



大連港股份

DALIAN PORT (PDA) COMPANY LIMITED

大連港股份有限公司

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

(於中華人民共和國註冊成立之外商投資股份有限公司)

(Stock Code 股份代號 : 2880)



ANNUAL REPORT 年報 2017



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General Information on the Company

1) Company Profile

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

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

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

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

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

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

General Information on the Company

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

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

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

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

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

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

General Information on the Company

2) General Information on the Company

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

General Information on the Company

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|-------------------------|--|--|-------------------------|---|-------------|-------------|-------------------|------------------|
| 5. | <p>Designated newspapers for information disclosure of the Company</p> <p>Website designated by the China Securities Regulatory Commission for publishing the A share annual report</p> <p>Website for publishing the H share annual report</p> <p>Place for collection of annual report</p> | <p>China Securities Daily, Shanghai Securities Daily, Securities Times, and Securities Daily</p> <p>www.sse.com.cn</p> <p>www.hkexnews.hk</p> <p>Room 2601, Xingang Commercial Building, Jingang Road, Dalian International Logistics Park Zone, Liaoning Province, the PRC</p> | | | | | | |
| 6. | <p>Places of listing</p> <p>Stock abbreviations</p> <p>Stock codes</p> | <table border="0"> <tr> <td style="vertical-align: top;">Shanghai Stock Exchange</td> <td style="vertical-align: top;">The Stock Exchange of Hong Kong Limited</td> </tr> <tr> <td style="vertical-align: top;">Dalian Port</td> <td style="vertical-align: top;">Dalian Port</td> </tr> <tr> <td style="vertical-align: top;">601880 (Shanghai)</td> <td style="vertical-align: top;">2880 (Hong Kong)</td> </tr> </table> | Shanghai Stock Exchange | The Stock Exchange of Hong Kong Limited | Dalian Port | Dalian Port | 601880 (Shanghai) | 2880 (Hong Kong) |
| Shanghai Stock Exchange | The Stock Exchange of Hong Kong Limited | | | | | | | |
| Dalian Port | Dalian Port | | | | | | | |
| 601880 (Shanghai) | 2880 (Hong Kong) | | | | | | | |
| 7. | <p>A share registrar and transfer office</p> <p>H share registrar and transfer office</p> | <p>China Securities Depository and Clearing Corporation Limited, Shanghai Branch</p> <p>Computershare Hong Kong Investor Services Limited</p> | | | | | | |
| 8. | <p>Auditors</p> | <p>PricewaterhouseCoopers Zhong Tian LLP</p> <p>Address: 11/F PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai City, the PRC</p> | | | | | | |
| 9. | <p>Other information</p> | <p>Legal counsel (as to Hong Kong law)</p> <p>Morrison & Foerster</p> <p>33/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong</p> <p>Legal counsel (as to PRC law)</p> <p>Liaoning Huaxia Law Firm</p> <p>5th floor, Liyuan Mansion, 16 Mingze Street, Zhongshan District, Dalian City, Liaoning Province, the PRC</p> <p>Major bankers</p> <p>Industrial and Commercial Bank of China</p> <p>Agricultural Bank of China</p> <p>China Construction Bank</p> <p>Bank of China</p> <p>Bank of Communications</p> | | | | | | |

General Information on the Company

3) Business Milestones in the Past 12 Months

January

- The Group cooperated with China Railway Special Cargo Services CO.,LTD. (CRSCSC) to jointly promote the sea-railway intermodal transport business for BMW Brilliance with respect to its commercial vehicles.

March

- The Company announced the annual results for the year 2016.
- The world's largest tonnage oil tanker "TIEurope" berthed at the 22nd berth of the Company's oil terminal, which is also the first ultra large crude carrier (ULCC) berthing at a port in northern China.
- The Group has been approved by the Ministry of Transport to obtain the relevant qualifications for international cruise ships to berth at our port in transit.

April

- The 5 new ocean-going lines operated by the Group under the OCEAN Alliance and THE Alliance were launched together, which is a crucial step for developing our port into an international shipping center in Northeast Asia.
- The subsidiaries of the Group won a number of awards such as "Leading Enterprise in Dalian in terms of Innovation Record" in the "Dalian Excellent Entrepreneur Recognition Conference".

June

- The Company convened the annual general meeting for the year 2016.
- The Group signed a port service agreement with VALE of Brazil and Dalian Port Bulk Cargo Logistics Center Co., Ltd. to deepen cooperation in bonded ore mixing business.
- The Group signed an agreement with Xiamen Xiangyu Co., Ltd. to jointly establish Dalian Port Xiangyu Food & Logistics Co., Ltd., which guaranteed the increase in the supply of bulk grain and enhanced the operational efficiency of related businesses.

July

- The Group's oil terminal officially obtained the approval for trial operation of steamboat coal business and co-license for hazardous cargoes from Dalian Port Authority, which further improved the high-end refined oil transit services of the Group.

General Information on the Company

September

- The Group's oil terminal signed a cooperation agreement with Shanghai Hengzhen Energy Development Co., Ltd. (上海恒貞能源發展有限公司) and Dalian Inteh Holding Co., Ltd. (大連因泰控股公司) to commence the construction of a storage and distribution station for imported LNG with a storage capacity of 3 million tonnes/year and auxiliary projects for "Popularizing the Use of Gas in East of Liaoning" (氣化遼東).

October

- The first China-Europe Special Train through to Slovakia was officially started at the Dalian Railway Container Logistics Centre in our port.

November

- The equity consolidation of the three container terminal companies of the Group has come to an end, formally "combining the three into one". The operation and development of the newly formed Dalian Container Terminal Co., Ltd. are crucial for our port to transform from using traditional energy to using new energy, strengthen and optimise its core business to create a new pattern for opening up in its future development.
- The microwave dielectric heat-treated log project (微波介電熱處理原木項目) researched and developed by the Group over a period of three years has inspected and accepted by the experts of the Science and Technology Department of the General Administration of Quality Supervision, Inspection and Quarantine and are fully qualified for use.
- The trial operation of the water transportation business for Tong Fang Global and GAC Toyota was officially launched, which enriched the Group's supply types and promoted a steady increase in the domestic trade transshipment volume.
- A number of major projects of green, recycling and low-carbon port independently developed and constructed by the Group were successfully reviewed and accepted by the expert team.

December

- The Company accommodated a total of 108 VLCC and ULCC oil tankers throughout the year, setting a record high.
- The Company handled 711,000 wheeled commercial vehicles throughout the year, hitting another historical high in the throughput of automobile segment.
- The ore-mixing business volume of the Company exceeded 10 million tonnes for the year, making it the first port with an annual ore-mixing business volume of over 10 million tonnes in China.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of the Company, I am pleased to present the annual report of the Group for the year ended 31 December 2017.

In 2017, the world economy recovered moderately with signs of pickup in the global trade growth. China continued to top all the other countries worldwide in terms of stable and positive growth of its macro economy. The transformation and upgrading of China's economic structure had been continuously advanced in the direction of active adaption and comprehensive reform. The year-round gross domestic product (GDP) reached RMB82.71 trillion, with a year-on-year growth of 6.9%.

Operating Results and Dividend

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

In 2017, the Group's net profit attributable to shareholders of the parent amounted to RMB500,779,944.29. To better reward the Shareholders, the Board has recommended the payment of cash dividends of RMB0.23 (tax included) per each 10 shares for the year 2017.

Business Review

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

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

Chairman's Statement

For the Oil Segment, with the changes of national policies for refined oil and the support of policy for Dalian Free Trade Zone, the Group fully leveraged its combined advantages of deep-water ports and storage capacity to deepen multi-level cooperation with oil product enterprises and maintain the share of its imported crude oil throughput in Northeast China. For the Container Segment, the Group actively promoted the construction of Maritime Silk Road, fully implemented the Bohai Rim strategy and actively built a transshipment system centering on Bohai Rim and opening to Northeast Asia, which strongly guaranteed the steady rise of container throughput at the terminal. Meanwhile, following the “Belt and Road” initiative of the central government, the Group made greater efforts in innovation, continuously improved the layout of the southern network to facilitate the development of source of goods from the northern part, and actively explored the market share by utilizing multimodal transportation system. For the Automobile Terminal Segment, while streamlining the business structure and developing the service brand, the Group continued to promote in-depth cooperation with several automobile manufacturing enterprises and enhanced resources for the different market segments. Relying on the rapid development of automobile trading and near-port industries, the Group has successfully maintained a 100% market share for the fifth consecutive year in the commercial vehicles roll-on, roll-off industry in the northeast. For the Ore Segment, by virtue of the regional advantages, the Group vigorously developed the ore mixing business, focused on building up an iron ore distribution center in Bohai Rim region and continued to facilitate the construction of the near-port iron ore processing industrial base of the Group along Bohai Rim region. For the General Cargo Segment, closely capturing the opportunities brought by the national policy adjustments and starting with cargos such as coal, and export locomotive, the Group was devoted to the innovation of logistics mode and achieved significant progress in market development. For the Bulk Grain Segment, while continuing to enhance the port logistics services, the Group took advantage of the recovery of the grain market, accelerated the establishment of the integrated supply chain system in the production and marketing areas, managed to improve the construction of its logistics system by closely following the market needs, reduce charges of full logistical services for customers and win the recognition of the market by upgrading the service level. For the Passenger Segment, while stepping up the effort in market exploration and in line with needs of the PRC's cruise tourism pilot area construction, the Group continued to improve its service capacity, focused on the development of tourism-related forward-looking business and developed new ticket-selling mode based on e-commerce platforms to actively acquire customers, which has created a favourable prospect for the more diversified business development.

Prospects

2017 saw a gradual recovery of world economy with a continuous rise of global market demands. 2017 was also the first year for implementation of the spirit of the 19th CPC National Congress and a crucial year for the implementation of the “13th Five-Year Plan.” This means that the adjustment of domestic economic and industrial structure and the business model innovation stepped into a critical stage of comprehensive reform and breakthroughs at key points, which brought new opportunities and challenges to the development of the port industry. Meanwhile, it should be further noted that, with the comprehensive and in-depth implementation of the “13th Five-Year Plan”, various national strategic plans and beneficial policies will help to build a higher and wider platform for the coastal regions to fully take part in strategic cooperation in the global economy and enhance the level of development in the cross-border economic cooperation zones. This will undoubtedly continue to consolidate the Group's crucial position as the “bridgehead” for the opening up of the northeast area and provide more favorable policy support and room for development to the growth of the Group and the prosperity of the regional economy. It is believed that the synchronised implementation of a series of national strategies, such as the national supply-side structural reform and the “Belt and Road” strategies including building up a maritime ocean power, establishing free trade zones and revitalising the old industrial bases in Northeast China, will vigorously facilitate the port industry to enter into the new normal of sustainable development.

Chairman's Statement

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

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

Dalian Port (PDA) Company Limited

ZHANG Yiming

Chairman

26 March 2018

Financial Highlights

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>	Changes (%)
Highlights of Income Statement			
Revenue	9,031,643	12,814,484	-29.5
Gross profit	1,463,441	1,387,422	5.5
Operating profit	711,284	610,752	16.5
Net profit attributable to shareholders of the parent company	500,780	531,013	-5.7
Basic earnings per share (RMB)	0.039	0.042	-7.1
Highlights of Balance Sheet			
Cash and bank balances	7,507,917	6,741,279	11.4
Net current assets	1,245,904	3,014,860	-58.7
Total assets	36,585,276	31,902,065	14.7
Borrowings	13,415,605	10,549,202	27.2
Gearing ratio (%)	28.4	20.0	42.0
Net assets value per share (RMB)	1.40	1.38	1.4
Return on net assets (%)	2.79	3.11	-10.3
Highlights of Cash Flow Statement			
Net cash flow from operating activities	1,204,367	2,066,384	-41.7
Net cash flow from investing activities	95,336	-406,714	123.4
Net cash flow from financing activities	-520,054	1,764,880	-129.5
Net increase in cash and cash equivalents	549,710	3,647,160	-84.9

Note: *Gearing ratio = Net debts/Net assets*

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



MANAGEMENT DISCUSSION AND ANALYSIS



Management Discussion and Analysis

I. Operating Discussion and Analysis

In 2017, the global economy experienced a modest recovery and the national economy showed a positive outlook amid stability. Total import and export of China for the year amounted to RMB27.79 trillion, representing an increase of 14.2% as compared with 2016. The gross domestic product (GDP) for the year reached RMB82.71 trillion, up 6.9% from last year, suggesting a steady macroeconomic growth. Regionally, the economy of Northeast China remained undiversified as it relied heavily on the energy and raw material industries with underdeveloped modern manufacturing and service sectors. Against such a backdrop, the Group deepened customer cooperation, strengthened system construction, extended service functions, and built up its comprehensive logistics service system and integrated industrial, commerce and trading platform at a fast pace, thereby achieving steady growth for production and operation of the port.

II. Status of Main Businesses during the Reporting Period

Overall Analysis of Results

In 2017, the Group's net profit attributable to shareholders of the parent company amounted to RMB500,779,944.29, representing a decrease of RMB30,232,773.14 or 5.7% as compared with RMB531,012,717.43 in 2016.

In 2017, the Group recorded a decrease in gross profit of oil storage business due to the termination of partnership with major customers and business contraction respectively. Except for these segments, all other segments of the Company enjoyed growth in gross profit in varying degrees. Investment income increased substantially due to the generally positive performance of joint ventures and associates and the completion of the consolidation of container terminals. Exchange losses increased due to the decrease in government grants and exchange rate fluctuations in the capital market caused by policy factors. The Group prudently made provision for decline in the value of assets due to legal proceedings and disputes. Under the combined effect of the above factors, the Group's net profit attributable to the Company for 2017 decreased year-on-year.

In 2017, the Group's basic earnings per share amounted to RMB0.039, representing a year-on-year decrease of RMB0.003 or 7.1% from RMB0.042 in 2016.

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

Item	2017 (RMB)	2016 (RMB)	Changes (%)
Net profit attributable to shareholders of the parent company	500,779,944.29	531,012,717.43	-5.7
Including:			
Revenue	9,031,643,350.22	12,814,483,861.14	-29.5
Cost of sales	7,568,202,507.68	11,427,061,819.61	-33.8
Gross profit (Note 1)	1,463,440,842.54	1,387,422,041.53	5.5
Gross profit margin (Note 2)	16.2%	10.8%	Up by 5.4 percentage points
Administrative expenses	662,345,386.50	663,365,001.90	-0.2
Financial expenses	639,853,262.11	256,884,038.08	149.1
Asset impairment losses	59,917,712.73	5,944,350.81	908.0
Investment income	542,552,490.64	181,161,310.22	199.5
Asset disposal income, other income and net non-operating income (Note 3)	135,053,317.27	179,970,065.15	-25.0
Income tax expenses	152,866,274.32	165,330,007.50	-7.5

Management Discussion and Analysis

Note 1: Gross profit = Revenue – Cost of sales

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

Note 3: According to Accounting Standards for Business Enterprises No. 16 – Government Grants (Cai Kuai [2017] No. 15) and Notice on Revising and Issuing the Format of Financial Statements of General Enterprises (Cai Kuai [2017] No. 30) issued by the Ministry of Finance on 10 May 2017 and December 2017 respectively, the Group has prepared its financial statement for 2017 based on the above standard and notice. The item represents the asset disposal income and net non-operating income including all the government grants received.

In 2017, the Group's revenue decreased year-on-year by RMB3,782,840,510.92 or 29.5%, mainly due to the year-on-year decrease of 54.0% in income from trading business, and the decrease in income from the trading business was mainly due to the structural adjustments actively undertaken by the Company from the perspectives of controlling risks and boosting trading business quality and revenue. Excluding the effect of trading business, revenue increased year-on-year by 9.3%, mainly due to the growth in oil, ore and bulk grains business lines, increase in income from oil management business, expansion of cross-border container business, increase in berth rentals and expansion of income scale as a result of the consolidation of container terminals. Revenue from oil storage business decreased by RMB310,793,973.70, which offset the increase in income to some extent.

In 2017, the Group's cost of sales decreased year-on-year by RMB3,858,859,311.93 or 33.8%, mainly due to the year-on-year decrease of 53.8% in costs of trading business. Excluding the effect of trading business, cost of sales increased year-on-year by 9.1%, mainly due to the increase in service, fuel and other operational costs resulting from business expansion, increase in labour costs, increase in agency costs of cross-border container business, as well as the synchronous expansion in the scale of both cost and income resulting from the consolidation of container terminals, while the costs of oil tank leasing were down.

In 2017, the Group's gross profit increased year-on-year by RMB76,018,801.01 or 5.5%. Excluding the effect of trading business, gross profit increased by 9.9% and gross profit margin increased by 0.16 percentage point, mainly due to the growth of ore mixing business, business expansion of the Bulk Grain Segment and Passenger and Ro-Ro Segment, increase in berth rentals as well as consolidation of container terminals which resulted in an expanded scale of gross profit. However, the increase in gross profit margin was offset by the decrease in income from storage business as a result of the termination of partnership with major oil customers.

In 2017, the Group's general and administrative expenses decreased year-on-year by RMB1,019,615.40 or 0.2%, mainly due to the combined effect of the decrease in labour costs and the incorporation of business tax from general and administrative expenses into taxes and surcharges for separate listing, while the consolidation of container terminals led to an increase in administrative expenses.

In 2017, the Group's financial expenses increased year-on-year by RMB382,969,224.03 or 149.1%, mainly due to the exchange losses of foreign currency assets arising from exchange rate fluctuations, which were partly offset by the saving of interest expenses stemming from the Group's enhancement of its debt structure and the interest income arising from the improvement of both domestic and overseas capital deposit schemes.

In 2017, the Group's asset impairment losses increased year-on-year by RMB53,973,361.92 or 908.0%, mainly because the Group prudently made partial provision for decline in the value of assets involved after the occurrence of legal proceedings and disputes.

In 2017, the Group's investment income increased year-on-year by RMB361,391,180.42 or 199.5%, mainly due to the benefits brought by the outstanding performance of its joint ventures and associates, consolidation of container terminals and the wealth management income arising from the enhancement of capital management.

In 2017, the Group's asset disposal income, other income and net non-operating income decreased year-on-year by RMB44,916,747.88 or 25.0%, mainly due to the decrease in container subsidies caused by policy factors, while the non-operating income increased due to the receipt of emergency pool subsidies, crude oil development subsidies and income from the disposal of non-current assets.

In 2017, the Group's income tax expenses decreased year-on-year by RMB12,463,733.18 or 7.5%, mainly because the exchange losses incurred reduced the income tax payable.

Management Discussion and Analysis

Assets and Liabilities

As at 31 December 2017, the Group's total assets and net assets amounted to RMB36,585,275,805.92 and RMB20,619,798,073.65, respectively. Net asset value per share was RMB1.40 basically unchanged compared with the net asset value per share as at 31 December 2016.

As at 31 December 2017, the Group's total liabilities amounted to RMB15,965,477,732.27, of which total outstanding borrowings amounted to RMB13,415,604,659.06. The gearing ratio was 43.64%, representing an increase of 3.53 percentage points as compared with 40.11% as at 31 December 2016, which was mainly due to the effect of the expansion of debt scale resulting from the consolidation of container terminals.

Financial Resources and Liquidity

As at 31 December 2017, the Group had a balance of cash and cash equivalents of RMB6,925,797,974.59, representing an increase of RMB549,709,886.93 as compared to 31 December 2016.

In 2017, the Group's net cash inflows generated from operating activities amounted to RMB1,204,366,572.41; net cash inflows generated from investing activities amounted to RMB95,335,521.13; and net cash outflows for financing activities amounted to RMB520,054,149.51.

Benefiting from multiple financing channels such as bond issuance in capital market and bank borrowings, and the Group's prudent decision making in assets and equity investments, the Group maintained its solid financial position and capital structure.

As at 31 December 2017, the Group's outstanding borrowings amounted to RMB13,415,604,659.06, in which RMB7,429,562,075.68 were borrowings repayable within one year, and RMB5,986,042,583.38 were borrowings repayable after one year.

The Group's net gearing ratio was 28.4% as at 31 December 2017 (20.0% as at 31 December 2016), mainly due to the increase in net liabilities as a result of the merge and acquisition of the assets and liabilities of DPCM and DICT by DCT during the consolidation of these container terminals. The Group still has a sound general financial structure with low insolvency risk.

As at 31 December 2017, the Group's unused bank line of credit amounted to RMB25,632,999,292.23.

As an A-share and H-share dual-listed company, the Group enjoy access to both domestic and overseas capital markets for financing. China Chengxin International Credit Rating Co., Ltd. And China Chengxin Securities Rating Co., Ltd., both being external rating agencies, have assigned issuer credit ratings of AAA on the Company with stable credit rating outlook, indicating the Company's sound condition in capital market financing.

The Group continued to closely monitor its interest rate risk and exchange rate risk. As at 31 December 2017, the Group has not entered into any foreign exchange hedging contracts. Please refer to Auditor's Report for further details about the interest rate and foreign exchange risks.

Management Discussion and Analysis

Use of Proceeds

Net proceeds of the public offering of 762 million A Shares in 2010 obtained by the Company amounted to approximately RMB2,772,091,519.47. As at 31 December 2017, the Company had used approximately RMB2,402,350,500.00 of the proceeds and RMB369,741,000.00 of the proceeds remained unused. In March 2017, we made use of idle cash of RMB400,000,000.00 out of the proceeds to replenish the Company's working capital (including an interest income of RMB81,000,000.00), the remaining account balance was RMB53,936,300.00 (including an interest income of RMB3,195,300.00).

Unit: RMB

Projects	Total proceeds	Use of proceeds as at 31 December 2017	Balance
Construction of oil storage tanks with a total capacity of 1,000,000 m ³ in Xingang	760,000,000.00	524,553,400.00	235,446,600.00
Construction of oil storage tanks with a total capacity of 600,000 m ³ in the Xingang resort area	550,000,000.00	550,000,000.00	0
Construction of phase II of the Shatuozi oil storage tanks project in the Xingang Shatuozi area	29,600,000.00	29,600,000.00	0
LNG Project	320,000,000.00	320,000,000.00	0
No.4 stacking yard for ore terminal	520,000,000.00	403,703,900.00	116,296,100.00
Purchase of gantry for ore terminal	37,200,000.00	37,200,000.00	0
Purchase of 300 bulk grain carriages	150,000,000.00	150,000,000.00	0
Ro-ro ships for carrying cars	230,000,000.00	212,001,700.00	17,998,300.00
Construction of railway siding in Muling	41,250,000.00	41,250,000.00	0
Construction of information systems	50,000,000.00	50,000,000.00	0
Berths and ancillary facilities in area III of container terminal	84,041,500.00	84,041,500.00	0
Total	2,772,091,500.00	2,402,350,500.00	369,741,000.00

Note: In order to reduce the amount of idle cash, achieve more efficient use of funds and lower capital costs for the Company, the second meeting of the fourth session of the Company's board of directors in 2017 passed a resolution regarding the temporary use of certain idle cash from the A Shares IPO proceeds to improve the liquidity of the Company's working capital. The Company was authorised to use idle cash of RMB400,000,000.00 out of the proceeds (including interest income of RMB81,000,000.00) to replenish the Company's working capital. Such an authorisation is valid for a period of twelve months from the passing of the relevant Board resolution. The Company's independent directors, supervisors, and sponsors expressed their respective opinions on the board resolution, and the Company issued a relevant announcement on 24 March 2017.

Management Discussion and Analysis

Capital Expenditure

In 2017, the Group's capital expenditure amounted to RMB624,976,661.50, which was mainly funded by the surplus cash generated from operating activities, the proceeds from the public offering of A Shares and the issuance of corporate bonds.

The performance analysis of each business segment in 2017 is set out as follows:

Oil Segment

The following table sets out the oil/liquefied chemicals throughput handled by the Group in 2017 and its comparative results in 2016:

	2017	2016	+/-
	(<i>'0,000 tonnes</i>)	<i>(<i>'0,000 tonnes</i>)</i>	
Crude oil	4,432.8	4,463.3	(0.7%)
– Foreign trade imported crude oil	2,960.0	2,984.0	(0.8%)
Refined oil	1,014.1	932.5	8.8%
Liquefied chemicals	141.3	110.4	28.0%
Others (including LNG)	463.1	325.9	42.1%
Total	6,051.3	5,832.1	3.8%

In 2017, the Group handled a total of 60.513 million tonnes of oil/liquefied chemicals throughput, representing a year-on-year increase of 3.8%.

In 2017, the Group's crude oil throughput was 44.328 million tonnes, representing a year-on-year decrease of 0.7%, of which imported crude oil throughput was 29.6 million tonnes, representing a year-on-year decrease of 0.8%. At the beginning of the year, the Group deepened its cooperation with international oil traders and refining companies in northeast China, and the amount of crude oil transshipment increased. In the middle of the year, with the successive construction and commissioning of ports, storage tanks, pipelines and other storage and transportation facilities in the Bohai Rim region, the Group's distribution of crude oil to the Bohai Rim region was affected. The annual crude oil throughput of the Group declined slightly.

In 2017, the Group's refined oil throughput amounted to 10.141 million tonnes, representing a year-on-year increase of 8.8%. Due to the increase in exports from refineries in the hinterland and the impact of the Group's marine transportation of high-end refined oil products, the Group's refined oil throughput increased.

In 2017, the Group's liquefied chemicals throughput amounted to 1.413 million tonnes, representing a year-on-year increase of 28%. The increase in the Group's liquefied chemicals throughput was due to such causes as huge market demand and increased production of enterprises.

Management Discussion and Analysis

In 2017, liquefied natural gas (LNG) throughput handled by the Group amounted to 4.631 million tonnes, representing a year-on-year increase of 42.1%. The country actively implemented the new energy policy in the year. In most parts of northern China and parts of north-eastern China, winter heating was changed from coal to gas and the demand for LNG gradually increased. As a result, the Group's LNG throughput increased significantly.

In 2017, the total imported crude oil volume handled by the Group's port accounted for 100% of the total amount of crude oil imported into Dalian and 62.6% of the total amount of crude oil imported into the Northeast China ports. The decrease in the market share of imported crude oil was mainly due to the following reason: with the continuous construction and commissioning of terminals, pipelines, storage tanks and other storage and transportation facilities in the Bohai Rim area, the transshipment volume of crude oil from the port to the Bohai Rim was affected, which resulted in a declined weight of the imported crude oil handled by the Group's Liaoning port.

The performance of the Oil Segment is set out as follows:

Item	2017 (RMB)	2016 (RMB)	Change (%)
Revenue	2,568,149,091.77	6,151,513,314.80	-58.3
Share of the Group's revenue	28.4%	48.0%	Down by 19.6 percentage points
Gross profit	502,997,115.75	729,235,844.98	-31.0
Share of the Group's gross profit	34.4%	52.6%	Down by 18.2 percentage points
Gross profit margin	19.6%	11.9%	Up by 7.7 percentage points

In 2017, revenue from the Oil Segment decreased by 58.3% year-on-year, mainly due to the contraction in the oil trade services and the termination of businesses with our key strategic clients. Excluding the effect of the trading business, revenue decreased by 18.8% year-on-year, which was mainly due to the reduced storage revenue from the terminated business with the key strategic clients. Nevertheless, the revenue decrease was partly offset by the increase in the management services revenue.

The gross profit margin increased by 7.7 percentage points year-on-year, mainly due to the decrease in trading business with lower gross profit margin. Excluding the impact of the trading business, gross profit margin recorded a year-on-year decrease of 6.8 percentage points, mainly attributable to the combined effect of reduced storage revenue due to the business termination with our strategic key clients and the absence of a corresponding decrease in the fixed costs of storage.

In 2017, the major measures taken by the Group and the progress of major projects related to the Group's Oil Segment are set out as follows:

Facing the further improvement of storage and transportation facilities in the surrounding ports and the intensification of competition in the oil transportation market, the Group further deepened cooperation with customers, actively promoted the international crude oil transshipment business and expanded the scale of international transshipment of crude oil of our port.

The Group actively communicated with customers and successfully contributed to the berthing of the 450,000-tonne oil tanker "TIEurope", making our port the first ULCC-berthing port in northern China.

Management Discussion and Analysis

Container Segment

The following table sets out the container throughput handled by the Group in 2017 and its comparative results in 2016:

		2017 (‘0,000 TEUs)	2016 (‘0,000 TEUs)	+/-
Foreign trade	Dalian	534.9	520.2	2.8%
	Other ports (note 1)	25.2	27.4	(8.0%)
	Sub-total	560.1	547.7	2.3%
Domestic trade	Dalian	423.2	424.0	(0.2%)
	Other ports	91.8	69.0	33.0%
	Sub-total	515.0	493.0	4.5%
Aggregate	Dalian	958.1	944.1	1.5%
	Other ports (note 1)	117.0	96.5	21.2%
	Total	1,075.1	1,040.6	3.3%

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

In 2017, in terms of container throughput, the Group handled a total of 10.751 million TEUs, representing an increase of 3.3% year-on-year. In Dalian port, container throughput was 9.581 million TEUs, representing an increase of 1.5% year-on-year.

In 2017, the Group adhered to the market-oriented and innovation-driven philosophy, actively aligned itself with national strategies, implemented in-depth structural reforms on the supply side and the development strategy of “One Rim, One Belt, One Road + Special Logistics”, and constantly accelerated the adjustment of port structure and transformation and upgrading to build an important carrier for the integrated development of modern high-end service features and to achieve initial results in costs reduction, quality improvement and efficiency boosting for containers.

