health monitoring files. Each subsidiary timely updates and permanently preserves the occupational health monitoring files of staff. Meanwhile, the Company regulates the management of the procurement, custody, distribution and usage of labour protective articles, and the works are jointly administered by safety supervision department, materials supply center, labour union, and various primary units. In 2016, no occupational disease was detected in the employees of the Company.

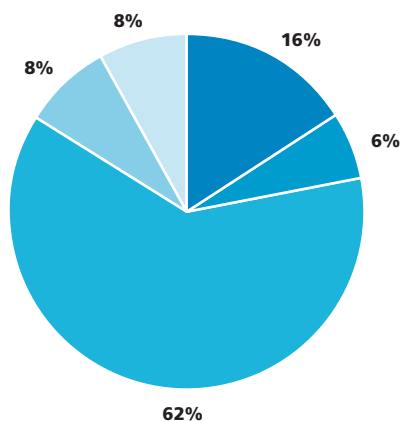
CREATING A HARMONIOUS COMMUNITY WITH THE STAFF

6. CREATING A HARMONIOUS COMMUNITY WITH THE STAFF

We regard our employees as the driving force of corporate development and firmly uphold the rights of employees. We have gradually improved our employee incentive mechanism. We step up vocational education for employees to enhance their working ability, diverse their career paths and contribute to their growth and success. We provide employees with sound working environment, ensure their occupational health and safety and facilitate their work-life balance. As at the end of 2016, there were 13,156 employees enrolled, 2,631 of which were female.

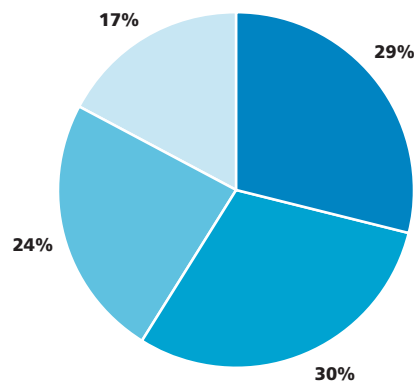
Employee composition by work category

■ Management ■ Technical ■ Manufacturing ■ Service ■ Others



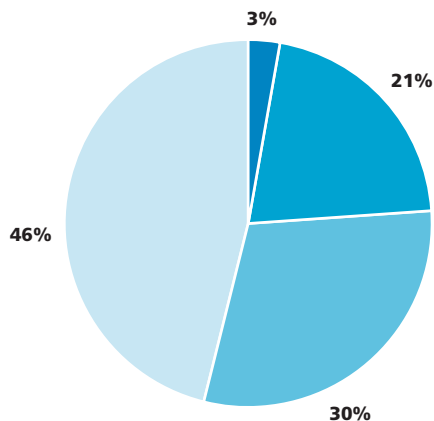
Employee composition by age

■ Aged 51 and above ■ Ages 41 to 50 ■ Ages 31 to 40 ■ Ages 30 and below



Employee composition by education background

■ Master's degree and above ■ Bachelor's degree ■ Diploma ■ High School / Vocational School below



CREATING A HARMONIOUS COMMUNITY WITH THE STAFF

6.1 Improving the Remuneration and Benefits to Safeguard the Interest of the Staff

In strict compliance with relevant requirements of the Labor Law (《勞動法》), the Contract Law (《勞動合同法》), the Trade Union Law (《工會法》) and other state laws and regulations, we eradicate all forms of discrimination based on gender, nationality, religion, age, political stance and other aspects regarding recruitment, remuneration, training, promotion. Hiring of child labor and forced labor is prohibited, so as to ensure that employees have access to fair, just and open job opportunities. We employ a linkage mechanism between wage and performance, pegging the level of employee remuneration to corporate economic benefits, and determine the same with reference to local guidelines on wage payment. In accordance with relevant requirements of the State and local government of the place where we operate, we have arranged basic endowment insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and other social insurance for our employees and enforced the housing provident fund system in accordance with relevant national policies. In 2016, 100% of employees were employed under contracts.

