



SHENZHEN CHIWAN PETROLEUM SUPPLY BASE CO., LTD.

ANNUAL REPORT FOR YEAR 2016

April 2017

PART Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management guarantee that there are no omissions, misstatement or misleading information in this report. They are responsible, individually and jointly, for the authenticity, accuracy and integrity of the information herein.

Mr. Tian Junyan, Chairman of the Board, Ms. Yu Zhongxia, Deputy General Manager & Financial Controller, and Ms. Sun Yuhui, Financial Manager, guarantee the authenticity and integrity of the financial result in this report.

Except the following directors, other directors attend the Board Meeting.

Absent Director	Post of the Absent Director	Reason	Authorized Person
Zhuge Wenjing	Vice Chairman	Business Arrangement	Chen Lei
He Liming	Independent Director	Business Arrangement	Chen Weijie

This annual report contains prospective descriptions, which does not constitute substantial commitment to investors. Investors are requested to be aware of the risks attached to their investment decisions.

Impossible risk has been well-described in this report. Please find details of risks and countermeasures of future development described in Section IX, Part IV.

The Company will not distribute cash dividends or bonus shares, neither capitalizing of common reserves for the report period.

This report is prepared both in Chinese and English languages, when ambiguity occurs in the two versions, the Chinese version shall prevail.

Contents

PART I Important Notice.....	2
PART II Corporate Information and Accounting Data.....	6
PART III Business Summary	10
PART IV Business Discussion and Analysis.....	13
PART V Significant Events.....	28
PART VI Changes in Capital Stock and Shareholders.....	41
PART VII Particulars about Preferred Share	47
PART VIII Directors, Supervisors, Senior Management and Staff	48
PART IX Corporate Governance.....	56
PART X Corporate Bonds	62
PART XI Financial Report (Attachment)	65
PART XII Documents Available for Verification.....	65

Definition

Terms to be defined	Refers to	Definition
The Company, Chiwan Base	Refers to	Shenzhen Chiwan Petroleum Supply Base Co., Ltd.
Nanshan Group	Refers to	China Nanshan Development (Group) Incorporation
Blogis Holding	Refers to	Blogis Holding Co., Ltd.
Shanghai Baowan	Refers to	Shanghai Baowan International Logistic Co., Ltd.
Guangzhou Baowan	Refers to	Guangzhou Baowan Logistic Co., Ltd.
Kunshan Baowan	Refers to	Kunshan Baowan International Logistic Co., Ltd.
Tianjin Baowan	Refers to	Tianjin Baowan International Logistic Co., Ltd.
Langfang Baowan	Refers to	Langfang Baowan International Logistic Co., Ltd.
Xindu Baowan	Refers to	Chengdu Xindu Baowan International Logistic Co., Ltd.
Longquan Baowan	Refers to	Chengdu Longquan Baowan International Logistic Co., Ltd.
Nanjing Baowan	Refers to	Nanjing Baowan International Logistic Co., Ltd.
Tianjin Bingang Baowan	Refers to	Tianjin Bingang Baowan International Logistic Co., Ltd.
Nantong Baowan	Refers to	Nantong Baowan International Logistic Co., Ltd.
Wuhan Baowan	Refers to	Baowan Logistic (Wuhan) Co., Ltd.
Yangluo Baowan	Refers to	Baowan Logistic (Wuhan) Yangluo Co., Ltd.
Shenzhen Baowan	Refers to	Shenzhen Baowan International Logistic Co., Ltd.
Shanghai Mingjiang	Refers to	Mingjiang (Shanghai) International Logistic Co., Ltd.
Shenyang Baowan	Refers to	Shenyang Baowan International Logistic Co., Ltd.
Tianjin Qingwu Baowan	Refers to	Tianjin Qingwu Baowan International Logistic Co., Ltd.
Feidong Baowan	Refers to	Baowan Logistic Feidong Co., Ltd.
Xi'an Baowan	Refers to	Xi'an Baowan International Logistic Co., Ltd.
Xianyang Baowan	Refers to	Xianyang Baowan International Logistic Co., Ltd.
Blogis (Hongkong)	Refers to	Blogis (Hongkong) Limited
Huitong(H.K.)	Refers to	China Huitong (H.K.) Limited
Nanshan Hong Kong	Refers to	Nanshan Development (Hongkong) Limited
Wuxi Baowan	Refers to	Wuxi Blogis Co. Ltd
Zhenjiang Baowan	Refers to	Zhenjiang Shenjidi Warehouse Co.,Ltd.
Changzhou Baowan	Refers to	Changzhou Baowan Logistic Co., Ltd.
Jiangyin Baowan	Refers to	Jiangyin Baowan International Logistic Co., Ltd.
Qingdao Jiaozhou Baowan	Refers to	Qingdao Jiaozhou Baowan International Logistic Co., Ltd.
Jiaxing Baowan	Refers to	Jiaxing Baowan Logistic Co., Ltd.
Jiangsu Baowan	Refers to	Jiangsu Baowan International Logistic Co., Ltd.
Shaoxing Baowan	Refers to	Shaoxing Baowan Logistic Co., Ltd.
Chongqing Xipeng Baowan	Refers to	Chongqing Xipeng Baowan International Logistic Co., Ltd.
Ezhou Baowan	Refers to	Wuhan Baowan Logistic Ezhou Co., Ltd.
Nantong Xitong Baowan	Refers to	Nantong Xitong Baowan Logistic Co., Ltd.
Jiashan Baowan	Refers to	Jiashan Baowan Logistic Co., Ltd.
Chengdu Oil and Gas Base	Refers to	Chengdu Chiwan International Oil and Gas Base Co., Ltd.
Zhengzhou Baohai	Refers to	Zhengzhou Baohai International Logistic Co., Ltd.
Yuyao Baowan	Refers to	Yuyao Baowan International Logistic Co., Ltd

Jinmu Caoye	Refers to	Beijing Jinmu Caoye Co., Ltd.
Xiaogan Baowan	Refers to	Xiaogan Baowan Logistic Co., Ltd.
Xinjin Baowan	Refers to	Chengdu Xinjin Baowan International Co.,Ltd
Sanshui Baowan	Refers to	Foshan Sanshui Baowan Logistic Co., Ltd.
Nanhai Baowan	Refers to	Foshan Nanhai Baowan Logistic Co., Ltd.
Deqing Baowan	Refers to	Deqing Baowan International Co., Ltd.
Jiaxing Supply Chain/Jiabao	Refers to	Blogis Supply Chain Management (Jiaxing) Co., Ltd.
Luohuang Baowan	Refers to	Chongqing Luohuang Baowan International Logistic Co., Ltd.
Ningbo Baowan	Refers to	Ningbo Baowan International Logistic Co., Ltd.
Tianjin Haier/Jinnan Project	Refers to	Tianjin Haier Assets Management Ltd.
Dianzhong Baowan	Refers to	Yunnan Dianzhong Baowan Logistic Co., Ltd.
Hubei Baowan	Refers to	Hubei Baowan Investment Co., Ltd.
Yuhua Baowan	Refers to	Changsha Yuhua Baowan Logistic Co. Ltd.
Wangcheng Baowan	Refers to	Changsha Wangcheng Baowan Logistic Co., Ltd.
CSE/Sembawang	Refers to	Shenzhen Chiwan Sembawang Engineering Co., Ltd
CPEC	Refers to	Shenzhen Chiwan Offshore Petroleum Engineering Co., Ltd.
China Development Finance	Refers to	China Development Finance Company Limited

PART II Corporate Information and Accounting Data

I. Company Profile

Stock Abbreviation	Chiwan Base B	Stock Code	200053
Stock Exchange	Shenzhen Stock Exchange		
Company's Name in Chinese	深圳赤湾石油基地股份有限公司		
Company's Short Name in Chinese	深基地 B		
Company's Name in English	Shenzhen Chiwan Petroleum Supply Base Co., Ltd.		
Company's Short Name in English	Chiwan Base		
Legal Representative	Tian Junyan		
Registered Address	Chiwan, Shenzhen		
Post Code	518068		
Office Address	14/F, Chiwan Petroleum Building, Shenzhen		
Post Code	518068		
Website	www.chiwanbase.com		
E-mail	sa@chiwanbase.com		

II. Contact Person and Method

	Board Secretary	Securities Representative
Name	Yu Zhongxia	Li Zizheng
Address	14/F, Chiwan Petroleum Building, Shenzhen, PRC	14/F, Chiwan Petroleum Building, Shenzhen, PRC
Telephone	0755-26694211	0755-26694211
Fax	0755-26694227	0755-26694227
Email	sa@chiwanbase.com	sa@chiwanbase.com

III. Information Disclosure

Designated Newspapers for Information Disclosure	Securities Times, Hong Kong Commercial Daily
Website for Information Disclosure	www.cninfo.com.cn
Place Of Regular Reports Prepared For Inquiry	14/F, Chiwan Petroleum Building, Shenzhen, PRC

IV. Changes in Registration

Uniform Social Credit Code	91440300618833899A
Change of Main Business since Listed	N/A
Change of Controlling Shareholder	N/A

V. Other Information

Appointed Certified Public Accountants

Name of the CPAs	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Office Address	30/F, Waitan Center, No. 222 Yan'an Road East, Shanghai
Names of the Certified Public Accountants as the signatories	Li Weihua, Jiang Qishen

The sponsor performing persistent supervision duties engaged by the Company in the report period

Applicable Inapplicable

The financial advisor performing persistent supervision duties engaged by the Company in the report period

Applicable Inapplicable

VI. Major Accounting Data and Financial Indicators

Retroactive adjustment

Yes No

Unit: RMB

	Y2016	Y2015	Change (%)	Y2014
Operating Revenue (RMB)	677,791,331.11	650,279,516.34	4.23%	712,958,603.26
Net Profit Attributed to Shareholders of Listed Company (RMB)	1,918,066.81	91,644,920.49	-97.91%	218,544,184.50
Net Profit Net of Non-recurring Gain and Loss Attributed to Listed Company (RMB)	-1,718,620.58	83,094,036.55	-102.07%	220,496,736.41
Net Cash Flows from Operating Activities (RMB)	371,474,731.89	332,656,351.44	11.67%	414,370,760.05
Basic Earnings per Share (RMB/Share)	0.01	0.4	-97.50%	0.95
Diluted Earnings per Share (RMB/Share)	0.01	0.4	-97.50%	0.95
Weighted Return on Equity (%)	0.11%	5.31%	-5.20%	13.84%
	December 31, 2016	December 31, 2015	Change (%)	December 31, 2014
Total Assets (RMB)	7,549,041,526.12	5,643,956,639.17	33.75%	5,389,629,871.81
Owner's Equity Attributed to Shareholders of Listed Company (RMB)	1,756,836,179.91	1,754,085,176.85	0.16%	1,690,486,032.37

VII. Accounting Difference between Chinese General Accepted Accounting Principal (GAAP) and International Financial Reporting Standard(IFRS)

1. Simultaneously pursuant to both Chinese accounting standards and international accounting standards disclosed in financial report of differences in net income and net assets.

Applicable Inapplicable

2. Differences of net profit and net assets disclosed in financial report prepared under overseas and Chinese accounting standards.

Applicable Inapplicable

VIII. Main Financial Index by Quarters

Unit: RMB

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating Revenue	164,424,597.76	166,623,690.89	169,557,114.04	177,185,928.42
Net Profit Attributed to Shareholders of Listed Company	9,311,019.07	10,793,434.42	4,324,601.47	-22,510,988.15
Net Profit Net of Non-recurring Gain and Loss Attributed to Listed Company	8,553,393.49	10,608,950.09	3,993,410.84	-24,874,375.00
Net Cash Flows from Operating Activities	74,546,903.86	76,563,195.94	96,853,274.98	123,511,357.11

Any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports?

Yes No

IX. Items of Non-recurring Gains & Losses

Applicable Inapplicable

Unit: RMB

Item	Amount in 2016	Amount in 2015	Amount in 2014	Note
Disposal of non-current assets, including the part offset with the provision for impairment of assets	-1,761,326.85	-303,073.93	189,620.61	
Government grants recognized in current year's profit or loss (except for the fixed or quantitative government grants closely related to the enterprise businesses according to the national unified standard)	5,238,023.20	12,491,552.18	9,686,859.21	
Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises under common control			-12,902,949.53	
Other non-operating revenue and expenditure excluding the above-mentioned items	2,868,136.38	-70,881.71	2,002,874.30	

Less: Influence on income tax	1,594,903.68	2,906,602.66	2,969,838.53	
Amount affected by minority equity (after tax)	1,113,241.66	660,109.94	-2,040,882.03	
Total	3,636,687.39	8,550,883.94	-1,952,551.91	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public – Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public – Non-recurring Gains and Losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

Applicable Inapplicable

PART III Business Summary

I. Main Business of the Company

Whether the company needs to comply with the disclosure requirements of particular industry

No

1. Main Business

- (1) The Company provides oil logistics support services for oil exploration, development and production in the eastern South China Sea.
- (2) The Company provides logistics park services for warehousing, distribution, supply chain management, logistics finance, equipment leasing and e-commerce by controlling subsidiaries.
- (3) The Company provides offshore engineering services for structure design, fabrication and maintenance by associated companies.

2. Characteristics of Industry Development

(1) Offshore Oil Logistics Business

After the fully operation of CNOOC Huizhou Base, it has occupied the majority share of offshore oil logistics market operated by CNOOC. Influenced by continued downturn of oil price and fall of oil developing and production, Chiwan Base faces great operation pressure. But meanwhile, with the acceleration of the construction of the National Free Trade Zones, driven by the national strategy of "The Belt and Road" strategy, and the concept of "Mass entrepreneurship and innovation" continuous deepening, Chiwan Base is rising to a new opportunity for development. New industrial park of "Technological and Cultural Innovation" in Chiwan Park is in layout and planning adjustment.

Chengdu Oil Base is still facing challenging by downturn of oil price and marketing. However, it is also facing new development opportunity benefited by state policies of new energy industry and environmental protection.

(2) Warehousing Logistics Services

In the past over ten years, warehousing logistics services developed from nothing rapidly with the overall domestic economic growth and upgrade of consumption level, as well as the rapid development and promotion of e-commerce. However, overall the supply of modern logistics facilities is still lagging behind the growing demand. At present, although warehousing logistics industry still stabilized for the better development, competition is also intensifying. Warehousing logistics industry has become the hot spot investment field for real estate industry, E-commerce industry and other logistic industry. The representatives as Prologis, Goodman, Alibaba and Vanke have accelerated their layout. Till now, Blogis takes the leading position in domestic market.

II. Major Changes for Main Assets

1. Major Changes for Main Assets

Major assets	Explanation on Significant Changes
Equity Assets	-
Fixed Assets	-
Intangible Assets	Increase of 55% from the open date to end date, mainly due to acquisition of land certificates by part of subsidiaries at preparatory period
Construction in Progress	Increase of 63% from the open date to end date, mainly due to project payment by Wuxi, Zhenjiang, Jiaozhou and Jiaxin Baowan
Other Intangible Assets	Increase of 235% from the open date to end date, mainly due to increase of land prepayment

2. Major Overseas Assets

Applicable Inapplicable

III. Analysis of Core Competitiveness

1. Petroleum logistics and industrial park business

Chiwan Base has more than 30 years of experience in petroleum logistics services, possesses with good wharfs, warehouses and other infrastructures. In 2015, Chiwan Base park was included in Qianhai Shekou district of Guangdong Free Trade Experimental Zone. With the acceleration of construction of the free trade zone, the promotion of the national "One Belt One Road" strategy, and the continuous deepening of the national "mass innovation and multitude entrepreneurship", operation of new industrial park ushered in a new development opportunity. Chiwan Base has started cooperation of scientific and technological innovation, cultural creativity, new media, intelligent manufacturing and other fields. At present, new industrial layout is shaping initially, the new-type industrial park would become the Company's new operations patterns and profit points.

2. BLOGIS business

As a domestic well-known developer and operator of logistics parks, the logistics park scale of BLOGIS ranks among the best at home. The operation scale in the next 3-5 years will continue to achieve the rapid growth according to the company's strategic layout, and the network advantages in the national economic hot spot regions will continue to increase. The Company has accumulated rich experience in the site selection, development and construction, operation and management of logistics parks etc. BLOGIS takes the lead in logistics storage markets from place to place from the project development, price benchmarks, customer resources, service standards, brand reputation, profitability and other aspects.

For the business model, in addition to the investment in the development and construction of standard and professional warehousing facilities to provide warehousing services for customers, the Company also provided the integrated comprehensive value-added logistics services including the warehousing loading and unloading, equipment leasing, circulation processing, e-commerce warehousing and distribution management, and supplier inventory management for settled enterprises, strived to build an advanced supply chain integrated management platform, and attracted a large number of domestic and overseas well-known manufacturers,

retailers, logistics providers, third-party logistics and e-commerce enterprises by efficient, qualified and safe services.

For the management model, as a domestic well-known developer and operator of logistics parks, BLOGIS has professional teams and talent teams for the development and management of modern logistics parks, and has basically formed scientific standardized procedures in the project site selection, risk assessment, planning and design, engineering construction, and property management and supply chain business services in operation.

PART IV Business Discussion and Analysis

I. General

1. Business Discussion

The Company achieved operating revenue of RMB 678 million, increasing by 4.23% and net profit attributed to the listed shareholders was RMB 1.918 million, decreasing by 97.88% compared with last year respectively. The main reasons are as follows:

- Decrease of investment income: mainly because impacted by downturn oil industry, operating profit of associated CSE and CPEC decreased greatly, which led to the Company's investment income decline.
- Increase of developing and constructing costs for newly-built and constructing projects: mainly due to increase of projects under construction and preparation resulting in increase of early start-up costs, land taxes and fees, depreciation and amortization and construction costs.
- Increase of financial expenses: mainly because with intensifying development of construction of newly Blogis projects, capital demand and liabilities rose sharply, resulting in interest expenses increased dramatically.
- Adjustment for deferred income tax due to accounting confirmation affecting profit.

Offshore Oil Logistics Business

International crude oil prices still fluctuated at low price in 2016. Impacted by severe challenge for offshore oil industry and operation of CNOOC Huizhou Base, the Company still faced great pressure in the operation of traditional oil industry. Meanwhile, Transformation of the new industrial park business for Chiwan Park is still in the incubation period.

Operating revenue of offshore oil logistics business was RMB 141.52 million, decreasing by 14.96% and net profit was RMB 27.40 million, decreasing by 6.45% compared with last year respectively.

Blogis Business

Operating revenue of Blogis was RMB 518.62 million, increasing by 10.99% and net profit was RMB 84.51 million, increasing by 0.56% compared with last year respectively. Occupancy rate for overall Blogis was 94%, increased by 2.8% . Companies for overall Blogis operated in good condition generally.

Main Operating Index of Blogis

Unit: RMB'0000

Parks	Revenue	Net Profit	Occupancy Rate (%)	Revenue Growth (%)	Net Profit Growth (%)
Shanghai Baowan	9,621	4,760	100.0	3.14	1.08
Shanghai Mingjiang	5,686	2,621	100.0	2.22	4.98
Kunshan Baowan	5,805	2,534	98.2	0.63	-9.85
Langfang Baowan	2,889	947	96.0	11.46	39.81
Tianjin Baowan	5,064	1,941	87.3	-12.37	-13.92

Xindu Baowan	2,730	1,136	99.6	18.28	56.85
Longquan Baowan	6,324	1,911	98.1	4.10	-0.61
Guangzhou Baowan	5,393	1,983	100.0	13.09	29.01
Shenzhen Baowan	2,306	202	83.1	35.72	49.70
Nanjing Baowan	3,385	1,276	99.8	44.87	108.90
Nantong Baowan	1,381	304	80.9	17.04	74.97
Wuhan Baowan	3,190	865	89.0	213.34	2882.40
Wuxi Baowan	90	-558	14.7	N/A	N/A
Zhenjiang Baowan	15	-182	15.0	N/A	N/A
Jinnan Baowan	260	111	90.8	N/A	N/A

Note:

- The net profit of above-mentioned subsidiaries excludes interest expenses influence.
- Occupancy rate refers to cumulative average rate annually.
- Wuxi Baowan has put into operation since October, 2016 and Zhenjiang since December, 2016. Jinnan Baowan has been combined into consolidated financial statements on Oct 31, 2016.
- Shenzhen Baowan is not combined into consolidated financial statements for Blogis.

Note to the year-on-year change of the relevant data

- (1) Growth of revenue and net profit of Wuhan Baowan was mainly due to uprising warehouse occupancy rate as Year 2016 was the first fully operation year .
- (2) Growth of revenue and net profit of Nanjing Baowan was mainly because warehouses have been put into operation in succession with expanding area from 100,000 m² to 106,000 m²; on the other hand, the administrative expenses fell by 20% due to the innovation of regional management system.
- (3) Growth of Nantong Baowan revenue and net profit was because warehouse has been put into operation in succession with expanding area from 45,000 square meters to 57,000 square meters; on the other hand, the administrative expenses fell by 24% due to the innovation of regional management system.
- (4) Growth of revenue and net profit of Xindu Baowan was mainly due to rental price increasing and management fees fell by 21% for strengthening management.
- (5) Growth of revenue and net profit of Shenzhen Baowan was mainly due to increasing warehouse rental income, handling business and agency business revenue resulting from improved business operation; on the other hand the management fees fell by 14% for strengthening management.
- (6) Growth of revenue and net profit of Langfang Baowan was mainly due to increasing warehouse occupancy rate and revenue for overflowed warehousing market from Beijing; on the other hand, the management fees fell by 42% for strengthening management.
- (7) Growth of revenue and net profit of Guangzhou Baowan was mainly due to uprising rental price and management fees fell by 29% for strengthening management.
- (8) Decrease of net profit of Tianjin Baowan was mainly because with intensified competition and soaring regional investment, warehouse occupancy rate decreased resulting in reduced revenue.

Project Development for Blogis in 2016

In reporting period, the Company has successfully signed investment agreement with local governments for Chongqin Luohuang, Chongqin Beibei, etc., covering land area of 4,600 Mu and transfer contracts of state owned lands for Chongqing Luohuang, Xi'an, etc., covering land area of 3,600 Mu.

Market Competition Pattern for Blogis in 2017

For the warehousing industry environment, with overall economic growth and enhanced consumption level, overall storage industry environment would be better in 2017. Although storage demand is strong, competition is becoming more severely. With the representatives as Prologis, Goodman, Alibaba and Cainiao accelerated their layout of logistics parks, high occupancy rate of high-end storage accompany sustainable rising rental price is coming back to stability in recently years. It is expected to face pressure of rental price stagflation and rental rates decline for high-end storage in some areas. But market competition would become more intensive partly because of supply surge such as Tianjin, Chengdu Area. Meanwhile, Wuxi Baowan and Zhenjiang Baowan, newly- operating parks in the end of 2016 for Blogis, would face challenges in marketing work in 2017.

Offshore Engineering and others

CSE: The Company holds 32% stake. CSE contributed an investment income of RMB 25.91 million to the Company, decreased by 52.73% compared with the same period of last year.

CPEC: The Company holds 20% stake. The investment income from CPEC has declined to RMB -2.43 million in reporting period.

China Development Finance Limited: The Company holds 20% stake. It contributed investment income of RMB 9.02 million to the Company, with an increase of 39.84% compared with same period of last year.

Project Construction Development

- (1) Tianjin Bingang Baowan: Construction of two warehouses for Phase I, expected to be completed in the second half of 2017.
- (2) Wuxi Baowan: Construction of five warehouses and one multiple-used building and its auxiliary facilities, completed and was changed over to fixed assets, put into use in Oct, 2016.
- (3) Zhenjiang Baowan: It plans to construct nine warehouses and one multiple-used building, which has partly been changed over to fixed assets and put into use in Dec, 2016
- (4) Jiaxing Baowan: Construction of one warehouses and one multiple-used building for Phase I, expected to be completed in the first half of 2017. Construction of four warehouses for Phase II, expected to be completed in the first half of 2018.
- (5) Qingdao Jiaozhou Baowan: The construction of eight warehouses and one multiple-used building, expected to be completed in the first year of 2017.
- (6) Chengdu Oil and Gas Base: The construction of one workshop and storage yard for Phase I, expected to be completed in the first half of 2017. The construction of three workshops, one building and one dormitory building for Phase II, expected to be completed in the second half of 2017.
- (7) E'zhou Gedian Baowan: Construction of six warehouses, expected to be completed at the end of 2017.
- (8) Xi'an Xianyang Baowan: Construction of seven warehouses and one multiple-used building, expected to be completed in the second half of 2018.

(9) Beijing Shunyi: Remoulding of four warehouses, expected to be completed in the first half of 2017.

(10) Shaoxing Baowan: Construction of six warehouses and one multiple-used building, expected to be completed in the first half of 2018.

(11) Jiangyin Baowan: Construction of five warehouses and one multiple-used building, expected to be completed in the first half of 2018.

(12) Xitong Baowan: Construction of six warehouses and one multiple-used building, expected to be completed in the first half of 2018.

II. Main Business Analysis

1. General

Refer to relevant contents of “1.General” in “Business Discussion and Analysis”.

2. Revenue and Cost

(1) Operating Revenue

Unit: RMB

	Y 2016		Y2015		Change (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Total Operation Revenue	677,791,331.11	100%	650,279,516.34	100%	4.23%
By Industries					
Warehouse and Storage	550,059,948.71	81.15%	520,194,029.77	80.00%	5.74%
Loading and Unloading Services	29,073,126.97	4.29%	36,833,559.77	5.66%	-21.07%
Harbor Management	16,887,119.45	2.49%	16,648,654.99	2.56%	1.43%
Office Leasing and Other Main Business	56,928,282.31	8.40%	53,394,344.77	8.21%	6.62%
Transportation	23,942,527.61	3.53%	21,942,401.95	3.37%	9.12%
Other	900,326.06	0.13%	1,266,525.09	0.19%	-28.91%
By Region					
South China	218,948,614.60	32.30%	230,792,194.04	35.49%	-5.13%
East China	254,436,388.03	37.54%	241,763,609.53	37.18%	5.24%
North China	82,140,373.01	12.12%	83,714,820.72	12.87%	-1.88%
Southwest China	90,367,776.47	13.33%	83,828,291.06	12.89%	7.80%
Central China	31,898,179.00	4.71%	10,180,600.99	1.57%	213.32%

(2) Situation of Industry, Project and District Occupying the Company's Business Income and Operation Profit over 10%

Unit: RMB

	Operating Revenue	Operating Cost	Gross Profit Rate (%)	Operating Revenue Change over the Same Period of Last Year (%)	Operating Cost Change over the Same Period of Last Year (%)	Gross Profit Rate Change over the Same Period of Last Year (%)
By Industries						
Warehouse and Storage	550,059,948.71	209,112,081.97	61.98%	5.74%	3.66%	0.76%
By Regions						
South China	218,948,614.60	130,400,385.89	40.44%	-5.13%	-8.19%	1.98%
East China	254,436,388.03	77,579,167.20	69.51%	5.24%	6.60%	-0.39%
North China	82,140,373.01	30,515,967.60	62.85%	-1.88%	3.22%	-1.83%
Southwest China	90,367,776.47	46,454,111.22	48.59%	7.80%	4.57%	1.58%

Under the circumstance that the statistic specifications for the Company's principal business data experienced adjustment in the report period, the principal business data upon adjustment of the statistic specifications at the end of the report period in the latest year.

Applicable Inapplicable

(3) Whether the Company's physical sales income exceeded service income.

Applicable Inapplicable

(4) Implementation of Important Orders

Applicable Inapplicable

(5) Operating Costs

Unit: RMB

Industries	Y 2016		Y 2015		Change (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Warehouse and Storage	209,112,081.97	69.73%	201,719,829.80	67.92%	3.66%
Loading and Unloading Services	30,820,322.74	10.28%	33,060,506.50	11.13%	-6.78%
Harbor Management	5,847,984.04	1.95%	13,189,448.38	4.44%	-55.66%
Office Leasing and Other	30,154,434.63	10.05%	26,260,174.35	8.84%	14.83%
Transportation	22,781,537.54	7.60%	19,578,771.01	6.59%	16.36%
Other	1,191,895.26	0.40%	3,193,784.84	1.08%	-62.68%

(6) Changes in Consolidated Scope

Yes No

14 new subjects are combined into consolidated financial statement as follows:

Blogis Supply Chain Management (Jiaxing) Co., Ltd, Yunnan Dianzhong Baowan Logistic Co., Ltd., Yuyao Baowan International Logistic Co., Ltd., Chongqing Luohuang Baowan International Logistic Co., Ltd., Changsha Yuhua Baowan Logistic Co. Ltd., Xiaogan Baowan Logistic Co., Ltd., Chengdu Xinjin Baowan International Co.,Ltd., Foshan Sanshui Baowan Logistic Co., Ltd., Foshan Nanhai Baowan Logistic Co.,

Ltd., Deqing Baowan International Co. Ltd., Changsha Wangcheng Baowan Logistic Co., Ltd., Ningbo Baowan International Logistic Co., Ltd., Beijing Jinmu Caoye Co., Ltd. and Tianjin Haier Assets Management Ltd.

(7) Important Change or Adjustment of Products or Services

Applicable Inapplicable

(8) Main Clients and Suppliers

Main Clients

Total Sales Revenue of Top 5 Clients (RMB)	151,498,020.95
Ratio of Top 5 sales revenue in 2016 (%)	22.35%

Information of Top 5 Clients

No.	Client Name	Sales Revenue (RMB)	Ratio of sales revenue in 2016 (%)
1	Li & Fung Supply Chain Management (China) Co., Ltd.	42,751,264.78	6.31%
2	China Volkswagen	36,489,363.69	5.38%
3	SF Express	31,478,633.52	4.64%
4	Watson	23,542,483.37	3.47%
5	COOEC Subsea	17,236,275.59	2.54%
Total	--	151,498,020.95	22.35%

Information of other Clients

Applicable Inapplicable

3. Expenses

Unit: RMB

	Y2016	Y2015	Change (%)	Note
Sales Expenses	1,077,360.05	1,794,630.86	-39.97%	Mainly due to the decrease of intermediate fee
Administration Expenses	116,607,241.20	95,531,527.18	22.06%	Mainly due to increase of labor cost and land amortization
Financial Expenses	181,754,411.70	165,115,346.59	10.08%	Mainly due to increase of average loan balance

4. R&D

Applicable Inapplicable

Consideration of the logistics market demand and business development needs, the Company established the stepwise development policy of "give priority to supporting the core business, promote the comprehensive upgrading of functional management, and improve the intelligent decision-making construction" for the information system research and development projects.

The Company's information research and development is aimed as set up "three platforms" construction: the "integrated management information platform" to support internal business operations and management decision-making; the "integrated logistics service platform" to support the offline implementation of logistics businesses, and the warehousing and distribution of online "sharing logistics"; and the "large data application platform" based on the logistics industry.

At present, the company is focusing on the phase I construction of "integrated management information platform", as well as the early platform business exploration; the future goal is to gradually improve and deepen the "management information" and "business platform" construction; the long-term goal is to achieve service intelligence" and "data value". Research and development on information system would provide strong supports for the company to give play to the "hardware + software" comprehensive competitive advantages, promoting the customer's dependence to expand business profit model and boost sustained and healthy development of overall businesses.

	Y 2016	Y 2015	Change (%)
R&D Amount in Person	11	0	-
R & D Personnel accounted for Total Person	2.14%	0.00%	-
Amount in Investment (RMB)	1,330,674.42	0.00	-
R & D Investment Accounted for the Proportion of Operating Income	0.20%	0.00%	-
R & D Investment Capitalization Amount (RMB)	1,330,674.42	0.00	-
R & D investment capitalization accounted for the Proportion of Investment	100.00%	0.00%	-

5. Cash Flow

Unit: RMB

Item	Y2016	Y2015	Change (%)
Subtotal of Cash Inflows from Operating Activities	768,163,534.86	730,547,455.76	5.15%
Subtotal of Cash Outflows from Operating Activities	396,688,802.97	397,891,104.32	-0.30%
Net Cash Flows from Operating Activities	371,474,731.89	332,656,351.44	11.67%
Subtotal of Cash Inflows from Investing Activities	296,346,102.37	1,554,363,738.69	-80.93%
Subtotal of Cash Outflows from Investing Activities	2,099,119,060.57	1,867,812,310.11	12.38%
Net Cash Flows from Investing Activities	-1,802,772,958.20	-313,448,571.42	475.14%
Subtotal of Cash Inflows from Financing Activities	3,773,105,100.00	516,134,281.57	631.03%
Subtotal of Cash Outflows from Financing Activities	2,138,513,746.58	589,244,785.09	262.92%
Net Cash Flows from Financing Activities	1,634,591,353.42	-73,110,503.52	-2,335.78%
Net Increase in Cash and Cash Equivalents	203,487,170.85	-54,206,934.45	-475.39%

Note to the year-on-year change of the relevant data

1. Cash inflows from investment decreased mainly due to the decrease of available purchasing financial

products.

2. Cash inflows from financing increased mainly due to increasing registered capitals from CNDI and newly loans.
3. Cash outflows from financing decreased mainly due to increase of repayment due loans.

Significant Difference between Cash Flows from Operating Activities and Net Profit in Reporting Period

Applicable Inapplicable

III. Non-core Business Analysis

Applicable Inapplicable

Unit: RMB

	Amount	Ration in Profit	Explanation	Sustainable (yes or no)
Investment Income	33,786,630.43	46.69%	Investment income from associated companies and financing income	N/A
impairment of assets	-98,698.65	-0.14%		N/A
Non-operating income	9,294,068.84	12.84%	government grants, tax relief, disposal of fixed assets, liquidated damages and fines	N/A
Non-operating expenditure	2,950,166.24	4.08%	disposal of fixed assets, compensation, confiscation of expenditure	N/A

IV. Analysis on Assets and Liabilities

1. Significant Changes in Assets

Unit: RMB

	December 31, 2016		December 31, 2015		Change (%)	Note
	Amount	Ratio in Total Assets (%)	Amount	Ratio in Total Assets (%)		
Cash and Cash Equivalents	524,609,097.58	6.95%	321,121,926.73	5.69%	1.26%	Increasing Blogis registered capitals from CNDI and newly added loans
Accounts Receivable	43,862,804.61	0.58%	50,257,814.22	0.89%	-0.31%	
Inventories	961,855.72	0.01%	914,543.44	0.02%	-0.01%	
Investment Real Estate	1,606,049,338.07	21.27%	1,425,593,724.71	25.26%	-3.99%	
Long-term Investment on Stocks	602,194,915.06	7.98%	582,600,360.74	10.32%	-2.34%	
Fixed Assets	877,096,096.64	11.62%	842,722,056.06	14.93%	-3.31%	
Construction-in-progress	601,906,964.62	7.97%	368,965,477.50	6.54%	1.43%	construction payment for Bingang, Jiaozhou, Jiaxin and Jinmu Caoye
Short-term Borrowings	850,000,000.00	11.26%	300,000,000.00	5.32%	5.94%	increased funds demand caused by

						increasing development speed of the logistics parks
Long-term Borrowings	1,186,288,100.45	15.71%	489,834,250.45	8.68%	7.03%	increased funds demand caused by increasing development speed of the logistics parks, resulted in increasing long-term borrowings from bank and Zhongkai Financial

2. Assets and Liabilities Measured at Fair Value

Applicable Inapplicable

3. Asset Rights Restrictions at the End of the Reporting Period

Applicable Inapplicable

V. Investment

1. General

Applicable Inapplicable

Investment in 2016 (RMB)	Investment in 2015 (RMB)	Changes (%)
1,011,241,264.21	144,241,585.00	601.07%

2. Significant Equity Investment in the Report Period

√ Applicable □ Inapplicable

Company	Main Business	Investment Mode	Amount (RMB)	Equity Ratio	Fund Resource	Partner	Term of Investment	Product	Progress	Estimated Profit	Profit in the Report Period	Lawsuit	Disclosure Date	Disclosure Index
Jiaxin	Warehouse, Loading & Unloading Services	Newly Set	230,000,000.00	90.00%	Self-raised	Jiaxin Modern Logistics Investment Development Company	Open-ended	Logistics Services	Preparatory Period	-	-80,860.04	N/A	2016.10.15	Securities Times, Hong Kong Commercial Daily and website of http://www.cninfo.com.cn
Dianzhong Baowan	Warehouse, Loading & Unloading Services	Newly Set	200,000,000.00	100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-	-75,213.75	N/A	2016.12.23	
Yuyao	Warehouse, Loading & Unloading Services	Newly Set	100,000,000.00	100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-	-934,325.94	N/A	2016.01.13.	
Luohuang	Warehouse, Loading & Unloading Services	Newly Set	80,000,000.00	100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-	-29,033.39	N/A	2016.03.23	
Yuhua	Warehouse, Loading & Unloading Services	Newly Set	14,000,000.00	100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-	-5,115.74	N/A	2016.8.16	
Xiaogan	Warehouse, Loading & Unloading Services	Newly Set		100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-		N/A	2015.12.18	
Xinjin	Warehouse, Loading & Unloading Services	Newly Set		100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-		N/A	2016.01.13	
Sanshui	Warehouse, Loading & Unloading Services	Newly Set		100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-		N/A	2016.08.04	
Nanghai	Warehouse, Loading & Unloading Services	Newly Set		100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-		N/A	2016.08.16	
Deqing	Warehouse, Loading & Unloading Services	Newly Set		100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-		N/A	2016.08.16	
Wangcheng	Warehouse, Loading & Unloading Services	Newly Set		100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-		N/A	2016.08.16	
Ningbo	Warehouse, Loading & Unloading Services	Newly Set		100.00%	Self-raised	N/A	Open-ended	Logistics Services	Preparatory Period	-		N/A	2016.08.16	
Jimu Caoye	Warehouse, Loading & Unloading Services	Acquisition	270,110,000.00	100.00%	Self-raised	N/A	Open-ended	Logistics Services	Construction	-	-2,031,066.23	N/A	2015.12.18	
Tianjin Haier	Warehouse, Loading & Unloading Services	Acquisition	117,124,048.28	100.00%	Self-raised	N/A	Open-ended	Logistics Services	Operation	-	250,029.96	N/A	2016.08.31	
Total	--	--	1,011,241,264.21	--	--	--	--	--	--	0.00	-2,905,585.13	--	--	--

Note: The Company holds above-mentioned companies through Blogis Holding.