Management Discussion and Analysis

The performance of the Container Segment is set out as follows:

Item	2017 (RMB)	2016 (RMB)	Change (%)
Revenue	2,324,693,840.07	1,548,058,061.14	50.2
Share of the Group's revenue	25.7%	12.1%	Up by 13.6 percentage points
Gross profit	441,135,364.44	313,689,267.28	40.6
Share of the Group's gross profit	30.1%	22.6%	Up by 7.5 percentage points
Gross profit margin	19.0%	20.3%	Down by 1.3 percentage points

In 2017, revenue from the Container Segment increased by 50.2% and, if excluding the effect of trading business, increased by 28.6% year-on-year, mainly attributable to the combined effect of expansions in both the revenue scale and transit business arising from the consolidation of container terminals.

Gross profit margin for the segment decreased by 1.3 percentage points and, if excluding the effect of trading business, improved by 1.8 percentage points year-on-year, mainly due to higher profit margin resulting from consolidation of container terminals and price adjustment.

In 2017, the major measures taken by the Group and the progress of major projects related to the Group's Container Segment are set out as follows:

We improved the ship route network layout and comprehensively increased the level and standards of opening up. In the year, 3 new ocean-going lines, 6 coastal waters routes and 3 domestic trade routes were added to fill the gap of direct routes to the ocean-going areas on the west coast of the United States. Stable operation of international transshipment and empty container allocation was secured, and the connection of the "Liaoning-Manzhouli-Europe" shipping channel to Japan, South Korea, ASEAN and major domestic ports was fully strengthened.

We fully implemented the Bohai Rim strategy and opened new Dongying and Rizhao routes, expanded our businesses in the Incheon line and the Japan line, stepped up self-initiating function, achieved strategic transformation and upgrading, boosted our own internal capacity and improved service assurance.

We sped up the construction of the northeast economic belt along the New Silk Road and actively promoted the deployment of new train stations and lines in the hinterland and built up a sea-to-rail intermodal network connecting the hinterland to the Dalian Port, with 4 domestic railway lines added. We proactively followed the "One Belt, One Road" initiative, built up an international logistics corridor system featuring the "Liaoning-Manzhouli-Europe" as the main lines. We added 2 cross-border train lines during the year and there were as many as 6 China-Europe railway lines, forming a two-way international sea-to-rail link between Japan, South Korea, Southeast Asia and Russia and European countries. The volume of return trips in China-Europe lines increased significantly and the two-way growth of Manzhouli Line was achieved.

We accelerated the development of specialised logistics and expanded port service functions in an effort to achieve transformation and upgrading of the port. Automotive logistics achieved rapid development, building up the reputation of Dalian Port in its auto-logistics service. In cold chain logistics, we actively promoted the construction of the cold chain logistics base and cold chain transportation system, opened Dalian-Tumen Refrigerated Trains, and successfully started direct shipments of US cherries to Dalian. The construction of the timber trading hub was promoted, and the microwave log dielectric heating treatment project had obtained 5 national patents.

Management Discussion and Analysis

Automobile Segment

The following table sets out the container throughput handled by the Group in 2017 and its comparative results in 2016:

		2017	2016	+/-
Vehicles (units)	Foreign trade	11,579	12,900	(10.2%)
	Domestic trade	699,461	557,042	25.6%
	Total	711,040	569,942	24.8%
Equipment (tonnes)		18,218	18,394	(1.0%)

In 2017, the Group handled a total of 711,040 vehicles, representing a year-on-year increase of 24.8%, mainly due to the fact that domestic trade transshipment volume increased greatly, driving the total transshipment volume growth.

In 2017, the Group's vehicle throughput continued to account for 100% of the total market share in the ports of Northeast China.

The performance of the Automobile Segment is set out as follows:

Item	2017 (RMB)	2016 (RMB)	Change (%)
Revenue	1,728,744,110.94	2,490,667,323.32	-30.6
Share of the Group's revenue	19.1%	19.4%	Down by 0.3 percentage point
Gross profit	36,797,745.27	64,349,651.03	-42.8
Share of the Group's gross profit	2.5%	4.6%	Down by 2.1 percentage points
Gross profit margin	2.1%	2.6%	Down by 0.5 percentage point

Management Discussion and Analysis

In 2017, revenue from the Automobile Segment decreased by 30.6% year-on-year. Excluding the effect of the trading business, revenue increased by 56.8% year-on-year, which was mainly due to the increase in the freight forwarding business.

Gross profit decreased by 0.5 percentage point, mainly driven by the contraction in the trading business.

In 2017, the major measures taken by the Group and the progress of major projects related to the Group's Automobile Terminal Segment are set out as follows:

The cooperation effect between the Group and FAW gradually became apparent, and the water transport volume of FAW commercial vehicles increased significantly; the cooperation with CRSCAL was strengthened to jointly promote the sea-railway intermodal transport project, and the scale of the project business was gradually expanded.

Ore Segment

The following table sets out the throughput handled by the Group's Ore Segment in 2017 and its comparative results in 2016:

	2017 <i>(‘0,000 tonnes)</i>	2016 <i>(‘0,000 tonnes)</i>	+/-
Ore	2,778.3	1,834.9	51.4%

In 2017, the Group's Ore Segment handled 27.783 million tonnes of ore, representing a year-on-year increase of 51.4%.

In 2017, the Group leveraged its advantages in "supertankers & ore mixing" to deepen cooperation with customers and jointly build up a regional iron ore mixing hub, leading to a substantial year-on- year increase in ore throughput.

Management Discussion and Analysis

The performance of the Ore Segment is set out as follows:

Item	2017 (RMB)	2016 (RMB)	Change (%)
Revenue	385,757,321.36	314,027,495.35	22.8
Share of the Group's revenue	4.3%	2.5%	Up by 1.8 percentage points
Gross profit	113,410,189.53	32,760,796.86	246.2
Share of the Group's gross profit	7.7%	2.4%	Up by 5.3 percentage points
Gross profit margin	29.4%	10.4%	Up by 19.0 percentage points

In 2017, the revenue from the Ore Segment increased by 22.8% year-on-year. Excluding the effect of trading business, the revenue increased by 46.2% year-on-year, mainly driven by the growth in imported iron ore business and the full-fledged development of ore mixing business.

Gross profit margin increased by 19.0 percentage points year-on-year. Excluding the effect of the trading business, gross profit margin increased by 17.1 percentage points, mainly due to the increased business volume of imported iron ore with higher rates and vigorous development of the ore-mixing business.

In 2017, the major measures taken by the Group and the progress of major projects related to the Group's Ore Segment are set out as follows:

In 2017, the Group leveraged its deep-water berths and regional advantages to accelerate the pace of promoting the construction of the Northeast Asia iron ore distribution hub, and the mixed-metal business has successfully established a presence in markets such as Japan, South Korea, and Taiwan. The ore-mixing business volume exceeded 10 million tonnes for the year.

In 2017, under the promotion of the national "One Belt and One Road" initiative and the Dalian Free Trade Zone in Liaoning Province, we focused on the promotion of ore-mixing operations, strengthened the scope of cooperation with customers in the ore-mixing and processing business, and further developed the Bohai-Rim iron ore port processing industrial base.

Management Discussion and Analysis

General Cargo Segment

The following table sets out the throughput handled by the Group's General Cargo Segment in 2017 and its comparative results in 2016:

	2017 (<i>'0,000 tonnes</i>)	2016 (<i>'0,000 tonnes</i>)	+/-
Steel	650.1	603.1	7.8%
Coal	1,194.0	1,097.4	8.8%
Equipment	254.4	380.7	(33.2%)
Others	1,105.0	1,095.2	(0.9%)
Total	3,203.5	3,176.4	0.9%

In 2017, the throughput handled by the Group's General Cargo Segment amounted to 32.035 million tonnes, representing a year-on-year increase of 0.9%.

In 2017, the Group's steel throughput was 6.501 million tonnes, representing a year-on-year increase of 7.8%. By strengthening the construction of its logistics system, the Group enhanced the port's competitiveness and increased steel transshipment volume.

In 2017, the Group's coal throughput was 11.94 million tonnes, representing a year-on-year increase of 8.8%. Through an innovative logistics model, the Group leveraged the demands for imported coal to attract urban coal-consuming enterprises to unload coal at out port, thereby increasing coal transshipment volume.

In 2017, the Group's equipment throughput was 2.544 million tonnes, representing a year-on-year decrease of 33.2%. Due to the weak competitiveness and declining foreign orders of equipment manufacturing enterprises, the Group's transshipment volume of large equipment witnessed a year-on-year decrease.

In 2017, the steel throughput and coal throughput handled by the Group's General Cargo Segment accounted for 15.5% and 21.1% of the total market share in the ports of Northeast China, respectively.

Management Discussion and Analysis

The performance of the General Cargo Segment is set out as follows:

Item	2017 (RMB)	2016 (RMB)	Change (%)
Revenue	315,435,489.60	469,721,885.04	-32.8
Share of the Group's revenue	3.5%	3.7%	Down by 0.2 percentage point
Gross profit	-31,024,116.56	-37,001,340.01	16.2
Share of the Group's gross profit	-2.1%	-2.7%	Up by 0.6 percentage point
Gross profit margin	-9.8%	-7.9%	Down by 1.9 percentage points

In 2017, the revenue from the General Cargo Segment decreased year-on-year by 32.8%. Excluding the effect of trading business, the revenue increased year-on-year by 12.7%, mainly due to the growth in revenue of loading and unloading services caused by growth in coal and rice transshipment.

The gross profit margin of the segment decreased year-on-year by 1.9 percentage points. Excluding the effect of trading business, the gross profit margin increased by 7.3 percentage points year-on-year, mainly by the growth in coal and rice transshipment with higher rates.

In 2017, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

We strengthened the construction of the comprehensive logistics system, reduced integrated logistic costs and enhanced the Group's core competitiveness.

With our port as a pivot, we built up an urban coal supply network, so as to further increase coal transshipment volume.

We strengthened port-based business, so as to boost the transshipment volume of large equipment.

We adopted a market-oriented approach and expanded the business of peripheral goods, such as grain and mine construction materials, and ensured large scale operation.

Management Discussion and Analysis

Bulk Grain Segment

The following table sets out the throughput handled by the Group's Bulk Grain Segment in 2017 and its comparative results in 2016:

	2017 (<i>'0,000 tonnes</i>)	2016 (<i>'0,000 tonnes</i>)	+/-
Corn	244.4	61.5	297.4%
Soybean	171.1	190.2	(10.0%)
Barley	45.2	31.3	44.4%
Others	163.8	182.9	(10.4%)
Total	624.5	465.9	34.0%

In 2017, the throughput handled by the Group's Bulk Grain Segment was 6.245 million tonnes, representing a year-on-year increase of 34.0%.

In 2017, the Group's corn throughput was 2.444 million tonnes, representing a year-on-year increase of 297.4%. The cancellation of the national temporary corn storage policy in early 2017 promoted the distribution of corn in the domestic market. The Group seized the opportunity of developing the domestic corn market, which greatly increased the throughput of corn for the year.

In 2017, the Group's soybean throughput was 1.711 million tonnes, representing a year-on-year decrease of 10%. In recent years, as the competition in the soybean market and the demand from port-based corporates of nearby ports gradually heightened, the Group's port suffered a loss of soybean supply and thus the soybean throughput of the Group saw a year-on-year decline.

In 2017, the Group's barley throughput was 452,000 tonnes, representing a year-on-year increase of 44.4%. By leveraging its location functional advantage as a demonstration port zone, the Group provided customers with proprietary, efficient and convenient grain handling services and reduced customers' full-trip logistics costs, leading to an increase in the Group's barley transshipment volume for the year.

Management Discussion and Analysis

The performance of the Bulk Grain Segment is set out as follows:

Item	2017 (RMB)	2016 (RMB)	Change (%)
Revenue	493,134,073.32	681,657,589.01	-27.7
Share of the Group's revenue	5.5%	5.3%	Up by 0.2 percentage point
Gross profit	35,570,923.89	-24,735,276.73	243.8
Share of the Group's gross profit	2.4%	-1.8%	Up by 4.2 percentage points
Gross profit margin	7.2%	-3.6%	Up by 10.8 percentage points

In 2017, the revenue from the Bulk Grain Segment decreased year-on-year by 27.7%. Excluding the effect of trading business, the revenue increased by 58.2% year-on-year, mainly driven by the growth in corn throughput and the income from bulk grain vehicle rental business.

The gross profit margin of the segment increased by 10.8 percentage points year-on-year. Excluding the effect of trading business, the gross profit margin increased by 39.7 percentage points year-on-year, mainly due to the growth in grain throughput and bulk grain vehicle rental business.

In 2017, the major measures taken by the Group and the progress of major projects related to the Group's Bulk Grain Segment are set out as follows:

The Group deepened its cooperation with customers in terms of capital, efficiently overcoming our weakness in grain segment as well as reducing our operating risks effectively by deploying assets.

Management Discussion and Analysis

Passenger and Ro-Ro Segment

	2017	2016	+/-
Passengers ('0,000 persons)	375.9	338.4	11.1%
Vehicles ('0,000 units) (note 2)	104.9	103.5	1.4%

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

In 2017, the Group transported 3.759 million passengers, representing a year-on-year increase of 11.1%, and transported 1.049 million vehicles, representing a year-on-year increase of 1.4%.

In 2017, the Company, joined by shipping companies, increased its efforts in market development. The total number of passengers in and out of Dalian port increased year-on-year. Thanks to the supportive influence of the restrictions on running of transport vehicles with out-of-gauge goods under Order No. 62 – Provisions on the Administration of the Running of Transport Vehicles with Out-of-gauge Goods on the Road issued by the Ministry of Transport of the People's Republic of China, the volume of roll-roll shipment business increased year-on-year.

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

Item	2017 (RMB)	2016 (RMB)	Change (%)
Revenue	163,083,222.14	138,607,950.47	17.7
Share of the Group's revenue	1.8%	1.1%	Up by 0.7 percentage point
Gross profit	47,195,358.33	34,801,486.91	35.6
Share of the Group's gross profit	3.2%	2.5%	Up by 0.7 percentage point
Gross profit margin	28.9%	25.1%	Up by 3.8 percentage points

In 2017, the revenue from the Passenger and Ro-Ro Segment increased year-on-year by 17.7%, mainly due to the rise in throughput and the increase in the unit price of passenger transport.

Gross profit margin increased 3.8 percentage points year-on-year, mainly attributable to the increase in the unit price of outbound vehicles leaving the port and the revenue generated from the growth in throughput.

In 2017, the major measures taken by the Group and the progress of major projects related to the Group's Passenger and Ro-Ro Segment are set out as follows:

We gradually improved port hardware facilities, established cruise service standards and built cruise service brands. International cruise ships such as Victorian, Lyric and Glory successfully made their outbound voyages from our port, and international cruise ships such as Seven Seas Voyagers, Seabourn Sojourn and Nautica berthed at our port in transit.

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

Management Discussion and Analysis

Value-added Services Segment

Tugging

In 2017, the Group's tugging throughput increased by 12% year-on-year due to the effect of increase in business of nearby shipyards.

Tallying

The Group's total tallying throughput was 46,311,800 tonnes, representing a year-on-year growth of 9.6%.

Railway

In terms of the operation of railway transportation, the Group handled a total of 660,000 carriages, representing a year-on-year increase of 15.6%.

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

Item	2017 (RMB)	2016 (RMB)	Change (%)
Revenue	955,244,743.21	937,338,809.20	1.9
Share of the Group's revenue	10.6%	7.3%	Up by 3.3 percentage points
Gross profit	297,071,760.63	267,913,195.52	10.9
Share of the Group's gross profit	20.3%	19.3%	Up by 1.0 percentage point
Gross profit margin	31.1%	28.6%	Up by 2.5 percentage points

In 2017, revenue from the Value-add Services Segment increased by 1.9% year-on-year, mainly due to the increased revenue in the tugging and ship-renting businesses because of the market recovery and increased rates, and the increased revenue balance resulting from the cancellation of pilotage regulatory charges imposed by the government, whereas the decrease in a number of projects limited the growth of revenue to a certain extent.

Gross profit margin increased by 2.5 percentage points year-on-year, mainly due to the combined effects of market recovery, increased rates, tax-exemption policies as well as the revenue balance brought by the cancellation of regulatory charges imposed by the government.

Management Discussion and Analysis

(I) Analysis of Main Operations

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

Unit: RMB

Items	Current year	Corresponding period of last year	Changes (%)
Revenue	9,031,643,350.22	12,814,483,861.14	-29.5
Cost of sales	7,568,202,507.68	11,427,061,819.61	-33.8
Sales expenses	412,560.91	895,738.53	-53.9
Administrative expenses	662,345,386.50	663,365,001.90	-0.2
Financial expenses	639,853,262.11	256,884,038.08	149.1
Asset impairment losses	59,917,712.73	5,944,350.81	908.0
Investment income	542,552,490.64	181,161,310.22	199.5
Asset disposal income, other income and net non-operating income	135,053,317.27	179,970,065.15	-25.0
Income tax expenses	152,866,274.32	165,330,007.50	-7.5
Net cash flow from operating activities	1,204,366,572.41	2,066,383,960.31	-41.7
Net cash flow from investing activities	95,335,521.13	-406,713,504.02	123.4
Net cash flow from financing activities	-520,054,149.51	1,764,879,533.10	-129.5

Net cash inflow from operating activities decreased by RMB862,017,387.90 or 41.7% as compared with last year, mainly due to the outflow of funds resulted from the increase in payment on behalf of customers for agency services.

Net cash inflow from investing activities increased by RMB502,049,025.15 or 123.4% as compared with last year, which was mainly due to the recovery of wealth management investments.

Net cash inflow from financing activities decreased by RMB2,284,933,682.61 or 129.5% as compared with last year. This was mainly due to the funds raised by increase in the new issue of H shares through private placements in the same period of 2016, and after repayment of existing debts using fund raised through issue of bonds and bank borrowings in 2017, the scale of net financing was increased.

Description of related items set forth in the above table: please refer to the description under the section headed "Overall Analysis of Results" in the management discussion and analysis by the Board during the reporting period for operations of the Company.

Management Discussion and Analysis

1. Income and Cost Analysis

Please refer to the description under the section headed “Overall Analysis of Results” in the management discussion and analysis by the Board during the reporting period for the analysis of factors driving the changes in revenue and cost of sales.

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

Unit: RMB

By industries	Analysis of main operations by industries					
	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year changes in revenue (%)	Year-on-year changes in cost of sales (%)	Year-on-year changes in gross profit margin (%)
Oil products	2,568,149,091.77	2,065,151,976.02	19.6	-58.3	-61.9	Up by 7.7 percentage points
Containers	2,324,693,840.07	1,883,558,475.63	19.0	50.2	52.6	Down by 1.3 percentage points
General cargoes	315,435,489.60	346,459,606.16	-9.8	-32.8	-31.6	Down by 1.9 percentage points
Ore	385,757,321.36	272,347,131.83	29.4	22.8	-3.2	Up by 19.0 percentage points
Bulk grain	493,134,073.32	457,563,149.43	7.2	-27.7	-35.2	Up by 10.8 percentage points
Passenger	163,083,222.14	115,887,863.81	28.9	17.7	11.6	Up by 3.8 percentage points
Value-added	955,244,743.21	658,172,982.58	31.1	1.9	-1.7	Up by 2.5 percentage points
Automobiles	1,728,744,110.94	1,691,946,365.67	2.1	-30.6	-30.3	Down by 0.5 percentage point
Unallocated	97,401,457.81	77,114,956.55	20.8	17.5	0.8	Up by 13.1 percentage points

Details of main operations by industries, products and regions

Please refer to the section headed “The Performance Analysis of Each Business Segment” in “Chapter IV Management Discussion and Analysis”.

Management Discussion and Analysis

(2) Cost analysis table

Unit: RMB0'000

By industries	Cost components	Amount for the period	Status by industries			Description
			Percentage of the total cost for the period (%)	Amount for the same period of the previous year	Percentage of the total cost for the period (%)	
Oil products	Cost of sales	206,515.20	27.3	542,227.75	47.5	-61.9
Oil products	Depreciation and amortisation	21,683.07	2.9	21,551.56	1.9	0.6
Oil products	Labor cost	22,202.89	2.9	20,524.86	1.8	8.2
Containers	Cost of sales	188,355.85	24.9	123,436.88	10.8	52.6
Containers	Depreciation and amortisation	23,767.28	3.1	18,614.19	1.6	27.7
Containers	Labor cost	16,023.37	2.1	15,723.94	1.4	1.9
General cargoes	Cost of sales	34,645.96	4.6	50,672.32	4.4	-31.6
General cargoes	Depreciation and amortisation	8,181.76	1.1	8,493.94	0.7	-3.7
General cargoes	Labor cost	18,232.69	2.4	17,872.29	1.6	2.0
Ore	Cost of sales	27,234.71	3.6	28,126.67	2.5	-3.2
Ore	Depreciation and amortisation	10,082.14	1.3	10,183.19	0.9	-1.0
Ore	Labor cost	4,044.32	0.5	3,791.48	0.3	6.7
Bulk grain	Cost of sales	45,756.31	6.0	70,639.29	6.2	-35.2
Bulk grain	Depreciation and amortisation	6,534.72	0.9	6,737.32	0.6	-3.0
Bulk grain	Labor cost	5,485.10	0.7	5,910.16	0.5	-7.2
Passenger	Cost of sales	11,588.79	1.5	10,380.65	0.9	11.6
Passenger	Depreciation and amortisation	3,140.13	0.4	3,009.91	0.3	4.3
Passenger	Labor cost	5,111.76	0.7	4,733.63	0.4	8.0
Value-added	Cost of sales	65,817.30	8.7	66,942.56	5.9	-1.7
Value-added	Depreciation and amortisation	6,867.33	0.9	6,593.81	0.6	4.1
Value-added	Labor cost	32,824.63	4.3	32,599.99	2.9	0.7
Automobiles	Cost of sales	169,194.64	22.4	242,631.77	21.2	-30.3
Automobiles	Depreciation and amortisation	8.98	0.0	5.56	0.0	61.5
Automobiles	Labor cost	168.09	0.0	-	-	-
Unallocated	Cost of sales	7,711.50	1.0	7,648.30	0.7	0.8
Unallocated	Depreciation and amortisation	603.55	0.1	905.05	0.1	-33.3
Unallocated	Labor cost	1,758.31	0.2	1,595.38	0.1	10.2
Total	Cost of sales	756,820.25	100.0	1,142,706.18	100.0	-33.8

Other details of cost analysis

Please refer to the description under the section headed "Overall Analysis of Results" in "Chapter IV Management Discussion and Analysis" for details.

Management Discussion and Analysis

(3) *Major sales customers and major suppliers*

The sales to the top five customers amounted to RMB1,683,989,190.02, representing 47% of the total annual sales. Of the sales to the top five customers, sales to connected parties was zero, representing none of the total annual sales.

The purchases from the top five suppliers amounted to RMB1,210,274,288.18, representing 33% of the total annual purchases. Of the purchases from the top five suppliers, purchases from connected parties amounted to zero, representing none of the total annual purchases.

Other explanation

None.

2. Expenses

Please refer to the description under the section headed “Overall Analysis of Results” in “Chapter IV Management Discussion and Analysis” for details.

3. Cash Flow

Please refer to the description under the section headed “Analysis of Main Operations” in “Chapter IV Management Discussion and Analysis” for details.

(II) Explanation on significant change of profit resulting from other operations

In 2017, due to the exchange rate fluctuations in the international currency market, foreign currency assets held by the Company incurred carrying exchange losses in aggregate of RMB220,557,546.32. The Company will continue to pay attention to the exchange rate fluctuations in the domestic and foreign capital markets.

Management Discussion and Analysis

(III) Analysis of Assets and Liabilities

1. Assets and Liabilities

Unit: RMB

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Change of the amount (%)	Description
Financial assets at fair value through profit or loss of the current period	5,050,497.50	0.01	7,304,407.50	0.02	-30.86	It was mainly due to a decrease in fair value resulting from the exchange rate fluctuations.
Accounts receivable	1,026,421,198.51	2.81	658,558,980.91	2.06	55.86	It was mainly due to an increase in business scale resulting from the consolidation of container trading service business and container terminals.
Prepayments	159,435,191.83	0.44	256,592,966.84	0.80	-37.86	It was mainly due to a decrease in scale of trading service business.
Interests receivable	43,642,176.75	0.12	26,268,705.14	0.08	66.14	The increased interest receivable was mainly due to an increase in term deposits.
Dividends receivable	87,229,387.64	0.24	38,245,401.40	0.12	128.08	It was due to an increase in the amount for dividend distribution by associate companies.
Other receivables	475,402,690.71	1.30	315,286,763.19	0.99	50.78	It was mainly due to the combined effects of an increase in amount received and paid on behalf of customers for agency services, an increase in management service income and an increase of receivable from disposal of assets.
Inventories	702,685,534.58	1.92	451,326,094.61	1.41	55.69	It was mainly due to an increase in inventories resulting from automobiles and grain trading service business.
Other current assets	255,836,964.53	0.70	508,815,328.87	1.59	-49.72	It was mainly due to a decrease in existing wealth management products.
Construction in progress	2,260,609,738.57	6.18	1,616,008,035.15	5.07	39.89	It was mainly due to the combined effects of enlarged scale of construction in progress resulting from the consolidation of container terminals as well as new vessel acquisition projects.
Disposals of fixed assets	3,680,222.04	0.01	2,682,824.71	0.01	37.18	It was mainly due to an increase of scrap assets during the year.
Intangible assets	1,637,141,745.38	4.47	1,090,143,242.15	3.42	50.18	It was mainly due to an enlarged scale of assets resulting from the consolidation of container terminals.
Long-term deferred expenditures	106,783,619.90	0.29	53,726,901.82	0.17	98.75	It was mainly due to the effects of newly added improved assets to be amortised and prepaid rental.
Long-term receivables	-	0.00	11,500,000.00	0.04	-100.00	It was mainly due to the loan companies were included into the scope of consolidation during the year.
Short-term borrowings	3,271,234,002.74	8.94	499,427,798.80	1.57	555.00	It was mainly due to the addition of new short-term borrowings during the year.

Management Discussion and Analysis

Item	Amount as at the end of the period	Percentage of total assets as at the end of the period (%)	Amount as at the end of the previous period	Percentage of total assets as at the end of the previous period (%)	Change of the amount (%)	Description
Notes payable	-	0.00	1,250,000.00	0.00	-100.00	It was due to repayment of the notes payable of previous years upon maturity.
Accounts payable	380,389,360.83	1.04	235,701,773.17	0.74	61.39	It was mainly due to an increase in procurement fees payable of trade business service.
Current portion of long-term liabilities	4,158,328,072.94	11.37	1,047,523,521.42	3.28	296.97	It was mainly due to the corporate bonds and overseas debts denominated in RMB falling due within one year.
Other current liabilities	-	0.00	3,038,041,251.61	9.52	-100.00	It was mainly due to the ultra-short financing bond issued by the Group at the beginning of the year has fall due and been repaid.
Long-term borrowings	2,581,543,935.59	7.06	147,010,023.77	0.46	1,656.03	It was mainly due to the effect of enlarged scale of debts resulting from the consolidation of container terminals.
Bond payables	3,404,498,647.79	9.31	5,779,081,112.06	18.12	-41.09	It was mainly due to the transfer of bonds payable due in 2018 to the non-current liabilities due within one year.
Long-term payables	-	0.00	43,138,081.48	0.14	-100.00	It was mainly due to the transfer of financial lease payable due in 2018 to the non-current liabilities due within one year.
Deferred income tax liabilities	117,258,611.27	0.32	13,843,600.37	0.04	747.02	It was mainly due to the adjustment in fair value resulting from the consolidation of container terminals.

Other explanation

None.

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

Please refer to the part headed “Assets with Restricted Ownership or Right of Use” under “Chapter XI Financial Report” for details.

Management Discussion and Analysis

(IV) Analysis of Business Operation in the Industry

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

(V) Analysis of Investments

1. Overall analysis of external equity investments

The second meeting of the fourth session of the Board of the Company in 2017 considered and approved the “Resolution on the Establishment of Dalian Port Xiangyu Bulk Grains Logistics Co., Ltd.* (大連港象嶼糧物流有限公司) by the Joint Stock Company and Xiamen Xiangyu”, and agreed to establish Dalian Port Xiangyu Bulk Grains Logistics Co., Ltd. by joint venture of the Company and Xiamen Xiangyu Co., Ltd., for the purpose of providing professional grain logistic services. The registered capital of the company is RMB10,000,000, with the contribution from Dalian Port (PDA) Company Limited of RMB5,100,000, accounting for 51%, and the contribution from Xiamen Xiangyu Co., Ltd. of RMB4,900,000, accounting for 49%.

The fourth meeting (extraordinary) of the fourth session of the Board of the Company in 2017 considered and approved the “Resolution on the Establishment of Automobile Trading Company by Joint Venture of a Subsidiary King Port Auto and Ningbo International Logistics”, and agreed to establish Ningbo United King Port Auto Trade Co., Ltd. by joint venture of Dalian United King Port Auto Trade Co., Ltd. (hereinafter referred to as “King Port Auto”), a 60%-owned subsidiary of the Company and Ningbo International Logistics Co., Ltd. (hereinafter referred to as “Ningbo International Logistics”), so as to achieve the development of parallel import of automobile financial trading business in Eastern China. The registered capital of the joint venture is RMB20,000,000, as at 31 December 2017, King Port Auto invested RMB9,800,000, accounting for 49%, and Ningbo International Logistics invested RMB10,200,000, accounting for 51%.