We intensify democratic management and communication, establish the employees' congress system, formulate and enforce the Implementation Rules of Employee Representative Meeting (《職工代表大會實施細則》) and the Administrative Measures for Employee Representative Meeting (《職工代表大會提案工作管理辦法》), timely inform employees about significant events and decisions in relation to corporate development, and encouraged employees to provide advice and suggestions for corporate development. In 2016, the 8th meeting of the first sessions of the employees' general meeting was held to hear a number of reports concerning corporate development, including the work report of the Company and the proposal work report. The meeting received 32 proposals in many aspects such as strategy, management, development, welfare and group coordination from employees' representatives, all of which were timely handled and replied to by relevant departments after the meeting.

6.2 Providing Innovative Education and Training to Achieve Comprehensive Personal Development

We attach great importance to enhancement of quality of workforce, always follow the strategy of "respecting hard work, knowledge, talents and creativity", implement the strategy of strengthening the Company with talents, pave the way and offer a stage for employees to make contribution to corporate development, achieve personal growth and all-round development.

6.2.1 Enhancing vocational capability

We attach great importance to employee training, formulate and enforce the Administrative Measures for Funding of Employee Education and Training (《員工教育培訓經費管理辦法》). Taking into accounts the actual circumstances and based on the development of production and operation of the port as well as employees' needs for personal growth, we have built an innovative model for education and training and upgraded the quality of education and training, which are important means of establishing employee training system.

With the implementation of "410 Talent Program", we have established 4 training platforms including school-enterprise cooperation, workshop of national technical master, demonstration base of talent training, and mobile learning. Also, considerable effort has been put into 10 types of training for talent development of middle management or above level, department heads or team cadres, technical staff, professional technicians, party affair officers, supervisors, blue-collar workers, special sessions for young workers, qualification, academic education etc. As at the end of 2016, 21,416 employees received training. Total number of hours of training reached 342,656 hours and average number of training hours per employee was 26 hours. It provided solid intellectual support and guarantee of talent for the Company's development.

CREATING A HARMONIOUS COMMUNITY WITH THE STAFF

Case: Targeted employee training programs

We launched targeted training programs depending on the occupational needs of employees at different level.

- **For senior management.** “Lecture for Leading Cadres” commenced in 2011 and is carried out through “invite them in” model. Nationally renowned experts and professors from top universities are occasionally invited to give lectures. As at the end of December 2016, a total of 37 “Lectures” were held and 9324 leading cadres were trained. Such lectures involve macroeconomics, creative thinking management, organizational management, leadership, control operation and execution etc., which improve the integrated aptitude of leading cadres and capabilities of forming and leading their teams.



- **For professional technical personnel.** In cooperation with the Rockwell Automation Lab of Northeastern University, 4 advanced training courses on automatic and control technology were held. Through establishing a more specific and efficient training model as well as leveraging on the professional strength of high schools and institutions, more precise corporate trainings are provided and training effectiveness is optimized.

Case: “e-teacher and e-friend” mobile learning platform

We constantly optimized the content of “e-teacher and e-friend” mobile learning platform, improve the curriculum system and the training assessment and monitoring mechanism, and enhance the service quality of online training platform. Through distributing survey questionnaires on the usage of each unit as well as appraisal, rewards and other measures, the involvement of users have been substantially increased, resulting in expanded scale of “Internet + training” and wider coverage of benefits of online training.

CREATING A HARMONIOUS COMMUNITY WITH THE STAFF



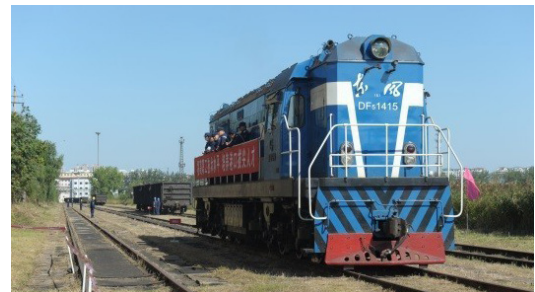
Employee training 1



Employee training 2



Electrical Cargo Handling Machinery Repair Competition



A contestant of flat shunting recording the running speed per hour



Production Business Intelligence Competition



Competition between operators of electrical cargo handling machinery

In September 2016, we organized a staff skills competition, which demonstrated the technical level, innovation capability and spirit of our staff team, improving technical qualifications of staff and giving full play to the advancement of port workers.