3. Significant Non-equity Investment in the Report Period

Applicable Inapplicable

4. Financial Assets Investment**(1) Securities Investment**

Applicable Inapplicable

(2) Derivatives Investment

Applicable Inapplicable

5. Application of Raised Capital

Applicable Inapplicable

VI. Sales of Major Assets and Equity**1. Sales of Major Assets**

Applicable Inapplicable

2. Sales of Major Equity

Applicable Inapplicable

VII. Analysis of Main Subsidiaries and Investment Companies

Unit: RMB

Company Name	Type	Main Product or Service	Registered Capital	Total Asset	Net Asset	Operating Revenue	Operating Profit	Net Profit
Shanghai Baowan	Subsidiary	Warehouse, loading and unloading services	160,000,000.00	266,146,597.47	205,654,962.97	96,211,868.18	63,465,387.60	47,598,079.31
Guangzhou Baowan	Subsidiary	Warehouse, loading and unloading services	150,000,000.00	411,351,923.68	151,388,370.45	53,927,012.44	14,850,824.47	11,271,292.19
Tianjin Baowan	Subsidiary	Warehouse, loading and unloading services	150,000,000.00	443,596,463.13	153,077,300.13	50,644,808.78	16,636,083.04	12,815,263.50
Kunshan Baowan	Subsidiary	Warehouse, loading and unloading services	120,000,000.00	221,659,083.22	131,371,836.27	58,052,168.04	30,472,814.01	23,457,262.09
Langfang Baowan	Subsidiary	Warehouse, loading and unloading services	90,000,000.00	198,720,816.06	91,450,605.97	28,893,780.25	7,471,302.47	5,732,884.10
Xindu Baowan	Subsidiary	Warehouse, loading and unloading services	60,000,000.00	129,503,996.84	60,647,250.99	27,300,435.15	10,544,057.70	8,438,995.18
Longquan Baowan	Subsidiary	Warehouse, loading and unloading services	100,000,000.00	329,432,519.75	102,630,686.92	63,237,549.03	14,002,519.73	11,734,257.13
Nanjing Baowan	Subsidiary	Warehouse, loading and unloading	130,000,000.00	243,311,152.71	130,158,419.29	33,853,031.51	11,685,026.34	9,157,775.68

		services						
Shanghai Mingjiang	Subsidiary	Warehouse, loading and unloading services	120,000,000.00	302,547,242.44	126,921,008.58	56,859,963.01	28,144,996.28	21,310,968.91
Wuhan Baowan	Subsidiary	Warehouse, loading and unloading services	100,000,000.00	345,669,629.01	89,393,348.45	31,898,179.00	1,165,492.64	2,333,870.08
Nantong Baowan	Subsidiary	Warehouse, loading and unloading services	200,000,000.00	219,353,051.50	200,366,247.62	13,810,723.58	4,052,051.02	3,044,514.50
CSE	Investment Company	Manufacturing steel products for offshore engineering, etc.	253,386,000.00	1,591,801,150.10	1,489,793,979.84	567,812,267.19	90,420,187.04	80,981,754.16
CPEC	Investment Company	Providing equipment maintenance services	22,845,500.00	17,860,577.68	3,434,111.55	17,214,499.80	-11,576,675.59	-12,129,230.21
Zhongkai	Investment Company	Financial business	500,000,000.00	5,692,457,664.41	603,310,665.92	87,423,548.09	58,350,938.62	45,075,188.07

Acquisition and Disposal of Subsidiaries in the Report Period

√ Applicable □ Inapplicable

Name	Method of Acquisition and Disposal of Subsidiaries	Impact on Operation
Jiixin Supply Chain	Newly Set	In the preparatory period
Dianzhong Baowan	Newly Set	In the preparatory period
Yuyao Baowan	Newly Set	In the preparatory period
Luohuang Baowan	Newly Set	In the preparatory period
Yuhua Baowan	Newly Set	In the preparatory period
Xiaogan Baowan	Newly Set	In the preparatory period
Xinjin Baowan	Newly Set	In the preparatory period
Sanshui Baowan	Newly Set	In the preparatory period
Nanghai Baowan	Newly Set	In the preparatory period
Deqing Baowan	Newly Set	In the preparatory period
Wangcheng Baowan	Newly Set	In the preparatory period
Ningbo Baowan	Newly Set	In the preparatory period
Jinmu Caoye	New Subsidiary by Assets Acquisition	In the preparatory period
Tianjin Haier	Business Combinations not under Common Controller	affected consolidated net profit of RMB 622,817.61

Explanation of Main Subsidiaries and Joint-ventured Companies: Find the details in I. General of Part IV Business Discussion and Analysis.

VIII. Structured Bodies Controlled by the Company

□ Applicable √ Inapplicable

IX. Future Prospect of the Company**1. Competition Pattern and Development Trend****(1) Offshore Oil Logistics Services**

The international oil price has kept falling, which would make offshore oil and oil service companies adjust their oil exploitation plan and reduce production. Meanwhile, with the operation of CNOOC Huizhou production base, it will bring great impact to operation of the oil logistics services. It is estimated that some warehouses and storage yard of Chiwan Base will be idled and operation of loading and unloading services will still shrink in 2017. Promoted by national policies, new business of Chiwan yard is gradually stepping into the track, but the profitability needs to be improved.

(2) Blogis Business

In 2016, logistics industry grew steadily. It was more difficult for the company to take land and the intensified competition resulted the loss of customers. The Company will create new business including e-commerce distribution and enhance the cooperation intention between local government and the Company.

2. Development Strategy

The Company is committed to be logistic enterprise with outstanding scale logistics parks throughout major cities as well as various logistics services and be industrial leader in domestic petroleum logistics services and integrated logistics services with continuous value creation for customers, shareholders, employees and society.

(1) Offshore Oil Logistics Business

The Company will seize the opportunity of “Qianhai Shekou FTA” to accelerate the transformation and upgrading of offshore oil logistics business; continuously optimize marketing work and create new business mode. In 2017, the Company will focus the following work: exploring upgrading program for offshore oil logistics business and creating new business mode; making research of other outstanding park service provider.

Chengdu oil and gas base will strive to build as an international energy innovation and cooperation park.

(2) Blogis Business

Next three to five years the Company would accelerate the layout of logistics park network, covering main cities all over the country with comprehensive and integrated logistics services system to develop into industrial leading company with core competitiveness of large-scale logistics park network, high-level integrated logistics services.

3. Operation Plan

2017 will be the critical period of China's economic restructuring and upgrading, the new normal such as economic growth decline and structural adjustment will also further form greater impacts on the development of various industries. In such a large environmental background, the company's two core businesses are facing both promising development opportunities and challenges at the same time. To achieve the planned objectives, the company will focus on the development theme of "sustainable innovation, increase income and reduce expenditure", and complete following work in the management:

Offshore Oil Logistics businesses: to speed up the transformation and upgrading and development of new businesses and realize the steady growth of traditional businesses simultaneously, take the park operations as the development positioning, focus on promoting new projects planning, new clients investment and new projects landing;

BLOGIS logistics business: to speed up and optimize development and engineering construction of new projects, strengthen the business development and large customer management, and maintain the sustained and healthy development of BLOGIS logistics business.

4. Capital Requirement, Sources of Funds and the Usage Plan

On the premise of normal daily operations, the Company's demanded capital will be applied to land purchase, development and construction of Baowan logistics parks as well as other projects through mergers, acquisition or joint-venture, to ensure the steady development of the Company's main business. The capital demands are planned to be resolved by way of equity fund, bank financing and returned funds from scrolling project investments.

5. The Risk and Measures for Future Development

Under the circumstance of China's economic long-lasting healthy performance, two core businesses of the Company would be expected to be more prosperous in future as well as the challenges and external risks ahead.

Speeding up land acquisition is main foundation to the Company's long-term development. However, under the background of joining of other developing agents and expanding domestic demand for lands, competition for lands will be intensified.

The expansion of business scale along with larger capital requirement could lead to higher asset-liability ratio and debt costs. The coexistence of slowdown in China's economic growth and inflation pressures, combined with the rising cost of elements such as domestic land, labor, construction materials, and fuel would greatly effect on the company profitability.

There is a need for highly-quality talent and competitive salaries and welfares system to realize the strategic targets on the path of company's rapid growing. Combined with the development of internet and financial industry and logistics, the transform of development cooperation of cross-border joint, competition and business mode may likely change the profit mode of logistics industry.

The Company plans to carry out the following measures to achieve future development:

To strengthen immediate study of macro economy, policy trend and industrial development; continue to strengthen centralized management of funds, improve efficiency of funds and reduce financial cost; At the same time actively study and explore diverse financing way; to strengthen the research of extended business, management and incentive mechanism construction; continue to improve leading service management standardization system of the industry; on the basis of guarantee of project quality, to strongly promote progress plan, optimize engineering management cost and explore new mode of project management; to further strengthen the construction and cultivation of talents, establish a training system of capacity improvement.

X. Reception, Research and Interview in the Report Period

Time	Method	Type of Visitors	Disclosure Index
2016.01.21	Field Research	Individual	www.cninfo.com.cn (Investor Relations Record No. 2016-01)
2016.05.16	Field Research	Institute	www.cninfo.com.cn (Investor Relations Record No. 2016-02)
2016.07.13	Field Research	Institute	www.cninfo.com.cn (Investor Relations Record No. 2016-01) www.cninfo.com.cn (Investor Relations Record No. 2016-03)
2016.07.29	Field Research	Institute	www.cninfo.com.cn (Investor Relations Record No. 2016-04)
2016.11.18	Field Research	Institute	www.cninfo.com.cn (Investor Relations Record No. 2016-05)
2016.11.23	Field Research	Institute	www.cninfo.com.cn (Investor Relations Record No. 2016-06)
Reception Times			6
Reception Institution Time			5
Reception Individual Time			1

Other				0
Whether information	disclosing	undisclosed		N/A

PART V Significant Events

I. Dividends Distribution

Implementation and Adjustment of Dividend and Cash Distribution Policy

Applicable Inapplicable

According to the requirements of the Shenzhen Securities Regulatory Commission and actual situation, 11th Telecommunication Meeting of 6th Board and the Second Extraordinary Shareholders' Meeting in 2012 has reviewed and approved the proposal on Revision of Articles of Association, which clearly defined allocation principle and forms of profit distribution, proportion and condition of cash dividends, decision procedures and so on.

During the course of demonstration and revision, independent directors have published independent opinions on argumentation report for returns planning for shareholders. The Company also offered many method such as telephone, email for small shareholders' opinions, which ensured the legitimate rights and interests of small or middle shareholders.

The dividends distribution policy has no changed in report period.

Special Statement About the Cash Dividend Policy	
In compliance with the Company's Articles of Association and the resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors fulfilled their responsibilities and played their due role	Yes
Minority shareholders have the chance to fully express their opinion and desire, and their legal rights and interests were fully protected	Yes
In adjustment or alteration of the cash dividend policy, the conditions and procedures were in compliance with regulations and transparent.	Inapplicable

Dividend distribution scheme for last 3 years

1. Dividends Distribution Plan for 2016: The Company has no plan to distribute cash dividend to the whole shareholders.
2. Dividends Distribution Plan for 2015: The Company has no plan to distribute cash dividend to the whole shareholders.
3. Dividends Distribution Plan for 2014: Based on the total shareholders of 230,600,000 dated on December 31, 2014, the Company distributed cash dividend to all shareholders at RMB 1.29 (including tax) for every 10 shares amounted to RMB 29,747,400.00 in total.

Cash dividend distributions for the last three years

Unit: RMB

Year	Cash Dividends Tax Included	Net Profit Attributed to Common Shareholders of the Company in Consolidated Statement for the	Ratio of Cash Dividend to Net Profit Attributable to Common Shareholders of the Company in Consolidated Statement	Cash Dividend in Other Forms	Ratio of Cash Dividend in Other Forms

		Year	(%)		
Y 2016	0.00	1,918,066.81	0.00%	0.00	0.00%
Y2015	0.00	91,644,920.49	0.00%	0.00	0.00%
Y2014	29,747,400.00	218,544,184.50	13.61%	0.00	0.00%

In the report period, the Company's profit and profit available for distribution of parent company are both positive, but the Company does not distribute cash dividend.

Applicable Inapplicable

II. Pre-plan for Dividend Distribution and Turning Capital Reserve to Share Capital in the Report Period.

Applicable Inapplicable

The Company has no plan to distribute cash dividend to the whole shareholders, nor turn capital reserve to share capital.

III. Implementation of commitments

1. The commitments of the Company, its shareholders, actual controller, directors, supervisors, senior management and other related parties fulfilled in the report period or ongoing at period-end.

Applicable Inapplicable

Commitments	Promisee	Type	Content	Beginning	Time Limit	Status
Other Commitments	Nanshan Group	Other Commitment	to land use	1997-7-18	25 Years	On duty
	Nanshan Group	Other Commitment	to resolve payment difficulties in opening the Finance Limited	2014-1-06	3 Yeas	Fulfilled
	The Company	Other Commitment	to provide regular monthly financial reports to the controlling shareholder	2007-10-25	Long term effective	On duty
	The Company	Commitment for Raised Funds	About the issue of "medium-term notes for 2012" Commitment	2012-3-7	5 Years	Fulfilled
	The Company	Other Commitment	About the issue of "12 base debt" commitment	2013-01-09	7 Years	On duty
Fulfilling commitments timely	Yes					

2. Whether there had been an earnings forecast for an asset or project and the report period was still within the forecast period, explain why the forecast has been reached for the report period.

Applicable Inapplicable

IV. Non-operation Oriented Fund Occupancy by the Controlling Shareholder and/or Related Parties

Applicable Inapplicable

V. Notes of the Board of Directors, the Board of Supervisors and Independent Directors on the Unqualified Auditor's Report Issued by CPAs.

Applicable Inapplicable

VI. Changes in Accounting Policy, Accounting Estimation and Way of Accounting in Comparison with the Latest Annual Report

Applicable Inapplicable

VII. Retrospective Restatement Necessary for Correction of Significant Accounting Errors during the Report Period

Applicable Inapplicable

VIII. Changes in Range of the Consolidated Statements in Comparison with the Financial Report of the Previous Year.

Applicable Inapplicable

14 new subjects are combined into consolidated financial statement as follows:

Blogis Supply Chain Management (Jiaying) Co., Ltd, Yunnan Dianzhong Baowan Logistic Co., Ltd., Yuyao Baowan International Logistic Co., Ltd., Chongqing Luohuang Baowan International Logistic Co., Ltd., Changsha Yuhua Baowan Logistic Co. Ltd., Xiaogan Baowan Logistic Co., Ltd., Chengdu Xinjin Baowan International Co.,Ltd., Foshan Sanshui Baowan Logistic Co., Ltd., Foshan Nanhai Baowan Logistic Co., Ltd., Deqing Baowan International Co. Ltd., Changsha Wangcheng Baowan Logistic Co., Ltd., Ningbo Baowan International Logistic Co., Ltd., Beijing Jinmu Caoye Co., Ltd. Tianjin Haier Assets Management Ltd.

IX. Engagement/ Disengagement of Certified Public Accountants

Certified Public Accountants Currently Engaged

Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration (RMB Million)	1.23
Successive Years Offering Auditing Services	5
Names of the Certified Public Accountants	Li Weihua, Jiang Qishen

Has the CPAs been changed in the report period

Yes No

Description of the CPAs, financial adviser or sponsor engaged for internal control auditing.

Applicable Inapplicable

In the report period, the Company appointed Deloitte Touche Tohmatsu CPA as internal control auditor for 2016 with audit expense of RMB 460,000.

X. The Suspension or Termination of Listing

Applicable Inapplicable

XI. Bankruptcy and Recombination

Applicable Inapplicable

XII. Significant Lawsuits and Arbitration Affairs

Applicable Inapplicable

In the report period, there are no significant lawsuit or arbitration affairs.

Other lawsuit

Basic Information	Involved Amount ('0000)	Whether forming estimated liabilities	Progress	Result and influence	Arbitration Execution	Disclosure Date
Ming Jiang Baowan's construction contract dispute appealed by China Building and Technology Group LTD.	4,349.66	N/A	First Trial	-	-	-
Construction dispute of Chixiao Engineering construction Ltd., and the Company appealed by Shenzhen Lingnan Building and Engineering Ltd	143.98	N/A	First Trial	-	-	-

XIII. Punishment and Rectification

Applicable Inapplicable

XIV. Honesty Condition of the Company and the Controlling Shareholders and Actual Controller

Applicable Inapplicable

XV. Execution of the Equity Incentive Plan, Employee Stock Ownership Plan or Other Incentive Measures for Employees of the Company.

Applicable Inapplicable

XVI. Significant Related Transactions

1. Related transactions Involving Daily Operation

Transaction Party	Relationship	Type of Related Transaction	Contents	Pricing Principle	Price (Unit: RMB Million)	Amount (Unit: RMB Million)	Ratio of Same Type of Transaction (%)	Approved Transaction Amount (Unit: RMB Million)	Whether Exceeded the Approved Amount	Settlement	Market Price (Unit: RMB Million)	Disclosure Date	Disclosure Index
Nanshan Group	Parent Company	Providing Services	Renting Office and Maintenance Services	Market Price	10.19	10.19	32.88%	8.73	Yes	Bank Settlement	10.19	2016.04.26	Securities Times, Hong Kong Commercial Daily, www.cninfo.com.cn
Nanshan Group	Parent Company	Receiving Services	Renting Land and Building, Receiving Power Supply	Market Price	5.21	5.21	16%	5.27	Yes	Bank Settlement	5.21	2016.04.26	Securities Times, Hong Kong Commercial Daily, www.cninfo.com.cn
Total				--	--	15.40	--	14.00		--	--	--	--
Large Amount Return of Goods				N/A									
Where the Company classifies and estimates the total amount of routine related transactions for the report period, explain the actual implementation during the report period.				The Fifth Session of the Seventh Board of Directors approved the amount of RMB 14 million of routine related transactions with Nanshan Group for Year 2016. The actual amount of routine related transactions for Year 2016 is RMB 15.40 million, in which the amount of providing services is RMB 10.19 million and receiving services is RMB 5.21 million.									
Explain why the transaction price is greatly different from the market price				Inapplicable									

2. Related Transactions of Assets Acquisition and Sales

Applicable Inapplicable

3. Important Related Transactions of Joint Investment

Applicable Inapplicable

Investor Party	Associated Relationship	Pricing Principle	Investee Name	Main Business of Investee	Registered Capital '0000	Total Assets '0000	Net Assets '0000	Net Profit '0000
CNDI	Controlled Shareholder	Increase registered capital of Blogis Holding by shareholding	Blogis Holding	Investment in logistics industry, trade industry and related investment consulting,	250,000	583,507	376,642	13,098
Progress of Projects Under Construction								

4. Connected Claims and Liabilities

Applicable Inapplicable

Did there exist any non-operational related rights of credit and liabilities

Yes No

5. Other Important Related Transaction**(1) Related Transaction of Borrowing from Nanshan Group**

The 3rd Tele-communication Meeting of 8th Board of Directors has approved the Company and Blogis Holding borrowing loans from from Nanshan Group under the limit of RMB 600 million respectively with benchmark lending rate of financial institutions and borrowing term under 1 year. The estimated interest expense is RMB 26.10 million.

The 8th Tele-communication Meeting of 8th Board of Directors has approved the Company, Blogis Holding and its subsidiaries borrowing loans under the limit of RMB 1.2 billion from Nanshan Group respectively with time limit of 3 years. Borrowing rate is not higher than the same period of the benchmark lending rate of financial institutions announced by People's Bank of China. The estimated interest expense is RMB 101.70 million.

(2) Related Transaction of Renewal of Financial Services Agreement with Zhongkai Financial Company

The 10th Tele-communication Meeting of 8th Board of Directors has approved to renew Financial Services Agreement with Zhongkai Financial Company with term of 3 years. It needs to be approved by Shareholders' Meeting.

The Company has set Deposit Risk Disposal Plan and disclosed Risk Assessment Report by Zhongkai. At the end of Dec 31, 2016, the Company has deposit 177.27 million and loans of 724.35 million at Zhongkai.

Disclosure of Important Connected Transaction

Announcement	Disclosure Date	Disclosure Website
Related Transactions of Joint Investment on Increasing Registered Capitals of Blogis	2016.01.13	www.cninfo.com.cn
Related Transaction of Borrowing RMB 600 million from Nanshan Group	2016.08.16	www.cninfo.com.cn
Related Transaction of Borrowing RMB 1.2 billion from Nanshan Group	2016.10.31	www.cninfo.com.cn

Related Transaction of Renewal Financial Services Agreement with Zhongkai Financial Company	2016.12.23	www.cninfo.com.cn
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XVII. Important Contracts and Implementation

1. Custodian, Contracting and Lease

(1) Custodian

Applicable Inapplicable

Entrusted Operation of Hefei Logistics Park

Approved by the sixteenth tele-communication of 6th Board of Directors, Baowan holding was entrusted to operate Hefei logistics park until December 31, 2014. The entrusted management term will automatically extend for 1 year if both parties agree. Until now, Hefei Logistics Park has paid management fees for Y2014 and Y2015 and it needs to pay management fee amounted to RMB 0.46 million for 2016.

(2) Contracting

Applicable Inapplicable

(3) Lease

Applicable Inapplicable

2. Significant Guarantee

Applicable Inapplicable

(1) Guarantee

Unit: RMB'0000

Outward guarantees (excluding guarantee to the subsidiaries)								
Names of Guarantees	Disclosure Date	Guarantee Amount	Date of Occurrence (date of agreement execution)	Actual Amount of Guarantee	Type	Period	Implementation Status	Guarantee to Related Party? (Y/N)
Guarantees to the Subsidiaries								
Names of Guarantees	Disclosure Date	Guarantee Amount	Date of Occurrence (date of agreement execution)	Actual Amount of Guarantee	Type	Period	Implementation Status	Guarantee to Related Party? (Y/N)
Guangzhou Baowan	2013.07.05 2016.01.13	8,565.4	2014.04.18	8,456.95	Irrevocable	15Years	N/A	N
Nanjing Baowan	2013.07.05 2016.01.13	6,499.6	2014.05.28	6,359.84	Irrevocable	15Years	N/A	N
Wuhan Baowan	2014.04.24	19,340	2014.11.03	5,509.42	Irrevocable	15 Years	N/A	N
Blogis Holdings	2016.01.13	60,000	2016.03.29	20,000	Irrevocable	2 Years	N/A	N
Total guarantee quota to the subsidiaries approved in the reporting period (B1)				60,000	Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)		20,000	
Total guarantee quota to the subsidiaries approved at the end of the reporting period (B3)				94,405	Total balance of actual guarantee to the subsidiaries at the end of the reporting period (B4)		40,326.21	
Guarantees Between Subsidiaries								
Names of	Disclosure Date	Guarantee	Date of Occurrence	Actual	Type	Period	Implem	Guarantee

Guarantees		Amount	(date of agreement execution)	Amount of Guarantee			entation Status	to Related Party? (Y/N)
Tianjin Baowan	2016.08.29	20,000	2016.11.03	5,860	General guarantee	3 Months	Yes	N
Total guarantee quota to the subsidiaries approved in the reporting period (C1)		20,000		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)		5,860		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)		20,000		Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)		5,860		
The Company's total guarantee								
Total guarantee quota approved in the reporting period (A1+B1+C1)		80,000		Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)		25,860		
Total guarantee quota already approved at the end of the reporting period (A3+B3+C3)		114,405		Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)		46,186.21		
Actual total guarantee (A4+ B4)/ Net Assets of the Company				26.29%				
In which:								
Guarantee quota for shareholders, actual controller and related parties (D)				0				
Guarantee quota directly and indirectly for companies with asset-liability ratio over 70% (E)				0				
Guarantee quota exceeding 50% of net assets (F)				0				
Total amount of D+E+F				0				

Notes to Guarantee in Complex Method: Inapplicable

(2) Illegal Guarantee

Applicable Inapplicable

3. Entrusted Others for Cash Management

(1) Entrusted Financing

Applicable Inapplicable

Unit: RMB'0000

Trust Party	Connected Transaction	Amount	Beginning Date	Ending Date	Determination of Reward	Actual Revenue in This Report Period	Provision for impairment	Expected revenue	Actual Revenue	Profit and loss in the reporting period
China Merchants Bank	N	2,500	2015.07.23	2016.01.20	cash	2,500		58.27	6.12	Recovered
China Merchants Bank	N	3,000	2015.08.13	2016.02.05	cash	3,000		62.2	12.72	Recovered
China Merchants Bank	N	5,000	2015.12.30	2016.01.06	cash	5,000		2.51	2.51	Recovered
China Merchants Bank	N	4,000	2015.12.30	2016.01.13	cash	4,000		4.35	4.35	Recovered
China Merchants	N	9,000	2015.12.30	2016.03.23	cash	9,000		71.2	71.2	Recovered

Bank										
China Merchants Bank	N	2,000	2016.02.17	2016.03.23	cash	2,000		5.85	5.85	Recovered
China Merchants Bank	N	2,500	2016.02.17	2016.08.10	cash	2,500		25.58	25.58	Recovered
合计		28,000	--	--	--	28,000		229.96	128.33	--
Capital Resource	Short term idle fund									
Unrecovered Principal and Revenue										0
Lawsuit situation	N									
Board Resolution Disclosure Date	2014.04.24、2015.04.30									
Whether or not there is a trust plan in the future	N									

Note: Types of financial products are break –even financing products.

(2) Entrusted Loans

Applicable Inapplicable

4. Other Significant Contracts

Applicable Inapplicable

XIII. Social Responsibility

Applicable Inapplicable

XIX. Other Significant Events

Applicable Inapplicable

1. to invest in Ningbo Yuyao Baowan logistics park (phase I)

Approved by 20th Telecommunication meeting of 7th of the Board, Blogis intends to invest and construct logistics park in Donggang District Terminal in Ningbo Yuyao, covering an area of 300.5 Mu with the initial investment of RMB 312 million. To operate and manage the project, Blogis has registered a new company with the name of Ningbo Yuyao Baowan Logistics Co., Ltd and registration capital of RMB100 million.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on January 13, 2016, January 16, 2016, and May 25, 2016.

2. to invest in Chengdu Xinjin Baowan logistics park

Approved by 20th Telecommunication meeting of 7th of the Board, Blogis intends to invest and construct logistics park in Chengdu Xinjin, covering an area of 208 Mu with the initial investment of RMB 489 million. To operate and manage the project, Blogis has registered a new company with the name of Chengdu Xinjin Baowan Logistics Co., Ltd and registration capital of RMB 80 million.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on January 13, 2016, January 16, 2016, and August 23, 2016.

3. to invest in Chongqing Jiangjin Baowan logistics park

Approved by 21th Telecommunication meeting of 7th of the Board, Blogis intends to invest and construct logistics park in Chongqing Jiangjin, covering an area of 301 Mu with the initial investment of RMB 337 million. To operate and manage the project, Blogis intends to register a new company with the name of Chongqing Jiangjin Baowan Logistics Co., Ltd and registration capital of RMB100 million.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on March 23, 2016, and November 11, 2016.

4. to establish Hubei Baowan Logistics Holding Co., Ltd.

Approved by 24th Telecommunication meeting of 7th of the Board, Blogis intends to register Hubei Baowan Holdings Ltd in Qingshan District in Hunan City with registration capital of RMB100 million. The business license has been obtained.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on June 7, 2016, and February 21, 2017.

5. to invest in Wuhan Baowan Qingshan E-commerce logistics park

Approved by 24th Telecommunication meeting of 7th of the Board, Blogis intends to invest and construct logistics park in Wuhan Qingshan, covering an area of 441 Mu with the initial investment of RMB 1,070 million. To operate and manage the project, Blogis intends to register a new company with the name of Wuhan Qingshan Baowan Logistics Co., Ltd and registration capital of RMB 200 million.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on June 7, 2016.

6. Significant Assets Reorganization

1st Session of 8th Board of Directors and 3rd Extraordinary Shareholders' Meeting in 2016 have approved the proposal on Shenzhen New Nanshan Holdings (Group) issuing A share to absorb and merge Chiwan Base with raising funds. Legal person of Chiwan Base would be terminated and cancelled and meanwhile inherited and carried by New Nanshan Holding if such transaction successful approved. The above mentioned transaction has gained approved by Shenzhen Stock Exchange, State-owned Assets Supervision and Administration Commission and Commerce Ministry.

As the relevant policies involved in this transaction are not yet clear, Nanshan Holding and Chiwan Base need to implement the relevant matters. In view of the above situation, the Board has made prudent studies and has applied for the suspension of examining and verifying this administrative license project to CSRC, after the implementation of relevant matters, the Board will apply for examining and verifying this administrative license project timely.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on July 2, July 16, July 19, July 30, August 2, August 5, August 9, August 12, August 26, October 10, 2016.

7. Holding subsidiary participates in the auction of underlying assets of Guangdong One Hundred Copper Co., Ltd.

The 1st Telecommunication meeting of 8th of Board approved BLOGIS to participate in the auction of underlying assets of Guangdong One Hundred Copper Co., Ltd. BLOGIS successfully won the land use rights (a total area of 353,381.10 m²), buildings (a total area of 156,812.27 m²) and related facilities belonging to Guangdong One Hundred Copper Co., Ltd. which locate at No. 10, Zone C, Central Science and Technology Industrial Park, Leping Town, Sanshui District, Foshan City, Guangdong Province, with transaction price of RMB 263,120,000.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on July 28, 2016 and August 4, 2016.

8. Registration of Foshan Sanshui Baowan International Logistics Co., Ltd.

The 2nd Telecommunication meeting of 8th of Board deliberated and approved to establish Foshan Sanshui BLOGIS International Logistics Co., Ltd. (tentatively named, the specific name is subject to the business registration) in Sanshui District, Foshan City. Foshan Sanshui BLOGIS International Logistics Co., Ltd. has completed the registration, with registered capital of RMB 100 million.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 4, 2016 and August 30, 2016.

9. To invest in Deqing Baowan logistics park

Approved by 3rd Telecommunication meeting of 8th of the Board, Blogis intends to invest and construct logistics park in Deqing Town, Zhejiang Province, covering an area of 200 Mu with the initial investment of RMB 224 million. To operate and manage the project, Blogis has registered a new company with the name of Deqing Baowan Logistics Co., Ltd and registration capital of RMB 50 million. BLOGIS invests with self-raised funds, accounting for 100% stake.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 16, 2016 and October 15, 2016.

10. to invest in Ningbo Fenghua Baowan logistics park project

Approved by 3rd Telecommunication meeting of 8th of the Board, Blogis intends to invest and construct logistics park in Fenghua City, Ningbo, covering an area of 156 Mu with the initial investment of RMB 421 million. To operate and manage the project, Blogis has registered a new company with the name of Ningbo Baowan Logistics Co., Ltd and registration capital of RMB 78 million. BLOGIS invests with self-raised funds, accounting for 100% stake.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 16, 2016 and November 11, 2016.

11. to invest in Changsha (Hexi) Baowan logistics park (phase I) project (Wangcheng BAOWAN)

Approved by 3rd Telecommunication meeting of 8th of the Board, Blogis intends to invest and construct logistics park in Wangcheng Economic and Technological Development Zone, Changsha City, covering an area of 337 Mu with the initial investment of RMB 514 million. To operate and manage the project, Blogis has registered a new company with the name of Wangcheng Baowan Logistics Co., Ltd and registration capital of RMB 100 million. BLOGIS invests with self-raised funds, accounting for 100% stake.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 16, 2016.

12. to invest in Changsha (Yuhua) Baowan logistics park

Approved by 3rd Telecommunication meeting of 8th of the Board, Blogis intends to invest and construct logistics park in Yuhuan District, Changsha City, covering an area of 137 Mu with the initial investment of RMB 366 million. To operate and manage the project, Blogis has registered a new company with the name of Yuhua Baowan Logistics Co., Ltd and registration capital of RMB 100 million. BLOGIS invests with self-raised funds, accounting for 100% stake.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 16, 2016.

13. Holding subsidiary participates in the auction of underlying assets of Guangdong Silver One Hundred Innovative Aluminum Co., Ltd. and invest

The 3rd Telecommunication meeting of 8th of the Board approved the holding subsidiary BLOGIS to participate in the auction of underlying assets of Guangdong Silver One Hundred Innovative Aluminum Co., Ltd. BLOGIS successfully won the underlying assets belonging to Guangdong Silver One Hundred Innovative Aluminum Co., Ltd. which locate at Hongling Road, North District, Science and Technology Industrial Park of Shishan Town, Nanhai District, Foshan City, Guangdong Province, with transaction price of 304,360,000 Yuan, and registered and established Foshan Nanhai Baowan Logistics Co., Ltd., with registered capital of RMB 100 million. BLOGIS is the only investment subject of Foshan Nanhai BLOGIS Logistics Co., Ltd.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 16, 2016 and September 20, 2016.

14. newly added guarantees

Approved by 4th Telecommunication meeting of 8th of the Board and the fourth Extraordinary General Meeting of Shareholders in 2016, the Company intends to offer guarantee to Blogis under the amount of RMB 600 million and to Tianjin Baowan with amount of RMB 200 million offered by Blogis respectively.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 31, 2016 and September 24, 2016.

15. to authorize management to finance within the credit limit of RMB 4.8 billion (or equivalent foreign currency)

The 4th Telecommunication meeting of 8th of the Board and the fourth Extraordinary General Meeting of Shareholders in 2016 deliberated and agreed to adjust the company's credit financing amount to no more than RMB 4.8 billion or equivalent foreign currency, and authorize the management to make financing arrangements within authorization according to the Company's operations.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 31, 2016 and September 24, 2016.