The fourth meeting of the fifth session of the Board of the Company in 2017 considered and approved the “Resolution on the Additional Capital Contribution to Dalian Port Xiangyu Bulk Grains Logistics Co., Ltd.”, and agreed to increase capital contribution in the joint venture, Dalian Port Xiangyu Bulk Grains Logistics Co., Ltd., together with Xiamen Xiangyu Co., Ltd. on a pro rata basis. The Company and Xiamen Xiangyu Co., Ltd. increased cash capital contribution by RMB44,880,000 and RMB43,120,000, and after the increase in capital contribution, the shareholding percentage of the Company and Xiamen Xiangyu Co., Ltd. remained unchanged. As at 31 December 2017, the Company in aggregate invested RMB49,980,000, accounting for 51%.

Management Discussion and Analysis

(1) Significant equity investment

1. Securities investment

No.	Categories of securities	Stock Code	Abbreviated name of securities	Initial investment (RMB)	Number of shares held (share)	Carrying value as at the end of the period (RMB)	Percentage of total securities investment as at the end of the period (%)	Profit or loss during the reporting period (RMB)
1	Stock	601558	Sinovel	3,780,000.00	252,000	413,280.00	8.18	-176,400.00
2	Stock	601616	SGEG	1,045,000.00	99,000	387,090.00	7.66	-257,400.00
3	Stock	601799	Xingyu Co., Ltd	1,168,200.00	55,000	2,722,500.00	53.91	654,350.00
4	Stock	300185	Tongyu Heavy	812,500.00	243,750	553,312.50	10.96	-179,225.00
5	Stock	002563	SEMIR	1,943,000.00	116,000	911,760.00	18.05	-225,640.00
6	Stock	002916	SCC Zhenjing Corporation	9,650.00	500	43,615.00	0.86	33,965.00
7	Stock	603477	Limited	5,580.00	1,000	18,940.00	0.38	13,360.00
8	Stock	300581	Chenxi Aviation					-25,280.00
Profit and loss from disposal of securities investment during the reporting period								1,900.43
Total				8,763,930.00	767,250.00	5,050,497.50	100.00	-160,369.57

2. Shareholding in other listed companies

Stock code	Abbreviated name of securities	Initial investment cost	Percentage of the shares of that company (%)	Carrying value as at the end of the period (RMB)	Profit or loss during the reporting period (RMB)	Changes in interests of owners during the reporting period (RMB)	Accounting items	Source of shares
00368.HK	SINOTRANS SHIP	HK\$77,996,300.00	0.24	15,861,099.68	330,627.46	3,579,119.58	Available-for-sale financial assets	Purchased from primary market
Total		HK\$77,996,300.00	/	15,861,099.68	330,627.46	3,579,119.58	/	/

3. Equity interests in financial companies

Name	Initial investment (RMB)	Percentage of the shares of that company (%)	Carrying value as at the end of the period (RMB)	Profit or loss during the reporting period (RMB)	Changes in interests of owners during the reporting period (RMB)	Accounting items	Source of shares
Dalian Port Group Financial Co., Ltd.	200,000,000.00	40.00	930,584,847.02	64,701,872.12	64,701,872.12	Long-term equity investments	Shareholding of a newly established company
Total	200,000,000.00	40.00	930,584,847.02	64,701,872.12	64,701,872.12	/	/

Management Discussion and Analysis

4. Purchase and sale of shares of other listed companies

No.	Stock name	Shares held as at the beginning of the period (share)	Shares purchased during the reporting period (share)	Fund utilised (RMB)	Shares sold during the reporting period (share)	Shares held as at the end of the period (share)	Investment gains generated (RMB)
1	Sinovel	252,000				252,000	
2	SGEG	99,000				99,000	
3	Xingyu Co., Ltd	55,000				55,000	
4	Tongyu Heavy	258,750			4,000	254,750	-9,559.68
5	SEMIR	120,000			15,000	105,000	-32,890.33
6	Chenxi Aviation	500			500		39,637.41
7	Central China Securities	1,000			1,000		4,713.03
8	Xiamen Yanjan New Material CO., LTD		500	9,705.00	500		11,501.62
9	Bei Si Te		500	4,795.00	500		8,141.88
10	Jin Tai Yang		500	4,180.00	500		17,622.26
11	Zhang Jia Gang Hang		500	2,185.00	500		2,056.95
12	PIANO		500	15,515.00	500		44,817.93
13	Guang Zhou Port Group		1,000	2,290.00	1,000		7,517.90
14	Li Qun Gu Fen		1,000	8,820.00	1,000		10,504.35
15	Doctor Glasses		500	4,915.00	500		16,147.58
16	Shenzhen Magic Design & Decoration Engineering Co.,Ltd.		500	5,805.00	500		13,592.58
17	Jiangsu Zhengdan Chemical Industry Co.,Ltd.		500	5,365.00	500		7,043.45
18	Poten Environment Group Co., Ltd.		1,000	6,740.00	1,000		29,923.99
19	CHIT WING		500	3,270.00	500		9,509.49
20	She Ji Zong Yuan		1,000	10,440.00	1,000		9,678.23
21	CASIT		500	3,925.00	500		8,482.06
22	Zhong Chong Gu Fen		500	7,730.00	500		14,797.58
23	CISEN		1,000	11,660.00	1,000		17,719.00
24	Lanzhou Zhuangyuan Pasture Co., Ltd		500	3,730.00	500		9,212.00
25	CSB		500	9,280.00	500		16,891.80
26	HUAXIN		500	7,120.00	500		16,478.20
27	TECSUN		500	3,790.00	500		15,857.80
28	PUTAILAI		1,000	165,300.00	1,000		41,460.09
29	CPET		500	11,170.00	500		10,703.16
30	SCC		500	9,650.00		500	
31	Hua Neng Shui Dian		3,000	6,510.00	3,000		6,513.67
32	Sichuan Zhenjing Corporation Limited		1,000	5,680.00		1,000	
Total		786,250	18,500	329,570.00	37,500	767,250	348,073.99

Note: The transaction fees in the stock trading were correspondingly transferred to the investment income amounting to RMB11,752.22.

Management Discussion and Analysis

(2) Significant non-equity investment

Unit: RMB0'000

Investment project	Source of funding	Proposed total investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Realised gain for the year	Reason for failure to achieve the expected gain
Construction of oil storage tanks with a total capacity of 1,000,000m ³ in Xingang	Financing through issuance of A shares	76,000	433.02	52,455.34	69%	Revenue of approximately RMB97,070,000; profit of approximately RMB47,230,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (1)"
Construction of oil storage tanks with a total capacity of 600,000m ³ in the Xingang resort area	Financing through issuance of A shares	55,000	0	55,000	100%	Revenue of approximately RMB56,680,000; profit of approximately RMB21,380,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (1)"
Construction of phase II of the Shatuozi oil storage tanks project in the Xingang Shatuozi area	Financing through issuance of A shares	2,960	0	2,960	100%	Project investment gain of RMB4,970,000	N/A
LNG project	Financing through issuance of A shares	32,000	0	32,000	100%	Project investment gain of RMB77,000,000	N/A
No. 4 stacking yard for ore terminal	Financing through issuance of A shares	52,000	1,585.95	40,370.39	78%	Revenue of approximately RMB15,600,000; profit of approximately RMB-6,740,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (2)"
Purchase of gantry for ore terminal	Financing through issuance of A shares	3,720	0	3,720	100%	Revenue of approximately RMB17,920,000; profit of approximately RMB9,930,000	N/A
Purchase of 300 bulk grain carriages	Financing through issuance of A shares	15,000	0	15,000	100%	Revenue of approximately RMB11,960,000; profit of approximately RMB5,870,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (3)"
Ro-ro ships for carrying cars	Financing through issuance of A shares	23,000	0.07	21,200.17	92%	Revenue of approximately RMB28,320,000; profit of approximately RMB50,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (4)"
Construction of railway siding in Muling	Financing through issuance of A shares	4,125	0	4,125	100%	Project investment gain of RMB10,000	Please refer to the note headed "Reasons for failure to achieve the expected gain (5)"

Management Discussion and Analysis

Investment project	Source of funding	Proposed total investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Realised gain for the year	Reason for failure to achieve the expected gain
Construction of information systems	Financing through issuance of A shares	5,000	0	5,000	100%	N/A	N/A
Berths and ancillary facilities in area III of container terminal (Refer to Note 1 for details)	Financing through issuance of A shares	8,404.15	0	8,404.15	100%	From January to October 2017, the investment income of the project was approximately RMB14,280,000 under the original equity investment project; and after it was changed to investment in construction project in November to December 2017, the income was approximately RMB62,610,000 and the profit was approximately RMB11,180,000.	N/A
Dayao Bay No. 13-16 berths in Phase II	The Group's internal fund, loans	378,300.00	3,972.86	229,899.46	92%	No.13 and No.14 berths were transferred to a joint venture and a value-added gain of RMB200,000,000 was realised; the annual rental income of no. 15 berth was RMB53,500,000; the construction of the main body of no. 16 berth has been completed and has not yet been leased out.	
New Port No. 18-21 berths	The Group's internal fund, loans	41,377.00	788.16	34,446.62	85%	N/A	The project is under construction and has not yet been put into operation so no gain is generated.
Total		696,886.15	6,780.06	504,581.13		N/A	

Management Discussion and Analysis

- Reasons for failure to achieve the expected gain
- (1) The new port possesses crude oil tanks with capacity of 1,000,000 cubic meters, of which 600,000 cubic meters of crude oil tanks were put into use in January 2011 while 400,000 cubic meters of crude oil tanks were put into use in September 2012. The crude oil tanks with capacity of 600,000 cubic meters in new port resort were put into use in April 2014. International crude oil prices showed a V-shaped trend in 2017, fluctuating at a low level most of the time. The contraction of oil trading business and the termination of partnership with major strategic customers in Oil Terminals Company resulted in the drop in the revenue for storage business. In the future, Oil Terminal Company will continue to foster its cooperation with transshipment customers by leveraging on the port consolidation, and build a complete transshipment logistics system for crude oil. By continuing to deepen cooperation with domestic and foreign oil traders, the Company took the initiatives to carry out international crude oil transshipment business targeting Japan and South Korea, promoted cooperation with customers of various fuel oil suppliers, proactively developed ship fuel supply business and built a “bonded integrated ship fuel supply service base”. Taking the advantages of terminals and storage tanks, the Company improved utilization rate of its storage tanks and steadily increased revenue by means of gradually raising the standard of tank rental fees, etc.
 - (2) No. 4 stacking yard built for the iron ore terminal: The project has been put into operation since December 2014. Affected by the downward pressure dragging the domestic economy in 2015, iron and steel enterprises stepped up cost control efforts, opting for near-port operation, which reduced the competitive edge of large berthing capacity of the Company. From March 2016 onwards, the iron ore terminal has been cooperating with VALE of Brazil to actively pursue ore-mixing business. In the same year, the Company commenced the business of loading and unloading of large vessels, creating a new growth driver in operating income. In 2017, the Company continued to develop a new model for ore-mixing service at ore terminal, leveraging on regional and business advantages to develop the ore-mixing transshipment distribution model. Having the effect of acting as a demonstration for the Northeast Asia ore-mixing center of the VALE, the Company has created a “full logistics service + mixed-metal sales” model. The export volume of Japanese and Korean ore-mixing business volume increased significantly, and the volume of foreign imports from the VALE doubled as compared with the corresponding period of last year. The ore terminal mainly targets large customers such as Heilongjiang Xianglong, Jilin Jianlong, Dongbei Te Gang, Bengang and Angang. The major customers are all state-owned steel plants, and therefore the output is relatively stable. With the decrease in the number of iron ore in the Northeast, high-valued ore fines from Brazil and Australia are becoming more and more popular. In the future, the cash inflow from the ore terminal will increase steadily.

Management Discussion and Analysis

- (3) Purchase of 300 bulk grain carriages: The 300 bulk grain carriages of the project were put into use in 2011. During the initial construction stage of the project, the capacity of bulk grain carriages fell short of demand in the three northeastern provinces of China, and there was a temporarily critical shortage of capacity of bulk grain carriages. After the reform of the Ministry of Railways in 2013, the restriction on approving purchase of bulk grain carriages has been lifted. As a result, there was a serious oversupply of bulk grain carriages in Northeast China, with a mass number of bulk grain carriages being idle and carriage rental decreasing significantly. The operation of bulk grain carriages became difficult. At the end of 2016, China revoked its temporary grain storage policy, giving full play to the self-pricing mechanism in the domestic grain market. The strong demand for trade in the grain production and sale areas will bring forth a positive business environment. In 2017, the domestic trade grain market regained its vitality, and normal trade flows spurred the bulk grain carriage market to return to a healthy development track. Riding on the opportunity arising from market rejuvenation, the Company continuously improved the entire logistic system based on bulk grain carriage capacity built by itself. Taking bulk grain capacity as a breakthrough point to attract senior grain companies to jointly engage in grain logistics joint ventures and cooperation, the Company has not only improved the operational efficiency of bulk grain carriages, but also revitalized assets and reduced operating risks.
- (4) Ro-ro ships for carrying cars: 2 of the ro-ro ships for carrying cars in the project were completed and commenced operation in 2011. The 2 ships were named “Anji 8 (安吉8)” and “Anji 9 (安吉9)” respectively. During the initial stage of the construction of the project, the development of ro-ro shipping was in its prime and the prospect of ro-ro ships for carrying cars was promising. Nonetheless, adversely affected by the global economy and the condition of the global shipping industry in 2011, the ro-ro shipping industry of the PRC would gradually experience a downturn with a surplus of ro-ro capacity. Thus the operation efficiency of the ro-ro ship project slumped. To maintain the loading rate of the 2 ships to prevent losses, the Company leased “Anji 8” and “Anji 9” to Ansheng Ship (安盛船務) at cost price or close to cost price after taking the capital cost into consideration, respectively. Looking forward, through enhancing the cooperation between the logistic companies such as Anji Logistics (安吉物流), Dalian Port will fully leverage on the advantages as a fundamental transshipment port in the Northeast China of automobile manufacturers such as SAIC Motor. The transshipment of automobiles is expected to increase steadily, thus ensuring the enhancement of the efficiency of the project of ro-ro ships for carrying cars.

Management Discussion and Analysis

- (5) Construction of new railway siding in Muling: The project was put into operation in July 2013. Located in the Sino-Russian Economic Belt of Ha-Mu-Suidong, this project is a sea-rail transport logistics center of southeastern Heilongjiang Province jointly built by Dalian Port and Muling Municipal Government. Since the project was put into operation, the Company has maintained a balance of revenues under the situation of the economic downturn in the hinterland of Northeast China. At the end of 2016, the country abolished its temporary reserve policy. The domestic trade grain market regained its vitality and, further leveraging on the opportunity arising from the State's cancellation of the temporary storage policy of corn in 2018, the Company will give full play to the well-established site resources and rely on the location advantage of the main grain production area of Xiachengzi Town in Muling City to integrate with grain traders, creating a grain logistics transportation center, resulting in the project efficiency improving steadily.

Note 1 On 31 October 2017, "Dalian International Container Terminal Co., Ltd." and "Dalian Port Container Terminal Co., Ltd." were merged by "Dalian Container Terminal Co., Ltd.". Therefore, the use of proceeds was changed from the original equity investment project to the investment in construction project of the berths and ancillary facilities in area III of container terminal. After the change, there will be no significant change in the payback period and internal rate of return of the project investment.

(3) *Financial assets at fair value*

Please refer to the description under the section headed "Analysis of Investments" in the management discussion and analysis by the Board during the reporting period for operation of the Company.

(VI) Analysis of Major Controlling Companies and Investee Companies

Dalian Port Container Development Co., Ltd (大連港集裝箱發展有限公司) ("Dalian Port Container") is the wholly-owned subsidiary of Dalian Port (PDA) Company Limited, with a registered capital of RMB2,964,111,400. Its principal scope of business includes the provision of terminal facilities to vessels, provision of container loading and storage and arrangement of containers in the port area, leasing of port facilities, equipment and port machines, maintenance services, property leasing, company management services and consulting services etc. As of the end of 2017, the total assets of the company amounted to RMB5,131,225,047.98 with net assets of RMB3,409,025,942.17. In 2017, it achieved operating income of RMB133,646,941.98 and the net profit of RMB568,594,170.50.

Management Discussion and Analysis

Dalian Container Terminals Co., Ltd. (“DCT”) was initially jointly funded and established by Dalian Port Container Development Co., Ltd. (“Dalian Port Container”), a wholly-owned subsidiary of the Company, and Dalian Port Investment Private Co., Ltd. (hereinafter referred to as “Xinda Investment”) in the shareholding proportions of 51% and 49%, respectively. Its principal scope of business is development, construction, management and operation of container terminals and its auxiliary facilities, provision of container loading and provision of bonded storage. In 2017, according to the “Joint Venture Agreement” entered into by multiple parties, DCT incorporated and merged the Group’s joint ventures Dalian Port Container Terminals Co., Ltd. (“DPCM”) and Dalian International Container Terminals Co., Ltd. (“DICT”), and the shareholders of the new DCT and the proportions of shares were 48.15% for Dalian Port Container, 4.35% for COSCO Terminal (Dalian) Co., Ltd., 10.99% for China Shipping Terminal Development Co., Ltd., 3.66% for China Shipping Port Development Co., Ltd., 20.75% for Xinda Investment, and 5.25% for PSA China Pte. Ltd. and 6.85% of Nippon Shipping Co., Ltd. Among them, Dalian Port Container signed a “Consistent Action Agreement on Dalian Container Terminal Co., Ltd.” with Nippon Yusen, and agreed that Nippon Yusen should act in concert with the Dalian Port Container on the voting of DCT’s business decision-making matters. On 31 October 2017, DCT fully undertook all assets, liabilities, businesses and personnel of DPCM and DICT, and operated in accordance with the terms of the “Merger Agreement” and the new company’s articles of association. Shareholders shall have the agreement in accordance with the “Merger Agreement” and the new company’s articles of association and assume relevant shareholders’ equity and shareholder obligations. As of the end of 2017, the company’s total assets amounted to RMB6,561,287,069.38, and its net assets were RMB3,735,248,716.15. In 2017, it achieved operating income of RMB679,729,816.62 and net profit of RMB173,903,588.18.

PetroChina Dalian LNG Co., Ltd. (“LNG”) is jointly funded and established by Dalian Port (PDA) Company Limited (the “Joint Stock Company”), Kunlun Energy Co., Ltd. and Dalian Construction Investment Group Co., Ltd., in the shareholding proportions of 20%, 75% and 5%, respectively. The company’s registered capital is RMB2,600,000,000. Its principal scope of business includes storage and operation of compressed gas and liquefied gas and natural gas, and LNG unloading services in the port area. As of the end of 2017, the company’s total assets were RMB3,209,254,680.50 and its net assets were RMB3,081,385,540.69. In 2017, it achieved operating revenue of RMB892,521,434.00 and net profit of RMB384,998,030.60, representing an investment return of RMB76,999,606.12 for the Joint Stock Company, accounting for 13.41% of the company’s net profit.

Dalian Port Group Financial Co., Ltd. (abbreviated as “Financial Company”) is jointly funded and established by Dalian Port (PDA) Company Limited (the “Joint Stock Company”) and Dalian Port Group Co., Ltd. (referred to as the “Parent Company”). The registered capital of the company is RMB2,000,000,000. The Parent Company holds 60% of the shares while the Joint Stock Company holds 40% of the shares. The company is a non-banking financial institution approved and established by the China Banking Regulatory Commission. The main scope of business includes provision of financing and fund raising consultation, credit verification and related consultancy and agency services for member companies, assisting member companies in payment and collection of trade payables and receivables and handling financial services required by law including entrusted loans among member companies. For the year ended 2017, the total assets of the company amounted to RMB8,658,631,928.54 and net assets were RMB2,326,462,117.56. In 2017, the company achieved operating income of RMB295,547,703.52 and net profit of RMB161,754,680.31. The company achieved investment income of RMB64,701,872.12, accounting for 11.27% of the company’s net profit.

Management Discussion and Analysis

III. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE DEVELOPMENT

(I) Competitive Landscape and Development Trend in the Industry

Global economic growth is expected to continue its recovery in 2018. According to the forecast in IMF's "World Economic Outlook" dated 22 January 2018, the global economy is expected to grow by 3.9% in 2018. In particular, the growth of developed economies is rebounding, while the economic growth in emerging markets and developing countries suggests an accelerating trend.

In 2018, market demand in the PRC will be generally strong while macroeconomic trends will move towards the dual objectives of focusing on the supply-side structural reform and maintaining the smooth operation of the economy. Under the impact of a number of factors such as capacity reduction, prevention of economic bubbles and elimination of debt, economic growth continues to be subject to downside pressure.

The Group has vital business presence in the three provinces of Northeast China, eastern Inner Mongolia and the Bohai Rim region. Cargo supply is mainly related to oil products, containers, wheeled commercial vehicles, iron ore, coal, steel, grain, bulk and general cargo as well as rolling transportation of passengers. With a comprehensive range of cargo types in its operations, the Group is more risk resilient. It is anticipated that the Group will continue to maintain steady growth in its total throughput, of which business of oil/liquefied chemicals, grain, automobile, ore, container, coal, vehicles will keep steady growth momentum.

(II) Company's Development Strategy

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

Management Discussion and Analysis

In 2018, the Group's major initiatives for market development in its business segments are set out as follows:

Oil Segment

We will dynamically understand the changes in the national oil product trade policies, deepen cooperation with customers and fully promote the allocation of crude oil to local refineries in north Shandong and Hebei.

We will proceed with the construction of support facilities for crude oil storage tanks on Changxing Island to accelerate the completion of formalities for the operation of terminals and warehouses, pay attention to the progress of the construction of Hengli Petrochemical, construction of supporting terminals and qualifications approval, and strive to receive the imported crude oil in our port before the self-owned 300,000-tonne terminal is put into operation.

Leveraging national support for the ship fuel market and the advantages of the Dalian Pilot Free Trade Zone, we will have in-depth cooperation with ship fuel suppliers and actively carry out high-end refined oil transit services to boost refined oil throughput.

Container Segment

We will maintain the stable operation of existing routes, and actively engage in ocean-going routes, near-ocean routes, and direct routes for domestic trades to improve the network layout and enhance the competitiveness of the port.

We will continue strengthening the construction of the feeder network within the Bohai Rim for building a transshipment hub in Bohai Rim; break through bottlenecks, improve self-initiating functions and step up market development in Japan and South Korea for securing more foreign trade sources; and expand collaboration with major domestic shipping companies for further facilitating the build-up of a transshipment hub for domestic trade.

We will accelerate strategic planning of the hinterland with a focus on China's "the Belt and Road" initiative; step up the development and retainment of key customers for a stable source of goods from the interior parts of China; keep improving the layout of the southern network to facilitate the development of source of goods from the northern part; continue to work on the broad international logistics corridor pivoting on the "Liaoning-Manzhouli-Europe" line to fully constitute a China-Europe rail hub port with Dalian as the pivot.

We will deepen structural reforms on the supply side, continue to promote the development of special logistics businesses such as automobiles, timber and cold chain, and strive to develop modern high-end logistics services in an effort to achieve transformation and upgrading of the port.

Automobile Terminal Segment

We will explore different segment markets, discuss the feasibility of increasing the Bohai Rim routes and promote the aggregation of cargo sources in the Bohai Rim area to the terminals.

We will explore customer needs in depth, maintain existing customers and strive to further enhance the proportion of water transport in Dalian.

We will strengthen market expansion efforts and attract potential customers to achieve stable and larger-scale operations.

Management Discussion and Analysis

Ore Segment

We will improve our regional iron ore distribution service system by starting with the berthing of ore carriers with a capacity of 400,000 tonnes at ports on a regular basis as well as iron ore mixing and sales for further enhancing the core competitiveness of the Group.

We will further increase the scale of the ore mixing business for expanding the sales network, enhancing the market strategy, increasing the share of the ore mixing market in Northeast China and further expanding the scope of ore mixing to achieve international transit with Japan and South Korea on a regular basis.

General Cargo Segment

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

We will build a port-based metro coal supplying network in our strive to achieve a new breakthrough in coal transshipment volume.

We will also build an export locomotive transshipment services' brand, boost the transshipment volume of large equipment, and achieve increases in both the traffic and the revenue.

Bulk Grain Segment

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

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

Passenger and Ro-Ro Segment

We will actively participate in the construction of the PRC's cruise tourism pilot area, further improve the service capacity of cruise ports, coordinate with the port units to improve efficiency and strive to achieve sustainable development of the cruise business under the general trend of a slowdown in the growth of the cruise market.

Value-added Services Segment

We will vigorously explore businesses outside the ports and expand operating income stream and increase operating income by increasing the voyage charter business and the coastal towing business.

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

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

Management Discussion and Analysis

(III) Business Plan

In 2018, with a focus on customers' demands, the Group will leverage our port's comprehensive advantages in logistics, finance, trading and information, strengthen product and service innovation, deepen cooperation with customers, improve the logistics network, expand service functions, and further promote the construction of logistics system at port. Besides, the Group will impel the development of our high-end service business, accelerate the pace of going out and exert all efforts to build a port ecosystem integrating logistics and business, capital and information flows, with a view to becoming the first-class integrated service provider in supply chain in China.

(IV) Possible Risk Exposures

In 2018, the world's economic growth will strengthen, while the international market demand will enjoy a gradual recovery. Given the fact that the PRC will continue to "transform its economy, adjust the structure as well as improve quality and efficiency" as the market mainstream, and that subdued growth in economic development will continue, the port industry will continue to be subject to downside pressure because: firstly, the world's economy is still subject to slow recovery and there are still potential risks in the market; secondly, the Chinese economy has entered a low-growth stage, creating an impact on the production and operation of domestic ports; thirdly, economic growth is weak in the Northeast region featured by imbalanced development and the lack of a diversified industrial structure; fourthly, the port enterprises carry out their business by mainly focusing on conventional port logistics, so that value-added logistics business such as third-party logistics and finance logistics continue to be affiliated with or dependent upon port logistics to a large extent. Revenue from terminal loading and unloading operations continues to account for a larger proportion of logistics revenue. Given that there is an urgent need to quicken the development of the professional integrated logistics service functionality on the supply chain, it is also necessary to proceed with financial, commerce, trade and other logistics value-added services at a faster speed; and fifthly, the growing capacity of the nearby ports, rising rail freight, dominant trend in M&A and restructuring, alliance and upsizing of operations in the international shipping market and normal practice to cut and merge container routes have presented challenges to the production and operation of ports.

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

Management Discussion and Analysis

Human resources management

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

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

We also placed an emphasis on the provision of internal or external training to our staff so as to build up a talent pool that provides a solid human resources support to the growth of the Company.

As of 31 December 2017, the Company had a total of 4,452 full-time employees. The Company and its invested businesses together had a total of 7,117 employees. With respect to the employee's remuneration policy, the Company makes determination or corresponding adjustments based on its performance and employees' performance evaluation results on an annual basis after referring to prevailing rates in the local labour market.

Investor relations

The Company pays great attention to its investor relations management, and regards it as a key part of corporate governance. The investor relations management team is committed to establishing an efficient two-way communication channel between the senior management of the Company and the investment community. Adhering to the principles of regularity, fairness and transparency, the Company strives to disclose true and accurate information in a timely manner. The Company discloses the information that investors are concern about through a variety of channels in order to allow them to understand the Company's operation and development strategies in the future.

Meanwhile, the Company regularly collects feedbacks from investors and carefully considers their suggestions so as to constantly improve its development. The Company makes a periodic analysis of the shareholdings, including reviewing the institutional shareholdings and individual shareholdings, and tracking the change in equity based on the type of investors, which is conducive to establishment of a good relationship with existing and potential investors.

In 2017, in order to allow all interested parties to fully understand the Company's performance, operating strategies and development prospects, the Company initiated a number of events, received investors' visits, arranged dock visit for visitors, set up investor mailboxes and adopted other ways and methods. The Company proactively and candidly communicated with the capital market and domestic and overseas investors, and published all kinds of announcements, circulars, and reports as required by domestic and overseas regulatory rules on the website of the Company and the website and newspapers designated by regulators.

The Company has been regarding the investor relations management as a long-term strategic management. The Company will continue to improve the level and standards of its investor relations management so as to better serve investors and become a trusted listed company among capital market investors.

Management Discussion and Analysis

Report on Fulfilment of Social Responsibilities in 2017

I. Summary on Fulfilment of Social Responsibilities

In 2017, amidst the lingering complicated domestic and global economic situation, Dalian Port (PDA) Company Limited adhered to scientific development, devoted to reform, made breakthroughs and innovation, and pursued excellence. With the joint efforts of all staff, various works made new progress and various indicators of the year were successfully achieved.

1. Concept of social responsibility

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

2. Undertaking of social responsibility

We are committed to implementing a supervisory and management system for social responsibility underpinned by a main framework covering quality, occupational health and safety and integrated environmental management mechanism. At the beginning of the year, we were accredited with quality, environment and occupation health and safety management system certification, ensuring the standardized management being kept abreast of time. The Company organizes management representative training course, national registered auditor training course, internal auditor training course for the staff of each level of the Company and set up an experienced management team with extensive knowledge and strong execution capability to provide standardized management support in relation to the management, quality control, safety control, occupation safety control of the Company, thereby ensuring the effective performance of the corporate social responsibilities of the Company. The Company takes the initiative to fulfil the obligation of "contributing all it should contribute", paid tax in aggregate of RMB413,000,000 during the year, making due contributions to national and regional construction.