CREATING A HARMONIOUS COMMUNITY WITH THE STAFF



In 2016, we organized the “Transitional Development and Youth In Charge” debate competition, which lasted 8 months, and a total 116 youths from 29 units participated in it.

6.2.2 Career development path

We continuously improve employee performance appraisal and promotion policies. We have formulated and enforced the Administrative Measures for Staff Recruitment (Trial) (《員工招聘管理辦法（試行）》) and categorized recruitment into internal recruitment and external recruitment. Internal recruitment refers to selecting candidates from existing staff of the Company while external recruitment refers to public recruitment. It aims to regulate staff recruitment management and facilitate reasonable staff allocation. With the performance management philosophy of “pursuing excellence”, we have formulated and enforced the Administrative Measures for Staff Performance (Trail) (《員工績效管理辦法（試行）》) to facilitate objective and fair assessment of performance of duties by staff, foster the achievement of operational goal of the Company and personal growth of staff, and create a favorable atmosphere where the staff and the Company have collective determination, share accomplishment and achieve synergistic development.

CREATING A HARMONIOUS COMMUNITY WITH THE STAFF

6.3 Organizing Various Recreational Activities to Facilitate the Healthy Development of Staff

We care for the physical and psychological health of our employees. We have developed various health protection measures and organized vivid recreational activities to entertain our employees. We also care for employees in difficulties, female employees and other groups and assist them to solve their livelihood problems and difficulties in work.

6.3.1 Care for employees' health

We organize staff to participate in medical insurance for serious illness and pay more attention to balanced physical and psychological development. We have established a team of psychological counselors, with a view to helping employees relieve their pressure at work and overcome their psychological problems through human care and psychological counselling. In order to make certain our employees spend summer safely, we initiated the "Giving Coolness in Summer and Warmth in Winter" activity, delivering coolness for staff working at the frontline of production and services under summer heat and improving their working environment to ensure their safety during summer and winter.



Giving Coolness in Summer

Case: Carrying out training on psychological counselling

In March 2016, we organized the "Human Care and Psychological Counselling" seminar and commencement ceremony, and invited renowned experts in the PRC to provide professional training for 260 staff including secretary of basic-level party organization, chairman of the labor union and cadres of promotion, labor union and system of letters and calls. The president of the psychological society of Qinhuangdao City was also invited to provide group training for five units including three companies involving in the cessation of coal from the west, port engineering companies undergoing internal reform and port public security bureau working under high pressure. We established long-term cooperation with psychological society in both Shanghai and Qinhuangdao City, and assigned 37 management members to participate in the training for counselling psychologist (class two or three), 28 of which obtained professional certificate.



CREATING A HARMONIOUS COMMUNITY WITH THE STAFF

6.3.2 Caring for female employees

We implement the Special Provisions on the Labor Protection of Female Employees in Hebei Province (《河北省女職工勞動保護特別規定》) and carry out caring activities for female employees. Through various measures including constructing “Caring Mother House” and promoting “Critical Illness Insurance for Female Employees”, the legitimate interest and special rights of our female employees have been effectively protected.



6.3.3 Helping employees in difficulties

We implement the decision and arrangement of “exerting great effort in precise poverty alleviation” of CPC Central Committee and CPC Hebei Provincial Committee to provide help and assistance for employees in difficulties. We encourage intensified development of precise poverty alleviation of labor union and continuously carry out “giving warmth” activities with the theme of “warm winter and precise assistance” to precisely provide help for employees in difficulties. During the eve of Chinese New Year, the leading division of the Company pay visit to employees in difficulties and send them condolence money and gifts such as rice, noodle and oil, and deliver love from the Company as a family.



The Company's leader “deliver warmth” for employees in difficulties

CREATING A HARMONIOUS COMMUNITY WITH THE STAFF

6.3.4 Recreational activities for employees

We actively encourage our employees to participate or organize various recreational activities, such as shuttlecock, basketball, badminton, Taijiquan and other sports activities and calligraphic and photographic exhibitions, which are well received by our employees. The activities play a role in entertaining our employees and enhancing team cohesion.