16. to purchase 100% stake of Tianjin Haier Asset Management Co., Ltd.

The 4th Telecommunication meeting of 8th of the Board approved Tianjin Baowan to purchase 100% stake of Tianjin Haier Asset Management Co., Ltd. and continue to operate without further remolding.

Tianjin Haier Asset Management Co., Ltd. has completed the procedures for industrial and commercial registration of changes, Tianjin Baowan has already held 100% stake of Tianjin Haier Asset Management Co., Ltd.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 31, 2016 and November 15, 2016.

17. to purchase 100% stake of Shanghai Xuanpeng Logistics Co., Ltd. and proceed with the follow-up investment

The 4th Telecommunication meeting of 8th of the Board approved Tianjin Baowan to purchase 100% stake of Shanghai Xuanpeng Logistics Co., Ltd. and proceed with the follow-up investment in the construction of Tianjin Wuqing Baowan logistics park project. The initial investment of the project is estimated to be RMB 243 million (including the initial price of 47,083,900 Yuan for purchasing 100% stake of Shanghai Xuanpeng). After completion of this stake purchase, Tianjin Baowan shall obtain 100% stake of Shanghai Xuanpeng's wholly-owned subsidiary Tianjin Xuanhong Warehousing Co., Ltd. (hereinafter referred to as "Tianjin Xuanhong"). Tianjin Xuanhong shall invest in the construction of Tianjin Wuqing Baowan logistics park with self-raised funds, and take charge of the follow-up operations and management of the project.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 31, 2016.

18. to invest in Chongqing Beibei Baowan logistics park

Approved by 4th Telecommunication meeting of 8th of the Board, Blogis intends to invest and construct logistics park in Beibei District, Chongqing City, covering an area of 349 Mu with the initial investment of RMB 457 million. To operate and manage the project, Blogis intends to register a new company with the name of Beibei Baowan Logistics Co., Ltd and registration capital of RMB 100 million. BLOGIS invests with self-raised funds, accounting for 100% stake.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 31, 2016.

19. to increase investment for Beijing Shunyi logistics park

The 4th Telecommunication meeting of 8th of the Board deliberated and approved to increase investment of RMB 21.12 million for Beijing Shunyi logistics park, and total reconstruction cost amounts to RMB 35.11 million after adjustment.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 31, 2016.

20. to jointly set up Shenzhen Baowan Wangcang Supply Chain Management Co., Ltd.

The 4th Telecommunication meeting of 8th of the Board deliberated and approved BLOGIS Holdings Limited to jointly invest and establish Shenzhen BLOGIS Net Warehouse Supply Chain Management Co., Ltd. with Zhejiang Net Warehouse Technology Co., Ltd. and Shenzhen Huishen Equity Investment Partnership (limited partnership).

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 31, 2016.

21. Invest in Jiabao logistics park project

The 7th Telecommunication meeting of 8th of the Board deliberated and approved BLOGIS Holdings Limited and its wholly-owned subsidiary China Huitong (Hong Kong) Co., Ltd. (hereinafter referred to as "Huitong Hong Kong") to jointly invest in the development and construction of Jiabao logistics park project in Jiaxing City. This project plans to use 618 mu of lands, and the initial total investment is estimate to be RMB 933 million, of which BLOGIS Holdings Limited invests RMB 559.8 million, accounting for 60% stake; Huitong Hong Kong invests RMB 279.9 million, accounting for 30% stake; Jiaxing Logistics Park invests RMB 93.30 million, accounting for 10% stake.

Jiaxing Supply Chain Management has registered capital of RMB 230 million (including offshore RMB of 69 million Yuan), of which BLOGIS Holdings Limited invests RMB 138 million by self-raised cash, accounting for 60% stake; Huitong Hong Kong invests offshore RMB 69 million by self-raised cash, accounting for 30% stake; Jiaxing Logistics Park invests RMB 23 million in cash, accounting for 10% stake. This company will take charge of the operations and management of Jiabao logistics park.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on October 15, 2016 and November 4, 2016.

22. Invest in Kunming Baowan logistics park project

Approved by 10th Telecommunication meeting of 8th of the Board, Blogis intends to invest and construct logistics park in Dianzhong New Area, Kunming City, covering an area of 214 Mu with the initial investment of RMB 481 million. To operate and manage the project, Blogis has registered a new company with the name of Dianzhong Baowan Logistics Co., Ltd and registration capital of RMB 200 million. BLOGIS Holdings Limited invests with self-raised funds, accounting for 100% stake.

See details in the company's announcement published on Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> on August 31, 2016 and December 29, 2016.

XX. Significant Events of Subsidiaries

Applicable Inapplicable

Please find the details in XIX. Other Significant Events.

PART VI Changes in Capital Stock and Shareholders

I. Changes in Capital Stock

1. Changes in Capital Stock

Unit: Share

	Before Changes		Changes in Shares (+, -)					After Changes	
	Shares	Ratio	New Shares Issued	Bonus Shares	Conversion of Reserves to Shares	Others	Subtotal	Shares	Ratio
1.Non-tradable Shares	119,420,000	51.79%						119,420,000	51.79%
a. Promoters' Shares	119,420,000	51.79%						119,420,000	51.79%
Ownership by Domestic Legal Entities	119,420,000	51.79%						119,420,000	51.79%
2.Tradable shares	111,180,000	48.21%						111,180,000	48.21%
B shares	111,180,000	48.21%						111,180,000	48.21%
3.Total	230,600,000	100%						230,600,000	100%

Reason of Changes in Capital Stock

 Applicable Inapplicable

Approval of Changes in Capital Stock

 Applicable Inapplicable

Transfer of Change in Capital Stock

 Applicable Inapplicable

Change in capital stock's impacts on basic EPS and diluted EPS in recent year and recent issue, and net assets per share attributed to equity shareholder and financial index etc.

 Applicable Inapplicable

Other contents were necessary to the Company or the securities regulators required to be disclosed.

 Applicable Inapplicable

2. Changes of Non-tradable Shares

 Applicable Inapplicable

Unit: Share

Name of Shareholder	Non-tradable Shares at the Beginning of Y2016	Releasing Non-tradable Shares in the Report Period	Increasing Non-tradable Shares in the Report Period	Non-tradable Shares at the End of Y2016	Restricted Reason	Date of Releasing Non-tradable Shares
Fan Zhaoping	8,700	18,750	0	0	Senior management locking shares	2016/7/11
Yu Zhongxia	48,887	0	0	48,887	Senior management locking shares	-

Zhang Xiang	48,530	0	0	48,530	Senior management locking shares	-
Total	106,117	18,750	0	97,417	--	--

II. Issuing and Listing

1. Issuance of Securities during the Report Period

Applicable Inapplicable

2. Changes of Total Shares, Shareholders' Structure, Asset and Liability Structure

Applicable Inapplicable

3. Shares Holding by Employees

Applicable Inapplicable

III. Shareholders and Actual Controller

1. Particulars about Shareholders and Shares Holding

Unit: Share

Name	Nature	Ratio (%)	Total Shares Held	Shares Held Change	Non-tradable Shares Held	Tradable Shares Held	Impawned or Frozen Shares	
							Status	Shares
CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION	Domestic Legal Person	51.79%	119,420,000	0	119,420,000	0		0
China Logistics Holding(12) PTE.LTD.	Foreign Legal Person	19.90%	45,890,000	0		45,890,000	-	Unknown
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign Legal Person	1.77%	4,079,809	1,537,768		4,079,809	-	Unknown
CHINA MECHANTS SECURITIES (HONGKONG) LTD	State-owned Legal Person	1.66%	3,836,054	221,830		3,836,054	-	Unknown
Shenwan Hongyuan Securities (H.K.) Limited	Foreign Legal Person	1.20%	2,777,639	2,550,378		2,777,639	-	Unknown
HUANG YINGBIN	Domestic Natural Person	1.00%	2,304,198	2,304,198		2,304,198	-	Unknown
YU ZHIXIANG	Domestic Natural Person	0.60%	1,373,939	1,026,839		1,373,939	-	Unknown
Haitong International Securities Company Limited-Account Client	Foreign Legal Person	0.53%	1,230,366	1,230,366		1,230,366	-	Unknown
GREENWOODS CHINA ALPHA MASTER FUND	Foreign Legal Person	0.43%	984,693	0		984,693	-	Unknown
LI WEI	Domestic Natural Person	0.27%	617,705	17,705		617,705	-	Unknown
Strategic Investors of General Legal Person		N/A						

Become Top Ten Shareholders Due To Share Issued s (if any)			
Explanation for the Affiliated Relations or United Action of the Top Ten Shareholders	Among the top ten shareholders, the domestic legal entity shareholder, China Nanshan Development (Group) Incorporation has no affiliated relations with other shareholders and does not fall into the scope of united action person stipulated by "Regulation of Information Disclosure of the Change of Shareholding of listed company". It is unknown that whether other tradable-share shareholders fall into the scope of united action person.		
Top Ten Tradable Shareholders			
Name	Tradable Shares Held	Share Type	
		Type	Shares
China Logistics Holding(12) PTE.LTD.	45,890,000	B	45,890,000
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,079,809	B	4,079,809
CHINA MECHANTS SECURITIES (HONGKONG) LTD	3,836,054	B	3,836,054
Shenwan Hongyuan Securities (H.K.) Limited	2,777,639	B	2,777,639
HUANG YINGBIN	2,304,198	B	2,304,198
YU ZHIXIANG	1,373,939	B	1,373,939
Haitong International Securities Company Limited-Account Client	1,230,366	B	1,230,366
GREENWOODS CHINA ALPHA MASTER FUND	984,693	B	984,693
LI WEI	617,705	B	617,705
SUN HUNG KAI INVESTMENT SERVICES LTD	592,412	B	592,412
Statement on Associated Relationship or Consistent Action among the Above Shareholders	It is unknown that whether other tradable-share shareholders fall into the scope of united action person.		
Remarks on Top Ten Shareholders Involved in Securities Margin Trading	N/A		

Whether shareholders appointed repurchase transaction during reporting period

Yes No

2. Controlling Shareholder

Characteristic of Controlling Shareholder: Uncertain

Type of Controlling Shareholder: Legal Entity

Name	Legal Representative	Establishing Date	Uniform Social Credit Code	Main Business
China Nanshan Development (Group) Incorporation	Wang Zhixian	September 28, 1982	91440300618832976D	Land development, port service and transportation, as well as related industry, commerce, real estate and tourism and bonded warehouse.
Equity in other domestic and foreign listed companies held by the controlling shareholder by means of control and mutual shareholding in the reporting period	32.52% equity in Chiwan Wharf (000022) and 75.78% equity in New Nanshan Holding (002314).			

Change of Controlling Shareholder in the Report Period

Applicable Inapplicable

3. Actual Controller

Characteristic of Actual Controller: Domestic Organization

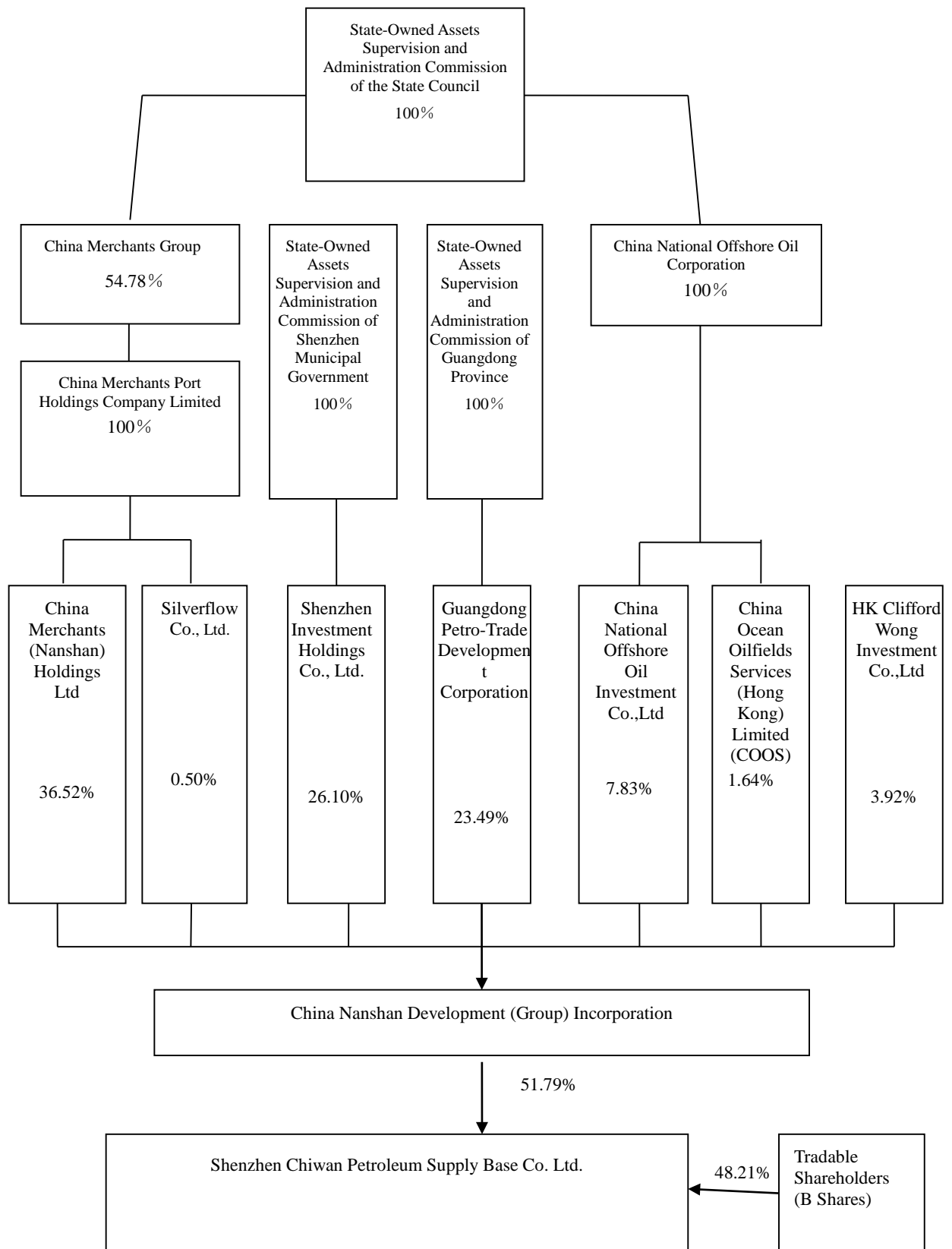
Type of Actual Controller: Legal Entity

Name	Legal Representative	Establishing Date	Uniform Social Credit Code	Main Business
China Nanshan Development (Group) Incorporation	Wang Zhixian	September 28, 1982	691440300618832976D	Land development, port service and transportation, as well as related industry, commerce, real estate and tourism and bonded warehouse.
Controlling other domestic and foreign listed companies held by actual shareholding in the reporting period	75.78% equity in New Nanshan Holding (002314).			

Change of Actual Controller in the Report Period

Applicable Inapplicable

Chart of Actual Controller and the Company



Actual Controller controlled the Company by trust or other asset management method.

□ Applicable √ Inapplicable

4. Other shareholders with more than 10% shares

Shareholder's Name	Legal Representative	Establishing Date	Registered Capital	Main Business
CHINA LOGISTICS HOLDING(12) PTE. LTD	Mark Tan	2010.11.11	USD 100	Industrial and Equity Investment

IV. The Restricted Underweight of the Shares of Controlling Shareholder, Actual Controller, Restructuring Parties and the Other Committed Party

Applicable Inapplicable

PART VII Particulars about Preferred Share

Applicable Inapplicable

PART VIII Directors, Supervisors, Senior Management and Staff

I. Changes of Shares held by Directors, Supervisors and Senior Management

Name	Position	Office Status	Gender	Age	Starting Date of Tenure	Expiry Date of Tenure	Shares Held on Jan 1, 2016	Increase	Decrease	Other Change	Shares Held on Dec 31, 2016
Tian Junyan	Chairman	In Office	Male	55	2010.05.13		0	0	0	0	0
Zhuge Wenjing	Vice Chairman	In Office	Female	39	2016.06.28		0	0	0	0	0
Wang Shiyun	Director/ GM	In Office	Male	50	2015.06.30		0	0	0	0	0
Zhang Jianguo	Director	In Office	Male	52	2016.06.28		0	0	0	0	0
Chen Lei	Director	In Office	Male	40	2016.06.28		0	0	0	0	0
Chen Hong	Director	In Office	Male	57	2016.06.28		0	0	0	0	0
Shu Qian	Director	In Office	Male	40	2013.05.20		0	0	0	0	0
He Liming	Independent Director	In Office	Male	63	2013.05.20		0	0	0	0	0
Chen Weijie	Independent Director	In Office	Male	66	2013.05.20		0	0	0	0	0
Chen Shujun	Independent Director	In Office	Male	49	2013.05.20		0	0	0	0	0
Yu Xiufeng	Independent Director	In Office	Male	52	2013.05.20		0	0	0	0	0
Li Weihong	Supervisor Convenor	In Office	Male	49	2016.06.28		0	0	0	0	0
Zeng Jun	Supervisor	In Office	Male	48	2016.06.28		0	0	0	0	0
Shang Yuexiang	Supervisor	In Office	Male	53	2016.06.28		0	0	0	0	0
Song Huibin	Supervisor	In Office	Male	51	2016.06.28		0	0	0	0	0
Sun Yuhui	Employee Supervisor	In Office	Female	42	2013.05.20		0	0	0	0	0
Cai Lirong	Employee Supervisor	In Office	Female	42	2016.06.28		0	0	0	0	0
Wang Jianjiang	Deputy GM	In Office	Male	59	2011.02.21		0	0	0	0	0
Yu Zhongxia	Deputy GM/ Financial Controller/Board Secretary	In Office	Female	53	2011.11.21		65,182	0	0	0	65,182
Zhang Xiang	Deputy GM	In Office	Male	52	2014.04.22		64,706	0	0	0	64,706
Fan Zhaoping	Director	Out of Office	Male	62	2010.05.13	2016.01.07	27,450	0	27,450	0	0
Mingzhi Mei	Vice Chairman	Out of Office	Male	44	2011.04.20	2016.06.28	0	0	0	0	
Kent Yang	Director	Out of Office	Male	48	2011.04.20	2016.06.28	0	0	0	0	
Huang Ronghui	Supervisor	Out of Office	Male	60	2013.05.20	2016.06.28	0	0	0	0	
Song Tao	Board Secretary	Appointment and Removal	Male	38	2012.03.26	2016.06.27		0		0	
Total	--	--	--	--	--	--	157,338	0	27,450	0	129,888

II. Changes of Directors, Supervisors and Senior Management

Name	Post	Type	Date	Reason
Fan Zhaoping	Director	Outgoing	2016.01.06	Resignation
Mingzhi Mei	Vice Chairman	Full term	2016.06.28	General Election
Kent Yang	Director	Full term	2016.06.28	General Election
Zhang Jianguo	Supervisor Convenor	Full term	2016.06.28	General Election
Chen Lei	Supervisor	Appointment and Removal	2016.06.28	General Election
Chen Hong	Supervisor	Appointment and Removal	2016.06.28	General Election
Huang Ronghui	Supervisor	Full term	2016.06.28	General Election
Song Tao	Board Secretary	Appointment and Removal	2016.06.27	Post Change

III. Posts

Main Work Experience for Directors, Supervisors and Senior Management in Current Office

Chairman: Mr. Tian Junyan, master degree in management of Huazhong University of Science and Technology. He was once the associate professor of School of Management of Huazhong University of Science and Technology. Since 1996, he had successively served the posts of manager of research & development department and the Executive Senior Vice President of Nanshan Group. At present Mr. Tian is General Manager of Nanshan Group. He has been the Company's Director since 2010 May and Chairman of Board of Directors since 2013 May.

Vice Chairman: Ms Zhuge Wenjing, bachelor of Renmin University of China and MBA of Northwestern University and Hong Kong University Science & Technology, had successively worked in Morgan Stanley Asset Management Co, Deloitte Touche and SDIC commercial real estate Co., Ltd. At present, she is co-president of Global Logistic Properties and served as Vice Chairman of the Company since 2016 June.

Director/GM: Dr. Wang Shiyun, doctor degree in finance of University Cambridge. Mr. Wang has served the posts as employee of ICBC, teacher and Ph. D supervisor in University of Manchester, University of Sheffield, and University of Southampton. Since 2004 to May 2015, Mr. Wang has served the posts as CEE and Deputy GM of Nanshan Group. At present, he is GM of the Company since April and Director of the Company since June 2015.

Director: Mr. Zhang Jianguo, Bachelor of Shanxi University of Accounting. He served in Chiwan Wharf Holdings Limited as Financial Manager, Chief Financial Officer and Vice President. At present, he is the Deputy General Manager & CFO of Nanshan Group. He was served as the convener of the Board of Supervisors of the Company dated from May 2013 to June 2016. At present, he is served as Director of the Company since 2016 June.

Director: Mr. Chen Lei, bachelor degree in international finance of Shanghai Jiao Tong University and MBA of University of Southern California. He is CPA and CTA of China. He was the auditor of Ernst & Young in 1998 and finance manager of Shanghai New International Expo Center in 2001. At present, he is Chief Investment Officer & Senior Vice President of Global Logistic Properties. He was served as supervisor of the Company dated from April 2011 to June 2016. At present, he is served as Director of the Company since 2016 June.

Director: Mr. Chen Hong, senior engineer, graduated from East China Institute of Water Conservancy. Since 2001, he successively served as deputy general manager of Shenzhen Haiqin Engineering Co., Ltd., deputy chief engineer of China Nanshan Development (Group) Co., Ltd. At present he is Chief Engineer of China Nanshan Development (Group) Co., Ltd. He was served as supervisor of the Company dated from June 2012 to June 2016. At present, he is served as Director of the Company since 2016 June.

Director/Deputy GM: Mr. Shu Qian, graduated from Hunan Institute of Finance (merged Hunan University in 2000) majored in accounting, and obtained a master degree with maritime economics and logistics from Rotterdam University in 2004. Since 2000, Mr. Shu has successively worked in financial department in

Shenzhen Chiwan International Freight Forwarding Co., Ltd., operating department in Shenzhen Chiwan Wharf Holdings Limited., as assistant general manager and general manager of Research and Development Department of Nanshan Group. He has served as a director of the Company since May 2013 and deputy GM of the Company since 2015 April.

Independent Director: Mr. He Liming, master's degree, senior economist. He successively served the post of former Deputy Director of the Materials Department, the Personnel Division of the Ministry of Domestic Trade, general manager of China Nonferrous Metal Materials Corporation, Vice President and Secretary General, Executive Vice President of the China Federation of Logistics and Purchasing. At present, he is president of the China Federation of Logistics and Purchasing/party secretary, president of China Society of Logistics, the president of China International Trade Promotion logistics industry branch, the vice chairman of the Asia Pacific Logistics Alliance. In May 2013, he has served as an independent director of the Company.

Independent Director: Mr. Chen Weijie, a professor-level senior economist. He successively served the post of the manager of Finance Department of the Eastern Oil Company CNOOC Nanhai, Finance Department Manager of CNOOC Shenzhen Branch, president of CACT Operators Group, Deputy General Manager and Deputy Party Secretary of CNOOC Shenzhen Branch, General Manager of China National Offshore Oil Corporation, the Ministry of Planning. Currently; deputy director of the Professional Committee of China's economy Petroleum Institute; CNOOC/Shanghai Jiaotong University Engineering Research Center member technical committee of new energy; Vice Chairman of Tianjin Intercity Railway Co. In May 2013, he has served as an independent director of the Company.

Independent Director: Mr. Chen Shujun, Master Degree of Business Administration in Finance of Chinese University of Hong Kong, Master Degree of Accounting of City University of Hong Kong International, Bachelor of Laws degree from Tsinghua University (Adult Education). Senior Accountant, CPA China, Chinese Certified Tax Agents, judicial experts, national legal professional qualifications; twelfth session of the Conference of Guangdong Provincial People's Congress Standing Committee of the legislative consultants, member of the eighth Accounting Association, etc. Former Guangzhou CPA auditor, manager; in 1998 served as Managing Partner of Shenzhen Guangshen Certified Accountant, legal representative of Forensic Accounting Guangdong Guangzhou-Shenzhen; also served in Funde Insurance Holding, Funde Property & Casualty Insurance Co., Ltd. and Nuode Investment Co., Ltd. as independent director; served in Chongqing Cybernaut Equity Investment Fund Management and Shenzhen Cybernaut Central European Fund Investment Limited as director. In May 2013, he has served as an independent director of the Company.

Independent Director: Dr. Yu Xiufeng, senior partner of Beijing DeHeng (Shenzhen) Law Office, with doctor degree of Jilin University Law School and Economics postdoctoral of Jilin University Business School, and once studied in Faculty of Law of Waseda University. Mr. Yu is Shenzhen Fifth People's Congress legislative consultant, the fourth, fifth and sixth deputies of Shenzhen city for NPC, the fourth, fifth and sixth members of the NPC Law Committee, the decision-making advisory committee of Shenzhen, Shenzhen Municipal People's Government (Legislative Affairs) legal Expert Advisory Committee, arbitrator for China International Economic and Trade Arbitration Commission and Shenzhen Arbitration Commission, executive director for Shenzhen City Law Sixth Council, and part-time tutor for Peking University Law School and Northeast University of Finance etc. He is also the Independent Director for Shenzhen Jinjia Color Printing. In May 2013, he has served as an independent director of the Company.

Supervisor Conventor: Dr. Li Hongwei, has doctor degree in system engineering of South China University of Technology. He successively held the posts of manager, board secretary, director and deputy GM of Chengdu Galaxy Power Co., Ltd. since 1989. He was the board secretary and deputy GM of Shenzhen Seg Dasheng Co., Ltd. since 2001. He was deputy GM and GM of Business Management Department of China Nanshan Development (Group) Incorporation in 2006. Now he is COO of Nanshan Group. He has served as supervisor of the Company since April 2011 and supervisor conventor since 2016 June.

Supervisor: Mr. Zeng Jun, Bachelor of Anhui University, Master of business law and business law in University of London, holding qualification of Chinese lawyers, notaries, industrial and commercial registration agents, state-owned enterprises, project bidding lawyers and securities lawyers, worked in Lei Yanping Law Firm Junhe Law Firm and etc. During the period, he has worked in many firms in London and Hongkong appointed by Chinese Ministry of Justice. He is General Counsel & Senior Vice Chairman of Global Logistic Properties. At present, he served as supervisor of the Company since 2016 June.

Supervisor: Mr. Shang Yuexiang, University degree, successively worked in Jiangxi University of Science and Technology, Jingdezhen Ceramic Institute, Assistant Manager of Enterprise Management in Nanshan Group,

Operation Manager in Shenzhen Chiwan wharf Limited, Deputy General Manager of Shenzhen Chixiao Combination House Co. Ltd., Deputy General Manager of Shenzhen Chiwan Port Container Co. Ltd., General Manager of Southern China Building Materials (Shenzhen) Limited, Director & General Manager of Yahgee Building (Group) Ltd., and General Manager of Hefei Baowan International Logistics Center Co. Ltd. At present, he is manager of Enterprise Management Department of Nanshan Group and served as supervisor of the Company since 2016 June.

Supervisor: Mr. Song Huibin, accounting degree of Xi'an Institute of Highway Transportation, Senior Accountant and Certified Tax Accountant, successively worked in Xi'an Institute of Highway Transportation, as Financial Manager of Shenzhen Asia Bicycle Factory Co., Ltd., Deputy Finance Controller of Nanshan Cuihengcun Catering Services Limited, and Deputy Finance Manager of Nanshan Group. At present, he is Auditing Manager of Nanshan Group and served as supervisor of the Company since 2016 June.

Employee Supervisor: Ms Sun Yuhui, bachelor degree in Economics, Lanzhou University, accountants of Chinese Certified Tax Agents. Since August 2003, she worked as supervisor of financial department in Nanshan Group. Since July 2010, she has served in Shenzhen Nanshan Real Estate Development Co., Ltd as deputy manager/manager of Finance Department. At present, she is the financial manager of the Company. And she served as employee supervisor of the Company since 2013 May.

Employee Supervisor: Ms Cao Lirong, MBA of Hong Kong Baptist University, She joined the Company since March 2002 and worked as senior officer of administration department and vice manager of administration and HR for offshore oil sector. At present, she is the manager of administration and HR for offshore oil sector. And she served as employee supervisor of the Company since 2016 June.

Deputy GM/Chief Engineer: Dr. Wang Jianjiang, has doctor degree of Hydraulic Structure Engineering of Wuhan Water Resources and Electric University. He worked in Xinjiang Shihezi University (the original Shihezi Agricultural College) from Mar 1985 to Aug 1992. He studied in Wuhan Water Resources and Electric University from Sept 1992 to June 1995 and got doctor degree of Hydraulic Structure Engineering. Since 1996, he worked in planning department, office of general engineer and department of planning and construction management of China Nanshan Development (Group) Incorporation as engineer, assistant manager and department manager successively. He is Deputy GM & Chief Engineer of the Company since February 2011.

Deputy GM & CFO & Board Secretary: Mdm. Yu Zhongxia, has bachelor of Shan'xi Finance and Economics College with the qualification of Accountant and senior international financial manager. Mdm. Yu has taught at Xi'an Road Management College. She joined the Company in 1992 and held the posts of Financial Manager Assistant, Financial Manager of CSE, System/Audit Manager Assistant, Deputy Financial Manager, Financial Manager, Assistant GM, Deputy CFO and CFO. She is Deputy GM & CFO of the Company. At present, she also served as Board Secretary since April 2011.

Deputy GM: Mr. Zhang Xiang, master degree, graduated from Wuhan Marine Traffic Engineering College. He successively served as the post of supervisor, assistant manager, deputy manager of operation department of the Company. From October 2005 to May 2015, he served as deputy GM and GM of Guangzhou Baowan. Since February 2011, he was GM of Offshore Oil Logistics Service Division of the Company and Shenzhen Baowan. He was once the supervisor of the Board of Supervisors of the Company. Currently, he is Deputy GM of the Company since April 2014.

Posts in Shareholder's Company

√ Applicable □ Inapplicable

Name	Company Name	Position	Starting Date	Expiration Date	Whether receiving remuneration from shareholder
Tian Junyan	CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION	General Manager	2011.01.04		Yes
Zhang Jianguo	CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION	Financial Controller	2013.01.01		Yes
Zhang Jianguo	CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION	Deputy General Manager	2015.02.13		Yes

Chen Hong	CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION	Chief Engineer	2007.09.12		Yes
Li Hongwei	CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION	Chief Operating Officer	2014.02.21		Yes
Shang Yuexiang	CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION	Manager of Enterprise Management Department	2014.07.18		Yes
Song Huibin	CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION	Manager of Auditing Department	2012.03.27		Yes
Song Huibin	CHINA NANSHAN DEVELOPMENT (GROUP) INCORPORATION	Employee Supervisor	2015.06.19		Yes

Other Posts

√ Applicable □ Inapplicable

Name	Company Name	Position	Starting Date of Tenure	Expiry Date of Tenure	Whether receiving remuneration from other companies
Tian Junyan	Shenzhen New Nanshan Holding (Group) Co., Ltd.	Chairman	2011.4.21		No
Tian Junyan	HOMWON Capital Management Co., Ltd	Chairman	2013.7.5		No
Tian Junyan	China Development Finance Company Limited	Chairman	2013.7.24		No
Zhuge Wenjing	Global Logistic Properties	Co-president	2016.06.06		Yes
Wang Shiyun	Blogis Holding Co., Ltd.	Chairman	2015.6.30		No
Wang Shiyun	China Development Finance Company Limited	Director	2015.10.29		No
Zhang Jianguo	Chiwan Wharf Holdings Co., Ltd.	Director	2013.01.31		No
Zhang Jianguo	Blogis Holding Co., Ltd.	Vice Chairman	2013.08.08		No
Zhang Jianguo	Shenzhen Chiwan Oriental Logistics Ltd	Supervisor	2015.06.03		No
Zhang Jianguo	China Development Finance Company Limited	Vice Chairman	2015.08.03		No
Zhang Jianguo	Shenzhen New Nanshan Holding (Group) Co., Ltd.	Vice Chairman	2015.08.27		No
Zhang Jianguo	Shenzhen Chiwan Oriental Supply Chain Management Ltd	Chairman	2016.05.30		No
Zhang Jianguo	Hefei Baowan International Logistics Centre Co., Ltd.	Chairman	2017.01.10		No
Chen Lei	Global Logistic Properties	Chief Investment Officer & Senior Vice President	2015.10.29		Yes
Shu Qian	Blogis Holding Co., Ltd.	General Manager	2015.06.30		No
Shu Qian	Shenzhen Chiwan Oriental Logistics Ltd	Director	2015.06.03		No
He Liming	China Federation of Logistics and Purchasing	President and Party Secretary	2010.11.02	2021.09.26	Yes
He Liming	China Society of Logistics	President	2006.11.11	2020.11.12	No
He Liming	China International Trade Promotion Logistics Industry	President	2010.11.02	2020.11.03	No
He Liming	Asia Pacific Logistics Alliance	Vice Chairman	2015.01.01	2019.01.01	No
He Liming	International Alliance Director of Purchasing and Supply Management	Director	2017.01.01	2020.01.01	No

Chen Shujun	Shenzhen Guangshen Certified Accountant	Managing Partner	1998.1.1		Yes
Chen Shujun	Forensic Accounting Guangdong Guangzhou-Shenzhen	legal representative	2002.12.1		No
Chen Shujun	Funde Insurance Holding	Independent Director	2015.07.01		Yes
Chen Shujun	Funde Property & Casualty Insurance Co., Ltd.	Independent Director	2015.06.04		Yes
Chen Shujun	Nuode Investment Co., Ltd.	Independent Director	2017.04.06		Yes
Chen Shujun	Chongqing Cybernaut Equity Investment Fund Management	Director	2016.02.26		No
Chen Shujun	Shenzhen Cybernaut Central European Fund Investment Limited	Director	2017.03.01		No
Yu Xiufeng	Beijing DeHeng (Shenzhen) Law Office	Senior Partner	2002.08.01		Yes
Yu Xiufeng	Hybio Pharmaceutical	Independent Director	2010.06.17	2016.04.26	Yes
Yu Xiufeng	Shenzhen Jinjia Color Printing	Independent Director	2014.03.13		Yes
Li Hongwei	Chixiao Enterprise Co., Ltd.	Director	2011.01.24		No
Li Hongwei	Blogis Holding Co., Ltd.	Director	2011.07.20		No
Li Hongwei	China Development Finance Company Limited	Supervisor	2012.12.12		No
Li Hongwei	Shenzhen Chiwan Oriental Logistics Ltd	Director	2013.05.13		No
Li Hongwei	Hefei Baowan International Logistics Centre Co., Ltd.	Vice Chairman	2015.08.06	2017.02.28	No
Li Hongwei	Shenzhen New Nanshan Holding (Group) Co., Ltd.	Director	2015.09.22		No
Zeng Jun	Global Logistic Properties	General Counsel & Senior Vice Chairman	2011.04.01		Yes
Shang Yuexiang	Chixiao Enterprise Co., Ltd.	Director	2015.12.09		No
Shang Yuexiang	Shenzhen New Nanshan Holding (Group) Co., Ltd.	Supervisor	2015.12.22		No
Song Huibin	Blogis Holding Co., Ltd.	Supervisor	2016.03.11		No
Song Huibin	Chixiao Enterprise Co., Ltd.	Supervisor	2015.12.09		No
Song Huibin	China Development Finance Company Limited	Supervisor	2012.12.12		No

Penalty of the Current Directors, Supervisors and Senior Management Left during the Report Period over the Past 3 Years

Applicable Inapplicable

Name	Position	Reason	Punishment Type	Conclusion	Disclosure Date	Disclosure Index
Mr. Fan Zhaoping	Director	Short-term trading	Other	Informed Criticism	2015.12.29	Announcement No.2015-72

Particulars about Alleged illegal Proceeds

Name	Alleged illegal proceeds back time	Alleged Illegal Proceeds Amount(RMB)
Former Director Mr. Fan Zhaoping	2015.12.31	40,655.38

IV. The Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures, basis for determination and actual payment of the remuneration to directors,

supervisors and senior management

1. Independent directors' allowance is approved by General Shareholders' Meeting. The remuneration of senior management is approved by Board of Directors. Independent Directors' allowance is RMB 100,000 per year

2. Senior management is appointed by the Board of Directors. Remuneration standard for senior management is decided by their abilities, performance, etc.