3. Vision of social responsibility

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

Management Discussion and Analysis

II. Contribution to the Industry

4. Promoting regional trade development

In 2017, the Company accelerated its transformation and upgrading, attached high importance on the development of trade business, and focused on the improvement of trade quality and research on the management and control of risks associated with trade business. By capitalizing on fully utilization of strengths in logistic resources, financial resources and brand resources, the Company established its comprehensive logistics service system and integrated industrial, commerce and trading platform to provide supply chain services that integrating trade, finance, insurance, agency, cargo loading and discharging, storage and logistics, so as to achieve rapid development of trade business. The rapid development of trade business not only expanded the development potential of the Company and increased the revenue of the Company, but also drove the development of the logistics business (as the main business of the Company) and speeded up the progress of diversified development of the Company. Meanwhile, through the development of trade business, the Company promoted the circulation of commodities relating to people's livelihood and important goods and materials such as grain, steel, ore, oil, vehicles, LNG and cold chain commodities, activated regional economic development, satisfied people's needs and achieved harmony and unity between development of enterprise and its social responsibility.

5. Promoting regional logistic development

In 2017, the Company focused on transformation and quality enhancement, attached high importance on comprehensive logistic system, made breakthrough in product and service innovation, and by measures such as deepening customer cooperation, expanding logistic network and improving port service efficiency, the Company further lowered comprehensive logistic costs for customers, thereby effectively supported the real economy and promoted the regional economic development. Firstly, the Company made progress in the establishment of comprehensive logistic network system with the port as the hub. 6 new domestic and international trade ship routes were added during the year, 4 railway lines and 2 China-Europe railway lines were added respectively, and the customized "Samsung Route" train line was upgraded into a public train line. Secondly, the Company accelerated the cooperation with domestic and international customers, and established professional logistic service brand of cold chain logistics, grain logistics and vehicle logistics and featured ore mixing service products. Thirdly, the Company strengthened port relations and business coordination, optimized port environment and improved port functions, and thereby achieving fruitful results in making innovation in fulfilling regulatory policies and enhancing the efficiency of custom clearance. Through the construction of "three mutual" (mutual exchange of information, mutual recognition of regulation and mutual support of enforcement between the port authorities), "three one" (one time declaration, paper-exam and goods check) and "single window" system, the Company has improved the efficiency of custom declaration comprehensively.

III. Caring for customers

6. Product quality and customer service

In 2017, the Company continued to take business transformation and quality improvement as its major tasks, focused on reducing logistics costs and increased service offerings, based on its supply chain logistics service system, marketing system and customer management system to subdivide customer groups, deeply studied the actual needs of customers and implemented the differentiated marketing strategy, so as to meet explicit demands and explore potential demands. For strategic customers and large customers, we tailored the supply chain logistics solutions to meet their personalised demands. For small and medium customers, we built up a platform and system to provide them with comprehensive, one-stop value-added services. In addition, the Company increased interaction with its customers and expanded into new services through the application of various information platforms such as the Dalian Public Information Platform, service hotline, mobile APP and Micro Port System.

Management Discussion and Analysis

7. Production safety

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

In accordance with the requirements of competent authority at a higher level, the Company has strictly implemented production safety works in eight different aspects to ensure employees' occupational health and safety and provide a safe production environment for all employees. **First, the Company continuously refined its safety responsibility system by “clarifying responsibility and ensuring responsible performance”.** The Company had established a daily level-by-level safety audit and commitment announcement release and report system, and implemented “4 mechanisms” for safety commitment announcement, a hazardous chemical enterprise risk and reliability report, a daily inspection and weekly report, and the signature of safety target management liability warrants and “Two Duties for One Post” liability statement with the grassroots units and institutions. The Company also organized all foundational units to sign the “Two Duties for One Post” commitment, and continued to implement production safety responsibility area management. **Second, the Company continued to organize various safety education activities, focusing on qualification training.** In terms of safety training, the Company strived to make sure that all employees had received safety training and were certified in relevant areas when appointed, and implemented safety education and training matrix for all the employees. In terms of safety education, the Company launched safety promotion campaigns including “safe production month”, “fire prevention awareness month”, and promoting knowledge on the “Opinions of State Council on Implementation of Reform and Development in Production Safety”, provincial and municipal Production Safety Regulations, and the occupational disease control laws. As a step further an “extending safety to the grassroots” campaign was launched. A Safety Promotion team was charged with the duty to provide safety propaganda to the foundational units. **Third, the Company enhanced the double prevention system construction and improved the safety risk control capacity.** In terms of safety risk control, the Company formulated an “Operating Guidelines for Safety Risk Classification and Control” and to identify post-specific risk sources and key process risks, and to refine assessment and control measures. The Company also worked on standardizing the hazardous operation approval system and ensuring that all the hazardous operations should be subject to review and approval. In terms of identifying and handling hidden troubles, the Company revised and improved the relevant systems and implemented a uniform “4 lists” for safety inspection and a hidden trouble accounting model, and carried out comprehensive inspections, special safety audits and holiday and special time inspections, and implemented the rectification of accident and hidden trouble strictly according to the requirements of “five implementations”. The Company continued to implement the trouble detection measures as “taking picture of hidden trouble at any time it is found”, and offering incentive for reporting hidden troubles, and organized the “three zero shift” competition (zero non-compliance for individual, zero hidden trouble for post, and zero accident for shift), as well as motivating all the employees in the “I want to be safe” program. **Fourth, the Company focused on the supervision of key areas and made**

Management Discussion and Analysis

progress in the pilot works to suppress major accidents. The Company had launched researches on surge prevention technologies for oil storage area and on separate storage of hazardous goods containers, assessing surge prevention measures for the relevant areas and developed specific and ever-improving measures, while also formulating safety standards for the storage of hazardous goods containers. The Company had also adopted information system and IR technology to enhance risk control on hazardous goods in the dangerous goods station at south bank, and organized relevant units to carry out fire safety audits and completed the review on the fixed and movable fire points according to the seasonal change, focusing on the key areas and the large equipment and facilities, high-rise buildings, densely populated and combustible and explosive areas. The Company had also rolled out a “yellow and red cards” warning system for the industries and groups where the project construction teams and outsourcing teams are more prone to accidents, and engaged external experts to supervise and inspect the construction projects, in addition the Company also carried out safety demonstration site creation activity and implemented outsourcing team safety archive management, and conducted special programs to address safety problems on all the leased premises.

Fifth, the Company enhanced the safety and security works to ensure the safety and stability of the port in special times. The Company strictly implemented a 24-hour shift and “cadre-led patrol inspection” system, maintaining a daily report and zero report system, and prohibited high-risk operations such as flame operation, thus ensuring the safety and stabilities in such special times as Summer Davos, the 19th National Congress of the Communist Party of China, and important festivals. The Company also organized the relevant departments to carry out comprehensive safety inspection on key typhoon and flood prevention sites before the flood season.

Sixth, the Company tamped the safety foundation and improved the standardization management level. The Company enhanced system construction and completed supplements and revisions to the safety management system assembly, and unified the safety management report templates of the relevant departments, The Company also established a static and dynamic data report system for safety management to provide basis for safe operation analysis, and entrusted TIWTE to collate the port safety standards, as well as evolving applicable standards for port safety management and provide practical support for the standardized safety management; and continued to advance the safety standardization and occupational health and safety management system construction to the effect that the subsidiaries may realize required safety standards. All subsidiaries and hazardous chemical enterprises had duly completed the occupational health and safety management system certifications.

Seventh, the Company had improved its emergency rescue system and improved the sudden accident handling capacity. The Company had developed an emergency planning system, revised the special plans. and supplemented and improved the onsite handling plans. Emergency response training and drills were implemented according to the relevant requirements. The Company also participated in a major oil fire drill organized by the municipal port authority, and dispatched employees to evaluate the typhoon and flood prevention experiences of typhoon-prone areas as Beibuwan Port and Fangcheng Port to improve the safety monitoring and controlling level in flood season; and launched safety warning in time according to the seasonal characteristics.

Eighth, the Company standardized occupational health management and drove the implementation of occupational health work responsibilities. The Company implemented standardized management of occupational hazards in the workplaces, and tightened standards and requirements by developing relevant documents and standards according to the actual situation of the Company, and regulating occupational health bulletins, occupational hazard warning marks and detection results in relevant departments. The Company also reassessed all monitoring points and conducted physical examinations on all employees exposed to hazards and launched occupational health knowledge training, and invited experts to audit the occupational health management of the outsourcing teams.

Management Discussion and Analysis

IV. *Caring for employees*

8. Protection of employees' rights and interests

The Company held the 6th meeting of the Second Session of the Staff (or Trade Union Membership) Representative Meeting to approve by voting the collective contracts and all specific collective contracts of the Group and the Company, and review and approve annual key tasks and proposals made by the employee representatives, which were duly implemented and reflected a solid emphasis on employees. The Company promptly responded to the public opinions and resolved disputes by making full use of the employee interest expression system and labor dispute warning system, thus practically ensuring the democratic and harmonic development of the port.

The Company also held the 5th meeting of the Second Session of the Meeting of Joint Leaders of Employee Representative Team to review and approve the Measures on Reward and Punishment for Production Safety of Dalian Port Corporation Limited, and circulated a notice to commend the winners of the "Good Health" Cup competition, upholding the rights and interests of the employees for labor safety and health.

The Company adhered to the systems of supporting the livelihood of impoverished employees and offering holiday sympathy and visit to front-line employees, and provided employees medical subsidy and relief funds as well as charitable fund assistance to impoverished employees to support their livelihood; and improved the employee health care model to the effect that all the employees were benefited from the annual care policy.

9. Improving employment mechanism

The Company emphasised contributions and a belief in value and performance to create a high-performance remuneration distribution culture, so that the contributions and returns of its employees can be matched fairly, and the employees can be motivated effectively. The Company also stressed on matching employees' remuneration with corporate performance results and social wage level.

The Company has carried out the education and training on teams of talents on levels targeting key areas such as corporate culture, production safety, business skills and training resource development, so as to nurture employees' skills through a systematic and regulated approach. The Company consecutively dispatched a total of 25 technicians on education trips to Belgium and Japan, thereby widening the vision of its outstanding technicians and improving their professional skills and enhancing the sense of honor and belonging for their posts. Meanwhile, the Company implemented a first-year job rotation mechanism for new employees to rapidly improve their qualifications and skills of the new employees through on-the-job rotation on the principles of professional collection, professional matching and with an emphasis on professional training. The Company also explored innovative modes for cultivating professional talents through cultivation hand-in-hand with promotion and carrying out training through combining means of industry and finance. In 2017, the Company offered over 1,100 classes on various training attended by a total of over 24,000 participants.

Management Discussion and Analysis

10. Supporting and caring for the employees

The Company deepened the “heart-warming” campaign by purchasing cultural and sports equipments and articles of daily use for the benefit of front-line resident employees. The Company also strived to improve the impoverished employee relief mechanism and established an employee relief fund. Through launching the “serving grassroots, caring for employees and extending cool to frontline” activities, the trade union of the Group visited 29 units at the remote port areas and provided sympathy supplies to the front-line employees. The Company actively explored new ways for humanistic care, and developed a regular and professional psychology support team with over ten members possessing the qualification of psychological consultant. In addition, the Company continued to provide female employee caring and expanded the construction of Special Care Room for Female Employees. Employees 4 units of which were launched at remote port areas, thereby meeting the physiological needs of female employees while on duty. The Company also sought to upgrade the overall qualification of the working teams, and referring outstanding employees for university education. All in all, the Group has referred more than 240 contract employees to university since 2009.

V. *Ecological development*

11. Environmental protection

In 2017, Dalian Port (PDA) Company Limited carried out environment protection management works under the guiding development principle of “being innovative, coordinated, green, open and sharing”. It called for full attention to environment protection and ecological port construction, and strictly followed the concept of driving the port’s operation and development on the basis of environment protection in the port’s construction, production and operation, and adhered to the target of constructing a green ecological port, in addition to the unswervingly implementation of Environment Protection Law and other applicable laws and regulations, and devising great effort in implementing energy conservation and emission reduction and clean production review through technical innovation. Through management and scientific and technical means, the Company has effectively improved the environment protection management level and promoted the harmonious development of port construction, production and environment protection.

In 2017, the Company earnestly performed its social responsibility in ecological environment protection according to the actual situation in port development, by further enhancing and normalizing environmental protection responsibilities of the leaders and functional departments of the Company, and implementing the work principles of “comprehensive management, involvement of all employees” and “party and governmental officials sharing the same responsibilities, and integration of power and responsibility”. The Company had also implemented the “three simultaneous” system for environment protection (the environment protection measures and the construction projects shall be designed, constructed and put into operation simultaneously), and actively controlled pollution sources, and ensured environment-based development by focusing on promoting green and low-carbon emission in the whole process of planning, design, construction, maintenance, operation and management to comprehensively drive green and ecological port construction, in order to realize the harmonious development of port construction, operation and resources and environment.

The comprehensive management system of the Company, comprising of ISO-9000 quality management system, ISO-14000 environment management system and ISO-18000 occupational safety management system are in fully normal state of operation. The Company commenced environment factor identification and internal environment protection, safety, and quality management system review, and had passed the third party review conducted by China classification society on the comprehensive management system of Dalian Port (PDA) Company Limited, thus offering management guarantee for realizing the corporate environment target.

Management Discussion and Analysis

When the port construction project was in progress, the Company focused on pollution source control, and scientifically organized the construction, and concurrently implemented environment tracking and monitoring management, and ensured construction of the auxiliary environment protection facilities to prevent the impairment to the ecological environment. The Company had also made an effective use of the coastal resources to protect the ecological environment, water resource environment and ocean environment, and enhancing environment protection monitoring on construction projects. In addition, the Company strictly implemented the “three simultaneous” management system during the project construction, and completed the acceptance phases of 6 port projects.

During the port production and operation, while strictly controlling and managing pollution sources, the Company monitored port environment pollution source and plant environment status according to the recently promulgated and revised environment protection laws and regulations to enhance environment protection facility monitoring and inspection. Normal operations were also seen in environment protection facilities including waste water treatment facilities, boiler desulfurization and dust removal facilities, bulk cargo storage yard dust suppression facilities. The discharge of pollutants met the relevant standards and complied with the environment protection requirements for port production. In 2017, the Company conducted active troubleshooting on waste water collection and treatment systems of the port areas and comprehensively improve the water pollution prevention and control level of the Company, so as to facilitate the implementation of Water Pollution Prevention and Control Law and the ten-measure action plan to tackle water pollution. The Company also engaged third party intermediary agencies to conduct specific research on the waste water collection and treatment systems of Dayaowan, New Port, Dalian Bay and Great Harbor port areas. The research report has since passed expert review, and we will further improve the waste water treatment and management of the Company on the basis of this report. The Company also engaged third party appraiser to carry out clean production review on the key handling and production units. The clean production review report has since passed expert review, and we will implement corresponding measures according to the report and the requirements of the relevant replies.

The Company paid great attention to the special management of hazardous wastes. The Company had reached technical service agreements with qualified hazardous waste disposal units according to Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People’s Republic of China, National Hazardous Wastes Catalogue and Management Regulation on Hazardous Wastes Manifests, and continuously regulated the storage and disposal management on hazardous wastes according to the normalized management requirements of Dalian for solid waste management and Solid Waste Management Manual of Dalian Port Group. All the hazardous solid wastes produced by the Group, such as waste oil, used batteries and fluorescent tubes, were disposed of by qualified professional institution. The Company also realized 100% disposal of all the wastes produced during the production process in line with the prescribed procedures as specified by the Hazardous Wastes Manifests.

In developing an environment pollution accident prevention and emergency system, the Company highlighted the concept of early detection of potential environment pollution risks, so as to identify and eliminate pollution risks and prevent the occurrence of pollution accident in advance. The Company also sought to improve environment pollution accident prevention and emergency system and completing the deployment of oil spilling emergency equipment, to ensure sound management and utilization of emergency facilities, and further improved the functions of oil product wharf accident buffer pool with auxiliary systems in order to heighten capacity in environment emergency response. All in all, the Company did not have any environment pollution accident or environment-related petition letter event in 2017.

Management Discussion and Analysis

To effectively promote and educate on environment protection, the Company organized the June Fifth World Environment Day promotion activity and a special training course on Water Pollution Prevention and Control Law and Environment Protection Tax Law to provide training and test for all unit leaders, department principals and environment protection part-time employees. Over the course of the training, all recently revised policies and regulations were fully deliberated, so as to provide basis and support for the grassroots environment protection management works.

In 2017, the effort of Dalian Port (PDA) Company Limited was recognized with the title of “Advanced Unit in Environment Protection Promotion and Education of Dalian for 2016-2017”.

12. Energy conservation and reduction

The Company pays great attention to energy conservation and reduction. As per the green development concept of “conservation of resource, environmental friendly”, the Company accelerated the construction of green low-carbon ports by continuously optimizing production process and operation approaches, and through utilizing green equipment and facilities, and actively promoting energy conservation and reduction and clean production to enhance energy efficiency and improve the environmental quality of ports to achieve a green, low-carbon, recycling and intelligent development.

In November 2017, Green, the Recycling and Low-carbon Port Project as launched by the Company had passed the onsite acceptance evaluation by Liaoning Transportation Department and Ministry of Transport. The project managed to achieve an amount of energy saving of over 13,000 tons of standard coal or over 2,700 tons of standard oil.

In 2017, the Company accelerated the application of shore power project technologies. The 3MVA high-voltage frequency conversion shore power system at berth no.15 of Dayaowan container wharf had successfully connected with and supplied power to 2 13,000-TEU container ships, COSCO Netherlands and COSCO France, in April and May 2017 respectively. The system supplied power for the two container ships for 13 hours, and utilized a total of 13,000 kWh of power, which marked the container wharf of Dalian Port possessed the high-voltage frequency conversion shore power supply capacity.

The Company also hastened the construction of shore power projects. In 2017, the Company invested more than RMB20 million to install 4 sets of high-voltage shore power facilities, 2 sets of low-voltage dual-frequency shore power facilities and 2 sets of low-voltage movable shore power facilities. By the end of 2017, the ore vessel berths, bulk grain vessel berths, professional ro-ro passenger berths at Dalian Bay and operating vessel berths were equipped with shore power supply capacity, and more than 50% of the professional container vessel berths were equipped with shore power supply facilities. The 2 movable shore power supply systems can be used for several berths at the general cargo wharf of Dalian Bay.

The Company further implemented energy management, by developing and issuing an annual energy management work plan to specify the annual work target and assignments. Furthermore, the Company had worked on a statistical analysis on energy consumption and pushed forward sound energy conservation management, while moving on with the construction of advanced energy management system and carried out pilot operation of the relevant systems. The Company had also formulated the schemes for annual water saving promotion week and energy saving promotion week activities, and demonstrated experiences and results in energy conservation and emission reduction through typical case study and technical exchange.

Management Discussion and Analysis

In 2017, the Company's unit consumption of comprehensive energy for production was 2.54 tons of standard coal per 10,000 tons of throughput and the unit energy consumption for loading, unloading and production was 1.57 tons of standard coal per 10,000 tons of throughput.

13. Emergency Response

In 2017, the Company continuously enhanced oil spill emergency system at the oil terminal of the port and prevent the pollution incidents through developing and refining the plan on "Emergency Plan for Oil Spill at the Port" and "Emergency Plan for Sudden Environmental Pollution". All terminal companies simultaneously established corresponding rules and management procedures and developed emergent plans with emergency drills. By checking all oil spill emergency equipment equipped by the terminal companies, the Company confirmed that the terminal companies could basically initiate various emergency equipment and facilities within the fixed time. At the same time, the Company and Dalian Shunfeng Shipping Co., Ltd. had entered into a marine oil spill emergency cooperation agreement to further improve PDA's marine oil spill emergency response capacity so as to prevent threat to the marine environment. There was no marine oil spill incidents occurred in 2017.

VI. Community Welfare

14. Community Welfare

The Company completed the tasks assigned by the provincial and municipal governments, including family planning, blood donation and targeted poverty alleviation at Lejia town, Pulandian City and Guangsheng Village, Lijia Town, Heishan County, Jinzhou City.

VII. Prospect

15. Prospect

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

Directors' Report

The board of directors hereby presents its report and the audited consolidated financial statements of the Group (the "financial statements") for the year ended 31 December 2017.

Principal activities and geographical analysis of operations

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

The principal activities of the Company's subsidiaries are set out in Note 6 to the financial statements.

Details of the analysis of the Group's operating results by business segments for the year ended 31 December 2017 are set out in Note 7 to the financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement of the financial statements.

In 2017, the Group's net profit attributable to owners of the parent amounted to RMB500,779,944.29, representing a year-on-year decrease of 5.7%. To provide better returns for the Shareholders, the Board recommended the payment of cash dividend of RMB0.23 (tax included) for every 10 shares for 2017.

Pursuant to the provisions of the Articles of Association of the Company, the annual profit distribution plan of the Company is subject to approval of the Company's shareholders at the general meeting. Accordingly, the aforesaid dividend distribution proposal will be implemented following the approval of the Company's shareholders at annual general meeting for 2017.

Financial highlights for the past five financial years

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

Reserves

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

Distributable reserves

As at 31 December 2017, the Company's reserves available for distribution were RMB1,452,688,782.90, which was calculated in accordance with the generally accepted accounting principles of the People's Republic of China.

Bank loans and other borrowings

As at 31 December 2017, the total amount of outstanding bank loans and other borrowings of the Group was RMB13,415,604,659.06. Details of the relevant loans are set out in Note 4 (24) Short-term borrowings, Note 4 (33) Current portion of non-current liabilities, Note 4 (34) Other current liabilities, Note 4 (35) Long-term borrowings, Note 4 (36) Bonds payable and Note 4 (37) Long-term payables to the financial statements.

Directors' Report

Capitalisation of interest

The total amount of capitalised interest of the Group was approximately RMB45,871,309.22 for 2017.

Fixed assets and construction in progress

Details of the movements in the fixed assets and construction in progress of the Group during the year are set out in Note 4 (15) Fixed assets and Note 4 (16) Construction in progress to the financial statements.

Investment properties

Details of the properties held for investment purpose of the Group during the year are set out in Note 4 (14) Investment properties to the financial statements.

Share capital

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

Class of shares	Number of shares (shares)	Percentage (%)
A Shares	7,735,820,000	59.99
H Shares	5,158,715,999	40.01
Total	12,894,535,999	100.00

Details of the movements in share capital of the Company during the year are set out in Note 4 (40) to the financial statements.

Pre-emption rights

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

PURCHASE, REDEMPTION OR SALE OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Report

USE OF PROCEEDS FROM PLACING OF NEW H SHARES UNDER SPECIFIC MANDATE

Unless otherwise stated, capitalised terms used under the heading shall bear the same meanings as defined in the annual report as at 31 December 2016.

As disclosed in page 57 of the Annual Report as at 31 December 2016, the Company has completed a placing of 1,180,320,000 new H Shares on 1 February 2016. The net proceeds from the issuance (the "Net Proceeds") amounted to HKD4.28 billion (equivalent to RMB3.60 billion, translated by the central parity rate of RMB against HKD on 4 February 2016 as stipulated by the People's Bank of China).

As disclosed in the announcement dated 31 December 2015, the reasons for placing new H shares is that the Board considers it to be an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. The placing will further facilitate the business development and implementation of strategies of the Company and supplement the net capital of the Company.

As disclosed in the announcement dated 31 December 2015, the principal terms of the placing agreement of New H shares are as follows:

1 Placing Shares

The Placing Shares comprise up to 1,475,400,000 new H Shares to be allotted and issued by the Company with an aggregate nominal value of RMB1,475,400,000. The Placing Shares, if fully issued, represent approximately 138.85% and 33.33%, respectively, of the total issued H Shares and the total issued share capital of the Company as at 31 December 2015 and approximately 58.13% and 25%, respectively, of the total issued H Shares and the total issued share capital of the Company as enlarged by the issue of the Placing Shares.

Each tranche of the Placing Shares, when issued and fully paid, will rank pari passu in all respects with the existing H Shares in issue on the Relevant Closing Date, including the right to receive all dividends declared, made or paid, the record date for which falls on or after the Relevant Closing Date.

2 Placing Price

The Placing Price of each tranche of the Placing Shares will be determined in accordance with the criteria set out in the resolutions approved by our Shareholders in 2014 annual general meeting on 29 June 2015, 2015 first class meeting of holders of A Shares and 2015 first class meeting of holders of H Shares. In particular, the Placing Price will be not lower than 80% of the average closing price of the H Shares as quoted on the Hong Kong Stock Exchange over the last five trading days prior to the date of determining such issue price.

The Placing Price will be determined after arm's length negotiations between the Company and the Sole Placing Agent by reference to, among other things, prevailing market conditions at the relevant time and prevailing market price of the H Shares. The Board will make an announcement upon the Placing Price for each tranche of the Placing is determined pursuant to the Listing Rules.

As disclosed in the announcement dated 12 January 2016, the principal terms of the subscription agreement of the New H shares are as follows:

Directors' Report

3 Lock-up undertaking by the Subscriber

The Subscriber undertakes to the Company that for a period of twelve months after the issue and placing of the First Tranche Placing Shares (the "Lock-up Period"), the Subscriber shall not:

- i) directly or indirectly, conditionally or unconditionally, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over any of the First Tranche Placing Shares;
- ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the First Tranche Placing Shares or any interest within;
- iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- iv) offer to or agree to or announce any intention to effect any transaction described in (i) or (ii) or (iii) above, in each case, whether any such transaction described in (i) or (ii) or (iii) above is to be settled by delivery of the First Tranche Placing Shares, in cash or otherwise (whether or not the issue of the shares of the Company or such other securities shall be competed with in the Lock-up Period).

The Net Proceeds have not yet been utilized and are deposited in the Company's bank account, taking account into economic conditions and project profiles. The Board of the Company will continue to closely monitor the local, national and global economic environment and apply the Net Proceeds according to their intended uses as disclosed in the Company's announcement dated 31 December 2015 as and when deemed appropriate.

THE BOARD'S POSITION ON THE QUALIFIED OPINION FROM AUDITORS

The Company closely monitors the economic dispute case between King Port Auto and Dalian Bohui (the "Proceedings"). The Board is fully aware of the basis for the qualified opinion from auditors. However, given that no court ruling was handed down in relation to the Proceedings at time of the annual results announcement dated 26 March 2018, the Board did not have the basis for analysing the expected future cash flows for the receivables. Therefore, although the Board has noticed the different opinions regarding the qualified opinion from the auditors, taking into account the complexity of the Proceedings and out the prudence, the Board considered that the 50% provision was fair.

Directors' Report

Directors and supervisors

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

Executive Directors

Mr. Zhang Yiming (*appointed on 28 June 2017*)

Mr. Wei Minghui (*appointed on 28 June 2017*)

Non-executive Directors

Mr. Bai Jingtao (*appointed on 28 June 2017*)

Mr. Xu Song (*appointed on 28 June 2017*)

Mr. Zheng Shaoping (*appointed on 28 June 2017*)

Mr. Yin Shihui (*appointed on 28 June 2017*)

Independent Non-executive Directors

Mr. Wang Zhifeng (*appointed on 28 June 2017*)

Mr. Sun Xiyun (*appointed on 28 June 2017*)

Mr. Luo Wenda (*appointed on 28 June 2017*)

Mr. Wan Kam To, Peter (*resigned on 28 June 2017*)

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

Supervisors

Mr. Jia Wenjun (*appointed on 28 June 2017*)

Mr. Qi Yue (*appointed on 28 June 2017*)

Mr. Kong Xianjing (*appointed on 28 June 2017*)

Mr. Jiao Yingguang (*appointed on 28 June 2017*)

Mr. Lu Yongkui (*appointed on 28 June 2017*)

Ms. Zhao Rong (*resigned on 28 June 2017*)

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

Directors' Report

Directors' and supervisors' service contracts

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

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

Directors' and supervisors' interests in contracts

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

Profiles of directors, supervisors and senior management

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

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

As at 31 December 2017, none of the directors, supervisors, senior management and any of their respective associates had any interests and short positions in shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' and supervisors' rights to acquire shares and debentures

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

Directors' interests in competing businesses

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

Directors' and supervisors' remuneration

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

Directors' Report

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

Five highest paid individuals

As of 31 December 2017, information in respect of the five highest paid individuals of the Group is set out in Note 8 (9) to the financial statements.