For “Dream of China and Beauty of Labor”, the fifth staff calligraphy competition in Hebei Province, we arranged skeleton staff of literature association, calligraphy association and art association to create art pieces and selected 23 pieces as entries for the competition and 19 of which were awarded.



Employee recreational activity (I): Taijiquan



Employee recreational activity (II): Badminton

FACILITATING THE ECONOMIC DEVELOPMENT BASED ON NATIONAL STRATEGIES

7. FACILITATING THE ECONOMIC DEVELOPMENT BASED ON NATIONAL STRATEGIES

We expedite the pace of “going global”, actively promote cross-border operation strategy, and strive to become a major logistic hub for port trade, the largest port cluster of Bohai Rim as well as a major estuary area for the “New Silk Road” between Europe and Asia, with a view to integrating with economic globalization in wider scope and in more areas at a higher level.

7.1 Serving the National Strategies

We actively initiate research on project investment in key countries along the “Belt and Road”. Based on the port business, leveraging on our own advantages, we engage and involve in overseas construction and operation of ports, logistics services and other projects through capital cooperation and business cooperation, serving national “Belt and Road” strategy. Led by the “Belt and Road” strategy, there have been new development opportunities for cross-border multimodal transport. We exert great effort in exploring and carrying out port-railway transport model, optimize the port environment under “Belt and Road” initiative to achieve seamless connection of logistic business, reduce logistic costs for customers and facilitate successful implementation of projects under “Belt and Road”.

7.2 Facilitating the Prosperity of the Industry

Port economy is an industrial economy taking port transportation and relevant industry as the core. We actively foster development of port-related service industry as well as the development of manufacturing industry based on the port, especially the development of relevant industries including coastal industries, trade and commerce based on marine transportation and marine resources.

7.2.1 Strengthening supplier management

We have formulated and implemented administrative measures and implementation rules in relation to material suppliers, strengthen the management of resource suppliers, specify the entry condition and range of suppliers, and ensure satisfying quality of material procurement, reasonable price, and prompt service. Materials suppliers are categorized into suppliers under the management of the Company and self-employed material suppliers of branch companies and subsidiaries. We implement entry management on material suppliers. For those unqualified suppliers, cooperation will be discontinued, while seriously unqualified suppliers will be blacklisted.

In order to optimize supply-chain management, we have established a platform for materials tendering, procurement, integrated project operation, conducted supervision, and management on the implementation, completion and progress of materials plans. Major functions of such platform include procurement plan, price quotation and comparison, competitive negotiation, tendering, catalogue procurement, bidding of waste and used materials and supplier management, so as to maximize internetization, transparency, control of procurement.

7.2.2 Promoting the development of relevant industries

Our suppliers of major materials are distributed in various fields such as petrochemicals, materials handling equipment manufacturing, machining and other industries. Cooperation with suppliers in these fields promotes the development of their respective industries, including promotion of economic value, innovation and creativity and increasing job opportunities etc.

FACILITATING THE ECONOMIC DEVELOPMENT BASED ON NATIONAL STRATEGIES

7.3 Promoting Local Development

Development of the economy of the ports where we operate drive the economic development of port areas, port cities and hinterland. We continuously enhance the relevance and contribution of ports on urban social development and promote integrative development of port, industry and city. We actively participate in the strategic implementation of integrative development of port, industry and city. Regarding the relocation of western zone of Qinhuangdao Port, the construction of industrial parks in the rear of Beidaihe new zone and the three ports in Qinhuangdao, Tangshan and Cangzhou as a breakthrough, we actively took part in the planning of port industrial zones, cultivate port industries of manufacturing of equipment and food and oil supplies, build a port industrial cluster area, promote the transformation and upgrade of port structure, foster the integrative development of port, industry and city, and achieve shared prosperity between port and city.

7.4 Supporting the Industry Development

We are committed to boost industrial growth and actively participate in the formulation of industrial rules and standards. We also take associations as a communication platform to promote cooperation with other enterprises and conduct technical exchange and consultation, which effectively enhance our reputation and influence in the industry and boost industry prosperity.