3. Directors, Supervisors and Senior Management will be paid monthly and the rest bonus will be decided by their abilities, performance, etc. (Mr. He Liming, Independent Director, has not received independent director allowance.)

Remuneration to directors, supervisors and senior management in the report period

Unit: RMB '0000

Name	Position	Gender	Age	Office Status	Remuneration from the Company before Tax	Whether Gained Remuneration from Related Party of the Company
Tian Junyan	Chairman	Male	55	In Office	0	Yes
Zhuge Wenjing	Vice Chairman	Female	39	In Office	0	Yes
Wang Shiyun	Director/ GM	Male	50	In Office	147.51	No
Zhang Jianguo	Director	Male	52	In Office	0	Yes
Chen Lei	Director	Male	40	In Office	0	Yes
Chen Hong	Director	Male	57	In Office	0	Yes
Shu Qian	Director	Male	40	In Office	93.51	No
He Liming	Independent Director	Male	63	In Office	0	No
Chen Weijie	Independent Director	Male	66	In Office	10	No
Chen Shujun	Independent Director	Male	49	In Office	10	No
Yu Xiufeng	Independent Director	Male	52	In Office	10	No
Li Weihong	Supervisor Convenor	Male	49	In Office	0	Yes
Zeng Jun	Supervisor	Male	48	In Office	0	Yes
Shang Yuexiang	Supervisor	Male	53	In Office	0	Yes
Song Huibin	Supervisor	Male	51	In Office	0	Yes
Sun Yuhui	Employee Supervisor	Female	42	In Office	61.8	No
Cai Lirong	Employee Supervisor	Female	42	In Office	7.32	No
Wang Jianjiang	Deputy GM	Male	59	In Office	141.32	No
Yu Zhongxia	Deputy GM/ Financial Controller/Board Secretary	Female	53	In Office	126.99	No
Zhang Xiang	Deputy GM	Male	52	In Office	103.61	No
Fan Zhaoping	Director	Male	62	Out of Office	0	Yes
Mingzhi Mei	Vice Chairman	Male	44	Out of Office	0	Yes
Kent Yang	Director	Male	48	Out of Office	0	Yes
Huang Ronghui	Supervisor	Male	60	Out of Office	18.71	No
Song Tao	Board Secretary	Male	38	Appointment and Removal	37.82	No
Total	--	--	--	--	768.59	--

Incentive equity to directors, supervisors or/and senior management in the report period.

Applicable Inapplicable

V. About Staff

1. Number of Employees, Professional Structure and Education

Number of Employees of Parent Company	282
Number of Employees of Main Subsidiaries	232
Total Number of Employees	514
Number of Taking Remuneration from the Company	514
Number of Retiree to Whom the Company needed to Pay Salary	0
Professional Structure	
Professional Structure	Number
Manufacturing Employee	208
Sales Employee	80
Technical Employee	46
Financial Employee	55
Administrative Employee	125
Total	514
Education	
Education	Number
Master or above	50
Bachelor	195
Junior College	95
Junior College below	174
Total	514

2. Remuneration Policy for Staff

In the report period, staff's salary was paid monthly according to the Company's related regulation. At the end of the year, bonus was paid by the Company's profitability and staff's performance.

3. Training Program

To open up E-learning for core team, promote studies concerned about business, and safety management training course for new employees.

4. Labor Outsourcing

Applicable Inapplicable

Hours of Labor Outsourcing	879,300
Total Remuneration of Hours of Labor Outsourcing (RMB)	29,017,166.00

PART IX Corporate Governance

I . Corporate Governance

1. General

During the report period, the Company had continuously observed Company Law, Securities Law, and Guidelines of Corporate Governance for Listed Company and relevant regulations to improve and enhance its corporate governance.

(1) Shareholders and shareholders' general meeting: the Company ensures that all the shareholders, especially minority shareholders, are equal and could enjoy their full rights. The Company called and held shareholders' general meeting strictly in compliance with the Rules for Shareholders' General Meeting.

(2) Relationship between the controlling shareholder and the Company: controlling shareholder of the Company acted in line with rules during the reporting period, did not intervene the decisions, productions or operations of the Company directly or indirectly in exceeding the authority of the shareholders' general meeting, and did not appropriate any funds of the Company.

(3) Directors and the Board of Directors: the Company elected directors in strict accordance with the Articles of Association. Number and composition of members of the Board were in compliance with relevant laws and regulations; all Directors attend Board meetings and shareholders' general meeting in a serious and responsible manner and participated enthusiastically relevant training so as to know better about laws and regulations as well as the rights, obligations and liabilities of Directors.

(4) Supervisors and the Supervisory Committee: number and composition of the members of the Supervisory Committee were in compliance with the requirements of laws and regulations. The supervisors diligently and seriously performed their duties and obligations, took responsible attitudes to all shareholders and supervised the financial affair as well as the performance by the Company's Directors, managers and other senior executives of their duties in compliance with the laws and regulations.

(5) Stakeholders: the Company fully respected and safeguarded the legal rights and interests of the banks and other creditors, staff, consumers and other stakeholders so as to develop the Company in a consistent and healthy way.

(6) Information disclosure and transparency: the Company authorized the Company Secretary to take charge of information disclosure, and the Chairman as well as related Directors to meet with shareholders. The Company disclosed relevant information in a true, accurate, complete and timely way in strict accordance with the requirements of laws, regulations and the Articles of Association, formulated the Management Rules on Information Disclosure, the Management System on Inside Information and Insiders and the Rules on the Management of Investors Relations, and designated Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> as its newspaper and website for information disclosure, so as to ensure all shareholders have equal opportunity to obtain the information.

(7) Non-normative Corporate Governance

According to the requirements of Ministry of Finance and Accounting Standards for Enterprises, the Company provided financial reports monthly to its controlling shareholders, Nanshan Group, for compiling consolidated financial statements. In accordance with requirements of the Supplementary Notice on Strengthened Supervision of Non-Standard Behaviors in Corporate Governance Including Providing Undisclosed Information to Controlling Shareholders and Effective Controller, the Board of Directors reviewed and

approved the Resolution on Regular Submission of Financial Statements to the Controlling Shareholders on the Second Tele-communication Meeting of the Fifth Board of Directors. Nanshan Group and the Company signed the commitment letter respectively, and the Company provided the insiders' list to CSRC Shenzhen Bureau for record as well.

2 . Preparation and Implementation of the Registration Management System for Insiders

On October 28, 2009, the Seventh Session of the Fifth Board of Directors reviewed and approved the registration system of undisclosed information insiders. (Please find the details on www.cninfo.com.cn on October 30, 2009) In the report period, the Company implemented the registration system strictly and registered the insiders timely.

In the report period, directors, supervisors and the senior management of the Company did not buy or sell shares against regulations.

Does there exist any difference in compliance with the corporate governance, the PRC Company Law and the relevant provisions of CSRC.

Yes No

There exist no difference in compliance with the corporate governance, the PRC Company Law and the relevant provisions of CSRC.

II. Particulars about the Company's separation from the controlling shareholder in respect of business, personnel, assets, organization and financial affairs

The Company is absolutely independent in business, personnel, assets, finance and organization from its controlling shareholder. Details are set out as follows.

Separation in business: The Company has its own assets, personnel, qualifications and ability to carry out operating activities and is able to operate independently in the market.

Separation in personnel: The Company has basically separated its staff from its controlling shareholder. No senior management staff of the Company holds positions at controlling shareholder of the Company.

Separation in assets: The Company possesses its own self-governed assets and domicile. Separation in organization: The Company has established and improved the corporate governance structure according to law and has an independent and complete organizational structure.

Separation in finance: The Company has set up its own financial department as well as normative accounting system and the financial management system on its subsidiaries. The Company has its own bank accounts and does not share the same bank account with its controlling shareholder. The Company has been paying tax in accordance with the laws and regulations on its own behalf.

III. Horizontal Competition

Applicable Inapplicable

IV. Annual General Meeting and Extraordinary Shareholders' Meetings in the Report Period

1. Particular about Shareholders' Meeting in the Report Period

Sessions	Type	Proportion of Investors' Participation	Convening Date	Disclosure Date	Disclosure Index
First Extraordinary Shareholders' Meeting in 2016	Special Shareholders' General Meeting	71.72%	2016.01.29	2016.01.30	Announcement No. 2016-15
Second Extraordinary Shareholders' Meeting in 2016	Special Shareholders' General Meeting	45.21%	2016.06.03	2016.06.04	Announcement No.2016-46
Annual General Meeting for Year 2015	Annual Shareholders' General Meeting	72.89%	2016.06.28	2016.06.29	Announcement No.2016-59
Third Extraordinary Shareholders' Meeting in 2016	Special Shareholders' General Meeting	74.75%	2016.08.04	2016.08.05	Announcement No.2016-84
Fourth Extraordinary Shareholders' Meeting in 2016	Special Shareholders' General Meeting	72.18%	2016.09.23	2016.09.24	Announcement No.2016-118
Fifth Extraordinary Shareholders' Meeting in 2016	Special Shareholders' General Meeting	71.69%	2016.12.20	2016.12.21	Announcement No.2016-137

2. Special Shareholders' General Meeting Applied by the Preferred Stockholder with Restitution of Voting Right

Applicable Inapplicable

V. Performance of Independent Directors

1. Attendance of Board Meeting and Shareholders' Meeting

Attendance of Board Meeting						
Name	Meetings required to be present	Attendance in person	Attendance by facsimile	Attendance by proxy	Absence rate	Non-attendance in person for two consecutive times
He Liming	18	1	16	1	0	N/A
Chen Weijie	18	2	16	0	0	N/A
Chen Shujun	18	2	16	0	0	N/A
Yu Xiufeng	18	1	16	1	0	N/A
Number of Shareholders' Meeting Attended	6					

2. Objection of Independent Directors on Some Relevant Issues

Objection of independent directors on some relevant issues

Yes No

Independent directors proposed no objection against the relevant matters in the report period.

3. Other Note to the Performance of Independent Directors

During the report period, the independent directors of the Company was in strictly accordance with relevant laws, regulations and the "Articles of Association", fully concerned the company operation and performs their duties independently, which affected the company's systems to improve decision-making and other aspects of

daily operations. They made many valuable professional advices on the matters requiring the independent directors of the Company during the report period to comment on the issue of independence, impartiality advice for improving corporate oversight mechanisms to safeguard the legitimate interests of the company and all its shareholders to play its due role.

VI. Performance of Special Committees under the Board of Directors in the Report Period

1. Performance of Audit Committee

(1) Reviewing the financial report and presenting written opinion

According to relevant regulations, the Audit Committee reviewed the financial report and presented written opinion. The Company strictly implemented Articles of Association and other regulations and ensured the objectivity and authenticity of financial report.

After the auditor submitted the draft of audit report, the committee reviewed the finance report and presented written opinion. The compiling basis, principles and method of financial report followed the relative regulations and fairly reflected the financial status and operation results of the Company for Year 2015.

(2) Maintaining regular communication with auditors and following progress of auditing closely

In the audit period, the committee maintained regular communication with financial department, followed the progress of auditing closely and held a meeting discussed with the auditors about auditing plan, scope, focus points and the incurred problems and resolutions.

(3) Summarizing the auditor's work

The committee summarized the work of auditor and thought that they completed the annual audit work in plan.

(4) Opinions on hiring an accounting firm

Recommend the Company to hire Deloitte Touche Tohmatsu Limited for 2016 annual audit and internal control audit.

2. Performance of Nomination and Remuneration Committee

(1) During the report period, the committee reviewed Tian Junyan, Zhang Jianguo, Chen Hong, Wang Shiyun, Shu Qian, Kent Yang, Chen Lei, Zhuge Wenjing's resume on their education background, work experience and physical condition and agreed to submit proposal on appointment of the above mentioned candidates as Directors for shareholders' meeting's approval.

(2) During the report period, the committee reviewed salary of senior managers, and published the opinion on senior manager compensation for year 2015.

3. Strategy and Development committee

During the period, the committee has deliberated and agreed to submit 3 years developing plan (2016-2018) to the Board of Director for approval.

VII. Work of the Board of Supervisors

Did the Board of Supervisors find any risk existing in performing the supervision activities in the report period?

Yes No

The Board of Supervisors has no objection against any matters under supervision in the report period.

VIII. Examination and Incentive Mechanism for Senior Management

In the report period, the salaries of senior management were decided by their work performance, job description, personal ability, the Company's profit, etc.

IX. Internal Control

1. Particulars about Significant Defects Found in the Internal Control during Report Period

Yes No

2. Internal Control Evaluation Report

Disclosure date of full internal control evaluation report	2017-04-20	
Disclosure index of full internal control evaluation report	www.cninfo.com.cn	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements		61.32%
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements		97.88%
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	Deficiencies with following characteristics are identified as major deficiencies: senior management of the company makes fraud; internal supervisory body has not performed basic functions; financial reports have serious misstatements or omissions; internal control environment related to financial reports is invalid.	Non-financial reporting deficiencies are identified in accordance with the impact on the effectiveness of business processes and the possibility of occurrence. If the possibility of deficiency occurrence is small, it will reduce the work efficiency or effects, or increase the uncertainty of effects, or make it deviate from the expected target and become a general deficiency; if the possibility of deficiency occurrence is rather high, it will significantly reduce the work efficiency or effects, or significantly increase the uncertainty of effects, or make it significantly deviate from the expected target and become a significant deficiency; if the possibility of deficiency occurrence is very high, it will seriously reduce the work efficiency or effects, or seriously increase the uncertainty of effects, or make it seriously deviate from the expected target and become a major deficiency.
Quantitative standard	Affirm according to the amount potentially causing financial losses or accounting misstatements: (1) It is a	Affirm according to the absolute amount of direct economic losses caused to the company: (1) It is a general deficiency if

	<p>general deficiency if the amount is less than 0.8 million yuan or less than 0.5% of annual operating profit; (2) It is a significant deficiency if the amount is greater than 0.8 million yuan and less than or equal to 1.5 million yuan or 0.5% - 1% of annual operating profit; (3) It is a major deficiency if the amount is greater than 1.5 million yuan or greater than 1% of annual operating profit.</p> <p>Affirm according to the losses caused by fraud to the company: (1) It is a general deficiency if there is no loss; (2) It is a significant deficiency if the loss is less than or equal to 0.5 million yuan; (3) It is a major deficiency if the amount is greater than 0.5 million yuan.</p>	<p>the amount is less than 0.8 million yuan or less than 0.5% of annual operating profit; (2) It is a significant deficiency if the amount is greater than 0.8 million yuan and less than or equal to 1.5 million yuan or 0.5% - 1% of annual operating profit; (3) It is a major deficiency if the amount is greater than 1.5 million yuan or greater than 1% of annual operating profit;</p>
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

X. Audit Report on Internal Control

Applicable Inapplicable

Audit opinion paragraphs in the Audit Report on Internal Control	
Deloitte Touche Tohmatsu Certified Public Accountants LLP believed that Shenzhen Chiwan Petroleum Supply Base Co., Ltd. has maintained effective internal control on financial report in all significant respects according to the Basic Rules for Enterprise Internal Control and relevant regulations on 31 Dec. 2016.	
Disclosure of Audit Report on Internal Control	Disclosed
Disclosure date of the Audit Report on Internal Control	April 20, 2017
Disclosure index of the Audit Report on Internal Control	www.cninfo.com.cn
Type of Audit Report on Internal Control	Standard Unqualified auditor's report
Whether there is significant defect in non-financial report	No

Whether the CPAs firm issues an Audit Report on Internal Control with non-standard opinion or not?

Yes No

Whether the Audit Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

Yes No

PART X Corporate Bonds

There was the public issued corporate bonds that listed on the stock exchange which neither to expire on the approval quote date of the annual report nor to pay in full amount when expired.

Yes

1. Basic Information of the corporate bonds

Name	Abbreviation	Code	Issue Date	Due Date	Bond Balance (RMB 0000)	Interest Rate	Ways of Debt Service
2012 corporate bonds of Shenzhen Chiwan Petroleum Supply Base Co., Ltd.	12 Chiwan Base Bonds	112140	2012.12.17	2019.12.17	57,000	5.78%	To pay interest once a year and to pay for the principal at one time
Exchange Place for the Listing or Transfer of the Corporate Bonds	Shenzhen Stock Exchange						
Eligibility Management of Investors	Inapplicable						
Situation of the Interest Payment of the Corporate Bonds during the Report Period	On Dec 17, 2016, the Company has paid bonds interests in cash incurred from Dec 17, 2015 to Dec 16, 2016.						
Execution of relevant regulations if the corporate bonds were affiliated with the special regulations such as the options of the issuers or the investors as well as exchangeable regulations. (if applicable)	Inapplicable						

2. List of the Bonds Trustees and the Credit Rating Organization

Bonds Trustees:							
Name	Huarong Securities Co., Ltd.	Office Address	Room 1608, China Life Insurance Building, Chaoyang District, Beijing	Contact Person	Yuan Dong	Contact Number	010-85556464
Credit Rating Organization Tracked and Rated the Corporate Bonds during the Report Period:							
Name	China Chengxin Securities Rating Co., Ltd.		Office Address	8F, An Ji Building, No. 760 South Xizang Road, Huangpu District, Shanghai			
Explanation on Change of Bonds Trustees and the Credit Rating Organization	Inapplicable						

3. List of the Usage of the Raised Funds of the Corporate Bonds

Usage and Execution Process of the Bonds Raised Funds of the Company	The Company used the raised funds strictly followed the regulation.
Closing Balance (RMB10,000')	0
Operation of the Special Account of the Raised Funds	The Company did not create special account for the bonds.
The usage of the raised funds whether met with the committed usage, usage plans and other agreements on the specification.	Yes

4. List of the Rating of the Corporate Bonds Information

CCXR maintained the credit rating of “12 Chiwan Base Bonds” of AA+ as well as the credit rating of the main body of the Company of AA with the stable rating outlook at report period.

5. Credit Supplement Mechanism, Repayment Plans and Other Repayment Guarantee Measures of the Corporate Bonds

At the report period, there were no changes of credit supplement mechanism, repayment plans or other repayment guarantee measures of the Corporate Bonds.

The Company’s controlling shareholder, Nanshan Group, provided guarantee for the Corporate Bonds. By the end of 2016, Nanshan Group’s net assets were RMB 8.99 billion; assets-liabilities ratio was 61.27%; return on equity was 11.52%; current ratio was 138.20%; and quick ratio was 57.63%. The above-mentioned data was unaudited. The amount of external guarantee of Nanshan Group was RMB 2.04 billion, accounted by 22.69% of its net assets.

6. List of the Holder Conference of the Bonds during the Report Period

For being absorbed and merged by New Nanshan Holding, the Company has convened bonds’ holder conference on Jul 21, 2016.

7. List of the Duties Performance of the Bonds Trustee during the Report Period

At the report period, bonds trustee performed their duties according to related regulation, including supervising the usage of raised funds, continuously paying attention to the Company’s creditability, etc.

The Company has disclosed Entrusted Management Report of 2012 Corporate Bonds for Year 2015 published on Jun 8, 2016, which is made and published by Huarong Securities Co., Ltd.

8. Major Accounting Data and Financial Index of the recent 2 years of the Company

Unit: RMB’0000

Item	Y2016	Y2015	Changes (%)
EBITDA	42,642	45,803	-6.90%
Current Ratio	24.99%	42.00%	-17.01%
Asset-liability Ratio	65.37%	63.30%	2.07%
Quick Ratio	24.95%	42.00%	-17.05%
Total Debt Ratio of EBITDA	8.64%	13.00%	-4.36%
Times Interest Earned	1.35	1.79	-24.58%
Times Interest Earned of Cash	4.64	3.59	29.25%
Times Interest Earned of EBITDA	2.24	2.65	-15.47%
Loan Repayment Rate	100.00%	100.00%	0.00%
Interest Coverage	100.00%	100.00%	0.00%

Note to the year-on-year change of the relevant data

√ Applicable □ Inapplicable

Mainly due to liabilities increased by RMB 1.36 billion.

9. List of the Interest Payment of Other Bonds and Bonds Financing Instruments during the Report Period

The Company have paid interest of RMB 400 million's medium-term notes at the reporting period. Since this medium-term notes have been expired on March 7, 2017, the Company has paid principal and interests of the medium-term notes timely.

10. List of the Acquired Bank Credit Lines, Usage and Repayment of the Bank Loans

During the report period, the Company has acquired newly added bank credit lines of RMB 1,500 million, made use of credit limit of RMB 1,526 million and paid back loans of RMB 1,010 million.

11. List of the Execution of the Agreement or the Commitment Related to the Corporate Bonds Raising Specification during the Report Period

The raised funds of RMB 570 million had used up in 2013.

12. Significant Events Occurred during the Report Period

The Company has disclosed particular about accumulated newly loans which is over 20% of the Company's net assets at the end of last year, according to regulators' requirements. Please find details on www.cninfo.com dated on Sep 7, 2016 and Jan 7, 2017.

13. Whether There Was Guarantor of the Corporate Bonds

Yes No

Whether the Guarantor of the Corporate Bonds was Business Entity or Other Organizations

Yes No

Whether Disclose Guarantor's Financial Report.

Yes No

PART XI Financial Report (Attachment)

Opinion Type of Audit Report	Standard and Unqualified
Signature Date of Audit Report	April 18, 2017
Name of Audit Organization	Deloitte Touche Tohmatsu Certified Public Accountants LLP
No. of Audit Report	De Shi Bao(Shen) Zi (17) No. P01971
Name of Certificated Accountants	Li Weihua, Jiang Qishen

PART XII Documents Available for Verification

1. Financial Report carrying the signature of Chairman, and other relative persons in charge.
2. Original copy of Auditor's Statements sealed by CPA and signed by registered accountants.
3. Original copies of all the documents disclosed on the newspapers specified by the China Securities Regulatory Commission.

Board of Directors
Shenzhen Chiwan Petroleum Supply Base Co., Ltd.
April 20, 2017

SHENZHEN CHIWAN
PETROLEUM SUPPLY BASE CO., LTD.

Financial Statements and Auditor's Report
for the year ended 31 December 2016

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

<u>Contents</u>	<u>Pages</u>
Auditor's report	1 - 2
The Company's and consolidated balance sheets	3 - 4
The Company and consolidated income statements	5 - 6
The Company and consolidated cash flow statements	7 - 8
The Company and consolidated statements of changes in shareholders' equity	9 - 10
Notes to the financial statements	11 - 101

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (17) No. P01971

TO THE SHAREHOLDERS OF SHENZHEN CHIWAN PETROLEUM SUPPLY BASE CO., LTD.

We have audited the accompanying financial statements of Shenzhen Chiwan Petroleum Supply Base Co., Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2016, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity and the Company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those Standards on require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3. Opinion

In our opinion, the financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2016, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu Certified
Public Accountants LLP

Shanghai, China

Chinese Certified Public Accountant

Li, Weihua

Chinese Certified Public Accountant

Jiang Qishen

18 April 2017

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and financial statements prepared in accordance with Accounting Standards for Business Enterprises. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. Where the English version does not conform to the Chinese version, the Chinese version prevails.

AT 31 DECEMBER 2016

Consolidated Balance Sheet

Unit: RMB

ITEM	Notes	Closing balance	Opening balance	ITEM	Notes	Closing balance	Opening balance
Current Assets:				Current Liabilities:			
Cash and bank balances	(V)1	524,609,097.58	321,121,926.73	Short-term borrowings	(V)17	850,000,000.00	300,000,000.00
Accounts receivable	(V)2	43,862,804.61	50,257,814.22	Notes payable	(V)18	16,200,019.20	-
Prepayments	(V)3	748,064.45	435,877.51	Accounts payable	(V)19	11,500,505.03	13,502,745.52
Interest receivable	(V)4	423,404.92	1,138,739.73	Receipts in advance	(V)20	9,185,065.04	4,294,109.24
Other receivables	(V)5	63,863,606.97	58,666,231.60	Employee benefits payable	(V)21	21,162,917.90	26,233,258.02
Inventories	(V)6	961,855.72	914,543.44	Taxes payable	(V)22	30,107,734.45	20,937,276.95
Other current assets	(V)7	14,424,379.64	235,000,000.00	Interest payable	(V)23	23,856,299.00	28,404,479.52
Total Current Assets		648,893,213.89	667,535,133.23	Other payables	(V)24	437,522,424.61	480,066,219.49
Non-current Assets:				Non-current liabilities due within one year	(V)25	633,057,978.40	707,396,728.40
Long-term equity investments	(V)8	602,194,915.06	582,600,360.74	Other current liabilities	(V)26	564,000,000.00	6,000,000.00
Investment properties	(V)9	1,606,049,338.07	1,425,593,724.71	Total Current Liabilities		2,596,592,943.63	1,586,834,817.14
Fixed assets	(V)10	877,096,096.64	842,722,056.06	Non-current Liabilities:			
Construction in progress	(V)11	601,906,964.62	368,965,477.50	Long-term borrowings	(V)27	1,186,288,100.45	489,834,250.45
Intangible assets	(V)12	2,245,211,656.35	1,450,042,826.68	Bonds payable	(V)28	568,641,500.00	967,159,500.00
Development expenditure	(V)13	1,330,674.42	-	Long-term payables	(V)29	-	251,417,853.31
Goodwill	(V)14	11,133,118.55	-	Deferred income	(V)30	49,599,079.39	51,251,151.07
Deferred tax assets	(V)15	24,317,786.92	28,877,355.41	Other non-current liabilities	(V)31	511,018,207.18	226,367,558.34
Other non-current assets	(V)16	930,907,761.60	277,619,704.84	Deferred tax liabilities	(V)15	22,812,085.88	-
Total Non-current Assets		6,900,148,312.23	4,976,421,505.94	Total Non-current Liabilities		2,338,358,972.90	1,986,030,313.17
				TOTAL LIABILITIES		4,934,951,916.53	3,572,865,130.31
				SHAREHOLDERS' EQUITY:			
				Share capital	(V)32	230,600,000.00	230,600,000.00
				Capital reserve	(V)33	234,141,186.09	234,141,186.09
				Other comprehensive income	(V)34	652,079.14	652,079.14
				Special reserve	(V)35	6,774,707.73	5,941,771.48
				Surplus reserve	(V)36	318,603,562.42	317,245,288.81
				Unappropriated profits	(V)37	966,064,644.53	965,504,851.33
				Total shareholders' equity attributable to equity holders of the Company		1,756,836,179.91	1,754,085,176.85
				Minority interests		857,253,429.68	317,006,332.01
				TOTAL SHAREHOLDERS' EQUITY		2,614,089,609.59	2,071,091,508.86
TOTAL ASSETS		7,549,041,526.12	5,643,956,639.17	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,549,041,526.12	5,643,956,639.17

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

The financial statements on pages 3 to 101 were signed by the following:

Tian Junyan
Legal Representative

Yu Zhongxia
Chief Financial Officer

Sun Yuhui
Head of Accounting Department

Balance Sheet of the Company

Unit: RMB

ITEM	Notes	Closing balance	Opening balance	ITEM	Notes	Closing balance	Opening balance
Current Assets:				Current Liabilities:			
Cash and bank balances	(XIV)1	14,320,382.62	28,808,779.96	Short-term borrowings		800,000,000.00	300,000,000.00
Accounts receivable	(XIV)2	22,179,847.58	22,290,192.64	Accounts payable		10,800,195.25	13,115,420.11
Prepayments		199,347.18	174,357.15	Employee benefits payable		8,499,705.90	17,261,742.30
Interest receivable		-	1,031,342.47	Taxes payable		1,325,799.55	2,508,111.41
Other receivables	(XIV)3	458,310,323.30	1,519,389,018.64	Interest payable		22,814,519.98	28,118,306.33
Inventories		666,721.31	665,307.48	Other payables		85,907,775.53	67,373,561.98
Other current assets		-	235,000,000.00	Non-current liabilities due within one year		401,349,351.16	701,349,351.16
Total Current Assets		495,676,621.99	1,807,358,998.34	Other current liabilities	(XIV)10(2)	220,000,000.00	-
Non-current Assets:				Total Current Liabilities		1,550,697,347.37	1,129,726,493.29
Long-term equity investments	(XIV)4	3,235,207,239.36	1,486,226,120.45	Non-current Liabilities:			
Investment properties		115,535,029.89	121,605,608.97	Long-term borrowings	(XIV)5	378,824,302.04	181,224,302.04
Fixed assets		53,000,328.21	62,672,792.29	Bonds payable	(V)28	568,641,500.00	967,159,500.00
Construction in progress		2,626,533.00	2,600,283.00	Other non-current liabilities		255,018,207.18	16,367,558.34
Intangible assets		276,936,159.10	292,794,849.40	Total Non-current Liabilities		1,202,484,009.22	1,164,751,360.38
Deferred tax assets		-	9,635,782.89	TOTAL LIABILITIES		2,753,181,356.59	2,294,477,853.67
Other non-current assets		3,100,849.21	255,366.60	SHAREHOLDERS' EQUITY:			
Total non-current assets		3,686,406,138.77	1,975,790,803.60	Share capital	(V)32	230,600,000.00	230,600,000.00
				Capital reserve		204,534,849.49	204,534,849.49
				Special reserve		6,468,869.88	5,775,987.68
				Surplus reserve	(V)36	318,603,562.42	317,245,288.81
				Unappropriated profits		668,694,122.38	730,515,822.29
				TOTAL SHAREHOLDERS' EQUITY		1,428,901,404.17	1,488,671,948.27
TOTAL ASSETS		4,182,082,760.76	3,783,149,801.94	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,182,082,760.76	3,783,149,801.94

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

Consolidated Income Statement

Unit: RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Operating income	(V)38	677,791,331.11	650,279,516.34
Less: Operating costs	(V)38	299,908,256.18	297,002,514.88
Business taxes and levies	(V)39	46,306,467.44	36,184,168.56
Selling expenses	(V)40	1,077,360.05	1,794,630.86
General and administrative expenses	(V)41	116,607,241.20	95,531,527.18
Financial expenses	(V)42	181,754,411.70	165,115,346.59
Impairment losses of assets	(V)43	(98,698.65)	975,282.77
Add: Investment income	(V)44	33,786,630.43	75,110,506.18
Including: Income from investments in associates and joint ventures		32,503,352.87	58,968,248.53
II. Operating profit		66,022,923.62	128,786,551.68
Add: Non-operating income	(V)45	9,294,068.84	13,638,110.34
Including: Income from disposal of non-current assets		277,164.06	83,782.26
Less: Non-operating expenses	(V)46	2,950,166.24	1,520,513.80
Including: Losses from disposal of non-current assets		2,038,490.91	386,856.19
III. Gross profit		72,366,826.22	140,904,148.22
Less: Income tax expenses	(V)47	51,321,853.41	30,231,553.32
IV. Net profit		21,044,972.81	110,672,594.90
Net profit attributable to owners of the Company		1,918,066.81	91,644,920.49
Profit or loss attributable to minority shareholders		19,126,906.00	19,027,674.41
V. Post-tax net value of other comprehensive income	(V)48	-	-
Post-tax net value of other comprehensive income attributable to owners of the Company		-	-
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		-	-
1. Translation differences arising on translation of financial statements denominated in foreign currencies		-	-
Post-tax net value of other comprehensive income attributable to minority shareholders		-	-
VI. Total comprehensive income:		21,044,972.81	110,672,594.90
Total comprehensive income attributable to owners of the Company		1,918,066.81	91,644,920.49
Total comprehensive income attributable to minority shareholders		19,126,906.00	19,027,674.41
VII. Earnings per share:			
(I) Basic earnings per share	(V)49	0.01	0.40
(II) Diluted earnings per share		Not applicable	Not applicable

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

Income Statement of the Company

Unit: RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Operating income	(XIV)6	141,522,223.95	166,417,996.03
Less: Operating costs	(XIV)6	91,527,752.30	110,684,405.54
Business taxes and levies		3,055,108.82	6,113,907.38
General and administrative expenses		31,404,714.28	42,630,233.63
Financial expenses		102,366,098.62	67,316,429.52
Impairment loss of assets		(7,800.16)	(121,978.29)
Add: Investment income	(XIV)7	35,605,507.92	75,925,377.89
Including: Income from investments in associates and joint ventures		32,503,352.87	58,968,248.53
II. Operating profit		(51,218,141.99)	15,720,376.14
Add: Non-operating income		2,518,993.03	4,118,579.72
Including: Income from disposal of non-current assets		103,965.11	61,791.60
Less: Non-operating expenses		2,086,487.37	153,636.63
Including: Losses from disposal of non-current assets		1,964,398.48	129,101.96
III. Gross profit		(50,785,636.33)	19,685,319.23
Less: Income tax expenses		9,677,789.97	(7,480,153.00)
IV. Net profit		(60,463,426.30)	27,165,472.23
V. Other comprehensive income post tax		-	-
VI. Total comprehensive income		(60,463,426.30)	27,165,472.23

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

Consolidated Cash Flow Statement

Unit: RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from sales of goods and rendering of services		732,949,763.60	685,146,794.96
Cash receipts from tax refunds		989,803.75	21,649.57
Other cash receipts relating to operating activities	(V)50(1)	34,223,967.51	45,379,011.23
Sub-total of cash inflows from operating activities		768,163,534.86	730,547,455.76
Cash payments for goods purchased and services received		138,716,936.68	132,064,953.07
Cash payments to and on behalf of employees		91,597,818.86	88,779,428.87
Payments of various taxes		122,395,080.48	138,290,674.66
Other cash payments relating to operating activities	(V)50(2)	43,978,966.95	38,756,047.72
Sub-total of cash outflows from operating activities		396,688,802.97	397,891,104.32
Net Cash Flows from Operating Activities	(V)51(1)	371,474,731.89	332,656,351.44
II. Cash Flows from Investing Activities:			
Cash receipts from investment income		12,908,798.55	14,329,928.96
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		1,122,683.82	116,708.22
Other cash receipts relating to investing activities	(V)50(3)	282,314,620.00	1,539,917,101.51
Sub-total of cash inflows from investing activities		296,346,102.37	1,554,363,738.69
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	(V)51(2)	359,679,066.42	-
Cash payments to acquire investments		1,644,377,369.35	542,802,310.11
Other cash payments relating to investing activities	(V)50(4)	95,062,624.80	1,325,010,000.00
Sub-total of cash outflows from investing activities		2,099,119,060.57	1,867,812,310.11
Net Cash Flows from Investing Activities		(1,802,772,958.20)	(313,448,571.42)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		521,080,000.00	-
Including: cash receipts from capital contributions from minority of subsidiaries		521,080,000.00	-
Cash receipts from borrowings		1,788,025,100.00	510,134,281.57
Other cash receipts relating to financing activities	(V)50(5)	1,464,000,000.00	6,000,000.00
Sub-total of cash inflows from financing activities		3,773,105,100.00	516,134,281.57
Cash repayments of borrowings		525,910,000.00	104,902,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		113,956,681.09	119,072,437.79
Including: cash payments for distribution of dividends or profits or settlement of interest expenses to minority shareholders by subsidiaries		-	-
Other cash payments relating to financing activities	(V)50(6)	1,498,647,065.49	365,270,347.30
Sub-total of cash outflows from financing activities		2,138,513,746.58	589,244,785.09
Net Cash Flows from Financing Activities		1,634,591,353.42	(73,110,503.52)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		194,043.74	(304,210.95)
V. Net Increase (Decrease) in Cash and Cash Equivalents		203,487,170.85	(54,206,934.45)
Add: Opening balance of Cash and Cash Equivalents	(V)51(2)	321,121,926.73	375,328,861.18
VI. Closing Balance of Cash and Cash Equivalents	(V)51(2)	524,609,097.58	321,121,926.73

The accompanying notes form part of the financial statements.