Management contracts

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

Connected transactions

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

Ordinary continuing connected transactions under the listing rules for H Shares

(1) Exempted continuing connected transactions under rule 14A.33 of the Listing Rules

I. The summary of the Group's various non-exempt continuing connected transactions during the year 2017

Connected transactions	Connected persons	Annual cap (RMB'000)	Actual amount for 2017 (RMB'000)	
A Construction management and supervision services	PDA	65,000	27,956	
B Leasing business	PDA	68,500	57,582	
C Supply of goods and services	PDA	90,000	59,253	
D Purchase of goods and services	PDA	170,000	115,236	
E Terminal facilities design and construction services	PDA	196,320	30,663	
F Finance lease	PDA	2,157,970	1,051,075	
		Deposit	4,000,000	3,164,852
		Loan	5,000,000	981,837
G Financial services	PDA	Factoring	1,500,000	0
		Settlement and others	28,000	180

Directors' Report

A. Construction management and supervision services

On 30 October 2012, Dalian Port Construction Supervision and Consultation Co. Ltd. ("DCSC") entered into the Construction Management and Supervision Services Agreement with Dalian Port Corporation Limited ("PDA"), pursuant to which, DCSC shall provide construction management and supervision services to PDA. To continue to provide construction management and supervision services, DCSC entered into the Construction Management and Supervision Services Agreement with PDA on 26 October 2015 with a term of three years effective from 1 January 2016 until 31 December 2018, pursuant to which, DCSC shall provide construction management and supervision services to PDA and/or its associates. The transaction cap and the actual amount of transaction for construction management and supervision services for the year ended 31 December 2017 were RMB65,000,000.00 and RMB27,955,703.63 respectively. The key terms and conditions of the Construction Management and Supervision Services Agreement are as follows:

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

Directors' Report

B. Leasing business

On 30 October 2012, the Group and Dalian Port Corporation Limited ("PDA") entered into the Lease Agreement, pursuant to which the Group leased assets and equipment to PDA and/or its associates. To continue to provide asset and equipment leasing to PDA and/or its associates, the Group entered into the Lease Agreement with PDA on 26 October 2015 with a term of three years effective from 1 January 2016 until 31 December 2018. The transaction cap and the actual amount of transaction for leasing for the year ended 31 December 2017 were RMB68,500,000.00 and RMB57,581,549.38 respectively. The key terms and conditions of the Lease Agreement concerning leasing are as follows:

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

C. Sales of goods and provision of services

On 30 October 2012, the Group and Dalian Port Corporation Limited ("PDA") entered into the Sales of Goods and Provision of Services Agreement, pursuant to which, the Group provided PDA and/or its associates with products such as equipment, accessories, software and related maintenance products related to information technology, and services such as tugboat service, telecommunication, software development, network maintenance, security service, water and electricity services, supply of heat and steam and other related services. To continue to supply goods and services to PDA and/or its associates, the Group entered into the Sales of Goods and Provision of Services Agreement with PDA on 26 October 2015 with a term of three years effective from 1 January 2016 until 31 December 2018, pursuant to which, the Group shall supply goods and services to PDA and/or its associates. The transaction cap and the actual amount of transaction for sales of goods and provision of services for the year ended 31 December 2017 were RMB90,000,000.00 and RMB59,252,892.93 respectively. The key terms and conditions of the Sales of Goods and Provision of Services Agreement concerning provision of goods and services are as follows:

Directors' Report

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

D. Purchase of goods and receipt of services

On 30 October 2012, the Group and Dalian Port Corporation Limited (“PDA”) entered into the Purchase of Goods and Receipt of Services Agreement, pursuant to which, the Group purchased commodities like diesel oil and acquired such services in respect of accessories, facility and equipment maintenance, landscaping, labor, catering, medical examination, printing, conference and other related or similar services from PDA and/or its associates. To continue to purchase goods and receive services from PDA and/or its associates, the Group entered into the Purchase of Goods and Receipt of Services Agreement with PDA on 26 October 2015 with a term of three years effective on 1 January 2016 until 31 December 2018, pursuant to which, the Group shall purchase goods and receive services from PDA and/or its associates. The annual transaction cap and the actual amount of transaction for purchase of goods and receipt of services for the year ended 31 December 2017 were RMB170,000,000.00 and RMB115,235,666.60, respectively. The key terms and conditions of the Purchase of Goods and Receipt of Services Agreement concerning purchase of goods and receipt of services are as follows:

Directors' Report

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

E. Terminal facilities design and construction services

On 30 October 2012, the Group entered into the Terminal Facilities Design and Construction Services Agreement with Dalian Port Corporation Limited ("PDA"), pursuant to which, PDA and/or its associates provided the Group with terminal facilities design and construction services. In order to continue to receive terminal facilities design and construction services from PDA and/or its associates, on 26 October 2015, the Group entered into the Terminal Facilities Design and Construction Services Agreement with PDA for a term of three years from 1 January 2016 until 31 December 2018. The transaction cap and the actual amount of transaction for terminal facilities design and construction services for the year ended 31 December 2017 were RMB196,320,000 and RMB30,663,300.00, respectively. The key terms and conditions of the Terminal Facilities Design and Construction Services Agreement concerning supply of goods and services are as follows:

Directors' Report

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

F. Finance lease

On 29 October 2013, the Group entered into the Finance Lease Agreement with Dalian Equipment Finance Lease Company Limited (a subsidiary of PDA), pursuant to which, Dalian Equipment Finance Lease Company Limited had been providing finance lease services to the Group in respect of leasing containers and computer software and hardware. On 17 March 2014, the Group entered into the New Finance Lease Agreement with PDA, pursuant to which, PDA agreed to provide, and/or procure its subsidiaries and/or associates to provide, finance leasing (including leaseback) to the Group, and the annual cap for the finance leasing and the actual amount of rents for the year ended 31 December 2017 were RMB2,157,970,000 and RMB1,051,074,946.67, respectively. The major terms and conditions of the Finance Lease Agreement are as follows:

- ① PDA and/or its related associates shall provide the finance lease services on the terms which are no less favourable to the Company than those available from independent third parties;
- ② the initial term of the Finance Lease Agreement commenced from 30 October 2013 and expired on 31 December 2018. Upon the expiry of the initial term, the renewal of the agreement depends on whether the Company has completed the compliance procedures in accordance with the Listing Rules or obtained approval of independent directors (if required) in compliance of the applicable requirements of the Listing Rules;

Directors' Report

- ③ rental shall be determined by reference to market price, and the amount and way of payment shall be specified in the separate agreement(s) executed by the parties thereto;
- ④ with respect to each separate finance lease, the Company and its subsidiaries shall enter into separate written agreements, the terms of which shall be in all material respects consistent with the binding principles, guidelines, terms and conditions set forth in the Finance Lease Agreement.

G. Financial Services

According to the Financial Services Agreement (the "Agreement") entered into on 28 August 2014, Dalian Port Group Financial Company Limited provides financial services set out therein to the Group, including deposit services, loan services, settlement services and other financial services. In order to be provided deposit services, loan services, settlement services and other financial services by PDA and/or its associates (including the Financial Company), on 26 October 2015, the Company entered into a Financial Services Agreement with PDA for a term of three years commencing from 1 January 2016 to 31 December 2018. The maximum daily closing balance of deposits and the actual daily closing balance of deposits for the year ended 31 December 2017 amounted to RMB4,000,000,000 and RMB3,164,851,700.00, respectively; the maximum daily closing balance of loan and the actual daily closing balance of loan amounted to RMB5,000,000,000 and RMB981,837,100.00, respectively; the annual caps for factoring service and the actual amount amounted to RMB1,500,000,000 and nil, respectively; and the annual caps for other financial services and actual amount amounted to RMB28,000,000 and RMB180,000. The main terms and conditions of the Financial Services Agreement are as follows:

- ① The financial services to be provided by Dalian Port Group Financial Company Limited and Xinghai International Commercial Factoring (Tianjin) Co., Ltd. to the Group include:
 - (a) Deposit services: including current deposit, fixed term deposit, call deposit and agreement deposit; and
 - (b) Loan services: including loan, bill, guarantee and finance lease services; and
 - (c) Settlement services: including payment and receivable settlement services and some ancillary services for settlement; and
 - (d) Other financial services (including international services); and
 - (e) Factoring services.
- ② The terms and conditions on which the financial services are to be provided to the Group will be neither less favourable than those available to PDA and other members of PDA nor less favourable than the terms of similar financial services then available from other financial institutions;
- ③ The Financial Services Agreement has a term of three years commencing on 1 January 2016 and expiring on 31 December 2018. The Agreement may be amended or cancelled upon consent by both parties thereto through consultation and written agreement; but neither party is allowed to unilaterally amend, revise or cancel the Agreement; and

Directors' Report

- ④ The financial services shall be priced in accordance with the following principles:
- (a) The interest rates for deposit should not be lower than the uniform interest rate prescribed by the People's Bank of China for comparable deposits, the interest rates paid by other major commercial banks in China for comparable deposits, and not be lower than the interest rate paid by the Financial Company to any members of PDA for comparable deposits;
 - (b) The price for loan services should not be higher than the price charged by major commercial banks in the PRC for comparable loans, and not be higher than the price payable by any members of the PDA to the Financial Company;
 - (c) The settlement services and ancillary services for settlement are free of any charge;
 - (d) The other financial services (including international services) fee shall not be higher than the fee charged by other financial institutions in China for comparable services and not be higher than the fee charged by the Financial Company for the services it provided to any members of PDA;
 - (e) The factoring services fee shall not be higher than the fee charged by the relevant financial institutions in China for comparable services and not higher than the fee charged by the Factoring Company for the services it provides to any members of PDA.
- ⑤ The Group and PDA shall keep in strict confidence information, data, financial data, product information of the other party, and shall strictly abide by the confidential provisions under the Agreement.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company have reviewed the continuing connected transactions and confirmed that those transactions have been entered into:

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

Pursuant to Listing Rules 14A.56, the Company must engage its auditors to report on the continuing connected transactions every year. The Company's independent auditor, PricewaterhouseCoopers Zhong Tian LLP ("PWC ZT"), has accordingly issued an assurance report on the Company's CCT for the year ended 31 December 2017 ("Assurance Report"). In the Assurance Report, PWC ZT has confirmed the following regarding the Company's CCTs in 2017:

- (1) nothing has come to their attention that causes them to believe that the disclosed CCTs have not been approved by the Company's board of directors;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company and its subsidiaries;

Directors' Report

- (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
- (4) with respect to the aggregate amount of each of the CCTs set out in the Annual Report, except for the CCTs in respect of leaseback transactions with Dalian Equipment Finance Lease Company Limited, nothing has come to their attention that causes them to believe that the disclosed CCTs have exceeded the annual caps as set by the Company.

Pursuant to Rule 14A.56 of the Listing Rules, the Board of the Company engaged the auditors to perform certain agree-upon procedures in respect of the continuing connected transactions for the year 2017. The auditors have reported their factual findings on these procedures to the Board with a letter and provided confirmations on those continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

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

Related party transactions

As of 31 December 2017, the Company has entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these related party transactions are disclosed in note to the financial statements. Certain of these non-exempt connected transactions and non-exempt continuing connected transactions are also included in the note to the above-mentioned financial statement in this report for disclosure.

Major sales customers and suppliers

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

The largest supplier as a percentage of the Group's purchases	8.9%
The top five suppliers as a percentage of the Group's annual total purchases	33.4%
The largest sales customer as a percentage of the Group's sales	13.4%
The top five sales customers as a percentage of the Group's annual total sales	46.5%

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

Retirement benefit scheme

Details of the Group's retirement benefit scheme are set out in Note 4(28) to the financial statements.

Directors' Report

Substantial shareholders' interests

As at 31 December 2017, so far as is known to the directors of the Company, the following persons (other than the directors or supervisors) had an interest or short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Class of shares	Number of shares/underlying shares held (shares)	Capacity	As % of relevant class of share capital	As % of total share capital
Dalian Port Corporation Limited	A shares	5,310,255,162 (long position)	Beneficial owner	68.65	41.18
China Merchants Securities (HK) Co., Ltd.	H shares	2,721,992,200 (long position)	Beneficial owner	52.76	21.11
Dalian Port Corporation Limited	H shares	722,166,000 (long position)	Beneficial owner	14.00	5.60
BNP PARIBAS SECURITIES SERVICES	H shares	267,737,948 (long position)	Beneficial owner	5.19	2.08

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

Save as disclosed above, as at 31 December 2017, so far as is known to the directors of the Company, no other persons (other than the directors or supervisors) had any interest or short position in the shares of the Company which would fall to be disclosed to the Company and Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Sufficiency of public float

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

Corporate governance

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

Auditors

The financial statements of the Company for the year 2017 have been audited by PricewaterhouseCoopers Zhong Tian LLP as the Company's auditor, who was appointed at the annual general meeting for the year 2016.

Directors' Report

Other matters

Implementation of the Non-Competition Agreement

1. On 23 March 2006, the Company and Dalian Port Corporation Limited (“PDA”) entered into the Non-Competition Agreement in preparation of its initial public offering and listing of its H shares on the main board of the Stock Exchange for the purpose of avoiding the actual and potential competition with the Company. In connection with the acquisition of certain port services related business and assets from PDA and issuance of A shares on the Shanghai Stock Exchange, a revised non-competition agreement (together with the Non-Competition Agreement, collectively referred to as the “Agreements”) was executed on 30 September 2009. Pursuant to the Agreements, PDA provided certain non-competition undertakings in favor of the Company and granted right of first refusal and option to the Company in respect of the business of PDA and future business opportunities. Under the Agreements, the independent non-executive directors of the Company were granted the right on behalf of the Company to review at least on an annual basis the implementation of the Agreements and determine the exercise of any of the aforesaid right of first refusal or options. During the year, the independent non-executive directors reviewed the implementation of the Agreements and confirmed that Dalian Port Corporation Limited has been in full compliance with the Agreements without any breach of the Agreements.
2. Pursuant to the relevant requirements of the “Rules Governing the Listing of Shares on Shanghai Stock Exchange”, the “Administrative Measures for Acquisitions of Listed Companies” and the “Guidelines for Increase in Shareholdings by Shareholders of Listed Companies on Shanghai Stock Exchange and Their Persons Acting in Concert” issued by Shanghai Stock Exchange, as well as those of the “Code on Takeovers and Mergers” and the “Securities and Futures Ordinance” issued by the Securities and Futures Commission of Hong Kong, based on the confidence in the future development of the Company and reasonable judgment to the current share price, Dalian Port Corporation Limited, the controlling shareholder of the Company, increased its shareholding in the Company. On 7 November 2017, Dalian Port Corporation Limited implemented the share increase plan which is still in progress and yet to complete till now. Dalian Port Corporation Limited has undertaken not to reduce its shares in the Company during the period of increasing its shareholding in the Company and the statutory period (the longest undertaking period commenced on 7 November 2017 and expired on 7 November 2018), and currently the undertaking period has not expired. After self-inspection, the Company confirmed that it has fully fulfilled the undertaking without any breach as at the date of issue of the report.
3. The independent non-executive directors have conducted a review and made necessary enquiries for the year 2017 and confirm that PDA has been in compliance with the provisions of the Non-Competition Agreements and there was no breach on the side of PDA.

By Order of the Board

ZHANG Yiming

Chairman

Dalian, PRC

26 March 2018

Corporate Governance Report

Introduction

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

A. Corporate Governance Practice

The Board strictly complied with the principles set out in the CG Code to establish and operate a corporate governance mechanism and adopted a non-deviation principle of execution of the code provisions so as to ensure that the code provisions are fully executed, while strived to promote the “Best Practices” to the largest extent according to the Company’s actual management. The Board also monitors and reviews the existing corporate governance practices on a regular basis with the aim of constantly fostering and carrying out a sound standard of corporate governance. During the reporting period, the Company has complied with the code provisions with no material deviation from the code.

B. Directors’ Securities Transactions

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

Corporate Governance Report

C. Board of Directors

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

1. Board Composition

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

Executive Directors

Mr. Zhang Yiming (appointed on 28 June 2017)

Mr. Wei Minghui (appointed on 28 June 2017)

Non-executive Directors

Mr. Bai Jingtao (appointed on 28 June 2017)

Mr. Xu Song (appointed on 28 June 2017)

Mr. Zheng Shaoping (appointed on 28 June 2017)

Mr. Yin Shihui (appointed on 28 June 2017)

Independent non-executive Directors

Mr. Wang Zhifeng (appointed on 28 June 2017)

Mr. Sun Xiyun (appointed on 28 June 2017)

Mr. Luo Wenda (appointed on 28 June 2017)

Mr. Wan Kam To, Peter (resigned on 28 June 2017)

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

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

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

Corporate Governance Report

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

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

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

2. Operation of the Board

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

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

During the reporting period, the Board held a total of 8 board meetings. The attendance of the directors at those board meetings is as follows:

Member of the Board	Number of meetings in his/her incumbency	Number of attendance in person	Number of attendance other director as his/her proxy	Attendance rate
Zhang Yiming	8	7	1	100%
Bai Jingtao	8	5	3	100%
Xu Song	8	8	0	100%
Zheng Shaoping	8	3	5	100%
Yin Shihui	8	8	0	100%
Wei Minghui	8	8	0	100%
Wang Zhifeng	8	8	0	100%
Sun Xiyun	8	8	0	100%
Luo Wenda	4	1	3	100%
Wan Kam To, Peter	4	2	2	100%

Corporate Governance Report

During the reporting period, the Company convened 1 general meeting. The attendance of directors at those general meetings is as follows:

Member of the Board	Number of meetings in his/her incumbency	Number of attendance	Attendance rate
Zhang Yiming	1	1	100%
Bai Jingtao	1	1	100%
Xu Song	1	1	100%
Zheng Shaoping	1	0	0%
Yin Shihui	1	1	100%
Wei Minghui	1	1	100%
Wang Zhifeng	1	1	100%
Sun Xiyun	1	1	100%
Luo Wenda	1	0	0%

3. Respective responsibilities of the Board and the Management

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

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

The Board is also responsible for the preparation of accounts for each financial period to give a true and fair view of the financial status, the results and the cash flows of the Company for that period. In preparing the accounts for the year ended 31 December 2017, the directors have selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and prepared the accounts on a going concern basis.

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

Corporate Governance Report

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

4. Nomination, Appointment and Removal of Directors

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

5. Continuing Professional Development and Training of Directors

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

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

Particulars of the continuous professional development	Types	Participants
Trainings of directors and supervisors of listed companies	Training courses by regulatory bodies	All directors

D. Chairman and General Manager

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

Corporate Governance Report

E. Board Committees

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

Audit Committee

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

Mr. Wang Zhifeng (independent non-executive director, elected as the chairman of the Audit Committee on 28 June 2017)

Mr. Yin Shihui (non-executive director, elected as a member of the Audit Committee on 28 June 2017)

Mr. Luo Wenda (independent non-executive director, elected as a member of the Audit Committee on 28 June 2017)

Mr. Wan Kam To, Peter (independent non-executive director, resigned on 28 June 2017)

During the reporting period, the Audit Committee under the Board of the Company actively carried out relevant work and performed its duties in strict accordance with the relevant laws and regulations as well as the relevant provisions of the “Articles of Association” and the “Terms of Reference of the Audit Committee of the Board” of the Company. During the reporting period, the Audit Committee held 5 meetings to review the Company’s regular financial reports and internal control reports, and the placement and utilisation of proceeds, and to review the work summary and the work plan submitted by the risk control department and the audit management center.

During the reporting period, the Audit Committee held 5 meetings. The attendance of the members is set out as follows:

Members of the Audit Committee	Number of meetings in his/her incumbency	Number of attendance in person	Attendance rate
Mr. Wang Zhifeng	5	5	100%
Mr. Yin Shihui	5	5	100%
Mr. Luo Wenda	2	2	100%
Mr. Wan Kam To, Peter	3	3	100%

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial statements of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee. In respect of the qualified opinion expressed by the auditors in the Independent Auditors’ Report, the Audit Committee has discussed with the auditors and noted the reasons for their qualified opinion. The Audit Committee has also explored with the auditors how to remove the qualified opinion in the coming year for the corporate governance purposes.

In addition, the Audit Committee has reviewed and agreed with the management’s position on major judgement areas, such as how the management had dealt with the qualified opinion expressed by the auditors. The Audit Committee will closely monitor the progress of the qualified opinion expressed by the auditors and perform its responsibilities in this regard.

Corporate Governance Report

The Company closely monitors the economic dispute case between King Port Auto and Dalian Bohui. As of the date of the Company's annual results announcement (26 March 2018), the PRC court had not handed down any ruling in relation to the Proceedings, and the King Port Auto had not yet initiated the counterclaim procedure against Dalian Bohui, hence at that date the Company did not have a basis to prepare a reasonable estimated cash flow based on receivables from Dalian Bohui.

Nevertheless, according to the legal opinion from the Company's PRC legal advisers (the "PRC Legal Opinion"), the difference in positions taken by King Port Auto and Dalian Bohui was due to dishonest conduct of Dalian Bohui. Dalian Bohui undisputably owes King Port Auto money, and the PRC legal advisers after reasonable deliberation were of the view that the Company could expect recovery of such debt. On that basis and also taking into account the complexity of the case as well as practical issues regarding the recovery of debt (including the uncertainty of Dalian Bohui's asset status), the Company considered it appropriate to make 50% provision on the balance of such receivable.

According to the financial records of the Company, the accounts receivables and other receivables due from Dalian Bohui was RMB40,440,207.80 and RMB157,920,105.67 respectively as at 31 December 2017. Based on the PRC Legal Opinion, the Company considered that its legal right to receive such payments from Dalian Bohui was not prejudiced by the Proceedings, and it reserved the right to seek legal recourse against Dalian Bohui. Therefore, although the Audit Committee and the Board had noticed the different opinions regarding the qualified opinion from the auditors, the Audit Committee and the Board, respectively, considered that the accounts receivables and other receivables from Dalian Bohui as reflected in the accounts of the Company were fairly stated.

As explained above, given that no court ruling was handed down in relation to the Proceedings at time of the annual results announcement dated 26 March 2018, the Company did not have the basis for analyzing the expected future cash flows for the receivables. Therefore, although the Audit Committee and the Board had noticed the different opinions regarding the qualified opinion from the auditors, taking into account the complexity of the Proceedings and out of prudence, the Audit Committee and the Board respectively considered that the 50% provision was fair.

The Company has adopted the following measures:

Firstly, the Company continues to closely monitor the progress of the Proceedings. As at the date of this report, the Company had commenced the counterclaim procedures to pursue its legal remedies and to prove the claims brought by Dalian Bohui in the Proceedings are without any factual basis for the purpose of protecting its legitimate interests. Upon clarifying the asset status of Dalian Bohui through legitimate measures, thus deriving the present value of the receivable cash flow to ascertain the actual and potential impact on the Group's financial position, the Company will reasonably estimate the collectability of such receivables and provide further basis for any provision, with a view to addressing auditors' concerns.

In addition, King Port Auto has set up a risk management department and a risk assessment function, effectively assigning the daily risk management duties (including the identification, assessment and handling of risks) and reporting duties to relevant responsible officers. Risk management has been enhanced, with a proper advance deposit system which sets out clearly the relevant pre-conditions, approval procedures and approval authority. Creditworthiness of customers will be assessed before any advance deposit agreement is entered into, and such agreement will be entered into only with customers having better creditworthiness. The amount of advance to customers, duration and interest rates will be clearly predetermined.

Corporate Governance Report

The level of prepayment by customers for vehicle purchases has been increased to reduce credit and legal risks. Comprehensive methodology and standards in investigating and assessing customer creditworthiness are being established, with a view to enhancing management and assessment of customer creditworthiness, and creating customer credit accounts and records. Timely and updated monitoring will be conducted on the above basis. Subsequent transactions will be conducted based on review of historical records and reassessment of customer creditworthiness. Based on the result of assessment, appropriate actions will be taken (including increase of prepayment level or termination of further relationship) to reduce credit and potential provision risks.

Nomination and Remuneration Committee

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

Mr. Sun Xiyun (independent non-executive director, elected as the chairman of Nomination and Remuneration Committee on 28 June 2017)

Mr. Zhang Yiming (executive director, elected as a member of the Nomination and Remuneration Committee on 28 June 2017)

Mr. Wang Zhifeng ((independent non-executive director, elected as a member of the Nomination and Remuneration Committee on 28 June 2017)

During the reporting period, the Nomination and Remuneration Committee under the Board of the Company actively carried out relevant work and performed its duties in strict accordance with the relevant laws and regulations as well as the relevant provisions of the “Articles of Association” and the “Terms of Reference of the Nomination and Remuneration Committee of the Board” of the Company. During the reporting period, the Nomination and Remuneration Committee held 3 meetings to mainly review the qualification of the directors and senior management of the Company to be elected and appointed, and made proposals to the Board.

During the reporting period, the Nomination and Remuneration Committee held 3 meetings. The attendance of the members is set out as follows:

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

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

Corporate Governance Report

Strategy Development Committee

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

Mr. Bai Jingtao (non-executive director, appointed as the chairman of Strategy Development Committee on 28 June 2017)

Mr. Xu Song (non-executive director, appointed as a member of the Strategy Development Committee on 28 June 2017)

Mr. Wei Minghui (executive director, appointed as a member of the Strategy Development Committee on 28 June 2017)

Mr. Sun Xiyun (independent non-executive director, resigned on 28 June 2017)

During the reporting period, the Strategy Development Committee under the Board of the Company actively carried out relevant work and performed its duties in strict accordance with the relevant laws and regulations as well as the relevant provisions of the “Articles of Association” and the “Terms of Reference of the Strategy Development Committee of the Board” of the Company.

Financial Management Committee

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

Mr. Xu Song (non-executive director, appointed as the chairman of Financial Management Committee on 28 June 2017)

Mr. Yin Shihui (non-executive director, appointed as a member of the Financial Management Committee on 28 June 2017)

Mr. Luo Wenda (independent non-executive director, appointed as a member of the Financial Management Committee on 28 June 2017)

Mr. Wan Kam To, Peter (independent non-executive director, resigned on 28 June 2017)

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

Corporate Governance Report

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

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

F. Auditors

PricewaterhouseCoopers Zhong Tian LLP was appointed as the PRC auditor of the Company for the year 2017 by the shareholders at the 2016 annual general meeting to conduct audit work on the Company's financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises, and to act as the overseas auditor of the Company in compliance with the relevant requirements of the Listing Rules of the Stock Exchange. PricewaterhouseCoopers Zhong Tian LLP was also appointed as the auditor of internal control of the Company for the year 2017 to audit the internal control of the financial statements of the Company and issue an audit report.

During the reporting period, the total fees paid and payable to the auditors for audit service to the Group (with the meaning ascribed to it under the Independent Auditor's Report) were RMB2,328,965.93 and the fees paid and payable for internal control audit were RMB854,666.40. During the reporting period, the auditors of the Group (include any entity that is under common control, ownership or management with the auditors, or an entity that would be reasonably concluded by a reasonable and informed third party knowing all relevant information to be part of the domestic or international business of the auditors) did not provide any non-audit services to the Group.

G. Senior Management's Interests in Shares and Remuneration

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

Details of remuneration payable to senior management in 2017 are set out in Notes to the financial statements.

H. Company Secretary

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

Corporate Governance Report

I. Risk Management and Internal Control

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

Risk Management

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

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

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

Internal Control

The Company has set up an appropriate internal control system to deal with connected transactions, internal audit, disclosures and other relevant matters. The Board of Directors of the Company has prepared a self-evaluation report on the internal control issues during the reporting period. After conducting a self-appraisal on the status of internal control of the Company, the Board considers that, during the reporting year, There was a major defect in the Company's internal control over financial reporting: Dalian United King Port Trade Co., Ltd. (大連金港聯合汽車國際貿易有限公司), a subsidiary of the Company, conducted the assessment or testing on the signs of asset impairment only at the end of the year. The frequency of impairment assessment and testing was insufficient, the present value of estimated future cash flows of these funds was not analyzed in the assessment, and the provision for bad debts was not made based on the difference between the present value of expected future cash flows of the accounts receivable and its carrying value. In addition, the issue failed to be identified in the examination of the period-end financial reports in the Company's financial reporting process. The above-mentioned major defect had an impact on the valuation of receivables in the financial statements, and the design and execution of the internal control over the relevant financial reporting were therefore invalid.

Corporate Governance Report

At the same time, the Company engaged PricewaterhouseCoopers Zhong Tian LLP to carry out an independent audit on the internal control of the Company. The auditor is of the opinion that, due to the existence of the above major defect and its impact on the realization of controlled objectives, Dalian Port failed to maintain effective internal control over financial reporting in all material aspects in accordance with the “Basic Standards for Corporate Internal Control” and the related requirements on 31 December 2017.

In the future, we will further strengthen the implementation of internal control and continue to improve various internal control systems, and strive to improve the internal control work to a new level. This will provide a strong guarantee for the Company’s long-term, stable, standardized and healthy development.

1. Internal Audit

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

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

2. Other Internal Control Procedures

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

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

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

With the assistance of the Audit Committee, the Board has assessed the effectiveness of the risk management and internal control systems by reviewing the management reports and internal audit findings, and believes that the Company’s risk management internal control systems for the year ended 31 December 2017 are effective and adequate.

Corporate Governance Report

J. Rights of Shareholders

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

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

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

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

Secretary to the Board:	Mr. Wang Jilu	(Tel: 86-411-87599899)
Joint Company Secretary/qualified accountant:	Mr. Lee Kin Yu, Arthur	(Tel: 852-53774873)
		(Fax: 86-411-87599854)

Company website: www.dlport.cn
E-Mail: ir@dlport.cn

K. Investor Relations

1. Convening of General Meetings

During the reporting period, one annual general meeting had been convened by the Company.

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

Profiles of Directors, Supervisors and Senior Management

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

Directors

Mr. Zhang Yiming (張乙明先生), born in 1964, Chinese. Mr. Zhang held various positions including the deputy director of the Dalian Electric Porcelain Factory (大連電瓷廠), the assistant chief of Dalian Machinery Industry Management Bureau (大連市機械工業管理局), the assistant director and deputy director of the Dalian Economic and Trade Committee (大連市經濟貿易委員會), the deputy secretary-general of the People's Government of Dalian city, the deputy secretary of the Pulandian Municipal Party Committee, the mayor of the Pulandian People's Government, the deputy secretary of the Dalian Puwan New Area's Party Working Committee and the deputy director of the Committee's Management Board, the director and Party secretary of the Dalian Economic and Information Technology Committee (Dalian Municipal Small and Medium Enterprises Bureau), the chairman of the board and deputy Party secretary of Dalian Port Corporation Limited. Mr. Zhang is currently the chairman of the board and Party secretary of Dalian Port Corporation Limited. He is the chairman of the board and executive director of Dalian Port (PDA) Company Limited. Mr. Zhang graduated from Tianjin University with a bachelor degree in inorganic non-metallic materials engineering and a master degree in engineering. Mr. Zhang also obtained a Ph.D. in management from Dalian University of Technology and is a senior engineer.