Community organization in which we participated
China Ports Association (Vice-chairman)
China Ports Magazine (Standing director)
Hebei Province Quality Management Association (Member)
Qinhuangdao City Quality Management Association (Member)
Qinhuangdao City Transportation and Logistics Association (Vice-chairman)
Qinhuangdao Entrepreneurs Association (Standing vice-chairman)

The three standards compiled by us, including the Datagrams of Information System of Bulk Cargos of Ports (《港口幹散貨信息系統數據元》), the Operational Procedures of Transportation and Energy-saving of Band Conveyors (《帶式輸送機運輸節能操作規程》) and the Repairing Technique Rules for Wharf Dumpers System (《碼頭翻車機系統修理技術規範》) were listed in the amendment plan for industry standards of the Ministry of Transport in 2013. On 20 October 2015, the above three standards were delivered for review according to relevant procedures and were pending for the approval of the Ministry of Transport. In 2016, the Company submitted the application of the Standard of Environmental Storage of Port Coal (《港口煤炭存儲環保規範》) to the National Technical Committee on Port of Standardization Administration of China. The preliminary feasibility study of such standard has been included in the amendment plan for industry standards for 2017-2019. During the reporting period, preliminary preparation work was ongoing.

CONTRIBUTING TO CHARITY AND DELIVERING POSITIVE ENERGY TO THE SOCIETY

8. CONTRIBUTING TO CHARITY AND DELIVERING POSITIVE ENERGY TO THE SOCIETY

While we were self-developing, we were actively contributing to the society, building up the community, making use of our own advantages in business to participate in public affairs, and to organize an excellent team of volunteers and foster the staff the spirit of participating in charitable events and contributing to the society. Through years of managerial improvement and continuous efforts, we are continuing to make efforts to contribute to community welfare.

8.1 Serving the Society with Professional Strengths

8.1.1 Maritime Rescue and Search

We fully understood the charitable event of maritime rescuing, being a member unit of Qinhuangdao City Maritime Search and Rescue Centre and being an important force of life at sea and property relief in Qinhuangdao area, and actively participated in maritime search and rescue operations in the sea area of Qinhuangdao. After several years of development, we have become a maritime search and rescue team with complete equipment and facilities, high-quality personnel, fast response and strong rescue capability.

Currently, the shipping branch company has 19 harbour tugs with rudder propeller, with a total installed power of 59492 horsepower, of which there are three 4,000 horsepower tugs and six 5,000 horsepower tugs. In order to ensure emergency operations were timely operated, the tugs were on standby, always equipped with rescue equipment, tools and sufficient emergency personnel.

Case: Participating in Maritime Rescue

18 January 2016 at 13:18, dispatchers of the shipping branch company received a phone call from the City's Maritime Search and Rescue Centre. "Anchored vessel 'Baiyu' in east anchorage is lacking fuel and food. Heat supply is suspended. The situation is at risk. 12 foreign crewmen are about to abandon the vessel. Rescue is needed." The shipping branch company launched an emergency plan promptly, ordered "Qing Port 16" vessel to equip with vehicles and cables and headed to east anchorage for rescuing. At that time, the wind speed of the sea was in level 6-7, the temperature was -15°C, the sea had sea ice with a thickness of 5-10cm, the circumstance was very harsh. Sailing against the sea ice and strong wind and dragging the port side of the lifeboat, all 12 foreign crewmen of vessel 'Baiyu' were transferred to vessel "Qing Port 16" safely. After 3 hours of unrelenting efforts, "Qing Port 16" arrived smoothly at Qinhuangdao Port Workboat wharf at 16:19, and all crewmen in the distress were rescued.



Maritime Rescue

CONTRIBUTING TO CHARITY AND DELIVERING POSITIVE ENERGY TO THE SOCIETY

8.1.2 Building a National Civilized City

We actively responded to Qinhuangdao City Civilization Commission's call on building a national civilized city, and as a civilized unit we supportively assisted the community to accomplish the activity of city building. In 2016, Qinhuangdao Port organized more than 600 officials and staff to participate in "Love My Community, Clean My Home", a campaign focusing on cleaning up, and in total more than 140 tons of garbage was cleaned up; small advertisements posted in 29 buildings were removed and 300,000 Yuen was invested in cleaning and painting the façades of residential buildings and 29,000 square meters of corridors; 8 selected volunteers from the Security Centre participated in the city's road civility volunteer service activities in two groups. In these activities, the volunteers not only decorated the community by themselves, but also advocated the residents in the community to establish a green, environmental friendly, energy-saving and low-carbon lifestyle, which was generally well received by the public in the jointly-built community.