Cash Flow Statement of the Company

Unit: RMB

ITEM	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from sales of goods and rendering of services		148,109,282.81	184,501,086.75
Receipts of tax refunds		985,094.24	-
Other cash receipts relating to operating activities		8,679,989.87	9,585,481.04
Sub-total of cash inflows from operating activities		157,774,366.92	194,086,567.79
Cash payments for goods purchased and services received		49,811,501.39	54,382,467.45
Cash payments to and on behalf of employees		47,685,381.61	50,215,506.96
Payments of various taxes		9,849,362.14	40,200,770.50
Other cash payments relating to operating activities		18,267,325.71	19,821,733.69
Sub-total of cash outflows from operating activities		125,613,570.85	164,620,478.60
Net Cash Flows from Operating Activities	(XIV)8	32,160,796.07	29,466,089.19
II. Cash Flows from Investing Activities:			
Cash receipts from investment income		12,908,798.55	14,329,928.96
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		879,118.33	32,530.00
Other cash receipts relating to investing activities		487,044,620.00	1,535,950,412.74
Sub-total of cash inflows from investing activities		500,832,536.88	1,550,312,871.70
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		4,947,096.30	10,683,480.40
Cash payments to acquire investments		307,676,564.58	31,820,000.00
Other cash payments relating to investing activities		139,006,625.77	1,448,542,578.23
Sub-total of cash outflows from investing activities		451,630,286.65	1,491,046,058.63
Net Cash Flows from Investing Activities		49,202,250.23	59,266,813.07
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		1,210,000,000.00	400,000,000.00
Other cash receipts relating to financing activities		888,755,895.81	7,955,511.01
Sub-total of cash inflows from financing activities		2,098,755,895.81	407,955,511.01
Cash repayments of borrowings		512,400,000.00	101,300,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		88,578,646.86	103,713,804.74
Other cash payments relating to financing activities		1,593,720,721.28	372,410,740.60
Sub-total of cash outflows from financing activities		2,194,699,368.14	577,424,545.34
Net Cash Flows from Financing Activities		(95,943,472.33)	(169,469,034.33)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		92,028.69	(632,046.89)
V. Net Increase (Decrease) in Cash and Cash Equivalents		(14,488,397.34)	(81,368,178.96)
Add: Opening balance of Cash and Cash Equivalents	(XIV)8	28,808,779.96	110,176,958.92
VI. Closing Balance of Cash and Cash Equivalents	(XIV)8	14,320,382.62	28,808,779.96

The accompanying notes form part of the financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2016

Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

ITEM	Amount for the current period								Amount for the same period of last year							
	Attributable to shareholders of the Company						Minority interests	Total shareholders' equity	Attributable to shareholders of the Company						Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Unappropriated profits			Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Unappropriated profits		
I. Closing balance of the preceding year	230,600,000.00	234,141,186.09	652,079.14	5,941,771.48	317,245,288.81	965,504,851.33	317,006,332.01	2,071,091,508.86	230,600,000.00	234,141,186.09	652,079.14	4,240,147.49	307,084,630.25	913,767,989.40	297,936,230.92	1,988,422,263.29
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination involving entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	230,600,000.00	234,141,186.09	652,079.14	5,941,771.48	317,245,288.81	965,504,851.33	317,006,332.01	2,071,091,508.86	230,600,000.00	234,141,186.09	652,079.14	4,240,147.49	307,084,630.25	913,767,989.40	297,936,230.92	1,988,422,263.29
III. Changes for the year	-	-	-	832,936.25	1,358,273.61	559,793.20	540,247,097.67	542,998,100.73	-	-	-	1,701,623.99	10,160,658.56	51,736,861.93	19,070,101.09	82,669,245.57
(I) Comprehensive income	-	-	-	-	-	1,918,066.81	19,126,906.00	21,044,972.81	-	-	-	-	-	91,644,920.49	19,027,674.41	110,672,594.90
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	521,080,000.00	521,080,000.00	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	521,080,000.00	521,080,000.00	-	-	-	-	-	-	-	-
2. Capital contribute from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combination involving entities under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	1,358,273.61	(1,358,273.61)	-	-	-	-	-	-	10,160,658.56	(39,908,058.56)	-	(29,747,400.00)
1. Transfer to surplus reserve	-	-	-	-	1,358,273.61	(1,358,273.61)	-	-	-	-	-	-	10,160,658.56	(10,160,658.56)	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,747,400.00)	-	(29,747,400.00)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	832,936.25	-	-	40,191.67	873,127.92	-	-	-	1,701,623.99	-	-	42,426.68	1,744,050.67
1. Transfer to special reserve in the period	-	-	-	1,505,428.41	-	-	49,598.61	1,555,027.02	-	-	-	2,539,292.54	-	-	56,404.62	2,595,697.16
2. Amount utilized in the period	-	-	-	(672,492.16)	-	-	(9,406.94)	(681,899.10)	-	-	-	(837,668.55)	-	-	(13,977.94)	(851,646.49)
IV. Closing balance of the current year	230,600,000.00	234,141,186.09	652,079.14	6,774,707.73	318,603,562.42	966,064,644.53	857,253,429.68	2,614,089,609.59	230,600,000.00	234,141,186.09	652,079.14	5,941,771.48	317,245,288.81	965,504,851.33	317,006,332.01	2,071,091,508.86

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

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of Changes in Shareholders' Equity of the Company

Unit: RMB

ITEM	Amount for the current period						Amount for the same period of last year					
	Attributable to shareholders of the Company					Total shareholders' equity	Attributable to shareholders of the Company					Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Unappropriated profits		Share capital	Capital reserve	Special reserve	Surplus reserve	Unappropriated profits	
I. Closing balance of the preceding year	230,600,000.00	204,534,849.49	5,775,987.68	317,245,288.81	730,515,822.29	1,488,671,948.27	230,600,000.00	204,534,849.49	4,103,762.23	307,084,630.25	743,258,408.62	1,489,581,650.59
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	230,600,000.00	204,534,849.49	5,775,987.68	317,245,288.81	730,515,822.29	1,488,671,948.27	230,600,000.00	204,534,849.49	4,103,762.23	307,084,630.25	743,258,408.62	1,489,581,650.59
III. Changes for the year	-	-	692,882.20	1,358,273.61	(61,821,699.91)	(59,770,544.10)	-	-	1,672,225.45	10,160,658.56	(12,742,586.33)	(909,702.32)
(I) Comprehensive income	-	-	-	-	(60,463,426.30)	(60,463,426.30)	-	-	-	-	27,165,472.23	27,165,472.23
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribute from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognized in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	1,358,273.61	(1,358,273.61)	-	-	-	-	10,160,658.56	(39,908,058.56)	(29,747,400.00)
1. Transfer to surplus reserve	-	-	-	1,358,273.61	(1,358,273.61)	-	-	-	-	10,160,658.56	(10,160,658.56)	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	-	-	-	-	-	(29,747,400.00)	(29,747,400.00)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	692,882.20	-	-	692,882.20	-	-	1,672,225.45	-	-	1,672,225.45
1. Transfer to special reserve in the period	-	-	1,283,632.59	-	-	1,283,632.59	-	-	2,423,047.32	-	-	2,423,047.32
2. Amount utilized in the period	-	-	(590,750.39)	-	-	(590,750.39)	-	-	(750,821.87)	-	-	(750,821.87)
IV. Closing balance of the current year	230,600,000.00	204,534,849.49	6,468,869.88	318,603,562.42	668,694,122.38	1,428,901,404.17	230,600,000.00	204,534,849.49	5,775,987.68	317,245,288.81	730,515,822.29	1,488,671,948.27

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

(I) BASIC INFORMATION ABOUT THE COMPANY

Shenzhen Chiwan Petroleum Supply Base Co., Ltd. (the "Company") was registered and established on 4 January 1984 in Shenzhen, Guangdong Province.

Pursuant to the approval of Shen Fu Ban Han (1995) No. 112 issued by the General Office of Shenzhen Municipal People's Government and Shen Zheng Ban Fu (1995) No. 33 issued by Shenzhen Securities Administration Office, the Company publicly issued domestic listed foreign shares (B-Share) on 21 June 1995. Pursuant to the Listing Notice of Shen Zheng Shi Zi (1995) No. 14, issued by Shenzhen Stock Exchange, the Company's shares were listed and traded on Shenzhen Stock Exchange on 28 July 1995.

The Headquarter of the Company locates in Shenzhen, Guangdong Province. The main business of the Company and its subsidiaries (the "Group") include: terminal and port operation services; lease of stack area, storage and office building; provision of labor service, cargo handling and transportation, equipment lease, supply of water, power and oil, and agency services for offshore crude oil logistics; operating bonded warehouse and stack area, and commercial car park operation.

The Company's financial statements and the Group's consolidated financial statements are approved by the Board of directors on 18 April 2017.

The scope of consolidated financial statements in the current period involves 50 subsidiaries. See Note (VII) "Equity in other entities" for details. Changes of scope are new subsidiaries set up in the current period. See Note (VI) "Changes of consolidation scope" for details.

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises (the "ASBEs") issued by the Ministry of Finance (the "MoF"), including standards newly issued and amended in 2014. In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reporting (Revised in 2014).

Going concern

As at 31 December 2016, the Group had total current liabilities in excess of total current assets of RMB1,947,699,729.74. As the Company's parent company China Nanshan Development (Group) ("Nanshan Group"), has agreed not to request repayment of outstanding balances owing to it and, when other outstanding debts owed by the Group fall due in the foreseeable future, to provide all necessary financial support to the Company in the foreseeable future so as to maintain the Group's ability to continue as a going concern, the financial statements have been prepared on a going concern basis.

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

Under the historical cost measurement, asset should be measured at the value of cash or cash equivalents or fair value paid to acquire the asset, whereas liability should be measured at the value of cash or assets received due to shoulder present obligation, or at the contract amount of shouldering present obligation, or at the value of cash or cash equivalents expected to pay for the liability in routine activities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis.

Pursuant to the observation of input value and the significance of the input value on the whole, measurements of fair value are divided into the below three levels:

- Level 1 input value is the unadjusted price of equivalent assets or liability which can be acquired in an active market on the measurement date.
- Level 2 input value is assets or liability except for those in Level 1, which are observable for the asset or liability, either directly or indirectly
- Level 3 input value is assets or liability which cannot be observed.

(III) SIGNIFICANT ACCOUNTING POLICIES, and ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with the ASBEs, and present truly and completely, the Company's and consolidated financial position as of 31 December 2016, and the Company's and consolidated results of operations and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

3、 Business Cycle

Business cycle is referred to the period from which an enterprise buys assets to manufacture to the date it achieves cash or cash equivalents.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its subsidiaries in the People's Republic of China (the "PRC") operate. Therefore, the Company and its subsidiaries choose RMB as their functional currency. The Group adopts RMB to prepare its financial statements.

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control - continued

5.2 Business combinations not involving enterprises under common control and goodwill - continued

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

6. Preparation of consolidated financial statements - continued

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

7. Recognition criteria of cash and cash equivalents

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

8. Translation of transactions and financial statements denominated in foreign currencies

8.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying [the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

8. Translation of transactions and financial statements denominated in foreign currencies - continued

8.1 Transactions denominated in foreign currencies - continued

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

8.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

8. Translation of transactions and financial statements denominated in foreign currencies - continued

8.2 Translation of financial statements denominated in foreign currencies - continued

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

9. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

9.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

9.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

9. Financial instruments - continued

9.2 Classification, recognition and measurement of financial assets - continued

9.2.1. Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (i) It has been acquired principally for the purpose of selling in the near term; or (ii) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (iii) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or (ii) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (iii) Hybrid instruments associated with embedded derivatives and financial assets measured at fair value and of which changes are recorded into the profits and losses as specified in *Accounting Standard for Business Enterprises No.22 - Financial Recognition and Measurement of Instruments*.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

9.2.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from DE recognition, impairment or amortization is recognized in profit or loss.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

9. Financial instruments - continued

9.2 Classification, recognition and measurement of financial assets - continued

9.2.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include accounts receivable, interest receivable and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from DE recognition, impairment or amortization is recognized in profit or loss.

9.2.4. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets which are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

9.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

9. Financial instruments - continued

9.3 Impairment of financial assets - continued

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.

- Impairment of financial assets measured at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

9. Financial instruments - continued

9.3 Impairment of financial assets - continued

- Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

- Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

9.4 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

9. Financial instruments - continued

9.4 Transfer of financial assets - continued

For a transfer of a financial asset in its entirety that satisfies the DE recognition criteria, the difference between (1) the carrying amounts of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

9.5 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

9.5.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

9. Financial instruments - continued

9.5 Classification, recognition and measurement of financial liabilities - continued

9.5.1 Financial liabilities at fair value through profit or loss - continued

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (3) Hybrid instruments associated with embedded derivatives and financial liabilities measured at fair value and of which changes are recorded into the profits and losses as specified in *Accounting Standard for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognized in profit or loss.

9.5.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities (excluding liabilities with financial guarantee contracts) are subsequently measured at amortized cost using the effective interest method, with gains or losses arising from derecognition or amortization recognized in profit or loss.

9.5.3. Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with *Accounting Standard for Business Enterprises No. 13 - Contingencies*; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in *Accounting Standard for Business Enterprises No. 14 - Revenue*.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

9. Financial instruments - continued

9.6 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

9.7 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and highly effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if 1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

9.8 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

9. Financial instruments - continued

9.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The consideration received from issuing equity instruments and net of transaction costs, are added to shareholders' equity.

All types of distributions (excluding stock dividends) made by the Group to holders of equity instruments, are deducted from shareholders' equity. The Group does not recognize any changes in the fair value of equity instruments.

10. Receivables

10.1 Receivables for which bad debt provision is collectively assessed on a portfolio basis

Basis or monetary criteria for determining an individually significant receivable	A receivable that exceeds RMB 1 million (including RMB 1 million) is deemed as an individually significant receivable by the Group.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

10.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis:

Basis for determining a portfolio	
Portfolio 1	Receivables from government, petty cash advanced to employees, security deposit, and receivables from related parties of the Company and its subsidiaries. Bad debt provision is not recognized for such receivables since the possibility of incurring bad debt losses is remote.
Portfolio 2	Portfolio 2 mainly includes receivables arising from operating activities other than Portfolio 1.
Bad debt provision method for a portfolio	
Portfolio 1	No bad debt provision
Portfolio 2	Based on percentage of accounts balances

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

10. Receivables - continued

10.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis: - continued

10.2.1 Portfolios where percentage of accounts receivable method is used for bad debt provision:

Name of portfolio	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Portfolio 2	1.00	1.00

10.3 Receivables that are not individually significant but for which bad debt provision is individually assessed:

Reasons for making individual bad debt provision	Significant difference between the carrying amount of accounts receivable and the present value of estimated future cash flows
Bad debt provision methods	Standalone impairment test is carried out and impairment losses are recognized based on the difference between the carrying amount and the present value of estimated future cash flows.

11. Inventories

11.1 Categories of inventories

The Group's inventories mainly include raw materials and maintenance accessories etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

11.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

11.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

11. Inventories - continued

11.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories - continued

Provision for decline in value of inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12. Long-term equity investments

12.1 Basis for determining joint control and significant influence over investee

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

12.2 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combination not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

12. Long-term equity investments - continued

12.2 Determination of investment cost - continued

Other long-term equity investments acquired through methods other than business combination, shall be recorded at cost initially. According to *CAS No.22 – Financial Instrument Recognition and Measurement*, if the investor can exert significant influence on the investee or implement co-control but not solely-control, the cost of long-term investment shall be the fair value plus the newly invested cost.

12.3 Subsequent measurement and recognition of profit or loss

12.3.1. Long-term equity investment accounted for using the cost method

For long-term equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such long-term equity investments using the cost method. Besides, long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

12.3.2. Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individually identifiable assets, etc. at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

12. Long-term equity investments - continued

12.3 Subsequent measurement and recognition of profit or loss - continued

12.3.2. Long-term equity investment accounted for using the equity method - continued

However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized as other comprehensive income which is included in the capital reserve.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

12.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity attributable to the percentage interest disposed is transferred to profit or loss for the period. For long-term equity investments accounted for using the equity method, if the remaining interest after disposal is still accounted for using the equity method, other comprehensive income previously recognised for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; owners' equity recognised due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis. For long-term equity investments accounted for using the cost method, if the remaining interest after disposal is still accounted for using the cost method, other comprehensive income previously recognised for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; changes in other owners' equity in the investee's net assets recognised under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

13. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

14. Fixed assets

14.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

14.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

14. Fixed assets - continued

14.2 Depreciation of each category of fixed assets - continued

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	5 - 50	5, 10	1.8-19
Port facilities	50	5	1.9
Machinery and equipment	3 - 20	5, 10	4.5-31.7
Transportation vehicles	3 - 14	5, 10	6.4-31.7
Fixed asset decorations	2 - 5	-	20-50
Office and other equipment	3 - 5	5, 10	18-31.7

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

14.3 Other explanations

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

15. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for its intended use.

Once the impairment loss of construction in progress is recognized, it is not be reversed in any subsequent period.

16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. If construction or production of assets qualifying capitalization is interrupted abnormally for a continuous 3-month-or-above period, the capitalization of borrowing costs should be ceased until the assets resume construction or production. Other borrowing costs are recognized as an expense in the period in which they are incurred.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

16. Borrowing costs - continued

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During capitalization period, any exchange differences of special loans in foreign currency should be capitalized, whereas exchange differences of general loans should be recorded in current profits and losses.

17. Intangible assets

17.1 Intangible assets

Intangible assets include land use rights, trademarks and software.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized. The amortization method, years of useful life and net residual value are as follows:

Category	Amortization method	Useful life (year)	Net residual value (%)
Land use rights	Straight-line method	50	-
Trademarks	Straight-line method	10	-
Software	Straight-line method	3-10	-

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

17.2 Research and development expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

17. Intangible assets - continued

17.2 Research and development expenditure - continued

- (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) the Group has the intention to complete the intangible asset and use or sell it;
- (3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period.

18. Long-term assets impairment

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, investment property measured at cost method, fixed assets, construction in progress and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

Goodwill should be tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

(III)SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

19. Employee benefits

19.1 Accounting method for short-term employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

19.2 Accounting method for post-employment benefits

Post-employment benefits are all defined contribution. The contribution payable to the defined contribution plan is recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group.

19.3 Accounting method for termination benefits

When the Group provides termination benefits to employees, employee benefit liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

20. Provisions

A provision shall be recognized when the Group has a present obligation relating to a contingency and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a realizable estimate can be made of the amount of the obligation.

At the balance sheet date, a provision is measured at the best estimate of the expenditure required to settle the present obligation after taking into account the risks and uncertainties surrounding a contingency and the time value of money. Where the effect of the time value of money is material, the best estimate shall be the present value as discounted from the expenditures expected to be required to settle the obligation.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

20. Provisions - continued

If all or partial expenses needed for liquidation of a provision is expected to be compensated by a third party and the compensation is sure to be received, the compensation should be recorded as assets separately with amount not exceeding the net book value of provision.

21. Production safety fee

The Group calculates and includes the production safety fee in the current profit or loss and the special reserve based on the *Administrative Rules on Provision and Use of Enterprise Production Safety Fee* (Cai Qi [2012] No. 16) jointly issued by the MoF and State Administration of Work Safety on 14 February 2012.

If the production safety fee set aside is used as expense, it should be written-off against special reserve directly. If the production safety fee set aside is used for fixed assets for safety purpose, it should be included in construction in progress and recognized as fixed assets once the construction of fixed asset for safety purpose reaches the ready-to-use status; at the same time, special reserve should be written-off against the cost of forming fixed assets with the same amount of accumulated depreciation being recognized. Depreciation will not be calculated on such fixed assets for safety purpose in the future period.

22. Revenue

22.1 Revenue from rendering of services

Revenue from rendering of services is recognized when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognized using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on services performed to date as a percentage of total services to be performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognized as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

22.2 Revenue from rendering of asset usage right

The revenue is recognized on accrual basis according to related contracts or agreements reached.

22.3 Interest income

The interest income shall be calculated based on the tenure of the Group's monetary funds used by others and the actual interest rates used.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

23. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration.

A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

23.1 Basis of judgment and accounting methods for assets-related government grant

The Groups' government grant includes special grants for logistics park construction. As the grant relates to the final formation of assets, this grant is classified as assets-related government grant.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

23.2 Basis of judgment and accounting methods for income-related government grant

The Group's government grant includes governmental supporting funds and subsidies for modern logistics industry. The grant should is classified as income-related government grant.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, it is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, it is recognized immediately in profit or loss for the period.

24. Deferred tax assets and deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

24.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

24.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

(III) SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

24. Deferred tax assets and deferred tax liabilities - continued

24.2 Deferred tax assets and deferred tax liabilities - continued

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

24.3 Offsetting income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

(III)SIGNIFICANT ACCOUNTING POLICIES, AND ACCOUNTING ESTIMATES - continued

24. Deferred tax assets and deferred tax liabilities - continued

24.3 Offsetting income tax - continued

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

25. Operating leases and finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

25.1 Accounting treatment on operating leases

25.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

25.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

26. Changes in significant accounting policies and accounting estimates

No changes in accounting policies and accounting estimates occur this period.

(IV) TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax ("VAT")	Revenues from water and electricity supply and maintenance service provided by general taxpayers	13%, 17%
	Revenues from taxable services provided by small-scale taxpayers	3%
	Revenues from stack (storage), loading and unloading, delivery and port management services provided by general taxpayers	6%, 11%
Business tax	Taxable revenue from rendering of services, disposal of intangible assets or properties	3% or 5%(note)
City maintenance and construction tax	Actual payment for VAT and business taxes	5% or 7%
Education surcharge	Actual payment for VAT and business taxes	3%
Enterprise income tax	Taxable income	25%
Urban land use tax	Actual occupation of land area	RMB1.50 - 10.00/square meter
Property tax	70% to 90% of the original cost of the property or rental income	1.2% of properties' residual value

Note: Pursuant to *Announcement on Further Promote Pilots of Business Tax Reformed to Valued-added Tax* [Cai Shui (No.36)] issued by MoF and State Taxation Bureau, from 1 May 2016, the Group is applicable to VAT using 6% when providing VAT related service and using 11% when selling intangible assets or properties.

Entities using different enterprise income tax rate:

Name of entity	Enterprise income tax rate
Blogis (Hong Kong) Limited ("Baowan Hong Kong")	16.5%
China Huitong (H.K.) Limited ("China Huitong")	16.5%

2. Tax incentives

Pursuant to *Urban Land Use Tax Policy on the Logistics Enterprises with Commodity Warehousing Facilities* (Cai Shui [2015] No. 98) issued by the MoF and State Administration of Taxation ("SAT"), from 1 January 2015 to 31 December 2016, the Group as a logistics enterprise, of which land being used for commodity warehousing facilities (including owner-occupied and rental) should be levied on urban land use tax based on 50% of applicable tax rate of different land grades.

Pursuant to *Announcement on Implementing Preferential on Enterprise Income Tax of Encouraged Industries in the Western Region* (2015 No. 14 announcement of SAT), and approved by Chengdu Longquan State Administration of Taxation (Long Guo Shui Fa [2015] No.30), Chengdu Longquan International Logistics Co., Ltd. ("Longquan Baowan"), subsidiary of the Company which locates in Chengdu, Sichuan Province, is allowed to enjoy enterprise income tax preferential policies tailored to enterprises which fits criteria of China West Development Program. From 2014 to 2020, Longquan Baowan enjoys enterprise income tax preferential rate of 15%.

(IV) **TAXES** - continued

2. Tax incentives - continued

Pursuant to the second article of *Announcement on Implementing Taxation Policies and Issues of Western Development Region (Cai Shui [2011]No.58)*, and approved by National Development and Reform Commission ([2016] No.195), Chengdu Xindu International Logistics Co., Ltd. ("Xindu Baowan"), subsidiary of the Company which locates in Chengdu, Sichuan Province, is allowed to enjoy enterprise income tax preferential policies tailored to enterprises which fits criteria of China West Development Program. In 2016, Xindu Baowan enjoys enterprise income tax preferential rate of 15%.

(V) **NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**

1. Cash and bank balances

Unit: RMB

	Closing balance	Opening balance
Cash:		
RMB	6,843.18	7,360.75
Singapore Dollar	4,590.72	5,933.93
Hong Kong Dollar	3,086.03	2,819.04
Euro	2,776.58	2,698.00
United States Dollar	395.41	1,135.75
Sub-total	17,691.92	19,947.47
Bank balances:		
RMB	521,490,973.19	317,429,556.55
Hong Kong Dollar	2,679,089.64	3,242,298.15
United States Dollar	421,342.83	430,124.56
Sub-total	524,591,405.66	321,101,979.26
Total	524,609,097.58	321,121,926.73
Including: Money deposited overseas(note)	14,257,152.25	3,272,564.62

Note: Bank balances deposited overseas are deposits of subsidiary China Huitong and Baowan Hong Kong. The remittance of funds is not restricted.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2. Accounts receivable

(1) Disclosure of accounts receivable by categories

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and provided for bad debt individually										
Accounts receivable for which bad debt provision has been assessed by portfolios										
Portfolio 1	292,868.33	0.66	-	-	292,868.33	389,154.95	0.76	-	-	389,154.95
Portfolio 2	44,010,036.65	99.34	440,100.37	1.00	43,569,936.28	50,372,383.10	98.92	503,723.83	1.00	49,868,659.27
Subtotal of portfolios	44,302,904.98	100.00	440,100.37		43,862,804.61	50,761,538.05	99.68	503,723.83		50,257,814.22
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually										
	-	-	-	-	-	164,138.40	0.32	164,138.40	100.00	-
Total	44,302,904.98	100.00	440,100.37		43,862,804.61	50,925,676.45	100.00	667,862.23		50,257,814.22

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of accounts receivable method:

Unit: RMB

Name of portfolio	Closing balance		
	Carrying amount	Bad debt provision	Proportion of provision (%)
Portfolio 2	44,010,036.65	440,100.37	1.00

Basis for determining the above portfolio: See Note(III)10.2.

(2) Provision being recorded and reversed in the current period

Provision being recorded is RMB 126,513.67 and being reversed is RMB 190,137.16 in the current period, and being written-off is RMB 164,138.37 in the current period.

(3) Provision being written-off in the current period

Unit: RMB

Name of entity	Written-off
Amount due from Shenzhen Lanjing Offshore Technology Co., Ltd.	164,138.37

(V) **NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** - continued

2. Accounts receivable - continued

(4) Top five entities with the largest balances of accounts receivable

Unit: RMB

Name of entity	Amount	Proportion of the amount to total accounts receivable (%)	Bad debt Closing balance
Customer 1	7,227,001.39	16.31	72,270.01
Customer 2	3,542,155.24	8.00	35,421.55
Customer 3	1,790,032.38	4.04	17,900.32
Customer 4	1,599,554.55	3.61	15,995.55
Customer 5	1,344,983.87	3.04	13,449.84
Total	15,503,727.43	35.00	155,037.27

3. Prepayments

(1) Aging analysis of prepayments is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	716,387.12	95.77	360,732.37	82.76
1 - 2 years	3,323.66	0.44	40,838.81	9.37
2 - 3 years	5,849.17	0.78	-	-
More than 3 years	22,504.50	3.01	34,306.33	7.87
Total	748,064.45	100.00	435,877.51	100.00

There is no significant amount of prepayment aging over one year which is not settled in time.

4. Interests receivable

(1) Interests receivable by categories

Unit: RMB

Item	Closing balance	Opening balance
Fixed deposits	423,404.92	107,397.26
Financing product	-	1,031,342.47
Total	423,404.92	1,138,739.73

(2) There is no significant interest overdue for the Group.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5. Other receivables

(1) Disclosure of other receivables by categories

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and provided for bad debt individually	-	-	-	-	-	-	-	-	-	-
Other receivables for which bad debt provision has been assessed by portfolios										
Portfolio 1	60,311,350.30	94.38	-	-	60,311,350.30	51,641,225.90	87.92	-	-	51,641,225.90
Portfolio 2	3,588,138.06	5.62	35,881.39	1.00	3,552,256.67	7,095,962.25	12.08	70,956.55	1.00	7,025,005.70
Subtotal of portfolios	63,899,488.36	100.00	35,881.39		63,863,606.97	58,737,188.15	100.00	70,956.55		58,666,231.60
Total	63,899,488.36	100.00	35,881.39		63,863,606.97	58,737,188.15	100.00	70,956.55		58,666,231.60

Other receivables portfolios for which bad debt provision has been assessed using the percentage of accounts receivable method:

Unit: RMB

Name of portfolio	Closing balance		
	Other receivables	Bad debt provision	Proportion of provision (%)
Portfolio 2	3,588,138.06	35,881.39	1.00

Basis for determining the above portfolio: See Note(III)10.2.

(2) Provision being recorded and reversed in the current period

Provision being recorded is RMB 10,302.66, being reversed is RMB 45,377.82 in the current period.

(3) Disclosure of other receivables by nature:

Unit: RMB

Nature	Closing balance	Opening balance
Deposits	30,899,167.86	18,887,803.08
Amount due from operating activities	16,231,215.52	38,346,342.40
Amount due from related parties	15,360,336.60	93,521.48
Petty cash	1,141,493.08	1,282,427.95
Others	267,275.30	127,093.24
Total	63,899,488.36	58,737,188.15

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5. Other receivables - continued

(4) Top five entities with the largest balances of other receivables

Unit: RMB

Name of entity	Nature	Amount	Aging	Proportion of the amount to the total other receivables (%)	Bad debt closing balance
Minority shareholders	Amount due from related party	15,333,000.00	Within 1 year	24.00	-
Customer 1	Amount due from government	12,045,000.00	More than 3 years	18.85	-
Customer 2	Amount due from government agency	4,505,000.00	1 to 2 year	7.05	-
Customer 3	Amount due from government agency	3,549,852.00	1 to 2 year	5.56	-
Customer 4	Amount due from government agency	2,041,600.00	1 to 3 year	3.20	-
Total		37,474,452.00		58.66	-

6. Inventories

Unit: RMB

	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	606,805.98	-	606,805.98	579,126.32	-	579,126.32
Maintenance accessories	355,049.74	-	355,049.74	335,417.12	-	335,417.12
Total	961,855.72	-	961,855.72	914,543.44	-	914,543.44

7. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepaid taxes and deductible VAT input taxes	14,424,379.64	-
Bank financing products (note)	-	235,000,000.00
Total	14,424,379.64	235,000,000.00

Note: Other current assets are bank financing products purchased by the Group. The expected annualized rates of return are between 3.05% and 4.70% and the maturities are between 78 and 161 days.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8. Long-term equity investments

Unit: RMB

Investee	Opening balance	Changes in the current period								Closing balance	Closing balance on provision
		Increase in investment	Decrease in investment	Investment income recognized by equity method	Adjustment on other comprehensive income	Other equity changes	Announcing cash dividends or profits	Provision	Others		
1. Associates											
Shenzhen Chiwan Sembawang Engineering Co. Ltd. ("CSE")	467,789,861.57	-	-	25,914,161.33	-	-	12,908,798.55	-	-	480,795,224.35	-
China Development Finance Co., Ltd. ("CDFC")	111,647,095.57	-	-	9,015,037.61	-	-	-	-	-	120,662,133.18	-
Shenzhen Chiwan Offshore Petroleum Engineering Co., Ltd ("CPEC")	3,163,403.60	-	-	(2,425,846.07)	-	-	-	-	-	737,557.53	-
Total	582,600,360.74	-	-	32,503,352.87	-	-	12,908,798.55	-	-	602,194,915.06	-

There is no restrictions to the ability of transferring funds to the Company from the investee entities which are held by the Company as long-term equity investment as at 31 December 2016.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

9. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Buildings
I. Total original carrying amount	
1. Opening carrying amount	1,783,444,445.35
2. Increase in the current period	389,664,863.01
(1) Transfer from Construction in Progress	120,753,638.04
(2) Increase due to business combination (note 1)	137,861,738.85
(3) Adjustment due to completion settlement	3,237,660.50
(4) Others(note 2)	127,811,825.62
3. Decrease in the current period	131,236,481.65
(1) Disposal	3,424,656.03
(2) Transfer to construction in progress for renovation project	127,811,825.62
4. Closing carrying amount	2,041,872,826.71
II. Total accumulated provision for depreciation losses of investment properties	
1. Opening carrying amount	357,850,720.64
2. Increase in the current period	81,947,382.06
(1) Amount accrued or amortized	56,749,984.41
(2) Increase due to business combination (note 1)	24,034,838.85
(3) Others(note 2)	1,162,558.80
3. Decrease in the current period	3,974,614.06
(1) Disposal	1,484,942.76
(2) Transfer to construction in progress for renovation project	2,489,671.30
3. Closing carrying amount	435,823,488.64
III. Total accumulated provision for impairment losses of investment properties	
1. Opening carrying amount	-
2. Increase in the current period	-
3. Decrease in the current period	-
4. Closing carrying amount	-
IV. Total net book value of investment properties	
1. Closing net book value	1,606,049,338.07
2. Opening net book value	1,425,593,724.71

Note 1: See note (VI) 1(3) for details.

Note 2: See note (VI) 2(2) for details.

(2) Investment properties that have not obtained certificates

Unit: RMB

Item	Net book value	Reasons for not obtained certificates
Buildings	432,970,850.45	Settlement procedures are still in progress
Buildings	125,336,794.44	Properties are built on leased land. See note (V) 12 for details
Total	558,307,644.89	

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

10. Fixed assets

(1) Details of fixed assets are as follows:

Unit: RMB

Item	Buildings	Port facilities	Machinery and equipment	Transportation vehicles	Fixed assets decorations	Office and other equipment	Total
I. Total original carrying amount							
1. Opening carrying amount	852,293,678.23	46,462,519.33	172,058,947.61	22,576,425.61	13,767,664.19	92,563,788.78	1,199,723,023.75
2. Increase in the current period	82,071,531.56	-	5,347,554.48	521,756.26	-	9,902,795.65	97,843,637.95
(1) Purchase	625,278.62	-	53,641.03	521,756.26	-	1,407,050.62	2,607,726.53
(2) Transfer from Construction in Progress	71,983,558.80	-	5,293,913.45	-	-	1,525,435.05	78,802,907.30
(3) Increase due to business combination (note 1)	9,462,694.14	-	-	-	-	6,776,317.98	16,239,012.12
(4) Others (note 2)	-	-	-	-	-	193,992.00	193,992.00
3. Decrease in the current period	11,600.00	-	7,943,813.03	1,496,967.98	-	633,882.21	10,086,263.22
(1) Disposal	11,600.00	-	7,943,813.03	1,496,967.98	-	633,882.21	10,086,263.22
4. Closing carrying amount	934,353,609.79	46,462,519.33	169,462,689.06	21,601,213.89	13,767,664.19	101,832,702.22	1,287,480,398.48
II. Total accumulated depreciation							
1. Opening carrying amount	148,644,293.69	35,133,444.71	88,440,273.26	14,067,681.20	13,767,664.19	56,947,610.64	357,000,967.69
2. Increase in the current period	38,453,786.02	945,667.54	12,804,545.60	2,728,601.07	-	7,592,699.74	62,525,299.97
(1) Amount accrued	37,178,403.57	945,667.54	12,804,545.60	2,728,601.07	-	6,008,977.91	59,666,195.69
(2) Increase due to business combination (note 1)	1,275,382.45	-	-	-	-	1,555,729.67	2,831,112.12
(3) Others (note 2)	-	-	-	-	-	27,992.16	27,992.16
3. Decrease in the current period	11,020.00	-	7,064,828.36	1,463,449.97	-	602,667.49	9,141,965.82
(1) Disposal	11,020.00	-	7,064,828.36	1,463,449.97	-	602,667.49	9,141,965.82
4. Closing carrying amount	187,087,059.71	36,079,112.25	94,179,990.50	15,332,832.30	13,767,664.19	63,937,642.89	410,384,301.84
III. Total accumulated provision for impairment losses							
1. Opening carrying amount	-	-	-	-	-	-	-
2. Increase in the current period							
3. Decrease in the current period							
4. Closing carrying amount							
IV. Total net book value of investment properties							
1. Closing net book value	747,266,550.08	10,383,407.08	75,282,698.56	6,268,381.59	-	37,895,059.33	877,096,096.64
2. Opening net book value	703,649,384.54	11,329,074.62	83,618,674.35	8,508,744.41	-	35,616,178.14	842,722,056.06

Note 1: See note (VI) 1(3) for details.