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

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

Profiles of Directors, Supervisors and Senior Management

Mr. Zheng Shaoping (鄭少平先生), born in 1963, Chinese. Mr. Zheng held various positions including the vice chairman of China Merchants Bonded Logistics Co., Ltd., the chairman of Shekou Container Terminals Ltd., the general manager and chairman of Chiwan Container Terminal Co., Ltd., the general manager and chairman of Shenzhen Chiwan Harbour Container Co., Ltd. and the managing director and chairman of Shenzhen Chiwan Wharf Holdings Limited. He currently serves as executive director and deputy general manager of China Merchants Port Holdings Limited and non-executive director of Dalian Port (PDA) Company Limited. Mr. Zheng obtained a master degree in International Maritime Law from Dalian Maritime University and a master degree in Business Management from University of Wales. Mr. Zheng has over 20 years' experience in the field of port management.

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

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

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

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

Profiles of Directors, Supervisors and Senior Management

Mr. Luo Wenda (羅文達先生), born in 1967 with China (Hong Kong) nationality, the independent Director of the Company. Mr. Law served as senior executives within a number of world-renowned corporations, including Arthur Andersen & Co. CPA, The Hong Kong and China Gas Company Limited, Standard Chartered Bank, HSBC, Lloyd's of London, Australia & New Zealand Bank, China Innovative Finance Group Limited and some Hong Kong listed companies, etc. Mr. Law had stationed in Shanghai, China for many years whilst he served as Chief Financial Officer of Lloyd's of London and Australia & New Zealand Bank China respectively. Mr. Law is now the Chief Financial Officer of Union Medical Healthcare Limited, a company listed on the main board of the Stock Exchange. Mr. Law obtained a bachelor's degree in management accounting from Hong Kong Polytechnic University and a master's degree in MBA from Hong Kong Baptist University. He also possesses a number of internationally recognized professional qualifications including: Chartered Institute of Management Accountant, CIMA (UK), Chartered Global Management Accountant, AICPA (USA), Associate Member of Chartered Institute of Arbitrators, CI Arb (UK), Certified Information System Auditor, ISACA (USA), Fellow Member of Life Management Institutes, LOMA (USA), Associate of Reinsurance, LOMA (USA) and Associate of Customer Services, LOMA (USA). Mr. Law is a seasoned financial & business executive with more than 25 years of experience and has an extensive international working exposure in USA, UK, Australia, Singapore, Vietnam, Malaysia, Brunei, Thailand, India, China, Hong Kong, Taiwan, etc.

Supervisors

Mr. Jia Wenjun (賈文軍先生), born in 1974, Chinese. Mr. Jia held various positions including the head of audit verification department of Liaoning Dongzheng Accounting Firms (遼寧東正會計師事務所), the deputy chief of the listed companies' supervision division and the investigation division of Dalian Regulatory Bureau under China Securities Regulatory Commission and the deputy chief accountant of Dalian Port Corporation Limited. He is currently the chief accountant of Dalian Port Corporation Limited and the chairman of the supervisory committee of Dalian Port (PDA) Company Limited. Mr. Jia obtained a master degree in accounting from Dongbei University of Finance and Economics. He is a CPA and CPV.

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

Profiles of Directors, Supervisors and Senior Management

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

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

Mr. Lu Yongkui (蘆永奎先生), born in 1966, Chinese. Mr. Lu held various positions including the party secretary and secretary to disciplinary committee and chairman of labor union of Dalian Port Power Supply Company Limited, the party secretary and party secretary to disciplinary committee of Dalian Port Railway Company. Mr. Lu currently serves as the staff supervisor and director of audit management centre of Dalian Port (PDA) Company Limited. Mr. Lu obtained a bachelor degree and a master degree in Psychology from Northeast Normal University.

Profiles of Directors, Supervisors and Senior Management

Senior Management

Mr. Zhao Qiang (趙強先生), born in 1962 with China (Hong Kong) nationality. Mr Zhao held various positions including the officer and associate chief officer of Agricultural Means of Production Bureau under Ministry of Commerce, the deputy director and manager of Import Division of Logistics and Transportation Department of China National Agricultural Means of Production Corporation, the general manager of Hong Kong Good Farmer International Co., Ltd. (香港佳農國際有限公司), the deputy general manager and general manager of Port Affairs Division of Shenzhen Chiwan Wharf Holdings Limited (深赤灣港航股份有限公司), chairman of Dongguan Chiwan Wharf Co., Ltd. (東莞深赤灣港務有限公司) and Dongguan Chiwan Terminal Co., Ltd. (東莞深赤灣碼頭有限公司), the vice chairman of China Overseas Harbour Affairs (Laizhou) Company Limited (中海港務(萊州)有限公司), the director of Chiwan Wharf Holdings (Hong Kong) Limited (赤灣港航(香港)有限公司) and Chiwan Shipping (Hong Kong) Co., Ltd. (赤灣海運(香港)有限公司) and the general manager of Shenzhen Chiwan Wharf Holdings Limited. He currently serves as the deputy general manager of Dalian Port (PDA) Company Limited. Mr. Zhao obtained a bachelor degree in Agricultural & Chemical Commodity Science from Jilin Agricultural University.

Mr. Wang Jilu (王積璐先生), born in 1976, Chinese. Mr. Wang held various positions including the project manager of the investment banking division and the senior manager of mergers and acquisitions division at GF Securities Co., Ltd. and the deputy director of the listing office at Dalian Port Corporation Limited. He currently serves as the deputy general manager and secretary to the board of Dalian Port (PDA) Company Limited. Mr. Wang obtained a bachelor degree in Securities and Futures and a master degree in Finance from Dongbei University of Finance and Economics.

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

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

Auditor's Report

[English translation for reference only]

PwC ZT Shen Zi (2018) No. 10082

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

Qualified Opinion

What we have audited

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

- the consolidated and company balance sheets as at 31 December 2017;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- the notes to the financial statements.

Our qualified opinion

In our opinion, except for the effect of the matter as mentioned in the Basis for Qualified Opinion section, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Dalian Port as at 31 December 2017, and their financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises ("CASs").

Basis for Qualified Opinion

As stated in note 4(6) and note 4(7) of the financial statements, as at 31 December 2017, accounts receivable of RMB40.44 million and other receivables of RMB157.92 million are due from Dalian Bohui International Trade Co., Ltd. ("Dalian Bohui"). Dalian Port had provided for bad debts of RMB20.22 million and RMB27.57 million on these two receivables respectively.

Considering the uncertainty on the recoverability of related receivables as stated in note 9 of the financial statements, the provisions for bad debts for the receivables from Dalian Bohui were provided for based on 50% of the balances after deducting the receivable amount which was covered by the related automobiles preserved as a result of the lawsuit as mentioned in note 9. As stated in note 2(10)(a) of Summary of Significant Accounting Policies and Accounting Estimates section, the provisions for bad debts should be determined as the excess amounts of the carrying amounts of these receivables over the corresponding estimated present values of the expected future cash flows. Dalian Port did not prepare the estimated present values of the expected future cash flows to assess the provisions for bad debts for the receivables due from Dalian Bohui, which does not comply with the requirements of the CASs. In addition, Dalian Port did not provide us the specific basis for the provisions made, nor did it provide us sufficient supporting evidence for its assessment of the recoverability of the remaining accounts receivable and other receivables. During the audit, we were unable to obtain sufficient relevant audit evidences regarding the provisions for bad debts of the above-mentioned accounts receivable and other receivables. We were unable to perform the confirmation procedure on the receivables from Dalian Bohui, nor perform alternative procedures for the recoverability of these receivables. Accordingly, we were unable to ensure whether it is necessary to adjust the balances of these accounts receivable and other receivables, as well as the related provisions for bad debts.

Auditor's Report (continued)

[English translation for reference only]

PwC ZT Shen Zi (2018) No. 10082

Basis for Qualified Opinion (continued)

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

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

Key Audit Matters

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

In addition to the matter described in the Basis for Qualified Opinion section, we have determined “the Assessment of impairment of accounts receivable (except Dalian Bohui)” to be the key audit matter to be communicated in our report.

Auditor's Report (continued)

[English translation for reference only]

PwC ZT Shen Zi (2018) No. 10082

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of impairment of accounts receivable (except Dalian Bohui)</p> <p>Refer to notes 2(10) Receivables, notes (29)(a) Critical accounting estimation and judgements and notes 4(6) Accounts receivable to the financial statements.</p> <p>As at 31 December 2017, the Company's accounts receivable and provision for bad debt (except Dalian Bohui) amounted to RMB1,011.43 million, and RMB5.23 million respectively, overdue amount of accounts receivable with no separate provision amounted to RMB149.57 million.</p> <p>When assessing the impairment of accounts receivable, management should estimate the present value of the future cash flows expected to be derived from the receivables and determines the receivables grouping as well as the provision method on the grouping basis by considering of the aging of accounts receivable, credit period, lien of inventories, the discount rate, the customer's past repayment history and current industry situation, etc..</p> <p>We focused on this area because the amount of the accounts receivable balance is significant and management made significant judgement in assessment of impairment of accounts receivable.</p>	<p>The audit procedures we performed include:</p> <p>Understood and validated the credit control procedures performed by management; including its procedures on identify the indicators of impairment and assessment on recoverability of these receivables.</p> <p>Tested the aging records of accounts records by sample basis by checking the supporting records, such as contracts, accounting vouchers, invoices and etc.</p> <p>For accounts receivable past due or involved lawsuits, the procedures we performed to assess provision for the impairment are as follows:</p> <ul style="list-style-type: none"> • Examined the historical and the subsequent settlement from the customers; • Searched the information related to debtors or its industries development through public channels. • Examined correspondence documents between the management and the debtors, to understand the reasons of past-due payment or other indicators of impairment; • Performed confirmation procedure to confirm the balance of accounts receivable on a sample basis. • Performed physical inventories observation on detained goods by sample basis and assessed the value by making reference of market price; • Obtained legal opinion on the recoverability of accounts receivable, the lien on the goods and the priority of claim through lawyer confirmation; and • Compared the discount rate used by the management with market cost of capital, and evaluated the impact of collection time on the timing value of accounts receivable.

Auditor's Report (continued)

[English translation for reference only]

PwC ZT Shen Zi (2018) No. 10082

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of impairment of accounts receivable (except Dalian Bohui) (continued)	<p>For receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired, we performed the following procedures:</p> <ul style="list-style-type: none">Assessed the groupings of receivables with similar credit risk characteristics by testing nature of business, scale and historical settlement;Evaluated the impairment method of grouping basis based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances; andCompared with publicly disclosed information of other domestic listed port companies to evaluate the overall rationality of the proportion of provision for bad debts to accounts receivable. <p>Based on above procedures, we considered that the significant judgement made by the management in assessing of the impairment of accounts receivable (except Dalian Bohui) is supportable by the evidence we gathered.</p>

Other Information

Management of Dalian Port is responsible for the other information. The other information comprises all of the information included in 2017 annual report of Dalian Port other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

Auditor's Report (continued)

[English translation for reference only]

PwC ZT Shen Zi (2018) No. 10082

Other Information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section, Dalian Port did not determine the provisions for bad debts as the excess amounts of the carrying amounts of these receivables over the corresponding estimated present values of the expected future cash flows. Dalian Port did not provide us the specific basis for the provisions made, nor did it provide us sufficient supporting evidence for its assessment of the recoverability of the remaining accounts receivable and other receivables. We were unable to ensure whether it is necessary to adjust the balances of these accounts receivable and other receivables, as well as the related provisions for bad debts. Accordingly, we were unable to ensure whether the relevant amounts and data in chapter 4, notes 2 overall performance review and notes 2(3) (1) financial position in Dalian Port 2017 annual report are being affected by such matter and whether the other information has material misstatement.

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

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

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

Those charged with governance are responsible for overseeing Dalian Port's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Auditor's Report (continued)

[English translation for reference only]

PwC ZT Shen Zi (2018) No. 10082

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

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

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

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

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

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
26 March 2018

Consolidated Balance Sheet

As at 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

	Note	31 December 2017 Consolidated	31 December 2016 Consolidated
ASSETS			
Current assets			
Cash at bank and on hand	4(1)	7,507,917,166.59	6,741,279,123.84
Financial assets at fair value through profit or loss	4(2)	5,050,497.50	7,304,407.50
Notes receivable	4(3)	175,462,684.29	158,645,593.12
Accounts receivable	4(6)	1,026,421,198.51	658,558,980.91
Advances to suppliers	4(8)	159,435,191.83	256,592,966.84
Interest receivable	4(5)	43,642,176.75	26,268,705.14
Dividends receivable	4(4)	87,229,387.64	38,245,401.40
Other receivables	4(7)	475,402,690.71	315,286,763.19
Inventories	4(9)	702,685,534.58	451,326,094.61
Other current assets	4(10)	255,836,964.53	508,815,328.87
Total current assets		10,439,083,492.93	9,162,323,365.42
Non-current assets			
Available-for-sale financial assets	4(11)	159,423,791.18	155,844,671.60
Long-term receivables	4(12)	–	11,500,000.00
Long-term equity investments	4(13)	4,181,438,137.97	4,902,156,720.70
Investment properties	4(14)	710,512,216.76	645,455,657.62
Fixed assets	4(15)	16,857,245,435.83	13,974,066,537.95
Construction in progress	4(16)	2,260,609,738.57	1,616,008,035.15
Fixed assets pending for disposal	4(17)	3,680,222.04	2,682,824.71
Intangible assets	4(18)	1,637,141,745.38	1,090,143,242.15
Goodwill	4(19)	20,433,690.59	16,035,288.74
Long-term prepaid expenses	4(20)	106,783,619.90	53,726,901.82
Deferred tax assets	4(21)	66,000,514.39	74,929,025.62
Other non-current assets	4(22)	142,923,200.38	197,192,688.51
Total non-current assets		26,146,192,312.99	22,739,741,594.57
TOTAL ASSETS		36,585,275,805.92	31,902,064,959.99

Consolidated Balance Sheet (continued)

As at 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note	31 December 2017 Consolidated	31 December 2016 Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	4(24)	3,271,234,002.74	499,427,798.80
Financial liabilities at fair value through profit or loss		3,810,902.00	–
Notes payable	4(25)	–	1,250,000.00
Accounts payable	4(26)	380,389,360.83	235,701,773.17
Advances from customers	4(27)	192,230,201.10	224,121,958.94
Employee benefits payable	4(28)	250,668,300.78	228,430,661.29
Taxes payable	4(29)	127,314,759.93	114,922,450.93
Interest payable	4(30)	182,382,996.32	164,961,241.06
Dividends payable	4(31)	93,770,654.70	76,661,039.64
Other payables	4(32)	533,050,100.81	516,421,553.09
Current portion of non-current liabilities	4(33)	4,158,328,072.94	1,047,523,521.42
Other current liabilities	4(34)	–	3,038,041,251.61
Total current liabilities		9,193,179,352.15	6,147,463,249.95
Non-current liabilities			
Long-term borrowings	4(35)	2,581,543,935.59	147,010,023.77
Bonds payable	4(36)	3,404,498,647.79	5,779,081,112.06
Including: Preference shares		–	–
Perpetual bonds		–	–
Long-term payables	4(37)	–	43,138,081.48
Deferred income	4(38)	570,082,092.47	565,971,998.11
Deferred tax liabilities	4(21)	117,258,611.27	13,843,600.37
Other non-current liabilities	4(39)	98,915,093.00	99,241,941.00
Total non-current liabilities		6,772,298,380.12	6,648,286,756.79
Total liabilities		15,965,477,732.27	12,795,750,006.74
Shareholders' equity			
Share capital	4(40)	12,894,535,999.00	12,894,535,999.00
Capital surplus	4(41)	2,928,604,715.37	2,930,944,685.96
Other comprehensive income	4(42)	29,398,184.15	47,375,566.99
Surplus reserve	4(43)	758,715,434.54	676,643,140.78
Specific reserve		32,603,491.61	29,604,575.28
Undistributed profits	4(44)	1,416,071,539.76	1,194,212,957.96
Total equity attributable to shareholders of the Company		18,059,929,364.43	17,773,316,925.97
Minority interests	4(45)	2,559,868,709.22	1,332,998,027.28
Total shareholders' equity		20,619,798,073.65	19,106,314,953.25
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		36,585,275,805.92	31,902,064,959.99

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Consolidated Income Statement

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2017 Consolidated	2016 Consolidated
Revenue	4(46)	9,031,643,350.22	12,814,483,861.14
Less: Cost of sales	4(46)	(7,568,202,507.68)	(11,427,061,819.61)
Taxes and surcharges	4(47)	(45,412,616.54)	(44,221,171.59)
Selling and distribution expenses	4(48)	(412,560.91)	(895,738.53)
General and administrative expenses	4(49)	(662,345,386.50)	(663,365,001.90)
Financial expenses – net	4(50)	(639,853,262.11)	(256,884,038.08)
Asset impairment losses	4(56)	(59,917,712.73)	(5,944,350.81)
Add: (Losses)/profits from changes in fair value	4(52)	(5,946,927.00)	769,834.97
Investment income	4(53)	542,552,490.64	181,161,310.22
Including: Share of profit of associates and joint ventures		360,116,642.88	162,831,714.95
Gains on disposals of assets	4(54)	15,747,601.32	12,709,515.62
Other income	4(55)	103,431,845.50	–
Operating profit		711,284,314.21	610,752,401.43
Add: Non-operating income	4(57)	22,260,846.11	170,574,867.12
Less: Non-operating expenses	4(58)	(6,386,975.66)	(3,314,317.59)
Total profit		727,158,184.66	778,012,950.96
Less: Income tax expenses	4(59)	(152,866,274.32)	(165,330,007.50)
Net profit		574,291,910.34	612,682,943.46
Including: Classified by continuity of operations			
Net profit from continuing operations		574,291,910.34	612,682,943.46
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Attributable to shareholders of the Company		500,779,944.29	531,012,717.43
Minority interests		73,511,966.05	81,670,226.03

Consolidated Income Statement (continued)

For the year ended 31 December 2017
 (All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

Item	Note	2017 Consolidated	2016 Consolidated
Other comprehensive income, net of tax	4(42)	(17,977,382.84)	20,351,989.71
Attributable to shareholders of the company, net of tax		(17,977,382.84)	20,351,989.71
Other comprehensive income that will be subsequently reclassified to profit or loss		(17,977,382.84)	20,351,989.71
Shares of other comprehensive income of the investee accounted for using equity method that will be subsequently reclassified to profit or loss		755,666.78	–
Changes in fair value of available-for-sale financial assets		4,679,843.22	(1,005,613.48)
Translation differences on translation of foreign currency financial statements		(23,412,892.84)	21,357,603.19
Attributable to minority interests		–	–
Total comprehensive income		556,314,527.50	633,034,933.17
Attributable to shareholders of the Company		482,802,561.45	551,364,707.14
Attributable to minority interests		73,511,966.05	81,670,226.03
Earnings per share	4(60)		
Basic earnings per share (RMB Yuan)		0.04	0.04
Diluted earnings per share (RMB Yuan)		0.04	0.04

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Consolidated Cash Flow Statement

For the year ended 31 December 2017
 (All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

Item	Note	2017 Consolidated	2016 Consolidated
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		9,495,666,771.64	14,119,230,537.30
Refund of taxes and surcharges		3,920.77	2,155,613.50
Cash received relating to other operating activities	4(61)(a)	229,953,817.12	467,639,114.98
		9,725,624,509.53	14,589,025,265.78
Sub-total of cash inflows			
Cash paid for goods and services		(6,475,892,853.16)	(10,478,914,175.57)
Cash paid to and on behalf of employees		(1,523,657,589.05)	(1,451,693,517.29)
Payments of taxes and surcharges		(293,555,570.97)	(324,557,640.32)
Cash paid relating to other operating activities	4(61)(b)	(228,151,923.94)	(267,475,972.29)
		(8,521,257,937.12)	(12,522,641,305.47)
Sub-total of cash outflows			
	4(62)(a)	1,204,366,572.41	2,066,383,960.31
Net cash flows from operating activities			
Cash flows from investing activities			
Cash received from disposal of investments		3,454,258,411.21	2,059,838,537.55
Cash received from returns on investments		305,896,488.84	80,561,132.96
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		57,694,131.96	22,676,160.49
Cash received relating to other investing activities	4(61)(c)	701,446,859.16	924,674,659.46
		4,519,295,891.17	3,087,750,490.46
Sub-total of cash inflows			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(415,324,550.84)	(555,798,422.04)
Cash paid to acquire investments		(3,206,560,700.00)	(2,390,764,638.14)
Net cash paid to acquire subsidiaries and other business units	4(62)(b)	(48,962,355.19)	–
Cash paid relating to other investing activities	4(61)(d)	(753,112,764.01)	(547,900,934.30)
		(4,423,960,370.04)	(3,494,463,994.48)
Sub-total of cash outflows			
		95,335,521.13	(406,713,504.02)
Net cash flows from investing activities			

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2017 Consolidated	2016 Consolidated
Cash flows from financing activities			
Cash received from capital contributions		5,000,000.00	3,606,890,783.11
Including: Cash received from capital contributions by minority shareholders of subsidiaries		5,000,000.00	9,800,000.00
Cash received from borrowings		7,523,935,419.25	2,195,891,047.54
Cash received from issuance of bonds		1,070,000,000.00	3,000,000,000.00
Cash received relating to other financing activities	4(61)(e)	-	9,800,000.00
Sub-total of cash inflows		8,598,935,419.25	8,812,581,830.65
Cash repayments of borrowings		(8,228,730,749.15)	(6,100,430,474.82)
Cash payments for interest expenses and distribution of dividends or profits		(871,414,432.08)	(904,573,348.35)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(81,607,694.18)	(77,644,577.28)
Cash paid relating to other financing activities	4(61)(f)	(18,844,387.53)	(42,698,474.38)
Sub-total of cash outflows		(9,118,989,568.76)	(7,047,702,297.55)
Net cash flows from financing activities		(520,054,149.51)	1,764,879,533.10
Effect of foreign exchange rate changes on cash and cash equivalents		(229,938,057.10)	222,609,914.76
Net increase in cash and cash equivalents		549,709,886.93	3,647,159,904.15
Add: Cash and cash equivalents at the beginning of the year	4(62)(a)	6,376,088,087.66	2,728,928,183.51
Cash and cash equivalents at the end of the year	4(62)(a)	6,925,797,974.59	6,376,088,087.66

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Attributable to shareholders of the Company							Total shareholders' equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Specific reserve	Undistributed profits	Minority interests	
Balance at 31 December 2015		4,426,000,000.00	6,117,565,754.62	27,023,577.28	623,925,889.68	23,729,633.11	2,820,227,405.53	1,330,813,629.37	15,369,285,889.59
Balance at 1 January 2016		4,426,000,000.00	6,117,565,754.62	27,023,577.28	623,925,889.68	23,729,633.11	2,820,227,405.53	1,330,813,629.37	15,369,285,889.59
Total comprehensive income		-	-	20,351,989.71	-	-	531,012,717.43	81,670,226.03	633,034,933.17
Net profit		-	-	-	-	-	531,012,717.43	81,670,226.03	612,682,943.46
Other comprehensive income	4(42)	-	-	20,351,989.71	-	-	-	-	20,351,989.71
Capital contribution and withdrawal by shareholders		1,180,320,000.00	2,414,740,391.95	-	-	-	-	8,532,305.91	3,603,592,697.86
Establishment of subsidiaries		-	-	-	-	-	-	9,800,000.00	9,800,000.00
Capital contribution by shareholders	4(40)	1,180,320,000.00	2,413,472,697.86	-	-	-	-	-	3,593,792,697.86
Disposal of minority interests	4(41)	-	1,267,694.09	-	-	-	-	(1,267,694.09)	-
Profit distribution	4(44)	-	-	-	52,717,251.10	-	(475,131,166.00)	(88,497,241.70)	(510,911,156.60)
Appropriation to surplus reserve		-	-	-	52,717,251.10	-	(52,717,251.10)	-	-
Profit distribution to shareholders		-	-	-	-	-	(420,474,000.00)	(86,916,666.72)	(507,390,666.72)
Appropriation to employee bonus and welfare fund		-	-	-	-	-	(1,939,914.90)	(1,580,574.98)	(3,520,489.88)
Transfer within shareholders' equity	4(40)	7,288,215,999.00	(5,606,320,000.00)	-	-	-	(1,681,895,999.00)	-	-
Transfer from capital surplus to share capital		5,606,320,000.00	(5,606,320,000.00)	-	-	-	-	-	-
Bonus share		1,681,895,999.00	-	-	-	-	(1,681,895,999.00)	-	-
Special reserve		-	-	-	-	5,874,942.17	-	479,107.67	6,354,049.84
Accrued in the current year		-	-	-	-	27,391,190.30	-	2,700,258.13	30,091,448.43
Utilised in the current year		-	-	-	-	(21,516,248.13)	-	(2,221,150.46)	(23,737,398.59)
Others	4(41)	-	4,958,539.39	-	-	-	-	-	4,958,539.39
Balance at 31 December 2016		12,894,535,999.00	2,930,944,685.96	47,375,566.99	676,643,140.78	29,604,575.28	1,194,212,957.96	1,332,998,027.28	19,106,314,953.25
Balance at 1 January 2017		12,894,535,999.00	2,930,944,685.96	47,375,566.99	676,643,140.78	29,604,575.28	1,194,212,957.96	1,332,998,027.28	19,106,314,953.25
Total comprehensive income		-	-	(17,977,382.84)	-	-	500,779,944.29	73,511,966.05	556,314,527.50
Net profit		-	-	-	-	-	500,779,944.29	73,511,966.05	574,291,910.34
Other comprehensive income	4(42)	-	-	(17,977,382.84)	-	-	-	-	(17,977,382.84)
Capital contribution and withdrawal by shareholders		-	-	-	-	-	2,812.78	1,254,177,372.41	1,254,180,185.19
Capital contribution by shareholders		-	-	-	-	-	-	1,255,580,185.19	1,255,580,185.19
Disposal of minority interests		-	-	-	-	-	2,812.78	(1,402,812.78)	(1,400,000.00)
Profit distribution	4(44)	-	-	-	82,072,293.76	-	(278,924,175.27)	(102,393,172.00)	(299,245,053.51)
Appropriation to surplus reserve		-	-	-	82,072,293.76	-	(82,072,293.76)	-	-
Profit distribution to shareholders		-	-	-	-	-	(193,418,039.99)	(98,717,309.24)	(292,135,349.23)
Appropriation to employee bonus and welfare fund		-	-	-	-	-	(3,433,841.52)	(3,675,862.76)	(7,109,704.28)
Specific reserve		-	-	-	-	2,998,916.33	-	1,559,012.39	4,557,928.72
Increase in the current year		-	-	-	-	28,630,104.05	-	2,816,093.46	31,446,197.51
Utilised in the current year		-	-	-	-	(25,631,187.72)	-	(1,257,081.07)	(26,888,268.79)
Others	4(41)	-	(2,339,970.59)	-	-	-	-	15,503.09	(2,324,467.50)
Balance at 31 December 2017		12,894,535,999.00	2,928,604,715.37	29,398,184.15	758,715,434.54	32,603,491.61	1,416,071,539.76	2,559,868,709.22	20,619,798,073.65

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Company Balance Sheet

As at 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note	31 December 2017 Company	31 December 2016 Company
ASSETS			
Current assets			
Cash at bank and on hand		4,911,349,055.26	4,490,888,768.04
Financial assets at fair value through profit or loss	17(1)	5,050,497.50	5,425,002.50
Notes receivable		152,035,939.05	145,232,088.33
Accounts receivable	17(2)	328,485,233.13	449,565,633.45
Advances to suppliers		6,478,252.08	7,369,685.66
Interest receivable		32,347,608.79	21,243,693.93
Dividends receivable		1,029,532,111.51	740,401,171.58
Other receivables	17(3)	613,641,475.21	190,868,135.13
Inventories		49,952,826.37	46,191,556.39
Current portion of non-current assets		–	600,000,000.00
Other current assets		167,926,559.56	455,784,019.32
Total current assets		7,296,799,558.46	7,152,969,754.33
Non-current assets			
Available-for-sale financial assets	17(4)	14,667,057.50	14,667,057.50
Long-term receivables		110,000,000.00	130,000,000.00
Long-term equity investments	17(5)	7,917,709,507.58	7,591,701,915.12
Fixed assets	17(6)	10,519,142,533.33	10,966,192,062.32
Construction in progress	17(7)	1,528,745,391.21	1,414,006,013.32
Fixed assets pending for disposal		2,604,006.04	2,669,061.99
Intangible assets	17(8)	437,989,729.09	439,892,583.78
Long-term prepaid expenses		26,745,475.09	24,047,150.86
Deferred tax assets		15,828,401.18	14,532,771.02
Other non-current assets		119,897,000.00	126,192,418.40
Total non-current assets		20,693,329,101.02	20,723,901,034.31
TOTAL ASSETS		27,990,128,659.48	27,876,870,788.64

Company Balance Sheet (continued)