Volunteers of Qinhuangdao Port are participating actively in building civilized city activity

CONTRIBUTING TO CHARITY AND DELIVERING POSITIVE ENERGY TO THE SOCIETY

8.2 Organizing the Staff to Provide Care and Love

8.2.1 Qinhuangdao Port Youth Volunteers Association

March 2016 was the company's "Youth Volunteer Servicing Month", volunteer activities which were themed with "Be a civilized emissary, build beautiful Qinhuangdao Port" and "True hearts to warm the frontline workers" were unfolded port-wide. Youth volunteer service groups from all units served the grassroots and frontline workers, helping them to clean work rooms, wash smocks, clean the port yard and maintain the order of the scene. They were well received by the general frontline workers and grassroots leaders. In the activities of "Youth Workers Safety Month" which were held in June 2016, Qinhuangdao Port Youth Volunteer Association initiated the activity of "Youth Volunteer Safety Supervisor", selecting outstanding young volunteers to work as part-time security officers to participate in the whole process of safe production management of the unit. All the safety supervisors were serious and responsible, and their selfless dedications to the company made positive contributions to safe production.

In 2016, the company successively allocated more than 600 youth volunteers to serve retired workers, single workers, the Port's migrant workers and nursery schools purposely on important dates, such as "Learn from Lei Feng Day" on 5 March and "International Volunteer Day" on 5 December, as well as Mid-autumn Festival, National Day, New Year's Day and Chinese New Year Eve, with a total duration of more than 1,900 hours in these activities, showing a good social charitable image of the Port's youth volunteer.

Qinhuangdao Port Youth Volunteer Association

Qinhuangdao Port Youth Volunteer Association was established in 1999. The guiding ideology of the association is "Serve the community, serve the general situation, serve the youth", and it insists adopting the service mission of "Based on the Port, serve the community". Since its establishing, the association has awarded different honorable titles from Qinhuangdao, Hebei Province such as "Tenth Outstanding Youth Volunteer Service Advanced Group", "Learn from Lei Feng Volunteer Service Advanced Group" and "Serving Retired Veteran Cadre Advanced Group".



Youth volunteers are repairing electronic appliances for retired workers



Youth volunteers are cleaning the crumbled coals



Youth volunteers are darning smocks for frontline workers



Youth Volunteers are cutting the retired elderly's hair.

CONTRIBUTING TO CHARITY AND DELIVERING POSITIVE ENERGY TO THE SOCIETY

8.2.2 Charitable Donation

We actively initiated the workers to care for the disadvantaged and to join Project of Hope. In 2016, together the volunteers visited schools and villages to alleviate poverty and to assist the village. They expressed their solicitudes for the impoverished families, left-behind children and hope primary schools, delivering them donated clothes, books, daily necessity, learning tools, consolation money, and grants.



Offering help for the impoverished children

On 18-25 July 2016, centre-southern area and northern coastal area of Hebei Province were suffering from sudden continuous heavy rainfall with localized cloudburst, resulting extremely severe floods. We immediately launched activities to raise funds for the affected areas, and there were in total 7,517 people participated in these activities and the accumulated amount of donation reached nearly 280,000 yuen.

8.2.3 Alleviating Poverty and Double Support

In 2016, we organized and launched celebration events for the 89th Anniversary of the founding of the Chinese People's Liberation Army. 15 condolences groups visited households/troops stationed in Qinhuangdao for 23 times, having extensive and in-depth conversations with the soldiers of the troops, and offering them holiday consolations which costed more than 140,000 Yuen. Meanwhile, the condolences groups also organized 5 social gatherings with the stationed troops for the soldiers and civilians to foster their friendship and enrich the life of festival culture. We held 8 talks for commemorating "Army Day", invested nearly 100,000 Yuen in buying "Army Day" souvenirs for veterans, and more than 1,300 people were consoled and assisted.



A picture of consoling on "Army Day"

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