Note 2: See note (VI) 2(2) for details.

(2) Fixed assets that have not obtained certificates

Unit: RMB

Item	Net book value	Reasons for not obtained certificates
Buildings	21,653,973.41	Settlement procedures are still in progress
Buildings	7,462,350.74	Properties are built on leased land. See note (V) 12 for details
Total	29,116,324.15	

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. Construction in progress

(1) Details of construction in progress are as follows:

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net carrying amount	Carrying amount	Provision for impairment losses	Net carrying amount
Qingdao Jiaozhou Baowan International Logistic Co., Ltd ("Jiaozhou Baowan) logistic park construction	172,495,930.90	-	172,495,930.90	15,489,739.01	-	15,489,739.01
Zhenjiang Warehouse Logistics Co., Ltd ("Zhenjiang Warehouse ") logistic park construction	151,999,058.12	-	151,999,058.12	172,404,355.90	-	172,404,355.90
Beijing Jinmucaoye Co.,Ltd ("Beijing Jinmucaoye") logistic park construction	145,962,022.82	-	145,962,022.82	-	-	-
Tianjin Bingang Baowan International Logistics Co., Ltd. ("Bingang Baowan ") logistic park construction	59,149,313.16	-	59,149,313.16	31,398,962.29	-	31,398,962.29
Jiaxing Baowan Logistic Co., Ltd ("Jiaxing Baowan) logistic park construction	44,562,016.70	-	44,562,016.70	99,562.42	-	99,562.42
Chengdu Chiwan International Oil-Gas Base Co., Ltd.("Chengdu Oil-Gas Base") construction	6,499,857.37	-	6,499,857.37	266,908.50	-	266,908.50
Xianyang Baowan International Logistic Co., Ltd ("Xianyang Baowan) logistic park construction	2,215,162.70	-	2,215,162.70	49,000.00	-	49,000.00
Xi'an Baowan International Logistic Co., Ltd ("Xi'an Baowan) logistic park construction	823,660.36	-	823,660.36	190,000.00	-	190,000.00
Shenyang Baowan International Logistic Co., Ltd ("Shenyang Baowan) logistic park construction	646,090.10	-	646,090.10	646,090.10	-	646,090.10
Wuhan Baowan Logistic Ezhou Co., Ltd ("Ezhou Baowan") logistic park construction	518,070.48	-	518,070.48	-	-	-
Feidong Baowan Logistic Co., Ltd ("Feidong Baowan) logistic park construction	292,789.91	-	292,789.91	7,000.00	-	7,000.00
Shaoxing Baowan Logistic Co., Ltd ("Shaoxing Baowan) logistic park construction	411,154.06	-	411,154.06	-	-	-
Yangluo Baowan logistic park construction	173,223.62	-	173,223.62	109,011.20	-	109,011.20
Wuxi Baowan Warehouse Logistics Co., Ltd ("Nantong Baowan ") logistic park construction	157,642.00	-	157,642.00	129,840,610.77	-	129,840,610.77
Qingwu Baowan logistic park construction	120,000.00	-	120,000.00	120,000.00	-	120,000.00
Jiangyin Baowan logistic park construction	70,843.00	-	70,843.00	70,843.00	-	70,843.00
Chongqing Xipeng Baowan International Logistic Co., Ltd ("Xipeng Baowan) logistic park construction	21,962.67	-	21,962.67	-	-	-
Nantong Xitong Baowan Logistic Co., Ltd ("Xitong Baowan) logistic park construction	10,000.00	-	10,000.00	-	-	-
Other miscellaneous constructions	15,778,166.65	-	15,778,166.65	18,273,394.31	-	18,273,394.31
Total	601,906,964.62	-	601,906,964.62	368,965,477.50	-	368,965,477.50

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11. Construction in progress - continued

(2) Changes in construction in progress

Unit: RMB

Item name	Budget amount	Opening balance	Increase in the current period	Transferred to fixed assets	Transferred to investment properties	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Jiaozhou Baowan logistic park construction	274,000,000.00	15,489,739.01	157,006,191.89	-	-	172,495,930.90	62.95	62.95	398,008.24	398,008.24	3.97	Self-financing and borrowings
Zhenjiang Warehouse logistic park construction	362,220,000.00	172,404,355.90	12,042,005.03	-	32,447,302.81	151,999,058.12	50.92	50.92	-	-	-	Self-financing
Beijing Jinmucaoye logistic park construction (note)	35,110,000.00	-	145,962,022.82	-	-	145,962,022.82	58.79	58.79	706,562.50	706,562.50	4.75	Self-financing and borrowings
Bingang Baowan logistic park construction	343,600,000.00	31,398,962.29	27,750,350.87	-	-	59,149,313.16	17.21	17.21	5,651,786.59	5,037,575.44	5.16	Self-financing and borrowings
Jiaxing Baowan logistic park construction	193,690,000.00	99,562.42	44,462,454.28	-	-	44,562,016.70	23.01	23.01	-	-	-	Self-financing
Chengdu Oil-Gas Base construction	820,000,000.00	266,908.50	6,232,948.87	-	-	6,499,857.37	0.79	0.79	-	-	-	Self-financing
Xianyang Baowan logistic park construction	549,780,000.00	49,000.00	2,166,162.70	-	-	2,215,162.70	0.40	0.40	-	-	-	Self-financing
Xi'an Baowan logistic park construction	448,120,000.00	190,000.00	633,660.36	-	-	823,660.36	0.18	0.18	-	-	-	Self-financing
Shenyang Baowan logistic park construction	433,240,000.00	646,090.10	-	-	-	646,090.10	0.15	0.15	-	-	-	Self-financing
Ezhou Baowan logistic park construction	525,000,000.00	-	518,070.48	-	-	518,070.48	0.10	0.10	-	-	-	Self-financing
Shaoxing Baowan logistic park construction	356,000,000.00	-	411,154.06	-	-	411,154.06	0.12	0.12	-	-	-	Self-financing
Feidong Baowan logistic park construction	228,530,000.00	7,000.00	285,789.91	-	-	292,789.91	0.13	0.13	-	-	-	Self-financing
Yangluo Baowan logistic park construction	163,980,000.00	109,011.20	64,212.42	-	-	173,223.62	0.11	0.11	-	-	-	Self-financing
Wuxi Baowan logistic park construction	361,530,000.00	129,840,610.77	26,514,859.21	75,406,603.36	80,791,224.62	157,642.00	43.25	100.00	-	-	-	Self-financing
Qingwu Baowan logistic park construction	279,060,000.00	120,000.00	-	-	-	120,000.00	0.04	0.04	-	-	-	Self-financing
Jiangyin Baowan logistic park construction	267,280,000.00	70,843.00	-	-	-	70,843.00	0.03	0.03	-	-	-	Self-financing
Xipeng Baowan logistic park construction	375,000,000.00	-	21,962.67	-	-	21,962.67	0.01	0.01	-	-	-	Self-financing
Xitong Baowan logistic park construction	213,000,000.00	-	10,000.00	-	-	10,000.00	0.00	0.00	-	-	-	Self-financing
Other miscellaneous constructions	Not applicable	18,273,394.31	8,416,186.89	3,396,303.94	7,515,110.61	15,778,166.65	Not applicable	Not applicable	-	-	-	Self-financing
Total		368,965,477.50	432,498,032.46	78,802,907.30	120,753,638.04	601,906,964.62			6,756,357.33	6,142,146.18		

Note: Amount increased in the current period included RMB 125,322,154.32 which transfer from investment properties.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Intangible assets

(1) Details of intangible assets

Unit: RMB

Item	Land use rights	Trademarks	Software	Total
I. Total original carrying amount				
1. Opening carrying amount	1,879,423,447.43	312,832.83	2,192,585.94	1,881,928,866.20
2. Increase in the current period	853,591,674.73	126,213.59	905,823.50	854,623,711.82
(1) Purchase	643,971,199.29	126,213.59	905,823.50	645,003,236.38
(2) Increase due to business combination (note 1)	70,615,463.21	-	-	70,615,463.21
(3) Others (note 2)	139,005,012.23	-	-	139,005,012.23
3. Decrease in the current period	-	-	-	-
(1) Disposal	-	-	-	-
4. Closing carrying amount	2,733,015,122.16	439,046.42	3,098,409.44	2,736,552,578.02
II. Total accumulated amortization				
1. Opening carrying amount	430,202,824.61	215,716.29	1,467,498.62	431,886,039.52
2. Increase in the current period	59,194,740.56	29,193.80	230,947.79	59,454,882.15
(1) Amortization accrued	53,308,855.71	29,193.80	230,947.79	53,568,997.30
(2) Increase due to business combination (note 1)	4,350,263.21	-	-	4,350,263.21
(3) Others (note2)	1,535,621.64	-	-	1,535,621.64
3. Decrease in the current period	-	-	-	-
4. Closing carrying amount	489,397,565.17	244,910.09	1,698,446.41	491,340,921.67
III. Total Provision for impairment losses				
1. Opening carrying amount	-	-	-	-
2. Increase in the current period	-	-	-	-
3. Decrease in the current period	-	-	-	-
4. Closing carrying amount	-	-	-	-
IV. Total net book value				
1. Closing net book value	2,243,617,556.99	194,136.33	1,399,963.03	2,245,211,656.35
2. Opening net book value	1,449,220,622.82	97,116.54	725,087.32	1,450,042,826.68

Note 1: See note (VI) 1(3) for details.

Note 2: See note (VI) 2(2) for details.

(2) Intangible assets that have not obtained certificates

Unit: RMB

Item	Net book value	Reasons for not obtained certificates
Land use rights	267,443,239.10	Note 1
Land use rights	8,064,653.04	Note 2
Total	275,507,892.14	

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Intangible assets - continued

Note 1: Land use right and dock use right are assets leased from Nanshan Group, the controlling shareholder of the Company. In 1984, Nanshan Group contributed the land use right and dock use right for 25 years as the investment capital to the Company. The term of the use rights expired on 15 July 2009. On 18 July 2006, the Company and Nanshan Group entered into *Agreement on Land Use*, which specifies that the Company can continue to lease the land and dock by means of operating lease after the expiration. The lease term is 25 years that starts from 15 July 2009 and ends on 14 July 2034. The Company has paid off all the rentals in a lump sum. As at 31 December 2016, Nanshan Group has not obtained the use right certificate of the above mentioned land and dock.

Note 2: Use right of the eastern land is an asset leased from Nanshan Group, the controlling shareholder of the Company, by means of operating lease in 1997. The lease term is 25 years from 1 August 1997 to 31 July 2022. The Company has paid off all the rentals in a lump sum. Given that Nanshan Group has not obtained the use right certificate of the mentioned land, in addition to the guarantee of the Company's legal use right on the land, Nanshan Group entered into an *Agreement on Immunity from Liabilities Caused by the Land Use* with the Company on 18 July 1997, agreeing to compensate the Company for any losses, expenditures and liabilities associated with the leased land. As at 31 December 2016, Nanshan Group has not obtained use right certificate of the above mentioned land and dock.

13. Development expenditure

Unit: RMB

Item	Opening balance	Increase in the current period	Closing balance
		Research and development expenditure	
Warehouse management system	-	920,050.29	920,050.29
SAP module customization	-	410,624.13	410,624.13
Total	-	1,330,674.42	1,330,674.42

14. Goodwill

(1) Carrying amount of goodwill

Unit: RMB

Item	Opening balance	Increase in the current period	Closing balance
		Generated from business combination	
Tianjin Haier Asset Management Co., Ltd. ("Tianjin Haier")	-	11,133,118.55	11,133,118.55

The Group has evaluate the recoverable amount of goodwill at the end of 2016, and asserted that there was no sign of impairment on the carrying amount of goodwill.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deductible losses	97,090,341.05	24,272,585.27	114,871,400.43	28,717,850.10
Provision for impairment losses of assets	233,708.00	45,201.65	644,599.76	152,002.98
Intangible assets amortization	-	-	30,009.32	7,502.33
Total	126,506,026.89	24,317,786.92	115,546,009.51	28,877,355.41

According to the profit forecast, the Group believes it is probable that sufficient taxable profits will be available in future periods to offset the deductible temporary differences and deductible losses. Therefore, the related deferred tax assets are recognized.

(2) Deferred tax liabilities that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Increase in assets valuation due to business combinations not involving enterprises under common control	91,248,343.52	22,812,085.88	-	-

(3) Deferred tax assets or liabilities that are presented at the net amount after offset

Item	Closing balance		Opening balance	
	The amount of offset	Net amount of deferred tax assets or liabilities after offset	The amount of offset	Net amount of deferred tax assets or liabilities after offset
Deferred tax assets	-	24,317,786.92	-	28,877,355.41
Deferred tax liabilities	-	22,812,085.88	-	-

(4) Details of unrecognized deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	217,901,282.72	41,579,367.77
Deductible temporary differences	290,161.32	94,219.02
Total	218,191,444.04	41,673,586.79

Deductible temporary differences and deductible losses for which deferred tax assets are not recognised due to uncertainty whether sufficient taxable profits will be available in the future shall be presented.

(V) **NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** - continued

15. Deferred tax assets/deferred tax liabilities - continued

(5) Deductible losses, for which no deferred tax assets are recognised, will expire in the following years

Unit: RMB

Year	Closing balance	Opening balance	Remarks
Deductible losses with unlimited expire term	92,822,732.48	41,579,367.77	Due to accumulated losses from Baowan Hong Kong and China Huitong
2019	831,022.59	-	Due to the Company is in the process of significant assets reorganization, the Company cannot be assert whether sufficient taxable income can be achieved to offset deductible losses.
2020	38,627,080.46	-	
2021	85,620,447.19	-	
Total	217,901,282.72	41,579,367.77	

16. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepayments for assets (note 1)	567,480,000.00	23,000,000.00
Prepayments for land use rights (note 2)	311,733,581.18	251,808,516.48
Refundable deposits for land use rights (note 3)	38,954,624.80	-
Prepayments for software installation (note 4)	6,690,456.61	-
Others	6,049,099.01	2,811,188.36
Total	930,907,761.60	277,619,704.84

Note 1: Closing balance represents assets prepayments by Baowan Logistics Holdings Co., Ltd. ("Baowan Holdings"), subsidiary of the Company.

Note 2: Closing balance represents Prepayments for land use rights by Yangluo Baowan, Xianyang Baowan, Xipeng Baowan, Changsha Yuhua Baowan Logistic Co., Ltd ("Yuhua Baowan"), Blogis Supply Chain Management (Jiaxing) Co., Ltd. ("Jiaxing Supply Chain"), Chongqing Luohuang Baowan International Logistic Co., Ltd. ("Luohuang Baowan"), subsidiaries of the Company.

Note 3: Closing balance represents refundable deposits for land use rights paid by Jiangyin Baowan, Jiaxing Baowan, Jiaxing Supply Chain, Yuyao Baowan Logistics Co., Ltd. ("Yuyao Baowan"), Jiashan Baowan Logistic Co., Ltd ("Jiashan Baowan"), subsidiaries of the Company.

Note 4: Closing balance represents prepayments for software installation by Kunshan Baowan International Logistic Co., Ltd ("Kunshan Baowan"), subsidiary of the Company.

(V) **NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** - continued

17. Short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Unsecured and non-guaranteed loans(note 1)	800,000,000.00	300,000,000.00
Guaranteed loans(note 2)	50,000,000.00	-
Total	850,000,000.00	300,000,000.00

Note 1: The annual interest rates on the above borrowings are fixed rates, ranging from 4.1000% to 4.1325%.

Note 2: The annual interest rates on the above borrowings is 4.1325%. See Note (X) 5(3) for details.

18. Notes payable

Unit: RMB

Item	Closing balance	Opening balance
Commercial acceptance	16,200,019.20	-

At the end of the year, the Group has no overdue notes payable that are not paid.

19. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Rents payable	7,274,685.37	9,251,160.55
Repair charges	1,899,243.70	442,426.82
Service charges	727,374.70	248,775.96
Others	1,599,201.26	3,560,382.19
Total	11,500,505.03	13,502,745.52

(2) There is no significant accounts payable aging more than a year in the closing balance.

20. Receipts in advance

(1) Details of receipts in advance are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Storage service fees collected in advance	8,998,939.24	4,129,236.00
Others	186,125.80	164,873.24
Total	9,185,065.04	4,294,109.24

(2) There are no significant receipts in advance aging more than a year in the closing balance.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

21. Employee benefits payable

(1) Details of employee benefits payable are as follows

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term compensation	26,216,644.78	76,608,382.30	81,677,853.50	21,147,173.58
II. Post-employment benefits- defined contribution plans	16,613.24	9,268,833.34	9,269,702.26	15,744.32
III. Termination benefits	-	650,263.10	650,263.10	-
IV. Other welfare due within one year	-	-	-	-
Total	26,233,258.02	86,527,478.74	91,597,818.86	21,162,917.90

(2) Short-term Compensation

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	24,311,964.44	65,032,547.46	68,716,344.31	20,628,167.59
II. Staff welfare	24,066.00	3,783,559.44	3,807,625.44	-
III. Social security contributions	7,942.92	3,505,687.28	3,505,933.06	7,697.14
Including: Medical insurance	6,214.34	2,621,952.39	2,622,208.90	5,957.83
Work-related injury insurance	1,373.74	223,295.55	223,342.53	1,326.76
Birth insurance	392.26	235,985.82	235,965.53	412.55
Others	(37.42)	424,453.52	424,416.10	-
IV. Housing funds	87.00	3,568,386.84	3,567,806.84	667.00
V. Expenditure for trade union and employee training	1,872,584.42	504,167.79	1,866,110.36	510,641.85
VI. Others	-	214,033.49	214,033.49	-
Total	26,216,644.78	76,608,382.30	81,677,853.50	21,147,173.58

(3) Post-employment benefits- defined contribution plans

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Basic endowment insurance	15,455.00	6,780,550.96	6,781,022.28	14,983.68
II. Unemployment insurance	1,158.24	197,928.73	198,326.33	760.64
III. Enterprise annuity payment	-	2,290,353.65	2,290,353.65	-
Total	16,613.24	9,268,833.34	9,269,702.26	15,744.32

Note: The Group participates in the social security contributions and the unemployment insurance plan established by government institutions as required. According to such plans, the Company and its subsidiaries contributes amounts according to local supervision agency's requirement respectively to such plans. The Group does not undertake further payment obligations other than the above monthly contributions. Corresponding expenses are charged to profit or loss for the period or costs of the related assets when incurred.

During the year, the Group shall contribute RMB 6,780,550.96 and RMB 197,928.73 respectively to the social security contributions and the unemployment insurance plan (2015: RMB 6,410,998.02 and RMB 289,509.21). As at 31 December 2016, the Group still have outstanding contributions of RMB 14,983.68 and RMB 760.64 (31 December 2015: RMB 15,455.00 and RMB 1,158.24) to be paid to the social security contributions and the unemployment insurance plan. The related outstanding contributions have been made after the reporting period.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	13,910,953.26	9,806,765.58
Property Tax	6,020,749.61	4,309,172.88
Urban land use tax	5,146,891.43	3,190,660.26
Value added tax	3,614,107.55	2,589,977.27
Stamp duty	634,147.22	-
City construction and maintenance tax	235,320.44	182,018.30
Individual income tax	226,153.20	196,762.89
Educational surcharges	172,408.79	137,261.93
Business tax	2,127.28	140,936.22
Others	144,875.67	383,721.62
Total	30,107,734.45	20,937,276.95

23. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Medium term note interest	19,594,520.54	19,594,520.52
Bank interest	1,612,582.78	839,075.67
Corporate bond interest	1,189,716.64	1,189,716.67
CDFC borrowings interest	888,845.72	22,958.33
Nanshan Group borrowings interest	570,633.32	6,758,208.33
Total	23,856,299.00	28,404,479.52

24. Other payables

(1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Construction costs	322,429,515.38	370,546,685.54
Deposits	68,669,191.97	60,198,658.09
Others	46,423,717.26	49,320,875.86
Total	437,522,424.61	480,066,219.49

(V) **NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** - continued

24. Other payables - continued

(2) Significant other payables aged more than a year

Unit: RMB

Item	Closing balance	Reason for not repay or carry over
Supplier 1	14,888,974.65	Construction balance not reaching payment terms
Nanshan Development (H.K.) Co., Ltd("Nanshan Hong Kong")	11,921,567.32	Interests payable not reaching maturity
Supplier 2	10,133,058.12	Construction balance not reaching payment terms
Supplier 3	9,183,673.07	Construction balance not reaching payment terms
Shenzhen Chixiao Project Engineering Co., Ltd. ("Chixiao Project Company")	8,718,573.62	Construction balance not reaching payment terms
Customer 6	6,354,280.00	Storage deposit not reaching payment terms
Supplier 4	4,197,354.91	Construction balance not reaching payment terms
Supplier 5	3,995,610.92	Construction balance not reaching payment terms
Supplier 6	3,945,579.02	Construction balance not reaching payment terms
Supplier 7	2,916,569.50	Construction balance not reaching payment terms
Customer 7	2,757,869.00	Storage deposit not reaching payment terms
Supplier 8	2,734,107.20	Construction balance not reaching payment terms
Customer 8	2,450,921.40	Storage deposit not reaching payment terms
Supplier 9	1,612,000.25	Construction balance not reaching payment terms
Supplier 10	1,553,168.56	Construction balance not reaching payment terms
Customer 9	1,335,491.60	Storage deposit not reaching payment terms
Customer 10	1,283,010.00	Storage deposit not reaching payment terms
Customer 2	1,101,168.00	Storage deposit not reaching payment terms
Total	91,082,977.14	

25. Non-current liabilities due within one year

(1) Details of non-current liabilities due within one year are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Other non-current liabilities due within one year (note 1)	211,349,351.16	701,349,351.16
Bonds payable due within one year (note 2)	400,000,000.00	-
Long-term borrowings due within one year	21,708,627.24	6,047,377.24
Total	633,057,978.40	707,396,728.40

Note 1: See note (V) 31 for details.

Note 2: See note (V) 28 for details.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

25. Non-current liabilities due within one year - continued

(1) Changes in the current period of bonds payable within one year

Unit: RMB

Item	Par value	Issue date	Maturity term	Issued amount	Opening balance	Issue in the current	Accrued interest for the period	Premium or discount amortization	Repay for the period	Closing balance
Medium term note(note)	400,000,000.00	07/03/2012	5 year	400,000,000.00	400,000,000.00	-	24,000,000.02	-	24,000,000.00	400,000,000.00

Note: See note (V) 28 for details.

(2) Long-term borrowings due within one year

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loans	16,450,000.00	-
Unsecured and non-guaranteed loans	5,258,627.24	6,047,377.24
Total	21,708,627.24	6,047,377.24

26. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Loans borrowed from Nanshan Group	564,000,000.00	-
Loans borrowed from Nanshan Hong Kong	-	6,000,000.00
Total	564,000,000.00	6,000,000.00

Closing balance is short-term loan borrowed from Nanshan Group. The annual interest rates on the above borrowings are fixed rates, ranging from 4.1325% to 4.3500%.

27. Long-term borrowings

Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Unsecured and non-guaranteed loans(note 1)	766,424,117.92	48,379,017.92
Guaranteed loans (note 2)	441,572,609.77	447,502,609.77
Sub-total	1,207,996,727.69	495,881,627.69
Less: long-term borrowings within one year	21,708,627.24	6,047,377.24
Total	1,186,288,100.45	489,834,250.45

The annual interest rates on the above borrowings range from 4.5125% to 4.9000% (31 December 2015: 4.5125% to 4.9000%).

Note 1: Closing balance included RMB 724,355,100.00 which were long-term borrowings of Wuhan Baowan Logistics Co., Ltd ("Wuhan Baowan"), Tianjin Baowan International Logistic Co., Ltd ("Tianjin Baowan"), Xindu Baowan, Longquan Baowan, Beijing Jinmucaoye, Tianjin Haier and Kunshan Baowan, subsidiaries of the Company, borrowed from CDFC. See note (X) 5(4) for details.

Note 2: See note (X) 5(3) for details.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

28. Bonds payable

(2) Details of bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium term note (note 1)	400,000,000.00	400,000,000.00
Corporate bond (note 2)	568,641,500.00	567,159,500.00
Total	968,641,500.00	967,159,500.00
Less: bonds payable within one year	400,000,000.00	-
Bonds payable over one year	568,641,500.00	967,159,500.00

(3) Changes in the current period of bonds payable

Unit: RMB

Item	Par value	Issue date	Maturity term	Issued amount	Opening balance	Issue in the current period	Accrued interest for the period	Premium or discount amortization	Closing balance
Corporate bond	570,000,000.00	17/12/2012	7 years	570,000,000.00	567,159,500.00	32,945,999.97	1,482,000.00	32,946,000.00	568,641,500.00

Note 1: The Company issued the five-year medium term note, which starts from 9 March 2012 and ends on 9 March 2017, at the par value of RMB400,000,000.00 with fixed annual interest rate of 6% on 7 March 2012. The interests are paid yearly, and the principal will be repaid in a lump sum upon maturity. Nanshan Group has provided a full-amount irrevocable guarantee with joint-liability for the medium term note.

Note 2: Pursuant to *Approval for Publicly Issuing Corporate Bond of Shenzhen Chiwan Petroleum Supply Base Co., Ltd.* (Zheng Jian Xu Ke [2012] No. 1142) issued by China Securities Regulatory Commission, the Company issued the seven-year corporate bond at the par value of RMB570,000,000.00 on 17 December 2012. In the first five interest-bearing years, the annual interest rate is fixed at 5.78%. The interests will be paid yearly, and the principal will be repaid in a lump sum upon maturity. As specified in the prospectus of the corporate bond, the Company has the right to decide whether to raise the interest rate of the corporate bond for the remaining two years by 1 to 100 basis points at the end of the fifth year. After the Company publicly announces the decision on changing interest rate, the bond holders are entitled to sell all or partial of the bonds held by them to the Company at par value. Nanshan Group has provided a full-amount irrevocable guarantee with joint-liability for the corporate bond.

29. Long-term payable

Unit: RMB

Entity	Closing balance	Opening balance
Nanshan Group	-	251,417,853.31

Long-term payable is the fund borrowed by the Group from the Company's parent company Nanshan Group. Pursuant to the agreement of long-term borrowings with Nanshan Group, the borrowings should be used for the construction and subsequent operation of the logistics parks of the Company's subsidiaries. The interests will be charged on the actual amounts borrowed at the interest rate based on market rates of the same period. At the end of 31 December 2016, borrowings were repaid in full amount.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

30. Deferred income

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Cause of formation
Government subsidy	51,251,151.07	-	1,652,071.68	49,599,079.39	Received special subsidy only for purchasing or constructing fixed assets

Items concerning government subsidy:

Unit: RMB

Liabilities items	Opening balance	Increase in the current period	Amount recognized in non-operating income in the current period	Closing balance	Related to assets or revenue
Wuhan Baowan logistic park construction (note 1)	49,826,151.07	-	1,577,071.68	48,249,079.39	Related to assets
Guangzhou Baowan lot A construction (note 2)	1,425,000.00	-	75,000.00	1,350,000.00	Related to assets
Total	51,251,151.07	-	1,652,071.68	49,599,079.39	

Note 1 : Represents special subsidy received in the prior period by Wuhan Baowan, subsidiary of the Company, pursuant to the *Official Confirmation Letter* issued by Ministry of Transport of Wuhan (Jiao Gui Hua Han [2014] 1080), which was intended for construction of warehouse and facilities.

Note 2 : Represents special fund for developing modern logistics industry received by Guangzhou Baowan Logistics Co., Ltd ("Guangzhou Baowan") pursuant to *Notice on Developing Strategic Leading Industries of Guangzhou in 2014*.

31. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Medium and long-term borrowings(note)	706,000,000.00	910,000,000.00
Rental received in advance	16,367,558.34	17,716,909.50
Total	722,367,558.34	927,716,909.50
Less: Non-current liabilities due within one year	211,349,351.16	701,349,351.16
Non-current liabilities due after one year	511,018,207.18	226,367,558.34

(V) **NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** - continued

31. Other non-current liabilities - continued

Note: Medium and long-term borrowings included: a) the Company and Baowan Holdings, subsidiary of the Company, borrowed RMB 240,000,000.00 and RMB 250,000,000.00 from Nanshan Group respectively, of which borrowing terms dates from 11 November 2016 to 31 October 2019 and from 8 November 2016 to 8 November 2019 respectively, using floating interest rate hooked to the corresponding terms of benchmark interest rate of the People's Bank of China and adjusting the floating rate yearly; b) China Huitong, subsidiary of the Company, borrowed RMB 110,000,000.00 and RMB 100,000,000.00 from Nanshan Hong Kong, , of which borrowing terms dates from 12 December 2014 to 12 December 2017 and from 18 December 2014 to 18 December 2017 respectively, using floating interest rate hooked to the corresponding terms of benchmark interest rate of the People's Bank of China and adjusting the floating rate quarterly; and c) China Huitong, subsidiary of the Company, borrowed RMB 6,000,000.00 of one-year loan from Nanshan Hong Kong, dating from 28 December 2015 to 28 December 2016. The due date of this borrowing is extended to 28 December 2019, with 4.75% annual interests rate.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

32. Share capital

Unit: RMB

Item	Opening balance	Changes for the period					Closing balance
		New issue of shares	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	
2016:							
I. Restricted tradable shares							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	119,420,000.00	-	-	-	-	-	119,420,000.00
3. Other domestic-owned shares	-	-	-	-	-	-	-
4. Other foreign-owned shares	-	-	-	-	-	-	-
Total restricted tradable shares	119,420,000.00	-	-	-	-	-	119,420,000.00
II. Tradable shares							
1. Ordinary shares denominated in RMB	-	-	-	-	-	-	-
2. Foreign-owned shares listed domestically	111,180,000.00	-	-	-	-	-	111,180,000.00
3. Foreign-owned shares listed overseas	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total tradable shares	111,180,000.00	-	-	-	-	-	111,180,000.00
III. Total shares	230,600,000.00	-	-	-	-	-	230,600,000.00
2015:							
I. Restricted tradable shares							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	119,420,000.00	-	-	-	-	-	119,420,000.00
3. Other domestic-owned shares	-	-	-	-	-	-	-
4. Other foreign-owned shares	-	-	-	-	-	-	-
Total restricted tradable shares	119,420,000.00	-	-	-	-	-	119,420,000.00
II. Tradable shares							
1. Ordinary shares denominated in RMB	-	-	-	-	-	-	-
2. Foreign-owned shares listed domestically	111,180,000.00	-	-	-	-	-	111,180,000.00
3. Foreign-owned shares listed overseas	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total tradable shares	111,180,000.00	-	-	-	-	-	111,180,000.00
III. Total shares	230,600,000.00	-	-	-	-	-	230,600,000.00

Note: The par value per share of the above shares is RMB1.00.

33. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium	124,868,225.67	-	-	124,868,225.67
Other capital reserve	109,272,960.42	-	-	109,272,960.42
Total	234,141,186.09	-	-	234,141,186.09

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

34. Other comprehensive income

Unit: RMB

Item	Opening balance	Amount for the current period					Closing balance
		Before-tax amount for the current period	Less: Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	Less: income tax	Post-tax net amount belonging to parent company owners	Post-tax net amount belonging to minority shareholders	
I. Net amount included in other comprehensive income that cannot be transferred to profit or loss in the future	-	-	-	-	-	-	-
Including: Changes in net liability and net asset arising from recalculation of defined benefit plan	-	-	-	-	-	-	-
Share of other comprehensive income of the investee that cannot be transferred to profit or loss accounted for using the equity method	-	-	-	-	-	-	-
II. Net amount included in other comprehensive income that can be transferred to profit or loss in the future	652,079.14	-	-	-	-	-	652,079.14
Including: Share of other comprehensive income of the investee that can be transferred to profit or loss accounted for using the equity method	-	-	-	-	-	-	-
Gains (losses) arising from available-for-sale financial assets	-	-	-	-	-	-	-
held-to-maturity investment that is reclassified as financial assets available for sale	-	-	-	-	-	-	-
Effective gains(losses) arising from cash flow hedging instruments	-	-	-	-	-	-	-
Translation differences of financial statements denominated in foreign currencies	652,079.14	-	-	-	-	-	652,079.14
Total	652,079.14	-	-	-	-	-	652,079.14

35. Special reserve

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Production safety fee	5,941,771.48	1,505,428.41	672,492.16	6,774,707.73

36. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	218,585,153.26	-	-	218,585,153.26
Discretionary surplus reserve	98,660,135.55	1,358,273.61	-	100,018,409.16
Total	317,245,288.81	1,358,273.61	-	318,603,562.42

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

37. Unappropriated profits

Unit: RMB

Item	Closing balance	Opening balance
Before adjustment: Unappropriated profits at the end of prior year	965,504,851.33	913,767,989.40
Adjustment: Total unappropriated profits at the beginning of the year	-	-
After adjustment: Unappropriated profits at the beginning of the year	965,504,851.33	913,767,989.40
Add: Net profit attributable to owners of the Company for the period	1,918,066.81	91,644,920.49
Less: Appropriation to statutory surplus reserve	-	2,716,547.22
Appropriation to discretionary surplus reserve (note 1)	1,358,273.61	7,444,111.34
Declaration of dividends on ordinary shares	-	29,747,400.00
Unappropriated profits at the end of the year	966,064,644.53	965,504,851.33

Note 1: According to the resolution of 2015 shareholders' meeting on 22 April 2016, the Company appropriated the discretionary surplus reserve based on 5% of the Company's net profit in 2015, the total amount of which is RMB 1,358,273.61.

Note 2: As at 31 December 2016, the balance of the Group's unappropriated profits includes appropriation to surplus reserve by subsidiaries amounting to RMB 127,694,536.35 (31 December 2015: RMB 99,378,754.84).

38. Operating income and operating costs

Unit: RMB

Item	Amount recognized in the current period		Amount recognized in the prior period	
	Operating income	Operating cost	Operating income	Operating cost
Principal operating activities	676,891,005.05	298,716,360.92	649,012,991.25	293,808,730.04
Other operating activities	900,326.06	1,191,895.26	1,266,525.09	3,193,784.84
Total	677,791,331.11	299,908,256.18	650,279,516.34	297,002,514.88

39. Business taxes and levies

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Property tax	26,403,928.30	22,306,776.50
Urban land use tax	13,650,090.75	8,191,167.12
City construction and maintenance tax	2,096,633.44	2,100,050.43
Education surcharges	1,512,311.90	1,676,708.28
Stamp duty	1,006,470.25	-
Business tax	572,309.40	1,674,684.65
Vehicle and vessel usage tax	109,360.41	-
Others	955,362.99	234,781.58
Total	46,306,467.44	36,184,168.56

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

40. Selling expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Agency brokerage	1,077,360.05	1,794,630.86

41. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Payroll	61,135,597.73	51,258,086.99
Asset amortization	20,109,092.36	10,074,850.77
Asset depreciation	5,426,688.59	4,147,388.80
Travelling expense	4,173,394.61	3,361,419.34
Business entertainment	3,206,023.55	2,836,145.47
Taxes	3,049,944.37	7,064,503.93
Vehicle expense	2,412,269.71	2,288,519.31
Others	17,094,230.28	14,500,612.57
Total	116,607,241.20	95,531,527.18

42. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest expenses	190,214,200.33	172,521,259.62
Less: Capitalized interest expenses	6,142,146.18	4,799,074.19
Less: Interest income	5,052,488.85	5,895,451.65
Exchange differences	(499,813.18)	401,204.04
Less: Capitalized exchange differences	-	-
Others	3,234,659.58	2,887,408.77
Total	181,754,411.70	165,115,346.59

43. Impairment losses on assets

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Bad debt losses	(98,698.65)	975,282.77

44. Investment income

Details of investment income

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Income from long-term equity investments under equity(note) method	32,503,352.87	58,968,248.53
Income from bank financing products	1,283,277.56	16,142,257.65
Total	33,786,630.43	75,110,506.18

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

44. Investment income - continued

Note: See note (V) 8 for details.