As at 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Note	31 December 2017 Company	31 December 2016 Company
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings		2,500,000,000.00	–
Notes payable		–	1,250,000.00
Accounts payable		54,388,862.28	44,429,643.26
Advances from customers		30,210,243.99	30,410,449.28
Employee benefits payable		125,625,951.15	125,478,879.47
Taxes payable		4,156,937.13	59,324,591.12
Interest payable		157,750,479.92	148,499,806.46
Other payables		283,575,773.30	305,337,310.38
Current portion of non-current liabilities		2,650,000,000.00	1,000,000,000.00
Other non-current liabilities		–	3,038,041,251.61
Total current liabilities		5,805,708,247.77	4,752,771,931.58
Non-current liabilities			
Bonds payable		3,404,498,647.79	4,987,460,792.60
Including: Preference shares		–	–
Perpetual bonds		–	–
Deferred income		553,038,864.82	540,407,725.41
Other non-current liabilities		98,915,093.00	99,241,941.00
Total non-current liabilities		4,056,452,605.61	5,627,110,459.01
Total liabilities		9,862,160,853.38	10,379,882,390.59
Shareholders' equity			
Share capital		12,894,535,999.00	12,894,535,999.00
Capital surplus	17(10)	3,043,539,301.23	3,041,812,149.99
Surplus reserve		713,835,171.79	631,762,878.03
Specific reserve		23,368,551.18	21,421,192.02
Undistributed profits	17(11)	1,452,688,782.90	907,456,179.01
Total shareholders' equity		18,127,967,806.10	17,496,988,398.05
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		27,990,128,659.48	27,876,870,788.64

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Company Income Statement

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2017 Company	2016 Company
Revenue	17(12)	3,056,488,098.47	2,993,662,724.78
Less: Cost of sales	17(12)	(2,200,448,686.95)	(2,169,202,378.73)
Taxes and surcharges		(24,064,828.23)	(22,064,392.64)
General and administrative expenses		(369,878,574.29)	(381,812,720.27)
Financial expenses – net	17(13)	(573,203,925.90)	(196,217,375.12)
Asset impairment losses		10,000.00	–
Losses on changes in fair value	17(15)	(256,620.00)	(1,109,570.03)
Add: Investment income	17(16)	838,785,208.09	320,944,966.27
Including: Share of profit of associates and joint ventures		278,567,028.62	137,342,866.61
Gains on disposals of assets		11,736,290.48	3,599,015.62
Other income		64,212,781.36	–
Operating profit		803,379,743.03	547,800,269.88
Add: Non-operating income		16,255,145.49	37,202,250.27
Less: Non-operating expenses		(1,989,976.44)	(307,704.52)
Total profit		817,644,912.08	584,694,815.63
Less: Income tax expenses	17(17)	3,078,025.56	(57,522,304.68)
Net profit		820,722,937.64	527,172,510.95
Including: Classified by continuity of operations			
Net profit from continuing operations		820,722,937.64	527,172,510.95
Net profit from discontinued operations		–	–
Other comprehensive income, net of tax		–	–
Total comprehensive income		820,722,937.64	527,172,510.95

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Company Cash Flow Statement

For the year ended 31 December 2017
 ((All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

Item	Note	2017 Company	2016 Company
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		3,153,248,319.77	3,203,668,389.00
Refund of taxes and surcharges		3,920.77	–
Cash received relating to other operating activities		89,115,234.02	159,416,531.77
		3,242,367,474.56	3,363,084,920.77
Sub-total of cash inflows			
Cash paid for goods and services		(980,214,905.26)	(944,012,840.73)
Cash paid to and on behalf of employees		(1,032,367,970.13)	(963,109,554.16)
Payments of taxes and surcharges		(144,488,203.68)	(132,502,219.96)
Cash paid relating to other operating activities		(86,414,456.15)	(79,768,153.88)
		(2,243,485,535.22)	(2,119,392,768.73)
Sub-total of cash outflows			
Net cash flows from operating activities	17(18)(a)	998,881,939.34	1,243,692,152.04
Cash flows from investing activities			
Cash received from disposal of investments		4,020,298,585.00	2,313,045,311.97
Cash received from returns on investments		523,235,601.83	155,424,048.67
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		49,526,857.46	7,348,538.42
Net cash received from disposal of subsidiaries and other business units		7,007,920.10	99,992,808.66
Cash received relating to other investing activities		92,045,000.00	532,000,939.93
		4,692,113,964.39	3,107,811,647.65
Sub-total of cash inflows			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(290,462,834.97)	(350,459,402.09)
Cash paid to acquire investments		(3,646,459,805.63)	(2,441,161,638.14)
Cash paid relating to other investing activities		(431,110.92)	(2,097,885.50)
		(3,937,353,751.52)	(2,793,718,925.73)
Sub-total of cash outflows			
Net cash flows from investing activities		754,760,212.87	314,092,721.92

Company Cash Flow Statement (continued)

For the year ended 31 December 2017
 ((All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

Item	Note	2017 Company	2016 Company
Cash flows from financing activities			
Cash received from capital contributions		-	3,597,090,783.11
Cash received from borrowings		3,000,000,000.00	-
Cash received from issuance of bonds		1,070,000,000.00	3,000,000,000.00
Sub-total of cash inflows		4,070,000,000.00	6,597,090,783.11
Cash repayments of borrowings		(4,500,000,000.00)	(3,863,500,000.00)
Cash payments for interest expenses and distribution of dividends or profits		(673,021,335.01)	(777,183,568.50)
Cash paid relating to other financing activities		(11,380,413.25)	(8,318,085.25)
Sub-total of cash outflows		(5,184,401,748.26)	(4,649,001,653.75)
Net cash flows from financing activities		(1,114,401,748.26)	1,948,089,129.36
Effect of foreign exchange rate changes on cash and cash equivalents		(224,086,227.65)	222,395,465.25
Net increase in cash and cash equivalents		415,154,176.30	3,728,269,468.57
Add: Cash and cash equivalents at the beginning of the year	17(18)(b)	4,489,574,119.31	761,304,650.74
Cash and cash equivalents at the end of the year	17(18)(b)	4,904,728,295.61	4,489,574,119.31

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Share capital	Capital surplus	Surplus reserve	Specific reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2015		4,426,000,000.00	6,230,896,469.59	579,045,626.93	17,836,514.63	2,535,370,918.16	13,789,149,529.31
Balance at 1 January 2016		4,426,000,000.00	6,230,896,469.59	579,045,626.93	17,836,514.63	2,535,370,918.16	13,789,149,529.31
Total comprehensive income		-	-	-	-	527,172,510.95	527,172,510.95
Net profit		-	-	-	-	527,172,510.95	527,172,510.95
Other comprehensive income		-	-	-	-	-	-
Capital contribution and withdrawal by shareholders		1,180,320,000.00	2,413,472,697.86	-	-	-	3,593,792,697.86
Capital contribution by shareholders		1,180,320,000.00	2,413,472,697.86	-	-	-	3,593,792,697.86
Profit distribution		-	-	52,717,251.10	-	(473,191,251.10)	(420,474,000.00)
Appropriation to surplus reserve		-	-	52,717,251.10	-	(52,717,251.10)	-
Profit distribution to shareholders		-	-	-	-	(420,474,000.00)	(420,474,000.00)
Transfer within shareholders' equity		7,288,215,999.00	(5,606,320,000.00)	-	-	(1,681,895,999.00)	-
Transfer from capital surplus to share capital		5,606,320,000.00	(5,606,320,000.00)	-	-	-	-
Bonus share		1,681,895,999.00	-	-	-	(1,681,895,999.00)	-
Special reserve		-	-	-	3,584,677.39	-	3,584,677.39
Accrued in the current year		-	-	-	20,162,436.52	-	20,162,436.52
Utilised in the current year		-	-	-	(16,577,759.13)	-	(16,577,759.13)
Others		-	3,762,982.54	-	-	-	3,762,982.54
Balance at 31 December 2016		12,894,535,999.00	3,041,812,149.99	631,762,878.03	21,421,192.02	907,456,179.01	17,496,988,398.05
Balance at 1 January 2017		12,894,535,999.00	3,041,812,149.99	631,762,878.03	21,421,192.02	907,456,179.01	17,496,988,398.05
Total comprehensive income		-	-	-	-	820,722,937.64	820,722,937.64
Net profit		-	-	-	-	820,722,937.64	820,722,937.64
Other comprehensive income		-	-	-	-	-	-
Profit distribution		-	-	82,072,293.76	-	(275,490,333.75)	(193,418,039.99)
Appropriation to surplus reserve		-	-	82,072,293.76	-	(82,072,293.76)	-
Profit distribution to shareholders		-	-	-	-	(193,418,039.99)	(193,418,039.99)
Specific reserve		-	-	-	1,947,359.16	-	1,947,359.16
Accrued in the current year		-	-	-	21,047,723.80	-	21,047,723.80
Utilised in the current year		-	-	-	(19,100,364.64)	-	(19,100,364.64)
Others		-	1,727,151.24	-	-	-	1,727,151.24
Balance at 31 December 2017		12,894,535,999.00	3,043,539,301.23	713,835,171.79	23,368,551.18	1,452,688,782.90	18,127,967,806.10

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

Legal representative:
Zhang Yiming

Principal in charge of accounting:
Wang Ping

Head of accounting department:
Wang Ping

Notes to the Financial Statements

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

1 General information

Dalian Port (PDA) Company Limited (“the Company”) is a limited liability company jointly established by Dalian Port Corporation Limited. (“PDA Group”), Dalian Rongda Investment Co., Ltd., Dalian Haitai Holding Co., Ltd., Dalian Detai Holding Co., Ltd. and Dalian Bonded Zhengtong Co., Ltd. on 16 November 2005, with its registered address and head office in Dalian, Liaoning Province of the People’s Republic of China (“PRC”). The parent company and the ultimate parent company of the Company is PDA Group. On 6 December 2010, the Company was listed on Shanghai Stock Exchange. On 21 March 2006, the Company issued 966,000,000 shares (H shares) to the public and on 28 April 2006 it was listed on the Stock Exchange of Hong Kong Limited. As at 31 December 2017, the Company’s share capital totalled RMB12,894,535,999.00 with a par value of RMB1.00 each.

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

Principal subsidiaries included in the consolidation scope in the current year are listed in Note 6, and that newly included subsidiary is Liaoning Con-Rail International Logistics Co., Ltd. Refer to Note 5(1). Principal subsidiaries as Dalian Port Xinchengshi Trade Co., Ltd., Dalian Jifa Technology Co., Ltd., Huanan Dalian Gangzheng Cereals and Oil Trading Co., Ltd. and Dalian Shunda Logistic Services Co., Ltd. are ceased to be included in the consolidation scope. Please refer to Note 5(2).

These financial statements were approved and authorised for issue by the Company’s Board of Directors on 26 March 2018.

2 Summary of significant accounting policies and accounting estimates

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(1) Basis of preparation

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

The financial statements are prepared on a going concern basis.

The New Hong Kong *Companies Ordinance* took effect from 2016 and certain disclosures in the financial statements have been adjusted in accordance with requirements therein.

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

The financial statements of the Company for the year ended 31 December 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the Company’s financial position as at 31 December 2017 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

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

(4) Recording currency

The Company’s recording currency is Renminbi (RMB). The recording currency of the subsidiaries of the Company is determined based on its main economic environment, and the recording currency of Asia Pacific Ports Company Limited, Asia Pacific Ports Investment Co., Ltd. and Harbour Full Group Limited is HKD. The financial statements are presented in RMB.

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. If the absorbed party is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid and net assets obtained by the absorbing party are measured based on the carrying amounts of the absorbed party’s assets and liabilities (including the goodwill arising from the acquisition of the absorbed party by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(5) Business combinations (continued)

(b) Business combinations involving enterprises not under common control

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

(6) Preparation of consolidated financial statements

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(6) Preparation of consolidated financial statements (continued)

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(7) Cash and cash equivalents

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

(8) Foreign currency translation

(a) Foreign currency transactions

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

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

(b) Translation of foreign currency financial statements

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

Receivables

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

Available-for-sale financial assets

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

Held-to-maturity investments

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(9) Financial instruments (continued)

(a) *financial assets (continued)*

(ii) *Recognition and measurement*

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

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

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

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

(iii) *Impairment of financial assets*

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(9) Financial instruments (continued)

(a) financial assets (continued)

(iii) Impairment of financial assets (continued)

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(9) Financial instruments (continued)

(a) *financial assets (continued)*

(iv) *Derecognition of financial assets*

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

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

(b) *Financial liabilities*

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

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

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

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(9) Financial instruments (continued)

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

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

(10) Receivables

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

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

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

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

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

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

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

The basis of the grouping recognition:

Group 1	Receivables except for Group 2
Group 2	Receivables with insignificant credit risk based on the nature of business and transaction history
Bank acceptance notes	Banks with lower credit risk

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(10) Receivables (continued)

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

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

Group 1	Ageing analysis method
Group 2	No provision for bad debts
Bank acceptance notes	No provision

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(11) Inventories

(a) *Classification*

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

(b) *Costing of inventories*

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

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

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

(d) The Group adopts the perpetual inventory system.

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

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

(12) Long-term equity investments

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(12) Long-term equity investments (continued)

(a) *Determination of investment cost*

For long-term equity investments arising from business combination: for long-term equity investments arising from business combination involving enterprises under common control, the investment cost shall be the share of the carrying amount of owners' equity of the combined party in the consolidated financial statements of the ultimate controlling party as at the combination date; for long-term equity investments arising from business combination involving enterprises not under common control, the investment cost shall be the combination cost.

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

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

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

For long-term equity investments accounted for using 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 acquisition date, the long-term equity investment is measured at 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 acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investment together with any long-term interest that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(12) Long-term equity investments (continued)

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

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

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

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

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

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

(13) Investment properties

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

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

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer. When transfer incurred, the carrying amount prior to transfer is reclassified as entry value after transfer.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(13) Investment properties (continued)

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

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation method for fixed assets

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

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

(14) Fixed assets (continued)

(b) Depreciation method for fixed assets (continued)

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

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

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

(c) The carrying amounts of fixed assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

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

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

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

(e) Disposal of fixed assets

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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2 Summary of significant accounting policies and accounting estimates (continued)

(15) Construction in progress

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

(16) Borrowing costs

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

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

For general borrowings occupied for the acquisition or construction of qualifying assets, the capitalised amount of the general borrowings is determined by the weighted average of the difference between accumulated capital expenditure and capital expenditure of the special borrowings multiplies by the weighted average effective interest rate of the occupied general borrowings. The effective interest rate is the interest rate used when the future cash flows of the borrowings over the estimated remaining deposit period or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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2 Summary of significant accounting policies and accounting estimates (continued)

(17) Intangible assets

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

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

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

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

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

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

(c) *Impairment of intangible assets*

The carrying amounts of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (continued)

(18) Long-term prepaid expenses

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

(19) Impairment of long-term assets

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (continued)

(20) Employee benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

Basic pensions

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

(c) Termination benefits

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (continued)

(21) Dividend distribution

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

(22) Provisions

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

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

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

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

(23) Revenue recognition

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

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

(a) Sales of goods

Revenue is recognised when the Group transfers all the significant risks and rewards incidental to ownership of goods to the buyer and no longer reserved any right to continue to manage and implement effective control which often associated with the ownership of the goods, and costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sales of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred, such that the arrangement is in substance of a financing nature, the amount of revenue arising on the sales of goods is measured at the fair value of the consideration receivable.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (continued)

(23) Revenue recognition (continued)

(b) Rendering of services

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

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

(24) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

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

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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2 Summary of significant accounting policies and accounting estimates (continued)

(24) Government grants (continued)

For the policy loans with favourable interest rates, the Group records the loans at the actual amounts and calculates the interest by loan principals and the favourable interest rates. Finance discounts directly received by the Group are used to write off relevant borrowing costs.

(25) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

(26) Leases

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

(a) Operating leases

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

Rental income from an operating lease is recognised on a straight-line basis over the period of the lease.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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2 Summary of significant accounting policies and accounting estimates (continued)

(26) Leases (continued)

(b) Finance leases

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

(27) Segment information

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

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

(28) Production safety fund

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

(29) Critical accounting estimates and judgements

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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2 Summary of significant accounting policies and accounting estimates (continued)

(29) Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and key assumptions

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

(i) Income taxes

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

(ii) Impairment of receivables

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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2 Summary of significant accounting policies and accounting estimates (continued)

(29) Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and key assumptions (continued)

(iii) Deferred income tax

Deferred tax assets and deferred tax liabilities are measured at the rate at the time of realisation of estimated deferred tax assets or settlement of deferred tax liabilities. Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

The Group's management recognised the deferred tax assets based on the tax laws that have been enacted or substantively enacted and the best estimate of the Group's realisable profitability in the future year. It is estimated that the profit forecast or future taxable income require a lot of judgement and estimates, and are influenced by tax planning strategies. Different judgements and estimates will affect the amount of deferred tax assets recognised. Management reassesses the estimates of profitability and other estimates at each balance sheet date.

(b) Critical judgments in applying the accounting policies

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

The Group believes that even if the Company only holds 50% or less of the equity interests, it has control over Dalian Haijia Automobile Terminal Co., Ltd., Dalian Portsoft Technology Co., Ltd., Dalian Golden Bay Grain Logistics Co., Ltd., Dalian Hongyang International Logistics Co., Ltd. and Dalian Container Terminal Co., Ltd. According to the joint venture contract entered into between the Company and the other shareholder of Dalian Haijia Automobile Terminal Co., Ltd. and Dalian Hongyang International Logistics Co., Ltd., the other shareholder gives consent to the decisions made by the Company on significant operation matters. The Company has de-facto control over the entity. The Company has the majority voting rights in the Board of Directors of Dalian Portsoft Technology Co., Ltd. and has de-facto control over the entity. Pursuant to the consent agreement signed by and between the Company and the other shareholder (holding 25% equity interests) of Dalian Golden Bay Grain Logistics Co., Ltd., the other shareholder gives consent to the decisions made by the Company and the Company has de-facto control over the entity. Pursuant to the consent agreement signed by and between the Group and the other shareholder of Dalian Container Terminal Co., Ltd., the other shareholder (holding 6.85% equity interests) gives consent to the decisions made by the Group and the Group has de-facto control over the entity.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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2 Summary of significant accounting policies and accounting estimates (continued)

(29) Critical accounting estimates and judgements (continued)

(b) Critical judgments in applying the accounting policies (continued)

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

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

(30) Significant changes in accounting policies

In 2017, the Ministry of Finance released the *Accounting Standard for Business Enterprises No. 42 – Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations*, revised *Accounting Standard for Business Enterprises No. 16 – Government Grants* and the *Circular on Amendment to Formats of Financial Statements of General Industry* and its interpretation (Cai Kuai [2017] No. 30). The financial statements are prepared in accordance with the above standards and circular, and impacts are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected 2016
The Group recorded the gains or losses on disposals of fixed assets and intangible assets, occurred in 2017, in gains on disposals of assets. The comparatives as at 31 December 2016 were restated accordingly.	Gains on disposals of assets	12,709,515.62
	Non-operating income	(13,014,646.47)
	Non-operating expenses	305,130.85
A component was reported as discontinued operation in 2017, and the comparatives in 2016 were restated and presented under the line items as stated in the right column in accordance with the related accounting standard. The comparatives except mentioned above as at 31 December 2016 were not restated.	Net profit from continuing operations	612,682,943.46
	Net profit from discontinued operations	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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3 Taxation

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

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

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

Pursuant to the *Notice of the Ministry of Finance and the State Administration of Taxation on the relevant policies about simplifying the VAT rate* (Cai Shui [2017] No. 37) and related regulations, businesses of the Group, such as providing steam, water supply, and sales of natural gas etc. are subject to VAT at the tax rate of 11% from 1 July 2017, and the tax rate was 13% before 1 May 2017.

(2) Tax preference

Corporate income tax

Dalian Portsoft Technology Co., Ltd., a subsidiary of the Group, has obtained on 29 November 2017 *the Certificate of the High and New Technological Enterprise* (No. GR201721200282) issued by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax and Dalian Municipal Bureau of Local Taxation, and the term of validity is three years.

Dalian Port Logistic Network Co., Ltd., a subsidiary of the Group, has obtained on 29 November 2017 *the Certificate of the High and New Technological Enterprise* (No. GR201721200058) issued by Dalian Science and Technology Bureau, Dalian Municipal Bureau of Finance, Dalian Municipal Office of State Administration of Tax and Dalian Municipal Bureau of Local Taxation, and the term of validity is three years.

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

Under Article 28 of the *Corporate Income Tax Law of the People's Republic of China*, as at 31 December 2017, the income tax rate applicable to the above 3 companies is 15%.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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3 Taxation (continued)

(2) Tax preference (continued)

Land use tax

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

VAT

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

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2017	31 December 2016
Cash on hand	732,794.91	100,184.43
Cash at bank (i)	7,482,527,341.22	6,659,440,199.17
Other cash balances (ii)	24,657,030.46	81,738,740.24
	7,507,917,166.59	6,741,279,123.84
Including: Amounts deposited abroad	895,794,099.50	644,652,741.93

(i) As at 31 December 2017, a bank deposit of RMB1,620,759.65 (31 December 2016: RMB1,189,648.73) was pledged as collateral for the Group's project payment guarantee of RMB16,207,596.53 (31 December 2016: RMB10,885,852.70).

As at 31 December 2016, a bank deposit of RMB125,000.00 was pledged as collateral for the Group's bank acceptance notes payable of RMB1,250,000.00 (31 December 2017: Nil).

(ii) As at 31 December 2017, other cash balances of RMB15,835,713.14 (31 December 2016: RMB73,636,387.45) were pledged as collateral for the Group's irrevocable letter of credit.

As at 31 December 2017, other cash balances of RMB4,115,000.00 (31 December 2016: 4,740,000.00) were pledged as the Group's project performance bond.

As at 31 December 2017, other cash balances of RMB2,000,000.00 were pledged as the power purchase cash of the Group. As at 31 December 2016, no such transactions were made.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

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

	31 December 2017	31 December 2016
Investments in equity instrument held for trading	5,050,497.50	5,425,002.50
Others	-	1,879,405.00
	5,050,497.50	7,304,407.50

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

(3) Notes receivable

	31 December 2017	31 December 2016
Trade acceptance notes	900,000.00	-
Bank acceptance notes	174,562,684.29	158,645,593.12
	175,462,684.29	158,645,593.12

(a) As at 31 December 2017, the Group had no pledged notes receivable (31 December 2016: Nil).

(b) As at 31 December 2017, notes receivable which have been endorsed to other parties at the end of the year but not mature yet are as follows:

	Derecognised	Not derecognised
Bank acceptance notes	51,950,634.95	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(4) Dividends receivable

	31 December 2017	31 December 2016
Dalian Port Container Terminal Co., Ltd. (i)	47,518,215.15	27,787,294.44
Dalian Automobile Terminal Co., Ltd.	18,600,165.76	–
Dalian Port Yidu Cold Chain Co., Ltd.	10,500,000.00	–
Dalian Singamas International Container Co., Ltd.	6,318,151.73	4,598,724.27
Dalian United International Shipping Agency Co., Ltd.	2,150,000.00	2,000,000.00
Taicang Xinggang Tug Co., Ltd.	2,142,855.00	2,143,000.00
Dalian Shunde Jifa Supply Chain Management Co., Ltd.	–	1,316,382.69
Dalian Wanpeng Port Engineering Testing Co., Ltd.	–	400,000.00
	87,229,387.64	38,245,401.40

(i) On 31 October 2017, Dalian Container Terminal Co., Ltd., a subsidiary of the Group merged with Dalian Port Container Terminal Co., Ltd. not under common control. Refer to Note 5(1)(a). Due to restrictions in laws and regulations, Dalian Port Container Terminal Co., Ltd. still needs to retain equal funds for the payment of dividends before liquidation. Refer to Note 5(1)(c).

(5) Interest receivable

	31 December 2017	31 December 2016
Interest of fixed deposits	41,882,785.82	25,148,389.95
Interest of current deposits	603,005.82	204,398.16
Interest of wealth management products	619,589.06	828,767.12
Interest of entrusted loans	536,796.05	87,149.91
	43,642,176.75	26,268,705.14

(6) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	1,051,870,438.86	658,706,980.91
Less: Provision for bad debts	(25,449,240.35)	(148,000.00)
	1,026,421,198.51	658,558,980.91

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(6) Accounts receivable (continued)

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

	31 December 2017	31 December 2016
Within 1 year	952,498,692.75	573,541,242.90
1 to 2 years	22,827,091.48	12,436,875.66
2 to 3 years	6,028,305.62	13,832,071.12
Over 3 years	70,516,349.01	58,896,791.23
	1,051,870,438.86	658,706,980.91

As at 31 December 2017, accounts receivable with the amount of RMB149,565,715.69 (31 December 2016: RMB91,414,149.82) were past due, but based on the analysis of the customers' financial status and credit record, the Group expected that the overdue amounts can be recovered and were not impaired, and thus no provisions for bad debts are individually provided. The ageing of these accounts receivables is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	67,421,092.87	9,645,714.17
1 to 2 years	9,521,088.97	9,657,604.38
2 to 3 years	3,217,069.44	13,398,704.86
Over 3 years	69,406,464.41	58,712,126.41
	149,565,715.69	91,414,149.82

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(6) Accounts receivable (continued)

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

	31 December 2017				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Percentage	Amount	% of total balance	Amount	Percentage
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	60,602,480.71	5.76%	25,301,240.35	41.75%	-	-	-	-
With amounts that the related provision for bad debts is provided on the grouping basis	991,119,958.15	94.23%	-	-	658,558,980.91	99.98%	-	-
Including: Group 1	-	-	-	-	-	-	-	-
Group 2	991,119,958.15	94.23%	-	-	658,558,980.91	99.98%	-	-
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	148,000.00	0.01%	148,000.00	100.00%	148,000.00	0.02%	148,000.00	100.00%
	1,051,870,438.86	100.00%	25,449,240.35	2.42%	658,706,980.91	100.00%	148,000.00	0.02%

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(6) Accounts receivable (continued)

- (c) As at 31 December 2017, accounts receivable with amounts that were individually significant and that the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Provision for bad debts	Percentage	Reasons
Dalian Bohui International Trade Co., Ltd.	40,440,207.80	20,220,103.90	50.00%	(i)
Dalian Jiuru Automobile Sales and Service Co., Ltd.	<u>20,162,272.91</u>	<u>5,081,136.45</u>	25.20%	(ii)
	<u>60,602,480.71</u>	<u>25,301,240.35</u>		

- (i) As at 31 December 2017, receivables of RMB40,440,207.80 were due from Dalian Bohui International Trade Co., Ltd. ("Dalian Bohui"). Considered the uncertainty on the recoverability of the receivables as stated in Note 9, related provisions for bad debts were made at 50% of the balances based on prudential principal.
- (ii) As at 31 December 2017, the accounts receivable of Dalian Jiuru Automobile Sales and Service Co., Ltd. were RMB20,162,272.91. The Company is out of business due to the legal person's death. After applying for property preservation of the assets valued RMB10,000,000.00 from Intermediate People's Court of Dalian Municipality, the Group considers that the remaining portion' recoverability of the assets is uncertain which should be made provision for bad debts with a rate of 50%.
- (d) The provision for bad debts in the current year was RMB25,301,240.35, and the reversed provision for written-off bad debts was RMB10,000. There is no written-off of accounts receivable.
- (e) As at 31 December 2017, the trade receivables from the top five debtors in respect of outstanding balance were analysed as follows:

	Balance	Provision for bad debts	% of total balance
Total balances of top five accounts receivable	<u>386,460,381.90</u>	<u>(20,220,103.90)</u>	36.74%

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(7) Other receivables

	31 December 2017	31 December 2016
Receivables of advances for automobile and bills of exchange	187,319,005.31	129,697,598.73
Receivables from income of entrusted management services	64,077,000.00	–
Receivables from project payment and guarantee deposit	57,299,576.97	62,922,321.14
Receivables from asset transfer	49,549,600.00	–
Entrusted loans (i)	38,000,000.00	53,600,000.00
Port construction and miscellaneous expenses	25,681,188.92	5,186,696.39
Receivables from freights, deposit and security deposit	21,288,065.48	23,084,303.32
Government subsidies receivable	15,633,642.00	1,507,692.00
Public infrastructure maintenance expenses	6,784,970.63	1,246,024.98
Berth rentals receivable	857,070.41	1,355,644.85
Others	37,545,746.78	37,747,674.75
	504,035,866.50	316,347,956.16
Less: Provision for bad debts	(28,633,175.79)	(1,061,192.97)
	475,402,690.71	315,286,763.19

(i) Entrusted loans

– Loans to joint ventures

As at 31 December 2017, loans to joint ventures included:

The Group entrusted PDA Group Financial Co., Ltd. to provide unsecured loans of RMB29,000,000.00 to its joint venture, Dalian Changxing Island Port Co., Ltd., at the rate of 5.655% annually. The loans should be due on 18 August 2018 (31 December 2016: RMB0.00) (Note 8(5)(d)(ii)).

The Group entrusted PDA Group Financial Co., Ltd. to provide unsecured loans of RMB9,000,000.00 to its joint venture, Dalian Vanguard International Logistics Co., Ltd., at the rate of 4.35% annually. The loans should be due on 29 December 2018 (31 December 2016: RMB0.00) (Note 8(5)(d)(iii)).

As at 31 December 2016, the Group entrusted PDA Group Financial Co., Ltd. to provide unsecured loans of RMB4,600,000.00 to its joint venture, Liaoning Con-Rail International Logistics Co., Ltd., at the rate of 4.35% annually. The loans should be due on 11 February 2017 (Note 8(5)(d)(ii)). As at 31 December 2017, Liaoning Con-Rail International Logistics Co., Ltd. was included in the consolidation scope.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

4 Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

(i) Entrusted loans (continued)

– Loans to joint ventures (continued)

The Group entrusted PDA Group Financial Co., Ltd. to provide unsecured loans of RMB0.00 to its joint venture, Dalian Port Yidu Cold Chain Co., Ltd. (31 December 2016: RMB33,000,000.00 at the rate of 4.785% annually and due on 22 March 2017) (Note 8(5)(d)(ii)).