There are no significant restrictions on remittance of investment income stated above.

45. Non-operating income

(1) Details of non-operating income are as follows:

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period	Amount included in non-recurring profit or loss for the period
Government grants	5,238,023.20	12,491,552.18	5,238,023.20
Remission on urban land use tax (note)	1,985,662.50	-	1,985,662.50
Penalty gains	805,902.64	45,170.87	805,902.64
Total gains on disposal of non-current assets	277,164.06	83,782.26	277,164.06
Including: Gains on disposal of fixed assets	277,164.06	83,782.26	277,164.06
Accounts payable write-off	-	880,397.20	-
Others	987,316.44	137,207.83	987,316.44
Total	9,294,068.84	13,638,110.34	9,294,068.84

Note: Represents remission on urban land use tax of 2016 1st and 2nd quarters which granted to Jiaozhou Baowan, subsidiary of the Company, in accordance with *Remission on Urban Land Use Tax and Property Tax for Enterprises with Difficulties* issued by Qingdao Municipal Local Taxation Bureau.

(2) Details of government grants:

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period	Related to assets/income
Bank loan subsidies (note 1)	2,014,701.50	1,878,500.00	Related to income
Special construction funds for logistics park (Note 2)	1,652,071.68	648,848.93	Related to income
Financial support fund	694,664.00	9,750,547.11	Related to income
Encouragement fund for service industry	718,500.00	-	Related to income
Others	158,086.02	213,656.14	Related to income
Total	5,238,023.20	12,491,552.18	

Note 1: Amount recognized in the current period mainly are bank loan subsidies for key logistics enterprise granted to the Company, in accordance with *Management Provisions on Special Funds for Shenzhen Modern Logistics Development (Shen Cai Gui (2013) No. 12)*.

Note 2: See note (V) 30 for details

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

46. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period	Amount included in non-recurring profit or loss for the period
Total losses on disposal of non-current assets	2,038,490.91	386,856.19	2,038,490.91
Including: Losses on disposal of fixed assets	1,437,828.91	386,856.19	1,437,828.91
Losses on disposal of Investment properties	600,662.00	-	600,662.00
Compensation losses	612,356.58	1,063,858.34	612,356.58
Penalty losses	55,124.99	35,112.73	55,124.99
Others	244,193.76	34,686.54	244,193.76
Total	2,950,166.24	1,520,513.80	2,950,166.24

47. Income tax expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Current tax expense	46,762,284.92	41,991,156.77
Deferred tax expense	4,559,568.49	(11,759,603.45)
Total	51,321,853.41	30,231,553.32

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

	Amount for the current period	Amount for the prior period
Accounting profit	72,366,826.22	140,904,148.22
Income tax expenses calculated at 25% (prior year: 25%)	18,091,706.56	35,226,037.06
Effect of deductible temporary differences and deductible losses from unrecognized deferred tax assets in the current period	44,129,464.31	7,039,660.21
Effect of expenses that are not deductible for tax purposes	275,512.05	710,675.69
Effect of adjusting income tax for previous years	(115,544.87)	3,072,869.66
Effect of using previously unrecognised deductible losses	(487,716.69)	-
Effect of subsidiaries using different tax rates	(2,445,729.72)	(1,282,386.20)
Effect of non-taxable income	(8,125,838.23)	(14,742,062.13)
Others	-	206,759.03
Income tax expense	51,321,853.41	30,231,553.32

48. Other comprehensive income

See Note (V) 34 for detail.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

49. Calculation process of basic earnings per share and diluted earnings per share

For the purpose of calculating basic earnings per share, net profit for the current period attributable to ordinary shareholders is as follows:

Unit: RMB

	Amount for the current period	Amount for the prior period
Net profit for the current period attributable to ordinary shareholders	1,918,066.81	91,644,920.49
Including: Net profit from continuing operations	1,918,066.81	91,644,920.49
Net profit from discontinued operations	-	-

For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares, and its calculation process is as follows:

Unit: Share

	Number for the current period	Number for the prior period
Number of ordinary shares outstanding at the beginning of year	230,600,000.00	230,600,000.00
Add: Weighted average number of ordinary shares issued during the period	-	-
Less: Weighted average number of ordinary shares repurchased during the period	-	-
Number of ordinary shares outstanding at the end of the year	230,600,000.00	230,600,000.00

Earnings per share

Unit: RMB

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	0.10	0.40
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from continuing operations attributable to shareholders of the Company:		
Basic earnings per share	0.10	0.40
Diluted earnings per share	Not applicable	Not applicable

50. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Receipts of storage service deposits	16,326,103.95	21,559,126.76
Government grants	3,585,951.52	11,842,703.25
Interest income	4,729,575.61	5,895,451.65
Receipts of employee housing allowance	3,102,385.57	-
Receipts of insurance compensation	2,094,176.52	-
Receipts of supplies purchasing and decoration fees	900,326.06	1,266,525.09
Others	3,485,448.28	4,815,204.48
Total	34,223,967.51	45,379,011.23

(V) **NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** - continued

50. Notes to items in the cash flow statement - continued

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Payments for administrative expense and selling expense	27,963,278.20	20,468,978.58
Payments for storage service deposits	11,135,068.21	7,876,656.43
Payment for supplies procurement and decoration fees	1,191,895.26	3,193,784.84
Payment for bank commissions	1,897,591.57	1,732,156.04
Payment for accrued expenses	549,551.69	2,964,294.17
Others	1,241,582.02	2,520,177.66
Total	43,978,966.95	38,756,047.72

(3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Receipts of matured financing products	280,000,000.00	1,471,000,000.00
Investment income from bank financing products	2,314,620.00	18,517,101.51
Receipts of government subsidy related to assets	-	50,400,000.00
Total	282,314,620.00	1,539,917,101.51

(4) Other cash payments relating to investing activities

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Purchase of financing products	45,000,000.00	1,316,000,000.00
Deposits for land rights	34,729,624.80	9,010,000.00
Others	15,333,000.00	-
Total	95,062,624.80	1,325,010,000.00

(5) Other cash receipts relating to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Receipts of loans from Nanshan Group	1,464,000,000.00	-
Receipts of loans from Nanshan Development (Hong Kong) Limited ("Nanshan Hong Kong"),	-	6,000,000.00
Total	1,464,000,000.00	6,000,000.00

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

50. Notes to items in the cash flow statement - continued

(6) Other cash payments relating to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Payments for loan principal to Nanshan Group	1,361,417,853.31	300,000,000.00
Payments for loan interests to Nanshan Group	71,436,996.07	64,067,500.00
Payments for loan principal and interests to Nanshan Hong Kong(note)	64,455,148.10	-
Payments for commission of medium term note	1,201,200.00	1,201,200.00
Payments for commission of corporate bond	134,220.71	-
Others	1,647.30	1,647.30
Total	1,498,647,065.49	365,270,347.30

Note: Tianjin Baowan, subsidiary of the Company has acquired Tianjin Haier during the year. Pursuant to the share acquisition agreement, Tianjin Haier would repay Tianjin Haier's borrowings from its former shareholder.

51. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	21,044,972.81	110,672,594.90
Add: Provision for impairment losses of assets	(98,698.65)	975,282.77
Depreciation of fixed assets	59,666,195.69	56,704,470.29
Depreciation of investment properties	56,749,984.41	51,126,829.28
Amortization of intangible assets	53,568,997.30	41,573,931.82
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	1,761,326.85	303,073.93
Financial expenses	184,072,054.15	167,722,185.43
Losses (gains) arising from investments	(33,786,630.43)	(75,110,506.18)
Decrease (increase) in deferred tax assets	4,559,568.49	(11,759,603.45)
Increase (decrease) in deferred tax liabilities	22,812,085.88	-
Decrease (increase) in inventories	(47,312.28)	139,502.98
Decrease (increase) in receivables from operating activities	7,802,662.84	(27,795,284.40)
Increase (decrease) in payables from operating activities	(6,630,475.17)	18,103,874.07
Net cash flows from operating activities	371,474,731.89	332,656,351.44
2. Net changes in cash and cash equivalents:		
Closing balance of cash	524,609,097.58	321,121,926.73
Less: Opening balance of cash	321,121,926.73	375,328,861.18
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	203,487,170.85	(54,206,934.45)

(V) **NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** - continued

51. Supplementary information to the cash flow statement - continued

(2) Net cash outflow on acquisition of subsidiaries and business units

Unit: RMB

Item	Current period	Prior period
Cash and cash equivalents paid to acquire subsidiaries and business units during the year	375,567,215.93	-
Including: Beijing Jinmucaoye(note 1)	270,117,215.93	-
Tianjin Haier(note 2)	105,450,000.00	-
Less: Cash and cash equivalents held by subsidiaries and business units on acquisition date	15,888,149.51	-
Including: Beijing Jinmucaoye(note 1)	15,650,290.72	-
Tianjin Haier(note 2)	237,858.79	-
Net cash outflow on acquisition of subsidiaries and business units	359,679,066.42	-

Note 1: See Note (VI) 2 (2) for details.

Note 2: See Note (VI) 1 for details.

(3) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	524,609,097.58	321,121,926.73
Including:Cash on hand	17,691.92	19,947.47
Bank deposits	524,591,405.66	321,101,979.26
II. Cash equivalents	-	-
Including:Investments in debt securities due within three months	-	-
III. Closing balance of cash and cash equivalents	524,609,097.58	321,121,926.73

52. Foreign currency monetary items

Unit: RMB

Item	Closing balance in foreign currency	Exchange rate	Closing balance translate in RMB
Cash and bank balance			3,111,281.21
Including: Hong Kong Dollar	2,998,519.47	0.8945	2,682,175.67
United State Dollar	60,795.48	6.9370	421,738.24
Singapore Dollar	956.50	4.7995	4,590.72
Euro	380.00	7.3068	2,776.58

(VI) CHANGES OF CONSOLIDATION SCOPE

1. Business combination not involving enterprises under common control

(1) Business combination not involving enterprises under common control during the year

Unit: RMB

Acquiree	Costs of acquisition	Acquired share percentage	Acquisition method	Acquisition date	Basis of determining acquisition date	Revenue between acquisition date and 31December 2016	Net profits between acquisition date and 31December 2016
Tianjin Haier	117,124,048.28	100%	Share acquisition	31 October 2016	Control on the acquiree has been transferred to acquirer(note)	2,601,783.98	622,817.61

Note: On 31 October 2016, the acquirer has paid for the majority of acquisition price, and the acquirer has the capability and plan to pay for the rest; the acquirer has controlled the acquiree's financial and operating policies, enjoying gains and sharing risks from the acquiree.

(2) Costs of business combination

Unit: RMB

Costs of business combination	Tianjin Haier
- Cash	117,124,048.28
Total	117,124,048.28
Less: share of fair value of identifiable net assets acquired	105,990,929.73
Goodwill	11,133,118.55

(3) Identifiable assets and liabilities of acquiree on acquisition date

Unit: RMB

	Tianjin Haier	
	Fair value on acquisition date	Net book value on acquisition date
Assets:		
Cash and bank balances	237,858.79	237,858.79
Accounts receivable	5,176,474.21	5,176,474.21
Investment properties	113,826,900.00	80,654,114.42
Fixed assets	13,407,900.00	9,500,410.71
Intangible assets	66,265,200.00	40,631,786.79
Long-term prepaid expenses	-	3,195,418.46
Liabilities:		
Accounts payable	3,055,394.93	3,055,394.93
Taxes payable	1,489,067.43	1,489,067.43
Other payables	65,405,024.43	65,405,024.43
Deferred income	-	32,377,396.30
Deferred tax liabilities	22,973,916.48	-
Net assets	105,990,929.73	37,069,180.29
Less: Minority interests	-	-
Net assets acquired	105,990,929.73	37,069,180.29

(VI) CHANGES OF CONSOLIDATION SCOPE - continued

2. Other changes

(1) Newly set-up subsidiaries during the year

Unit: RMB

Name of subsidiaries	Year-end net assets
Jiaxing Supply Chain	229,919,139.96
Yunnan Dianzhong Baowan Logistic Co., Ltd ("Dianzhong Baowan")	199,924,786.25
Yuyao Baowan	99,065,674.06
Luohuang Baowan	79,970,966.61
Yuhua Baowan	13,994,884.26
Xiaogan Baowan Logistic Co., Ltd ("Xiaogan Baowan")	-
Chengdu Xinjin Baowan International Co.,Ltd ("Xinjin Baowan")	-
Foshan Sanshui Baowan Logistic Co., Ltd ("Sanshui Baowan")	-
Foshan Nanhai Baowan Logistic Co., Ltd ("Nanhai Baowan")	-
Deqing Baowan International Co.,Ltd ("Deqing Baowan")	-
Changsha Wangcheng Baowan Logistic Co., Ltd ("Wangcheng Baowan")	-
Ningbo Baowan International Logistic Co.,Ltd ("Ningbo Baowan")	-

The above subsidiaries are set up in the current period. As at 31 December 2016, these subsidiaries are still under construction and not put into operation.

(2) Subsidiary newly included in consolidation scope through asset acquisition

Unit: RMB

Name of subsidiaries	Year-end net assets
Beijing Jinmucaoye	92,316,900.71

Baowan Holdings, subsidiary of the Company, acquired 100% share of Beijing Jinmucaoye at the price of RMB 270,117,215.93 during the year. This acquisition is asset acquisition, not business combination.

(VII) EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Group Composition

Name of subsidiary	Business premise	Registered place	Business nature	Proportion of holding equity (%)		Acquired method
				Direct	Indirect	
Baowan Holdings	Guangdong Shenzhen	Guangdong Shenzhen	Investment	77.36	-	Set-up
Shanghai Baowan International Logistic Co., Ltd.	Shanghai	Shanghai	Logistic service	-	100.00	Set-up
Guangzhou Baowan	Guangdong Guangzhou	Guangdong Guangzhou	Logistic service	-	100.00	Set-up
Kunshan Baowan	Jiangsu Kunshan	Jiangsu Kunshan	Logistic service	-	100.00	Set-up
Tianjin Baowan International Logistic Co., Ltd.	Tianjin	Tianjin	Logistic service	-	100.00	Set-up
Langfang Baowan International Logistic Co., Ltd. ("Langfang Baowan")	Hebei Langfang	Hebei Langfang	Logistic service	-	100.00	Set-up
Longquan Baowan	Sichuan Chengdu	Sichuan Chengdu	Logistic service	-	100.00	Set-up
Xindu Baowan	Sichuan Chengdu	Sichuan Chengdu	Logistic service	-	100.00	Set-up
Nanjing Baowan International Logistic Co., Ltd. ("Nanjing Baowan")	Jiangsu Nanjing	Jiangsu Nanjing	Logistic service	-	100.00	Set-up
Bingang Baowan	Tianjin	Tianjin	Logistic service	-	100.00	Set-up
Nantong Baowan International Logistic Co., Ltd.	Jiangsu Nantong	Jiangsu Nantong	Logistic service	-	100.00	Set-up
Wuhan Baowan	Hubei Wuhan	Hubei Wuhan	Logistic service	-	100.00	Set-up
Qingwu Baowan	Tianjin	Tianjin	Logistic service	-	100.00	Set-up
Shenyang Baowan.	Liaoning Shenyang	Liaoning Shenyang	Logistic service	-	100.00	Set-up
Yangluo Baowan	Hubei Wuhan	Hubei Wuhan	Logistic service	-	100.00	Set-up
Feidong Baowan	Anhui Hefei	Anhui Hefei	Logistic service	-	100.00	Set-up
Xi'an Baowan	Shanxi Xi'an	Shanxi Xi'an	Logistic service	-	100.00	Set-up
Xianyang Baowan	Shanxi Xianyang	Shanxi Xianyang	Logistic service	-	100.00	Set-up
Baowan Hong Kong	Hong Kong Special Administrative Region	Hong Kong Special Administrative Region	Investment	-	100.00	Set-up
Jiaozhou Baowan.	Shandong Qingdao	Shandong Qingdao	Logistic service	-	100.00	Set-up
Changzhou Baowan Logistic Co., Ltd.	Jiangsu Changzhou	Jiangsu Changzhou	Logistic service	-	100.00	Set-up
Jiaxing Baowan	Zhejiang Jiaxing	Zhejiang Jiaxing	Logistic service	-	100.00	Set-up
Jiangyin Baowan	Jiangsu Jiangyin	Jiangsu Jiangyin	Logistic service	-	100.00	Set-up
Shenzhen Baowan International Logistic Co., Ltd. ("Shenzhen Baowan")	Guangdong Shenzhen	Guangdong Shenzhen	Logistic service	100.00	-	Business combination involving enterprises under common control
Mingjiang (Shanghai) International Logistic Co., Ltd. ("Mingjiang International ")	Shanghai	Shanghai	Logistic service	-	100.00	Business combination involving enterprises under common control
China Huitong	Hong Kong Special Administrative Region	Hong Kong Special Administrative Region	Investment	-	100.00	Business combination involving enterprises under common control
Wuxi Baowan	Jiangsu Wuxi	Jiangsu Wuxi	Logistic service	-	100.00	Business combination involving enterprises under common control
Zhenjiang Warehouse	Jiangsu Zhenjiang	Jiangsu Zhenjiang	Logistic service	-	100.00	Business combination involving enterprises under common control
Chengdu Oil-Gas Base	Sichuan Chengdu	Sichuan Chengdu	Logistic service	100.00	-	Set-up
Shaoxing Baowan	Zhejiang Shaoxing	Zhejiang Shaoxing	Logistic service	-	100.00	Set-up
Jiangsu Baowan Logistic Co., Ltd.	Jiangsu Nanjing	Jiangsu Nanjing	Logistic service	-	100.00	Set-up
Xipeng Baowan	Chongqing	Chongqing	Logistic service	-	100.00	Set-up
Zhengzhou Baowan Logistic Co., Ltd.	Zhengzhou Henan	Zhengzhou Henan	Logistic service	-	80.00	Set-up
Ezhou Baowan	Ezhou Hubei	Ezhou Hubei	Logistic service	-	100.00	Set-up
Xitong Baowan	Jiangsu Nantong	Jiangsu Nantong	Logistic service	-	100.00	Set-up
Jiashan Baowan	Zhejiang Jiashan	Zhejiang Jiashan	Logistic service	-	100.00	Set-up
Beijing Jinmucaoye	Beijing	Beijing	Logistic service	-	100.00	Asset acquisition
Yuyao Baowan	Zhejiang Yuyao	Zhejiang Yuyao	Logistic service	-	100.00	Set-up
Xiaogan Baowan	Hubei Xiaogan	Hubei Xiaogan	Logistic service	-	100.00	Set-up
Xinjin Baowan	Sichuan Chengdu	Sichuan Chengdu	Logistic service	-	100.00	Set-up
Sanshui Baowan	Guangdong Foshan	Guangdong Foshan	Logistic service	-	100.00	Set-up

(VII) EQUITY IN OTHER ENTITIES - continued

1. Equity in subsidiaries - continued

(2) Group Composition - continued

Name of subsidiary	Business premise	Registered place	Business nature	Proportion of holding equity (%)		Acquired method
				Direct	Indirect	
Nanhai Baowan	Guangdong Foshan	Guangdong Foshan	Logistic service	-	100.00	Set-up
Yuhua Baowan	Hunan Changsha	Hunan Changsha	Logistic service	-	100.00	Set-up
Deqing Baowan	Zhejiang Deqing	Zhejiang Deqing	Logistic service	-	100.00	Set-up
Wangcheng Baowan	Hunan Changsha	Hunan Changsha	Logistic service	-	100.00	Set-up
Luohuang Baowan	Chongqing	Chongqing	Logistic service	-	100.00	Set-up
Tianjin Haier	Tianjin	Tianjin	Logistic service	-	100.00	Business combination not involving enterprises under common control
Jiaxing Supply Chain	Zhejiang Jiaxing	Zhejiang Jiaxing	Logistic service	-	90.00	Set-up
Ningbo Baowan	Zhejiang Ningbo	Zhejiang Ningbo	Logistic service	-	100.00	Set-up
Dianzhong Baowan	Yunnan Kunming	Yunnan Kunming	Logistic service	-	100.00	Set-up

2. Equity in joint ventures or associates

(1) Significant associates

Name	Business premise	Registered place	Business nature	Proportion of shareholding (%)		Accounting method
				Direct	Indirect	
CSE	Guangdong Shenzhen	Guangdong Shenzhen	Oceanic oil engineering	32.00	-	Equity method
CDFC	Guangdong Shenzhen	Guangdong Shenzhen	Capital management	20.00	-	Equity method
CPEC	Guangdong Shenzhen	Guangdong Shenzhen	Oil chemical equipment manufacturing	20.00	-	Equity method

(2) Financial information of Significant associates

Unit: RMB

	Closing balance/ Amount incurred in the current period			Opening balance/ Amount incurred in the prior year		
	CSE	CDFC	CPEC	CSE	CDFC	CPEC
Current asset	475,445,258.66	5,683,218,806.86	14,761,345.19	482,873,475.04	3,307,742,630.92	29,711,372.51
Non-current asset	1,116,355,891.44	9,238,857.55	3,099,232.49	1,112,312,706.71	920,635,240.41	8,154,950.23
Total asset	1,591,801,150.10	5,692,457,664.41	17,860,577.68	1,595,186,181.75	4,228,377,871.33	37,866,322.74
Current liability	102,007,170.26	5,089,049,191.91	14,426,466.13	186,373,956.07	3,670,142,393.48	22,302,980.98
Non-current liability	-	97,806.58	-	-	-	-
Total liability	102,007,170.26	5,089,146,998.49	14,426,466.13	186,373,956.07	3,670,142,393.48	22,302,980.98
Net assets share calculated according to proportion of shareholding	480,795,224.35	120,662,133.18	737,557.53	467,789,861.57	111,647,095.57	3,163,403.60
Net book value of the equity investment in associates	480,795,224.35	120,662,133.18	737,557.53	467,789,861.57	111,647,095.57	3,163,403.60
Income	567,812,267.19	87,570,708.82	17,214,499.80	568,666,851.49	53,276,669.73	65,789,872.06
Net profit	80,981,754.16	45,075,188.07	(12,129,230.21)	171,275,757.70	32,225,306.31	(11,425,276.06)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	80,981,754.16	45,075,188.07	(12,129,230.21)	171,275,757.70	32,225,306.31	(11,425,276.06)
Dividend received from associates in the current period	12,908,798.55	-	-	14,329,928.96	-	-

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's major financial instruments include bank deposits, accounts receivable, interests receivable, other receivables, short-term borrowings, notes payable, accounts payable, non-current liabilities due within one year, interests payable, other payables, other current liabilities, long-term borrowings, bonds payable and other non-current liabilities. Details of these financial instruments are disclosed in their correspondent notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyze possible effects from reasonableness and possible change of risk variable to current profits and losses or shareholders' equity. Given that any risk variable seldom changing in isolation, the correlation between variables will have a significant effect on the final amount affected by the change of one risk variable. Thus the following content is under the assumption that the change of each variable is conducted independently.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, and implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with RMB. As at 31 December 2016, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in foreign currencies.

Unit: RMB

Items	Ending balance	Opening balance
Cash and cash equivalents	3,111,281.21	3,685,009.43

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures.

Foreign currency sensitive analysis

Given that the Company holds a relatively small amount of assets and liabilities in foreign currency, the management considers that, where all other variables are held constant, the reasonably possible changes in exchange rates will not have a material pre-tax effect on the profit or loss for the period and shareholders' equity.

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

1.1.2 Interest rate risk - risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate borrowings (see Note (V) 25, Note (V) 27 and Note (V) 31 for details). It is the Group's policy to keep its borrowings at variable rate of interests so as to eliminate the fair value interest rate risk.

Analysis on interest rate risk

The sensitivity analysis on interest rate risk is based on the following assumptions:

- Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments;
- For fixed rate financial instruments measured at fair value, changes in the market interest rate only influence their interest income or expense;
- For derivative financial instruments designated as hedging instruments, changes in the market interest rate influence their fair values, and all the hedges of interest rate risk are expected to be highly effective;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

Unit: RMB

Item	Change in interest rate	Current year		Prior year	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
External borrowings	1% increase	(19,079,967.28)	(19,079,967.28)	(16,512,521.04)	(16,512,521.04)
External borrowings	1% decrease	19,079,967.28	19,079,967.28	16,512,521.04	16,512,521.04

1.2 Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- (1) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value
- (2) The amount of financial guarantees contract disclosed in Note (XIV) 9 (3) "Guarantees with related parties".

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

1.2 Credit risk - continued

In order to minimize the credit risk, the Group has delegated the finance department to be responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2016, the Group's current liabilities exceeds current assets by RMB 1,947,699,729.74. The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2016, and the Group still possessed RMB 1,834,296,592.27 unused bank credit line (As at 31 December 2015: RMB 1,708,721,692.27). The Group's management is confident that short-term borrowings will be rolled over or replaced by a new financing channel when due. In addition, Nanshan Group, has agreed when other outstanding debts owed by the Group fall due in the foreseeable future to provide all necessary financial support to the Company in the foreseeable future so as to maintain the Group's ability to continue as a going concern. Hence, the Group's Management believes the Group does not exist significant liquidity risk.

(VIII) RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

1.3 Liquidity risk - continued

The following is the maturity analysis for financial assets and financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Unit: RMB

Item	Within 1 year	1 year to 5 years	Over 5 years
Non-derivative financial assets			
Cash and bank balances	524,609,097.58	-	-
Accounts receivable	43,862,804.61	-	-
Interest receivable	423,404.92	-	-
Other receivables	63,863,606.97	-	-
Non-derivative financial liabilities			
Short-term borrowings	872,953,967.36	-	-
Notes payable	16,200,019.20	-	-
Accounts payable	11,500,505.03	-	-
Interests payable	23,856,299.00	-	-
Other payables	437,522,424.61	-	-
Other noncurrent liabilities due within one year	646,951,556.13	-	-
Other current liabilities	574,041,129.17	-	-
Long-term borrowings	57,991,726.66	529,652,774.75	1,092,192,389.76
Bonds payable	32,946,000.00	635,068,350.00	-
Other non-current liabilities	21,221,000.00	535,421,508.33	-

(IX) DISCLOSURE ON FAIR VALUE

1. Financial assets and financial liabilities that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost the financial statements are approximate to their fair values.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Unit: RMB

Entity name	Registered location	Business nature	Registered capital (RMB)	Shareholding percentage (%)	Voting power percentage (%)
Nanshan Group	Guangdong Shenzhen	Port and shipping, offshore oil service, real estate development and new construction material	900,000,000.00	51.79	51.79

The ultimate control party of the Company is Nanshan Group.

(X) **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** - continued

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in note (VII) 1.

3. Associates and joint ventures of the Company

Details of the associates and joint ventures of the Company are set out in note (VII) 2.

4. Other related parties of the Company

Name of other related parties	Relationship between other related parties and the Company
Shenzhen Nanshan Real Estate Development Co., Ltd. ("Nanshan Real Estate Company")	Controlled by the same party
Chixiao Project Company	Controlled by the same party
Chixiao Construction Company	Controlled by the same party
Chixiao Business Co., Ltd. ("Chixiao Business Company")	Controlled by the same party
Shenzhen New Nanshan Holdings (Group) Co., Ltd. (Originally "Yahoco Modular House Co., Ltd." "New Nanshan Holdings")	Controlled by the same party
Shenzhen Chiwan Oriental Logistics Co., Ltd. ("Shenzhen Oriental Logistics Company")	Controlled by the same party
Shenzhen Chiwan Real Estate Development Co., Ltd. ("Chiwan Real Estate Company")	Controlled by the same party
Hefei Baowan International Logistics Center Co., Ltd. ("Hefei Baowan")	Controlled by the same party
Nanshan Hong Kong	Controlled by the same party
Hubei Ezhou Nanshan Lingang New Tow Development Co., Ltd. ("Ezhou Nanshan Company")	Controlled by the same party
Shanghai Chiwan Oriental Logistics Co., Ltd. ("Shanghai Oriental Logistics Company")	Controlled by the same party
Jiaxing Modern Logistic Park Investment Development Co., Ltd. ("Jiaxing Investment Company")	Minority interest of Jiaxing Supply Chain
Directors, general manager, vice-general managers, etc. of the Company	Key management personnel

5. Related party transactions

(1) Provision and receipt of services

Receipt of service

Unit: RMB

Related party	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount for the current period	Amount for the prior period
Nanshan Group	Power supply service	By reference to market price	3,021,282.30	2,876,386.96
CDFC	Letter of guarantee service	By reference to market price	54,748.73	-
Chixiao Project Company	Construction service	By reference to market price	-	2,688,395.00
Total			3,076,031.03	5,564,781.96

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**5. Related party transactions - continued****(1) Provision and receipt of services - continued**

Provision of service

Unit: RMB

Related party	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount for the current period	Amount for the prior period
CSE	Loading and unloading service	By reference to market price	4,197,178.22	1,781,531.46
CSE	Stack (storage) service	By reference to market price	3,704,755.60	2,724,336.00
Shenzhen Oriental Logistics Company	Stack (storage) service	By reference to market price	466,981.16	-
Hefei Baowan	Trusteeship management service	By reference to market price	440,383.68	397,690.39
CPEC	Stack (storage) service	By reference to market price	288,950.68	815,718.96
Oriental Logistics Company	Maintenance service	By reference to market price	190,388.19	-
CPEC	Loading and unloading service	By reference to market price	48,514.35	42,405.23
Nanshan Group	Stack (storage) service	By reference to market price	9,600.00	9,600.00
Nanshan Group	Maintenance service	By reference to market price	7,675.00	41,957.95
CDFC	Maintenance service	By reference to market price	1,285.00	5,750.00
Total			9,355,711.88	5,818,989.99

(2) Leases with related parties

Leases where the Group is the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Nanshan Group	Office building	6,606,800.81	6,258,106.46
CDFC	Office building	1,219,676.21	1,165,280.76
Chiwan Real Estate Company	Office building	989,714.20	740,143.72
CSE	Office building	785,836.56	785,836.56
Chixiao Enterprise	Office building	463,171.17	39,042.15
CPEC	Office building	392,206.50	455,129.28
Shanghai Oriental Logistics Company	Office building	148,770.82	131,040.00
Nanshan Real Estate Company	Office building	87,765.12	85,240.80
Total		10,693,941.39	9,659,819.73

Leases where the Group is the lessee:

Unit: RMB

Name of lessor	Type of leased assets	Lease payment recognized in the current year	Lease payment recognized in the prior year
Nanshan Group	Site (note 1)	27,241,673.80	28,088,931.65
Nanshan Group	Site (note 2)	2,186,505.60	2,053,780.27
New Nanshan Holdings	Building	-	4,920.00
Total		29,428,179.40	30,147,631.92

(X) **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** - continued

5. Related party transactions - continued

Note 1: The leased assets include two pieces of lands which the Company has leased from Nanshan Group: one is to the east of Chiwan 1st Road, with the lease term from 1 September 2006 to 31 August 2026; the other is the Chiwan east coast venue (phase I), with the lease term from 1 January 2012 to 14 July 2034.

Note 2: The leased land is located to the southeast of the intersection of Chiwan 2nd Road and 6th Road, which Shenzhen Baowan has leased from Nanshan Group, the Company's parent company.

(3) Guarantees with related parties

The Group as the guaranteed party:

Unit: RMB

Guarantor	Guaranteed items	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Nanshan Group(note 1)	Corporate bond	The Company	570,000,000.00	17/12/2012	17/12/2019	No
Nanshan Group(note 1)	Medium term note	The Company	400,000,000.00	09/03/2012	09/03/2017	No
Nanshan Group(note 2)	Long-term borrowings	The Company	200,000,000.00	31/03/2012	30/03/2029	No
Nanshan Group(note 3)	Long-term borrowings	The Company	120,000,000.00	29/11/2012	28/11/2029	No
Nanshan Group(note 4)	Long-term borrowings	Wuhan Baowan	56,600,000.00	17/12/2014	16/12/2029	No
Nanshan Group(note 5)	Long-term borrowings	The Company	45,280,000.00	28/06/2016	28/06/2017	No
Nanshan Group(note 6)	Long-term borrowings	Guangzhou Baowan	24,749,915.56	22/04/2014	21/04/2029	No
Nanshan Group(note 7)	Long-term borrowings	Nanjing Baowan	18,612,543.06	29/05/2014	28/05/2029	No
Total			1,435,242,458.62			

Note 1: Guarantee provided by Nanshan Group for corporate bond and medium term note. See note (V) 28 for details.

Note 2: Pursuant to the long-term borrowings contract, the loan withdrawal is expired, and the Company can no longer use the residual facility. Nanshan Group only provides guarantee for the closing balance of the loan within the guaranteed term. As at 31 December 2016, the closing balance of the aforesaid guaranteed loan is RMB126,019,651.68.

Note 3: Pursuant to the long-term borrowings contract, the loan withdrawal is expired, and the Company can no longer use the residual facility. Nanshan Group only provides guarantee for the closing balance of the loan within the guaranteed term. As at 31 December 2016, the closing balance of the aforesaid guaranteed loan is RMB 52,804,650.36.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Related party transactions - continued

(3) Guarantees with related parties - continued

Note 4: Pursuant to the long-term borrowings contract, Wuhan Baowan can apply for loans within the scope of guaranteed amount and guaranteed term. Nanshan Group and the Company has provide guarantee for the borrowings by 22.64% and 77.36% of the amount respectively. As at 31 December 2016, the closing balance of the aforesaid guaranteed loan is RMB 71,218,013.48, which Nanshan Group and the Company guarantee RMB 16,123,758.25 and RMB 55,094,255.23 by 22.64% and 77.36% respectively.

Note 5: Pursuant to the short-term borrowings contract, the Company has provided a maximum of RMB 200,000,000.00 irrevocable guarantee with joint-liability for Baowan Holdings, whereas Nanshan Group has provided a counter-guarantee against the Company by 22.64% of RMB 200,000,000.00. As at 31 December 2016, the closing balance of the aforesaid guaranteed loan is RMB 50,000,000.00. See Note (V)17 for details.

Note 6: Pursuant to the long-term borrowings contract, Guangzhou Baowan can apply for loans within the scope of guaranteed amount and guaranteed term. Nanshan Group and the Company has provide guarantee for the borrowings by 22.64% and 77.36% of the amount respectively. As at 31 December 2016, the closing balance of the aforesaid guaranteed loan is RMB 109,319,415.02, which Nanshan Group and the Company guarantee RMB 24,749,915.56 and RMB 84,569,499.46 by 22.64% and 77.36% respectively.

Note 7: Pursuant to the long-term borrowings contract, Nanjing Baowan can apply for loans within the scope of guaranteed amount and guaranteed term. Nanshan Group and the Company has provide guarantee for the borrowings by 22.64% and 77.36% of the amount respectively. As at 31 December 2016, the closing balance of the aforesaid guaranteed loan is RMB 82,210,879.23, which Nanshan Group and the Company guarantee RMB 18,612,543.06 and RMB 63,598,336.17 by 22.64% and 77.36% respectively.

Closing balances of the above note 2, note 3, note 4, note 6 and note 7 added up to RMB 441,572,609.77. See note (V) 27 for details.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Related party transactions - continued

(4) Borrowings/loans with related parties

Unit: RMB

Related party	Amount for the current period	Inception date	Maturity date	Remarks
Borrowed from:				
Nanshan Group	294,000,000.00	25/01/2016	25/01/2017	Note 1
Nanshan Group	250,000,000.00	08/11/2016	08/11/2019	Note 2
Nanshan Group	240,000,000.00	11/11/2016	31/10/2019	Note 2
Nanshan Group	220,000,000.00	16/08/2016	16/08/2017	Note 1
Nanshan Group	210,000,000.00	28/12/2016	28/12/2017	Note 3
Nanshan Group	200,000,000.00	18/08/2016	18/08/2017	Note 1
CDFC	207,900,000.00	27/05/2016	27/05/2026	Note 4
CDFC	100,000,000.00	31/03/2016	30/03/2019	Note 5
CDFC	100,000,000.00	29/12/2016	29/12/2019	Note 5
CDFC	95,000,000.00	07/11/2016	07/11/2026	Note 4
CDFC	70,000,000.00	04/08/2016	04/08/2026	Note 4
CDFC	64,455,100.00	08/12/2016	08/12/2019	Note 5
CDFC	54,000,000.00	17/10/2016	17/10/2026	Note 4
Nanshan Group	50,000,000.00	15/08/2016	15/08/2017	Note 1
CDFC	35,000,000.00	01/08/2016	01/08/2019	Note 6
Total	2,190,355,100.00			
Lent to:				
CDFC	(500,000.00)	04/08/2016	04/08/2026	Note 4
CDFC	(500,000.00)	17/10/2016	17/10/2026	Note 4
CDFC	(1,000,000.00)	27/05/2016	27/05/2026	Note 4
CDFC	(100,000,000.00)	30/12/2015	29/12/2016	Note 7
Nanshan Group	(200,000,000.00)	18/08/2016	18/08/2017	Note 1
Nanshan Group	(210,000,000.00)	16/08/2016	16/08/2017	Note 1
Nanshan Group	(251,417,853.31)	Note 8	Note 8	
Nanshan Group	(700,000,000.00)	11/11/2011	11/11/2016	Note 9
Total	(1,463,417,853.31)			

Note 1: The loan is used for the business turnover of the Company. The annual interest rate is 4.3500%.

Note 2: The loan is used for the business turnover of the Group. The interest rate is floated quarterly, which is 4.2750% during the year.

Note 3: The loan is used for the business turnover of the Group. The annual interest rate is 4.1325%.

Note 4: The loan is used for repaid other loans. The interest rate is floated quarterly, which is 4.9000% during the year.

Note 5: The loan is used for the business turnover of the Company. The interest rate is floated quarterly, which is 4.7500% during the year.

(X) **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** - continued

5. Related party transactions - continued

(4) Borrowings/loans with related parties - continued

Note 6: The loan is used for logistic park construction. The interest rate is floated quarterly, which is 4.7500% during the year.

Note 7: The loan was used for the business turnover of the Company, of which annual interest rate was 4.1325% and was fully repaid during the year.

Note 8: The loan was not fixed with repayment terms and interest rate was refer to market rate.

Note 9: The loan was used for the business turnover of the Company, of which annual interest rate was 6.8150% and was fully repaid during the year.

(5) Interest incomes and expenses with related parties

Interest/investment income gained from deposits/purchase of bank financing products

Unit: RMB

Related party	Type of related party transaction	Pricing principle of related party transaction	Amount for the current period	Amount for the prior period
CDFC (note)	Interest income	Negotiated interest rate (referred to market rate)	1,775,494.79	104,145.68

Note: Interest incomes from CDFC is due to current deposits placed in CDFC by the Group.

Interest expense for borrowings

Unit: RMB

Related party	Type of related party transaction	Pricing principle of related party transaction	Amount for the current period	Amount for the prior period
Nanshan Group	Interest expense	Negotiated interest rate (referred to market rate)	62,825,137.53	71,161,521.03
Nanshan Hong Kong	Interest expense	Negotiated interest rate (referred to market rate)	10,238,175.00	11,378,791.67
CDFC	Interest expense	Negotiated interest rate (referred to market rate)	17,556,739.68	22,958.33
Ezhou Nanshan Company (note)	Interest expense	Negotiated interest rate (referred to market rate)	1,694,202.43	-
Total			92,314,254.64	82,563,271.03

Note: Represents interest expense generated from prepayment for land use right by Ezhou Nanshan Company on behalf of Ezhou Baowan, subsidiary of the Company. Ezhou Baowan has fully repaid Ezhou Nanshan Company during the year.

(6) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Compensation for key management personnel	7,385,803.81	5,795,754.00

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued**6. Amounts due from / to related parties****(1) Amounts due from related parties**

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	Hefei Baowan	466,806.70	-	397,690.39	-
	CPEC	318,036.50	3,180.37	314,290.30	3,142.90
	CSE	268,743.22	2,687.43	1,179,367.56	11,793.68
	Oriental Logistics Company	246,973.65	-	-	-
	Chiwan Real Estate Company	82,595.70	825.96	243,315.68	2,433.16
	Nanshan Group	76,616.55	766.17	-	-
	Total	1,459,772.32	7,459.93	2,134,663.93	17,369.74
Other receivable	Jiaxing Investment Company	15,333,000.00	-	-	-
	CSE	27,336.60	273.37	11,571.48	115.71
	Hefei Baowan	-	-	79,200.00	-
	Nanshan Group	2,750.00	27.50	2,750.00	27.50
	Total	15,363,086.60	300.87	93,521.48	143.21

(2) Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Short-term Borrowing	CDFC	-	100,000,000.00
Accounts payable	Nanshan Group	7,286,492.59	4,340,013.89
	Chixiao Project Company	93,258.66	-
	CSE	16,554.40	16,554.40
	Chixiao Construction Company	9,740.00	102,998.66
	Total	7,406,045.65	4,459,566.95
Interest payable	CDFC	888,845.72	22,958.33
	Nanshan Group	570,633.32	6,758,208.33
	Total	1,459,479.04	6,781,166.66
Other payables	Nanshan Hong Kong	21,655,761.67	11,921,567.32
	Nanshan Group	13,598,928.74	16,228,098.95
	Chixiao Project Company	8,718,573.62	15,004,897.43
	Chixiao Construction Company	4,840,413.70	2,156,683.47
	CSE	255,726.00	255,726.00
	CPEC	204,224.04	204,224.04
	Oriental Logistics Company	179,375.00	26,165.00
	Chiwan Real Estate Company	62,059.90	-
	Chixiao Business Company	35,790.30	-
Total	49,550,852.97	45,797,362.21	
Non-current liabilities due within one year	Nanshan Hong Kong	210,000,000.00	-
	CSE	785,836.56	785,836.56
	Nanshan Group	-	700,000,000.00
	Total	210,785,836.56	700,785,836.56
Other current liabilities	Nanshan Group	564,000,000.00	-
	Nanshan Hong Kong	-	6,000,000.00
	Total	564,000,000.00	6,000,000.00
Long-term Borrowing	CDFC	724,355,100.00	-

(X) **RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** - continued

6. Amounts due from / to related parties - continued

(2) Amounts due to related parties - continued

Unit: RMB

Item	Related party	Closing balance	Opening balance
Long-term payables	Nanshan Group	-	251,417,853.31
Other non-current liabilities	Nanshan Group	490,000,000.00	-
	Nanshan Hong Kong	6,000,000.00	210,000,000.00
	CSE	3,879,199.02	4,665,035.58
	Total	499,879,199.02	214,665,035.58

7. Amounts deposited in related parties

Cash and bank balances deposited in related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Cash and bank balances	CDFC	177,270,206.74	5,685,248.40

(XI) **COMMITMENTS AND CONTINGENCY**

1. Significant commitments

(1) Capital commitments

Unit: RMB

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
- Commitment for acquisition and construction of long-term assets	297,349,050.63	97,735,552.60

(2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

Unit: RMB

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	33,118,298.13	32,009,734.28
2nd year subsequent to the balance sheet date	39,388,509.13	37,502,362.78
3rd year subsequent to the balance sheet date	38,814,361.08	38,491,811.94
Subsequent periods	449,937,149.06	478,357,846.90
Total	561,258,317.40	586,361,755.90

2. Contingency

There is no significant contingency needed to be disclosed for the Group.

(XII) EVENTS AFTER THE BALANCE SHEET DATE

1. Significant acquisition

On 23 January 2017, the Company's Board of Directors approved the *Motion on Acquiring 100% share of Jiangsu Jinwanxin Business Co.,Ltd*, which agreed to have Kunshan Baowan, subsidiary of the Company, to acquire 100% share of Jiangsu Jinwanxin Business Co.,Ltd with maximum consideration of RMB 119,360,000.00. This transaction was not significant assets reorganization specified in Management Method of Listed Company Significant Assets Reorganization, nor was transaction between related parties.

2. Set up new subsidiaries

- (1) Baowan Holdings, subsidiary of the Company, set up a 100% share subsidiary in Wuhan, Hubei province. The newly set-up subsidiary, Hubei Baowan Logistic Investment Co.,Ltd, has obtained business license on 16 February 2017, and plans to invest in e-commerce project in Qinshan District of Wuhan, with land coverage of 441 Mu and initial investment of RMB 1,070,000,000.00.
- (2) On 23 January 2017, the Company's Board of Directors approved to have Baowan Holdings, subsidiary of the Company, to invest and build logistic park project in Zhangzhou, Fujian Province, with land coverage of 196 Mu and initial investment of RMB 434,000,000.00.

(XIII) OTHER SIGNIFICANT EVENTS

1. Borrowing costs

Unit: RMB

Item	Amount of borrowing costs during the year	Capitalization rate
Construction in progress	6,142,146.18	5.01%
Sub-total of borrowing costs capitalized during the year	6,142,146.18	
Borrowing costs recognized in profit or loss during the year	184,072,054.15	
Total	190,214,200.33	

2. Segment reporting

- (1) Determining basis of reporting segment and accounting policy

Based on the Group's internal organization structure, management requirements and internal operating system, the operations of the Group are classified into four operating segments. The reporting segments are determined based on the specific circumstances of the Group. On the basis of operating segments, the Group identifies four reporting segments. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. Major products and services delivered or provided by each of the reporting segments are: stack (storage), loading and unloading, port management, office leasing and others.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

(XIII) OTHER SIGNIFICANT EVENTS - continued

2. Segment reporting - continued

(2) Reporting segment information

Unit: RMB

	Stack (storage)		Loading and unloading		Port management		Office leasing and others		Unallocated items		Inter-segment eliminations		Total	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Operating income:														
External revenue	550,059,948.71	520,194,029.77	29,073,126.97	36,833,559.77	16,887,119.45	16,648,654.99	81,771,135.98	76,603,271.81		-		-	677,791,331.11	650,279,516.34
Inter-segment revenue	-	-	-	-	-	-	-	-		-		-	-	-
Total segment operating income	550,059,948.71	520,194,029.77	29,073,126.97	36,833,559.77	16,887,119.45	16,648,654.99	81,771,135.98	76,603,271.81		-		-	677,791,331.11	650,279,516.34
Reconciling items:														
Total operating income in the financial statements													677,791,331.11	650,279,516.34
Operating costs	209,112,081.97	201,719,829.80	30,820,322.74	33,060,506.50	5,847,984.04	13,189,448.38	54,127,867.43	49,032,730.20		-		-	299,908,256.18	297,002,514.88
Segment operating profit (loss)	340,947,866.74	318,474,199.97	(1,747,195.77)	3,773,053.27	11,039,135.41	3,459,206.61	27,643,268.55	27,570,541.61		-		-	377,883,074.93	353,277,001.46
Reconciling items:														
Business taxes and levies	37,579,903.93	28,945,688.71	1,986,265.90	2,049,567.46	1,153,722.11	926,398.15	5,586,575.50	4,262,514.24		-		-	46,306,467.44	36,184,168.56
Selling expenses	1,077,360.05	1,794,630.86	-	-	-	-	-	-		-		-	1,077,360.05	1,794,630.86
General and administrative expenses	72,813,127.12	58,032,564.09	3,848,499.23	4,109,131.97	2,235,399.94	1,857,314.93	10,824,296.76	8,545,819.50	26,885,918.15	22,986,696.69		-	116,607,241.20	95,531,527.18
Financial expenses	-	-	-	-	-	-	-	-	181,754,411.70	165,115,346.59		-	181,754,411.70	165,115,346.59
Impairment loss of assets	-	-	-	-	-	-	-	-	(98,698.65)	975,282.77		-	(98,698.65)	975,282.77
Investment income	-	-	-	-	-	-	-	-	33,786,630.43	75,110,506.18		-	33,786,630.43	75,110,506.18
Operating profit	229,477,475.64	229,701,316.31	(7,581,960.90)	(2,385,646.16)	7,650,013.36	675,493.53	11,232,396.29	14,762,207.87	(174,755,000.77)	(113,966,819.87)		-	66,022,923.62	128,786,551.68
Non-operating income													9,294,068.84	13,638,110.34
Non-operating expenses													2,950,166.24	1,520,513.80
Total profit	229,477,475.64	229,701,316.31	(7,581,960.90)	(2,385,646.16)	7,650,013.36	675,493.53	11,232,396.29	14,762,207.87	(174,755,000.77)	(113,966,819.87)		-	72,366,826.22	140,904,148.22

(XIII) OTHER SIGNIFICANT EVENTS - continued

2. Segment reporting - continued

(2) Reporting segment information - continued

Unit: RMB

	Stack (storage)		Loading and unloading		Port management		Office leasing and others		Unallocated items		Inter-segment eliminations		Total	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Total segment assets	8,417,395,609.73	6,112,058,474.17	444,896,982.40	432,778,652.28	258,418,315.05	195,614,611.07	1,251,318,156.53	900,055,844.21	7,582,487,347.46	4,309,057,943.37	(10,405,474,885.05)	(6,305,608,885.93)	7,549,041,526.12	5,643,956,639.17
Reconciling items:														
Total assets in the financial statements	8,417,395,609.73	6,112,058,474.17	444,896,982.40	432,778,652.28	258,418,315.05	195,614,611.07	1,251,318,156.53	900,055,844.21	7,582,487,347.46	4,309,057,943.37	(10,405,474,885.05)	(6,305,608,885.93)	7,549,041,526.12	5,643,956,639.17
Total segment liabilities	3,145,193,547.44	3,683,349,074.33	166,237,537.50	260,808,180.25	96,559,037.34	117,884,490.09	467,560,035.69	542,406,437.14	4,508,785,899.45	1,791,445,607.21	(3,449,384,140.89)	(2,823,028,658.71)	4,934,951,916.53	3,572,865,130.31
Reconciling items:														
Total liabilities in the financial statements	3,145,193,547.44	3,683,349,074.33	166,237,537.50	260,808,180.25	96,559,037.34	117,884,490.09	467,560,035.69	542,406,437.14	4,508,785,899.45	1,791,445,607.21	(3,449,384,140.89)	(2,823,028,658.71)	4,934,951,916.53	3,572,865,130.31
Supplementary information:														
Depreciation	117,246,462.77	86,260,134.07	6,196,999.63	6,107,851.34	3,599,525.88	2,760,729.90	17,429,693.75	12,702,584.26	-	-	-	-	144,472,682.03	107,831,299.57
Amortization	48,250,468.73	33,257,254.13	2,550,252.94	2,354,857.97	1,481,313.87	1,064,388.51	7,172,846.61	4,897,431.21	-	-	-	-	59,454,882.15	41,573,931.82
Interest income	-	-	-	-	-	-	-	-	5,052,488.85	5,895,451.65	-	-	5,052,488.85	5,895,451.65
Interest expense	-	-	-	-	-	-	-	-	184,072,054.15	167,722,185.43	-	-	184,072,054.15	167,722,185.43
Impairment losses recognized in the current period	-	-	-	-	-	-	-	-	(98,698.65)	975,282.77	-	-	(98,698.65)	975,282.77
Investment income from long-term equity investment under equity method	-	-	-	-	-	-	-	-	32,503,352.87	58,968,248.53	-	-	32,503,352.87	58,968,248.53
Long-term equity investments under equity method	-	-	-	-	-	-	-	-	602,194,915.06	582,600,360.74	-	-	602,194,915.06	582,600,360.74
Non-current assets other than long-term equity investments	-	-	-	-	-	-	-	-	6,297,953,397.17	4,393,821,145.20	-	-	6,297,953,397.17	4,393,821,145.20
Capital expenditure	-	-	-	-	-	-	-	-	1,446,513,885.08	551,067,384.83	-	-	1,446,513,885.08	551,067,384.83
Including: Expenditure arising from construction in progress	-	-	-	-	-	-	-	-	307,175,878.14	392,050,771.00	-	-	307,175,878.14	392,050,771.00
Expenditure arising from purchase of fixed assets	-	-	-	-	-	-	-	-	19,040,730.65	8,461,997.66	-	-	19,040,730.65	8,461,997.66
Expenditure arising from purchase of Investment properties	-	-	-	-	-	-	-	-	265,673,564.47	125,037.42	-	-	265,673,564.47	125,037.42
Expenditure arising from purchase of intangible assets	-	-	-	-	-	-	-	-	854,623,711.82	150,429,578.75	-	-	854,623,711.82	150,429,578.75

(XIII) OTHER SIGNIFICANT EVENTS - continued**2. Segment reporting - continued****(3) External revenue by geographical area of source and non-current assets by geographical location**

All external revenues of the Group were derived from PRC and all non-current assets of the Group were located in the PRC.

(4) Degree of reliance on major customers

There is no transaction from single customer accounting for over 10% of the total income of the Group.

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS**1. Cash and bank balances**

Unit: RMB

Item	Closing balance	Opening balance
Cash:		
RMB	1,430.33	2,067.93
Singapore Dollar	4,590.72	5,933.93
Hong Kong Dollar	3,086.03	2,819.04
Euro	2,776.58	2,698.00
United States Dollar	395.41	1,135.75
Sub-total	12,279.07	14,654.65
Bank balances:		
RMB	12,667,131.04	27,237,604.20
Hong Kong Dollar	1,371,585.77	1,268,546.63
United States Dollar	269,386.74	287,974.48
Sub-total	14,308,103.55	28,794,125.31
Total	14,320,382.62	28,808,779.96

2. Accounts receivable**(1) Disclosure of accounts receivable by categories:**

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and provided for bad debt individually	-	-	-	-	-	-	-	-	-	-
Accounts receivable for which bad debt provision has been assessed by portfolios										
Portfolio 1	-	-	-	-	-	-	-	-	-	-
Portfolio 2	22,403,886.44	100.00	224,038.86	1.00	22,179,847.58	22,515,346.10	99.28	225,153.46	1.00	22,290,192.64
Subtotal of portfolios	22,403,886.44	100.00	224,038.86		22,179,847.58	22,515,346.10	99.28	225,153.46		22,290,192.64
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	164,138.40	0.72	164,138.40	100.00	-
Total	22,403,886.44	100.00	224,038.86		22,179,847.58	22,679,484.50	100.00	389,291.86		22,290,192.64

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

2. Accounts receivable - continued

(1) Disclosure of accounts receivable by categories - continued:

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of accounts receivable method:

Unit: RMB

Name of portfolio	Closing balance		
	Carrying amount	Bad debt provision	Proportion of provision (%)
Portfolio 2	22,403,886.44	224,038.86	1.00

Basis for determining the above portfolio: See Note(III)10.2.

(2) Provision being recorded and reversed in the current period

Provision being recorded is zero and being reversed is RMB 1,114.63 in the current period. And being written-off is RMB 164,138.37 in the current period

(3) Provision being written-off in the current period

Unit: RMB

Name of entity	Written-off
Shenzhen Lanjing Offshore Technology Co., Ltd.	164,138.37

(4) Top five entities with the largest balances of accounts receivable

Unit: RMB

Name of entity	Amount	Proportion of the amount to the total accounts receivable (%)	Bad debt provision Closing Balance
Customer 1	7,227,001.39	32.26	72,270.01
Customer 5	1,344,983.87	6.00	13,449.84
Customer 11	1,324,067.02	5.91	13,240.67
Customer 12	1,171,896.02	5.23	11,718.96
Customer 13	1,136,957.94	5.07	11,369.58
Total	12,204,906.24	54.47	122,049.06

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

3. Other receivables

(1) Disclosure of other receivables by categories

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and provided for bad debt individually	-	-	-	-	-	-	-	-	-	-
Other receivables for which bad debt provision has been assessed by portfolios										
Portfolio 1	457,636,342.31	99.85	-	-	457,636,342.31	1,518,053,170.11	99.91	-	-	1,518,053,170.11
Portfolio 2	680,788.88	0.15	6,807.89	1.00	673,980.99	1,349,341.95	0.09	13,493.42	1.00	1,335,848.53
Subtotal of portfolios	458,317,131.19	100.00	6,807.89		458,310,323.30	1,519,402,512.06	100.00	13,493.42		1,519,389,018.64
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	458,317,131.19	100.00	6,807.89		458,310,323.30	1,519,402,512.06	100.00	13,493.42		1,519,389,018.64

Other receivables portfolios for which bad debt provision has been assessed using the percentage of accounts receivable method:

Unit: RMB

Name of portfolio	Closing balance		
	Other receivables	Bad debt provision	Proportion of provision (%)
Portfolio 2	680,788.88	6,807.89	1.00

Basis for determining the above portfolio: See Note(III)10.2.

(2) Provision being recorded and reversed in the current period

Provision being recorded is zero and being reversed is RMB 6,685.53 in the current period.

(3) Top five entities with the largest balances of other receivables

Unit: RMB

Name of entity	Nature	Amount	Aging	Proportion of the amount to the total other receivables (%)	Bad debt closing Balance
Mingjiang international	Amount due from related parties	130,843,804.90	Within 1 year	28.55	-
Tianjin Baowan	Amount due from related parties	104,045,923.86	Within 1 year	22.70	-
Langfang Baowan	Amount due from related parties	91,453,113.76	Within 1 year	19.95	-
Guangzhou Baowan	Amount due from related parties	73,806,105.00	Within 1 year	16.10	-
Longquan Baowan	Amount due from related parties	56,124,406.58	Within 1 year	12.25	-
Total		456,273,354.10		99.55	-

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

4. Long-term equity investments

Unit: RMB

Investee	Opening balance	Changes in the current period								Closing balance	Closing balance on provision
		Increase in investment	Decrease in investment	Investment income recognized by equity method	Adjustment on other comprehensive income	Other equity changes	Announcing cash dividends or profits	Provision	Others		
1. Subsidiaries											
Baowan Holdings	830,531,987.58	1,701,920,000.00	-	-	-	-	-	-	-	2,532,451,987.58	-
Shenzhen Baowan	41,273,772.13	-	-	-	-	-	-	-	-	41,273,772.13	-
Chengdu oil gas base	31,820,000.00	27,466,564.59	-	-	-	-	-	-	-	59,286,564.59	-
Subtotal	903,625,759.71	1,729,386,564.59	-	-	-	-	-	-	-	2,633,012,324.30	-
2. Associates											
CSE	467,789,861.57	-	-	25,914,161.33	-	-	12,908,798.55	-	-	480,795,224.35	-
CDFC	111,647,095.57	-	-	9,015,037.61	-	-	-	-	-	120,662,133.18	-
CPEC	3,163,403.60	-	-	(2,425,846.07)	-	-	-	-	-	737,557.53	-
Subtotal	582,600,360.74	-	-	32,503,352.87	-	-	12,908,798.55	-	-	602,194,915.06	-
Total	1,486,226,120.45	1,729,386,564.59	-	32,503,352.87	-	-	12,908,798.55	-	-	3,235,207,239.36	-

There is no restrictions on the ability of transferring funds to the Company from the investee entities which are held by the Company as long-term equity investment as at 31 December 2016.

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

5. Long-term borrowings

Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Credit loans(note 1)	200,000,000.00	-
Guaranteed loans (note 2)	178,824,302.04	181,224,302.04
Total	378,824,302.04	181,224,302.04

Note 1: Represents long-term loans borrowed from CDFC, with annual interest rate of 4.7500%. See note (XIV) 9(4) for details.

Note 2: The annual interest rate of the guaranteed loans is 4.9000% (31 December 2015: 4.9000%). Nanshan Group has provided a full-amount irrevocable guarantee with joint-liability for the said loans. See note (X) 5(3) for details.

6. Operating income and operating costs

Unit: RMB

Item	Amount recognized in the current period		Amount recognized in the prior period	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating activities	141,419,025.81	90,338,986.01	165,619,871.51	107,497,621.13
Other operating activities	103,198.14	1,188,766.29	798,124.52	3,186,784.41
Total	141,522,223.95	91,527,752.30	166,417,996.03	110,684,405.54

7. Investment income

Details of investment income

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Income from long-term equity investments under equity method	32,503,352.87	58,968,248.53
Income from bank financing products	1,283,277.56	15,739,426.42
Income from long-term equity investments under cost method	1,818,877.49	1,217,702.94
Total	35,605,507.92	75,925,377.89

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

8. Supplementary information to the cash flow statement

Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	(60,463,426.30)	27,165,472.23
Add: Provision for impairment losses of assets	(7,800.16)	(121,978.29)
Depreciation of fixed assets	9,368,412.18	10,291,248.18
Amortization of intangible assets	16,890,727.39	16,786,846.12
Depreciation of investment properties	5,727,365.81	5,920,143.84
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	1,860,433.37	67,310.36
Financial expenses	99,957,815.39	64,085,023.82
Losses (gains) arising from investments	(35,605,507.92)	(75,925,377.89)
Decrease (increase) in deferred tax assets	9,635,782.89	(9,497,897.67)
Decrease (increase) in inventories	(1,413.83)	(47,250.88)
Decrease (increase) in receivables from operating activities	(969,080.36)	12,697,490.83
Increase (decrease) in payables from operating activities	(14,232,512.39)	(21,954,941.46)
Net cash flow from operating activities	32,160,796.07	29,466,089.19
2. Net changes in cash and cash equivalents:		
Closing balance of cash (note)	14,320,382.62	28,808,779.96
Less: Opening balance of cash	28,808,779.96	110,176,958.92
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(14,488,397.34)	(81,368,178.96)

9. Related party transactions

(1) Provision and receipt of services

Receipt of service

Unit: RMB

Related party	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount for the current period	Amount for the prior period
Nanshan Group	Power supply service	By reference to market price	2,686,320.90	2,558,805.26
Chixiao Project Company	Construction service	By reference to market price	-	2,688,395.00
Total			2,686,320.90	5,247,200.26

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**9. Related party transactions - continued****(1) Provision and receipt of services - continued**

Provision of service

Unit: RMB

Related party	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount for the current period	Amount for the prior period
CSE	Loading and unloading service	By reference to market price	4,197,178.22	1,781,531.46
CSE	Stack (storage)	By reference to market price	3,704,755.60	2,724,336.00
CPEC	Stack (storage)	By reference to market price	288,950.68	815,718.96
CPEC	Loading and unloading service	By reference to market price	48,514.35	42,405.23
Nanshan Group	Stack (storage)	By reference to market price	9,600.00	9,600.00
Nanshan Group	Maintenance service	By reference to market price	7,675.00	41,957.95
CDFC	Maintenance service	By reference to market price	1,285.00	5,750.00
Total			8,257,958.85	5,421,299.60

(2) Leases with related parties

Leases where the Company is the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Nanshan Group	Office building	6,606,800.81	6,258,106.46
CDFC	Office building	1,219,676.21	1,165,280.76
Chiwan Real Estate	Office building	989,714.20	740,143.72
CSE	Office building	785,836.56	785,836.56
Chixiao Enterprise	Office building	463,171.17	39,042.15
CPEC	Office building	392,206.50	455,129.28
Nanshan Real Estate Company	Office building	87,765.12	85,240.80
Total		10,545,170.57	9,528,779.73

Leases where the Company is the lessee:

Unit: RMB

Name of lessor	Type of leased assets	Lease payment recognized in the current year	Lease payment recognized in the prior year
Nanshan Group	Site	27,241,673.80	28,088,931.65

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**9. Related party transactions - continued****(3) Guarantees with related parties**

The Company as the guarantor:

Unit: RMB

Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Baowan Holdings (note)	200,000,000.00	28/06/2016	28/06/2017	No
Wuhan Baowan (note)	193,400,000.00	17/12/2014	16/12/2029	No
Guangzhou Baowan (note)	85,654,000.00	22/04/2014	21/04/2029	No
Nanjing Baowan (note)	64,996,000.00	29/05/2014	28/05/2029	No
Total	544,050,000.00			

Note: See Note X (5)3 for details of closing balances of guaranteed bank loans.

The Company as the guaranteed party:

Unit: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Nanshan Group	570,000,000.00	17/12/2012	17/12/2019	No
Nanshan Group	400,000,000.00	09/03/2012	09/03/2017	No
Baowan Holdings	300,000,000.00	08/03/2016	07/03/2018	No
Nanshan Group	200,000,000.00	31/03/2012	30/03/2029	No
Nanshan Group	120,000,000.00	29/11/2012	28/11/2029	No
Nanshan Group	45,280,000.00	28/06/2016	28/06/2017	No
Total	1,635,280,000.00			

(4) Borrowings/loans with related parties

Unit: RMB

Related party	Amount for the current period	Inception date	Maturity date	Remarks
Borrowed from:				
Nanshan Group	240,000,000.00	11/11/2016	31/10/2019	Note 1
Nanshan Group	220,000,000.00	16/08/2016	16/08/2017	Note 2
Nanshan Group	210,000,000.00	28/12/2016	28/12/2017	Note 3
Nanshan Group	200,000,000.00	18/08/2016	18/08/2017	Note 2
CDFC	100,000,000.00	31/03/2016	30/03/2019	Note 4
CDFC	100,000,000.00	29/12/2016	29/12/2019	Note 4
Total	1,070,000,000.00	11/11/2016	31/10/2019	
Lent to:				
CDFC	(100,000,000.00)	30/12/2015	29/12/2016	Note 5
Nanshan Group	(200,000,000.00)	18/08/2016	18/08/2017	Note 2
Nanshan Group	(210,000,000.00)	16/08/2016	16/08/2017	Note 2
Nanshan Group	(700,000,000.00)	11/11/2011	11/11/2016	Note 6
Total	(1,210,000,000.00)			

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

9. Related party transactions - continued

(4) Borrowings/loans with related parties- continued

Note 1: The loan is intended for the business turnover of the Group. The annual interest rate is 4.2750% and floated annually.

Note 2: The loan is intended for the business turnover of the Company. The annual interest rate is 4.3500%.

Note 3: The loan is intended for the business turnover of the Group. The annual interest rate is 4.1325%.

Note 4: The loan is intended for the business turnover of the Company. The annual interest rate is 4.7500% and floated quarterly..

Note 5: The loan was intended for the business turnover of the Company. The annual interest rate was 4.1325%. The loan was fully paid off.

Note 6: The loan was intended for the construction of the Company. The annual interest rate was 6.8150%. The loan was fully paid off.

(5) Interest incomes and expenses with related parties

Interest income gained from deposits

Unit: RMB

Related party	Type of related party transaction	Pricing principle of related party transaction	Amount for the current period	Amount for the prior period
Subsidiaries	Interest income	Negotiated interest rate (by reference to market rate)	31,285,152.02	65,871,262.71
CDFC.(note)	Interest income	Negotiated interest rate (by reference to market rate)	173,521.59	103,787.60
Total			31,458,673.61	65,975,050.31

Note: The Company has placed current deposits of which generated interest income in the current period.

Interest expense for borrowings

Unit: RMB

Related party	Type of related party transaction	Pricing principle of related party transaction	Amount for the current period	Amount for the prior period
Nanshan Group	Interest expense	Negotiated interest rate (by reference to market rate)	41,780,531.89	55,725,833.34
CDFC	Interest expense	Negotiated interest rate (by reference to market rate)	7,836,708.36	22,958.33
Total			49,617,240.25	55,748,791.67

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

10. Amounts due from/to related parties

(1) Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	CPEC	318,036.50	3,180.37	314,290.30	3,142.90
	CSE	268,743.22	2,687.43	1,179,367.56	11,793.68
	Chiwan Real Estate Company	82,595.70	825.96	243,315.68	2,433.16
	Nanshan Group	76,616.55	766.17	-	-
	Total	745,991.97	7,459.93	1,736,973.54	17,369.74
Other receivable	Mingjiang international	130,843,804.90	-	-	-
	Tianjin Baowan	104,045,923.86	-	-	-
	Langfang Baowan	91,453,113.76	-	-	-
	Guangzhou Baowan	73,806,105.00	-	-	-
	Longquan Baowan	56,124,406.58	-	-	-
	Chengdu oil gas	1,110,383.33	-	734,356.07	-
	CSE	27,336.60	273.37	11,571.48	115.71
	Baowan Holdings	116,098.68	-	1,516,264,841.65	-
	Hefei Baowan	-	-	79,200.00	-
	Total	457,527,172.71	273.37	1,517,089,969.20	115.71

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**10. Amounts due from/to related parties - continued****(2) Amounts due to related parties**

Unit: RMB

Item	Related party	Closing balance	Opening balance
Short-term borrowing	CDFC	-	100,000,000.00
Accounts payable	Nanshan Group	7,286,492.59	4,340,013.89
	Chixiao Project	93,258.66	-
	CSE	16,554.40	16,554.40
	Chixiao Construction Company	9,740.00	102,998.66
	Total	7,406,045.65	4,459,566.95
Interest payable	Nanshan Group	570,633.32	6,758,208.33
	CDFC	184,722.24	22,958.33
	Total	755,355.56	6,781,166.66
Other payables	Shenzhen Baowan	42,854,649.84	41,621,271.53
	Baowan Holdings	18,001,969.21	-
	Chixiao Construction Company	4,393,677.66	502,000.00
	Nanshan Group	435,595.22	623,281.06
	CSE	255,726.00	255,726.00
	CPEC	204,224.04	204,224.04
	Chiwan Real Estate Company	62,059.90	-
	Chixiao Business Company	35,790.30	-
	Chixiao Project	-	5,793,423.81
	Total	66,243,692.17	48,999,926.44
Non-current liabilities due within one year	CSE	785,836.56	785,836.56
	Nanshan Group	-	700,000,000.00
	Total	785,836.56	700,785,836.56
Other current liabilities	Nanshan Group	220,000,000.00	-
Other non-current liabilities	Nanshan Group	240,000,000.00	-
	CSE	3,879,199.02	4,665,035.58
	Total	243,879,199.02	4,665,035.58

11. Amounts deposited in related parties

Cash and bank balances deposited in related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Cash and bank balances	CDFC	4,850,227.72	3,108,387.56

SHENZHEN CHIWAN PETROLEUM SUPPLY BASE CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Breakdown of non-recurring profit or loss

Unit: RMB

Item	Amount
Profit or loss on disposal of non-current assets	(1,761,326.85)
Government grants recognized in profit or loss for the current period (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	5,238,023.20
Other non-operating income or expenses other than the above	2,868,136.38
Tax effects	(1,594,903.68)
Effects attributable to minority interests (after tax)	(1,113,241.66)
Total	3,636,687.39

Note: To improve the usage of spare cash, Shenzhen Chiwan Petroleum Supply Base Co., Ltd. (the "Company") and its subsidiaries use spare cash to purchase bank financing products (see Note(V)42) every year, and classify the investment income gained from bank financing products as recurring profit and loss.

2. Return on equity (ROE) and earnings per share ("EPS")

The ROE and EPS have been prepared by the Company in accordance with *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Equity and Earnings per Share (Revised 2010)* issued by China Securities Regulatory Commission.

Unit: RMB

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	0.11	0.01	No application
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	(0.10)	(0.007)	No application

The supplementary information was signed by the following responsible persons on 18 April 2017:

Tian Junyan
Legal Representative

Yu Zhongxia
Person in Charge of
the Accounting Body

Sun Yuhui
Chief Accountant