– Loans to associates

As at 31 December 2017, loans to associates included:

The Group entrusted PDA Group Financial Co., Ltd. to provide unsecured loans of RMB0.00 to its associate, Dalian Puji Storage Facility Co., Ltd. (31 December 2016: RMB16,000,000.00 at the rate of 4.35% annually and due on 28 January 2017) (Note 8(5)(d)(ii)).

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

	31 December 2017	31 December 2016
Within 1 year	417,381,488.44	275,702,811.45
1 to 2 years	51,965,016.14	26,000,345.60
2 to 3 years	21,783,069.85	5,711,684.99
Over 3 years	12,906,292.07	8,933,114.12
	504,035,866.50	316,347,956.16

As at 31 December 2017, other receivables of RMB22,056,564.28 (31 December 2016: RMB34,053,657.84) were past due. Based on the analysis of the financial status and credit history of the debtors, the Group expected that the overdue amounts can be recovered, and the accounts receivable were not impaired, thus no provisions for bad debts are individually provided. The ageing of other receivables is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	14,900,462.54	9,318,172.40
1 to 2 years	2,251,173.75	16,380,435.68
2 to 3 years	1,867,965.00	4,244,159.42
Over 3 years	3,036,962.99	4,110,890.34
	22,056,564.28	34,053,657.84

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

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

	31 December 2017				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		Amount	Percentage	% of total		Amount	Percentage
	Amount	balance			Amount	balance		
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	157,920,105.67	31.33%	27,571,982.82	17.46%	-	-	-	-
With amounts that the related provision for bad debts is provided on the grouping basis	343,390,164.06	68.13%	-	-	313,622,359.39	99.14%	-	-
Including: Group 1	-	-	-	-	-	-	-	-
Group 2	343,390,164.06	68.13%	-	-	313,622,359.39	99.14%	-	-
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	2,725,596.77	0.54%	1,061,192.97	38.93%	2,725,596.77	0.86%	1,061,192.97	38.93%
	504,035,866.50	100.00%	28,633,175.79	5.68%	316,347,956.16	100.00%	1,061,192.97	0.34%

(c) As at 31 December 2017, other receivables with amounts that were not individually significant but that the related provision for bad debts was provided on the individual basis were analysed as follows:

	Ending balance	Provision for bad debts	Percentage	Reasons
Dalian Bohui International Trade Co., Ltd.	157,920,105.67	27,571,982.82	17.46%	(i)

(i) As at 31 December 2017, RMB157,920,105.67 due from Dalian Bohui was from automobile agency business, of which, RMB102,776,140.03 related to automobiles in litigation preservation as at the reporting date and the Group considered no provision was needed. Considered the uncertainty on the recoverability of other receivables as stated in Note 9, provisions for bad debts for the remaining RMB55,143,965.64 of other receivables were made at 50% of the balances.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

- (d) The provision for bad debts in the current year was RMB27,571,982.82, and there was no recovered or reversed provision for bad debts as well as other written-off receivables.
- (e) As at 31 December 2017, the other receivables from the top five debtors in respect of outstanding balance were analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Dalian Bohui International Trade Co., Ltd.	Bills of exchange	49,316,350.72	Within 1 year	9.78%	-
	Advances for automobiles	67,119,727.39	Within 1 year	13.32%	6,829,969.04
	Advances for automobiles	33,317,287.83	1 to 2 years	6.61%	16,658,643.92
	Advances for automobiles	5,639,327.25	2 to 3 years	1.12%	2,819,663.62
	Advances for automobiles	2,527,412.48	Over 3 years	0.50%	1,263,706.24
Dalian Changxing Island Port Investment and Development Co., Ltd.	Income from entrusted management services	64,077,000.00	Within 1 year	12.71%	-
Dalian Port Xiangyu Grain Logistics Co., Ltd.	Receivables from asset transfer	49,549,600.00	Within 1 year	9.83%	-
Dalian Changxing Island Port Co., Ltd.	Income from entrusted loans, project payment and appointment of senior management	31,296,442.40	Within 1 year	6.21%	-
	Income from project payment and appointment of senior management	3,849,763.00	1 to 2 years	0.76%	-
	Income from project payment and appointment of senior management	2,880,000.00	2 to 3 years	0.57%	-
	Income from project payment and appointment of senior management	3,464,109.35	Over 3 years	0.69%	-
Guangdong Benshun Zhongcheng Automobile Supply Chain Management Co., Ltd.	Bills of exchange	19,494,828.71	Within 1 year	3.87%	-
		<u>332,531,849.13</u>		<u>65.97%</u>	<u>27,571,982.82</u>

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(7) Other receivables (continued)

- (f) As at 31 December 2017, the Group's government grants recognised at amounts receivable were analysed as follows:

	Government grants	Balance	Ageing	Basis of estimated collection
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	Subsidy for container freight	10,072,250.00	Within 1 year	<i>Request for Instructions Concerning Supporting the Development of Container Freight in Dongying Port Zone</i>
PDA Group Zhuanghe Terminal Co., Ltd.	Subsidy for container freight	3,000,000.00	Within 1 year	<i>Application Report for Subsidy of Container Business in Zhuanghe Port in 2017</i>
Heilongjiang Suimu Dalian Port Logistics Co., Ltd.	Refund of tax	2,561,392.00	Within 1 year	<i>Cooperation Agreement on Xiachengzi Logistics Centre of Muling Economic Development Zone</i>
		15,633,642.00		

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(8) Advances to suppliers

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

	31 December 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	151,102,785.62	94.77%	170,988,642.43	66.64%
1 to 2 years	5,227,343.03	3.28%	85,432,130.62	33.29%
2 to 3 years	3,042,936.78	1.91%	36,777.64	0.02%
Over 3 years	62,126.40	0.04%	135,416.15	0.05%
	159,435,191.83	100.00%	256,592,966.84	100.00%

As at 31 December 2017, advances to suppliers with ageing over one year amounted to RMB8,332,406.21 (31 December 2016: RMB85,604,324.41) which represents advances to suppliers. Since the transactions involved are unfinished, these amounts have not been settled yet.

(b) As at 31 December 2017, advances to the top five debtors in respect of outstanding balance were summarised as follows:

	Amount	% of total balance
Total balances of advances to the top five debtors	92,224,036.84	57.84%

(9) Inventories

(a) Inventories are summarised by category as follows:

	31 December 2017			31 December 2016		
	Ending balance	Provision for decline in the value of inventories	Carrying amount	Ending balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	79,681,233.82	(7,803,794.80)	71,877,439.02	70,653,011.68	(7,803,889.80)	62,849,121.88
Goods in stock	630,000,477.62	(7,054,584.56)	622,945,893.06	382,785,952.13	-	382,785,952.13
Turnover materials	7,862,202.50	-	7,862,202.50	5,691,020.60	-	5,691,020.60
	717,543,913.94	(14,858,379.36)	702,685,534.58	459,129,984.41	(7,803,889.80)	451,326,094.61

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(9) Inventories (continued)

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

As at 31 December 2017, inventories with carrying amount of RMB327,114,425.81 (31 December 2016: RMB317,241,729.72) and relevant documents of import business were pledged as collateral for the bank borrowings of RMB308,692,031.66 (31 December 2016: RMB226,487,016.66) (Note 4(24)(a)).

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

	31 December	Increase in the current year		Decrease in the current year		31 December
	2016	Provision	Others	Reversal or write-off	Others	2017
Raw materials	7,803,889.80	-	-	(95.00)	-	7,803,794.80
Goods in stock	-	7,054,584.56	-	-	-	7,054,584.56
	7,803,889.80	7,054,584.56	-	(95.00)	-	14,858,379.36

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

	Specific basis to determine net realisable value	Reason for reversal of provision for decline in the value of inventories
Raw materials	Estimated selling price	Factors that will cause decline in value of inventories has gone
Goods in stock	Future recoverable amount	Not applicable

(10) Other current assets

	31 December 2017	31 December 2016
Available-for-sale financial assets (Note 4(11))	150,000,000.00	450,000,000.00
VAT input to be deducted (i)	87,366,638.22	52,691,420.48
VAT input to be verified	6,108,242.61	5,130,035.82
Prepaid income tax	12,362,083.70	869,046.54
Prepaid VAT	-	124,826.03
	255,836,964.53	508,815,328.87

(i) VAT input to be deducted are VAT inputs arising from the Group's purchase of goods and services with VAT payable, but not yet fully offset at the end of the current year.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(11) Available-for-sale financial assets

	31 December 2017	31 December 2016
Measured at fair value		
– Wealth management products (i)	150,000,000.00	450,000,000.00
– Available-for-sale equity instruments – H shares (ii)	65,357,520.86	65,248,260.82
Measured at cost		
– Available-for-sale equity instruments – unlisted enterprises (iii)	143,562,691.50	143,562,691.50
Less: Provisions for impairment	(49,496,421.18)	(52,966,280.72)
	309,423,791.18	605,844,671.60
Less: Available-for-sale financial assets included in other current assets (i) (Note 4(10))	(150,000,000.00)	(450,000,000.00)
	159,423,791.18	155,844,671.60

(a) Related information of available-for-sale financial assets is analysed as follows:

(i) *Wealth management products*

As at 31 December 2017, the wealth management products included:

Wealth management products purchased by the Company amounted to RMB100,000,000.00 (31 December 2016: RMB200,000,000.00, the estimated annual return was 3.65% with the maturity date on 6 April 2017) from Harbin Bank. The capital is mainly used for investment in money market instruments. The estimated annual return for wealth management products of RMB50,000,000.00 was 4.40% with the maturity date on 4 January 2018; 4.30% for wealth management products of RMB50,000,000.00 with the maturity date on 1 February 2018.

Structural deposits purchased by the Company amounted to RMB50,000,000.00 (31 December 2016: Nil) from China CITIC Bank. The capital was mainly used for investment in money market instruments. The estimated annual return was 4.30% with the maturity date on 2 February 2018.

Wealth management products purchased by the Company amounted to RMB0.00 (31 December 2016: 250,000,000.00. The estimated annual return for wealth management products of RMB100,000,000.00 was 3.20% with the maturity date on 3 February 2017; 3.60% for wealth management products of RMB150,000,000.00 with the maturity date on 15 March 2017) from Industrial Bank.

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4 Notes to the consolidated financial statements (continued)

(11) Available-for-sale financial assets (continued)

(a) Related information of available-for-sale financial assets is analysed as follows: (continued)

(ii) *Available-for-sale equity instruments measured at fair value – H shares:*

The available-for-sale H shares represent an investment of an approximately 0.24% shareholding of Sinotrans Shipping Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Ltd., the stock code of which is 00368) by strategic allotment.

Such available-for-sale H shares are measured at fair value.

	31 December 2017	31 December 2016
Available-for-sale equity instruments – H shares		
– Fair value	15,861,099.68	12,281,980.10
– Cost	65,197,887.13	69,768,470.31
– Accumulated in other comprehensive income	159,633.73	(4,520,209.49)
– Accumulated provision for impairment	(49,496,421.18)	(52,966,280.72)

(iii) *Available-for-sale equity instruments – unlisted enterprises:*

The available-for-sale financial assets measured at cost mainly include the unlisted equity investments held by the Group which are not quoted in an active market and whose fair value cannot be reliably measured as the variability in the range of reasonable fair value measurements is significant and the probabilities of the various estimates used to determine the fair value cannot be reasonably determined. The Group has no plan to dispose these investments.

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017	Shareholding (%)	Cash dividend in the current year
Available-for-sale equity instruments						
– Cost						
– Qinhuangdao Xin'gangwan Container Terminal Co., Ltd.	60,000,000.00	–	–	60,000,000.00	15.00	–
– Jinzhou New Age Container Terminal Co., Ltd.	52,843,634.00	–	–	52,843,634.00	15.00	–
– Dalian Xin Bei Liang Co., Ltd.	16,184,400.00	–	–	16,184,400.00	5.89	–
– Fujian Ninglian Port Co., Ltd.	12,000,000.00	–	–	12,000,000.00	12.00	–
– Da-In Ferry Co., Ltd.	1,900,057.50	–	–	1,900,057.50	7.50	–
– Dalian Port Design & Research Institute Co., Ltd.	634,600.00	–	–	634,600.00	5.80	261,000.00
	143,562,691.50	–	–	143,562,691.50		261,000.00

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(11) Available-for-sale financial assets (continued)

(b) Related information of provisions for impairment of available-for-sale financial assets is analysed as follows:

	Available-for-sale equity instruments – H shares
31 December 2016	(52,966,280.72)
Translation differences on translation of foreign currency financial statements	3,469,859.54
31 December 2017	(49,496,421.18)

(12) Long-term receivables

	31 December 2017	31 December 2016
Entrusted loans (i)	–	11,500,000.00
Less: Provision for bad debts	–	–
	–	11,500,000.00

As at 31 December 2016, the Group entrusted PDA Group Financial Co., Ltd. to provide unsecured loans of RMB11,500,000.00 to its joint venture, Liaoning Con-Rail International Logistics Co., Ltd., at the rate of 5.775% annually. The principal shall be repaid by 8 November 2019 in instalments (Note 8(6)). As at 31 December 2017, Liaoning Con-Rail International Logistics Co., Ltd. was included in the consolidation scope, and the Group had no entrusted loans.

(13) Long-term equity investments

	31 December 2017	31 December 2016
Joint ventures (a)	1,902,485,040.31	2,614,399,120.72
Associates (b)	2,278,953,097.66	2,287,757,599.98
Less: Provision for impairment of long-term equity investments	–	–
	4,181,438,137.97	4,902,156,720.70

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(13) Long-term equity investments (continued)

(a) Joint ventures

	Movements in the current year									Balance of provision for impairment at the end of the year	
	31 December 2016	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends/profit declared by joint ventures	Provision for impairment	Other Decrease (i)		31 December 2017
Dalian Port Tongli Shipping Agency Co., Ltd.	1,176,248.00	-	-	377,038.13	-	-	-	-	-	1,553,286.13	-
Dalian Harbour ECL Logistics Co., Ltd.	31,838,161.92	-	-	1,062,581.28	-	(10,627.92)	(1,247,784.25)	-	-	31,642,331.03	-
Odfjell Terminals (Dalian) Co., Ltd.	158,104,604.79	-	-	23,171,107.03	-	-	(20,000,000.00)	-	-	161,275,711.82	-
Dalian Port PetroChina International Terminal Co., Ltd.	189,034,388.78	-	-	27,153,227.08	-	795,803.57	(6,723,078.00)	-	-	210,260,341.43	-
Dalian United International Shipping Agency Co., Ltd.	6,956,231.68	-	-	2,910,621.16	-	-	(2,150,000.00)	-	-	7,716,852.84	-
Dalian Vanguard International Logistics Co., Ltd.	30,939,412.96	-	-	297,786.54	-	(33,351.37)	-	-	-	31,203,848.13	-
Dalian Port Yidu Cold Chain Co., Ltd.	333,208,705.77	-	-	8,065,721.15	-	307,450.57	(13,500,000.00)	-	-	328,081,877.49	-
China United Tally (Dalian) Co., Ltd.	3,300,321.72	-	-	288,220.06	-	-	(575,358.74)	-	-	3,013,183.04	-
China Oil Dock Management (Dalian) Co., Ltd.	1,318,777.63	-	-	853,105.47	-	-	-	-	-	2,171,883.10	-
Liaoning Electronic Port Co., Ltd.	5,549,016.38	-	-	75,612.22	-	-	-	-	-	5,624,628.60	-
Liaoning Con-Rail International Logistics Co., Ltd.	6,801,204.27	-	-	(4,202,756.13)	-	-	-	-	(2,598,448.14)	-	-
Dalian Dagang China Shipping Container Terminal Co., Ltd.	8,538,520.36	-	-	1,968,295.37	-	63,791.79	(1,412,591.41)	-	-	9,158,016.11	-
Dalian Port Container Terminal Co., Ltd.	214,519,297.05	-	-	90,091,234.41	-	793,802.13	(47,518,215.15)	-	(257,886,118.44)	-	-
Dalian International Container Terminal Co., Ltd.	543,703,911.85	-	-	14,327,706.32	-	(1,589,668.08)	-	-	(556,441,950.09)	-	-
Dalian Jilong Logistics Co., Ltd.	40,283,495.20	-	-	1,922,361.32	-	-	-	-	-	42,205,856.52	-

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(13) Long-term equity investments (continued)

(a) Joint ventures (continued)

	Movements in the current year									Balance of provision for impairment at the end of the year	
	31 December 2016	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends/profit declared by joint ventures	Provision for impairment	Other Decrease (i)		31 December 2017
Dalian Automobile Terminal Co., Ltd.	174,377,880.00	-	-	10,724,051.33	-	44,723.12	(18,600,165.76)	-	-	166,546,488.69	-
Dalian Singamas International Container Co., Ltd.	43,146,884.08	-	-	2,617,292.83	-	(35,732.72)	(2,589,742.39)	-	-	43,138,701.80	-
China United International Rail Containers (Dalian) Co., Ltd.	184,977,254.66	-	-	(4,653,841.74)	-	-	-	-	-	180,323,412.92	-
Dalian Changxing Island Port Co., Ltd.	118,902,145.96	-	-	24,410,287.92	-	22,848.78	-	-	-	143,335,282.66	-
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	9,553,987.26	-	-	9,064,933.05	-	(55,571.43)	(4,850,962.37)	-	-	13,712,386.51	-
Odfjell Dalian Port Consulting Co., Ltd.	1,689,695.12	-	-	(445,545.86)	-	-	-	-	-	1,244,149.26	-
Dalian Changxing Island Port Investment and Development Co., Ltd.	462,425,172.67	-	-	(3,685,688.55)	-	72,285.12	-	-	-	458,811,769.24	-
Dalian Shunde Jifa Supply Chain Management Co., Ltd.	11,462,387.99	-	-	(572,300.61)	-	-	(1,200,000.79)	-	-	9,690,086.59	-
Ha'ou International Logistics Co., Ltd.	21,608,863.95	-	-	(21,608,863.95)	-	-	-	-	-	-	-
Odfjell Changxing Terminals (Dalian) Co., Ltd.	9,481,870.75	4,000,000.00	-	(2,518,496.04)	-	-	-	(568,999.67)	-	10,394,375.04	-
Weifang Senda Container Service Co., Ltd.	1,500,679.92	-	-	36,438.64	-	-	-	-	-	1,537,118.56	-
Dalian Port Xiangyu Grain Logistics Co., Ltd.	-	49,980,000.00	-	(10,136,547.20)	-	-	-	-	-	39,843,452.80	-
	2,614,399,120.72	53,980,000.00	-	171,593,581.23	-	375,753.56	(120,367,898.86)	-	(817,495,516.34)	1,902,485,040.31	-

- (i) Liaoning Con-Rail International Logistics Co., Ltd., Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd. was included in the consolidation scope through realising business combinations in stages. Refer to Note 5(1).

Equity related information in joint ventures is set forth in Note 6(2).

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4 Notes to the consolidated financial statements (continued)

(13) Long-term equity investments (continued)

(b) Associates

	Movements in the current year									Balance of provision for impairment at the end of the year	
	31 December 2016	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends/profit declared by joint ventures	Provision for impairment	Others		31 December 2017
China Shipping Gang Lian Co., Ltd.	78,296,448.99	-	-	6,005,071.39	-	-	-	-	-	84,301,520.38	-
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	22,993,396.14	-	-	7,889,026.19	-	-	(1,850,000.00)	-	-	29,032,422.33	-
Dalian Wanpeng Port Engineering Testing Co., Ltd.	2,976,023.27	-	-	490,358.98	-	-	-	-	-	3,466,382.25	-
Dalian Fujii Storage Facility Co., Ltd.	135,020,600.12	-	-	(12,128,782.24)	-	-	-	-	-	122,891,817.88	-
Taicang Xinggang Tug Co., Ltd.	7,264,712.42	-	-	4,767,331.62	-	-	(4,285,565.00)	-	-	7,746,479.04	-
PetroChina Dalian LNG Co., Ltd.	575,778,637.58	-	-	76,999,606.12	-	857,690.00	(37,358,825.56)	-	-	616,277,108.14	-
SINOECL Auto Liners, Limited	-	-	-	-	-	-	-	-	-	-	-
Jadeway Limited	-	-	-	-	-	-	-	-	-	-	-
Dalian North Oil Petroleum Logistics Co., Ltd.	66,873,874.82	-	-	5,012,259.90	-	-	(2,000,000.00)	-	-	69,886,134.72	-
Sino Rail Bohai Train Ferry Co., Ltd.	256,758,196.50	-	-	4,574,219.42	-	-	-	-	-	261,332,415.92	-
CDC International Logistics Co., Ltd.	116,946,629.82	-	-	12,624,343.22	-	-	-	-	-	129,570,973.04	-
PDA Group Financial Co., Ltd.	1,011,288,813.35	-	-	64,701,872.12	-	-	(145,405,838.45)	-	-	930,584,847.02	-
Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.	1,017,082.65	-	-	112,930.09	-	-	(210,000.00)	-	-	920,012.74	-
Guangzhou King Port Auto International Trade Co., Ltd.	4,831,566.97	-	-	417,874.06	-	-	-	-	-	5,249,441.03	-
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	5,672,141.67	-	-	1,632.34	-	-	-	-	-	5,673,774.01	-
Dalian New Silk Road International Logistics Co., Ltd.	2,039,475.68	-	-	120,452.66	-	-	-	-	-	2,159,928.34	-
Ningbo United King Port Auto Trade Co., Ltd.	-	9,800,000.00	-	59,840.82	-	-	-	-	-	9,859,840.82	-
	2,287,757,599.98	9,800,000.00	-	171,648,036.69	-	857,690.00	(191,110,229.01)	-	-	2,278,953,097.66	-

Equity related information in associates is set forth in Note 6(2).

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(14) Investment properties

	Buildings	Land use rights	Terminal facilities	Total
Cost				
31 December 2016	30,814,225.78	69,785,783.60	746,469,631.62	847,069,641.00
Increase in the current year				
Business combinations involving enterprises not under common control	83,542,027.00	–	–	83,542,027.00
Decrease in the current year				
Transfer to owner-occupied property	–	–	–	–
31 December 2017	114,356,252.78	69,785,783.60	746,469,631.62	930,611,668.00
Accumulated depreciation and amortisation				
31 December 2016	(9,464,051.69)	(13,158,265.97)	(178,991,665.72)	(201,613,983.38)
Increase in the current year				
Provision or amortisation	(1,184,389.62)	(1,471,434.60)	(15,829,643.64)	(18,485,467.86)
Decrease in the current year				
Transfer to owner-occupied property	–	–	–	–
31 December 2017	(10,648,441.31)	(14,629,700.57)	(194,821,309.36)	(220,099,451.24)
Carrying amount				
31 December 2017	103,707,811.47	55,156,083.03	551,648,322.26	710,512,216.76
31 December 2016	21,350,174.09	56,627,517.63	567,477,965.90	645,455,657.62

In 2017, no capitalised borrowing cost was included in investment properties (2016: Nil).

In 2017, RMB18,485,467.86 (2016: RMB18,154,798.68) of depreciation and amortisation was charged for the investment properties and no (2016: Nil) provision for impairment was provided.

As at 31 December 2017, the investment properties above were all leased out under operating lease.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(15) Fixed assets

	Buildings	Terminal facilities	Oil tanks and pipelines	Handling equipment	Transportation equipment	Vessels	Storage facilities	Machinery and equipment	Other equipment	Total
Cost										
31 December 2016	1,700,655,500.60	5,742,295,421.41	2,836,672,982.73	2,987,484,062.97	889,666,223.81	1,776,657,696.15	3,208,782,447.98	1,150,546,705.83	733,287,670.25	21,026,048,711.73
Increase in the current year										
Increase from acquisition	891,311.70	-	1,107,505.46	5,575,293.70	1,208,421.38	-	1,416,963.95	3,371,100.15	18,364,485.10	31,935,081.44
Transfers from construction										
in progress	41,262,760.91	34,500,297.82	17,433,003.29	14,282,292.37	17,762,928.10	95,364,004.65	5,545,939.43	55,258,824.01	26,679,474.92	308,089,525.50
Reclassification of assets	-	-	-	-	-	-	(20,277.57)	16,477.57	3,800.00	-
Business combinations involving enterprises not under common control	83,127,541.00	1,396,088,623.00	-	976,210,720.50	1,398,000.00	-	899,733,281.34	10,020,414.94	19,765,961.79	3,386,344,542.57
Decrease in the current year										
Disposal and obsolescence	(138,000.00)	(9,656.48)	-	(71,177,007.14)	(188,607,140.26)	(3,211,122.78)	-	(952,218.33)	(15,047,199.80)	(279,142,344.79)
Others	(468,655.50)	(470,692.17)	(1,107,505.46)	-	-	-	-	(354,170.48)	-	(2,401,023.61)
31 December 2017	1,825,330,458.71	7,172,403,993.58	2,854,105,986.02	3,912,375,362.40	721,428,433.03	1,868,810,578.02	4,115,458,355.13	1,217,907,133.69	783,054,192.26	24,470,874,492.84
Accumulated depreciation										
31 December 2016	(420,868,035.07)	(1,160,399,858.34)	(976,599,744.06)	(1,901,958,439.47)	(394,103,653.94)	(512,280,258.36)	(718,886,496.01)	(617,450,202.32)	(349,435,486.21)	(7,051,982,173.78)
Increase in the current year										
Provision	(51,488,708.30)	(122,605,062.72)	(100,108,606.52)	(169,206,395.55)	(38,131,012.98)	(64,274,199.78)	(81,655,794.29)	(78,812,857.49)	(50,074,933.05)	(756,357,570.68)
Reclassification of assets	-	-	-	-	-	-	-	927.59	(927.59)	-
Decrease in the current year										
Disposal and obsolescence	75,170.60	675.97	-	65,561,663.76	111,207,603.82	3,050,566.64	-	863,174.55	13,951,832.11	194,710,687.45
31 December 2017	(472,281,572.77)	(1,283,004,245.09)	(1,076,708,350.58)	(2,005,603,171.26)	(321,027,063.10)	(573,503,891.50)	(800,542,290.30)	(695,398,957.67)	(385,559,514.74)	(7,613,629,057.01)
Carrying amount										
31 December 2017	1,353,048,885.94	5,889,399,748.49	1,777,397,635.44	1,906,772,191.14	400,401,369.93	1,295,306,686.52	3,314,916,064.83	522,508,176.02	397,494,677.52	16,857,245,435.83
31 December 2016	1,279,787,465.53	4,581,895,563.07	1,860,073,238.67	1,085,525,623.50	495,562,569.87	1,264,377,437.79	2,489,895,951.97	533,096,503.51	383,852,184.04	13,974,066,537.95

As at 31 December 2017, fixed assets at a carrying amount of RMB91,589,155.04 (a cost of RMB102,322,342.45) (31 December 2016: a carrying amount of RMB94,019,310.68 and a cost of RMB102,322,342.45) were pledged as collateral for long-term borrowings of RMB7,010,023.77, including the current portion of RMB7,010,023.77 (31 December 2016: RMB17,010,023.77, including the current portion of RMB10,000,000.00) (Note 4(35)(a-i)).

As at 31 December 2017, fixed assets at a carrying amount of RMB399,006,474.68 (a cost of RMB404,286,353.00) were pledged as collateral for long-term borrowings of RMB588,399,134.29, including the current portion of RMB114,000,000.00 (Note 4(35)(a-ii)). As at 31 December 2016, no such transactions were made.

As at 31 December 2017, fixed assets at a carrying amount of RMB94,420,298.35 (a cost of RMB95,364,004.65) were pledged as collateral for long-term borrowings of RMB54,000,000.00, (Note 4(35)(a-iii)). As at 31 December 2016, no such transactions were made.

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4 Notes to the consolidated financial statements (continued)

(15) Fixed assets (continued)

As at 31 December 2016, fixed assets at a carrying amount of RMB143,105,574.13 (a cost of RMB228,576,076.21) were pledged as collateral for long-term borrowings of RMB150,000,000.00, (Note 4(35)(a-iv)). As at 31 December 2017, no such transactions were made.

As at 31 December 2016, fixed assets at a carrying amount of RMB414,413,226.01 (a cost of RMB935,860,681.53) were pledged as collateral for long-term borrowings of RMB500,000,000.00, (Note 4(35)(a-v)). As at 31 December 2017, no such transactions were made.

As at 31 December 2016, fixed assets at a carrying amount of RMB43,882,684.51 (a cost of RMB68,391,732.00) were pledged as collateral for long-term borrowings of RMB50,000,000.00, (Note 4(35)(a-vi)). As at 31 December 2017, no such transactions were made.

As at 31 December 2016, fixed assets at a carrying amount of RMB264,933,255.01 (a cost of RMB384,992,940.93) were pledged as collateral for long-term borrowings of RMB300,000,000.00, (Note 4(35)(a-vii)). As at 31 December 2017, no such transactions were made.

In 2017, depreciation charged to fixed assets amounted to RMB756,357,570.68 (2016: RMB726,782,918.33), and the amount of depreciation expenses charged to cost of sales, general and administrative expenses and specific reserve were RMB735,663,316.97, RMB19,787,763.54 and RMB906,490.17 (2016: RMB707,641,932.01, RMB18,529,321.65 and RMB611,664.67) respectively.

In 2017, the costs of fixed assets transferred from construction in progress amounted to RMB308,089,525.50 (2016: RMB319,524,429.39).

As at 31 December 2017, the Group had no temporarily idle fixed assets (31 December 2016: Nil).

The Group's management believed that no provision for impairment of fixed assets was required at balance sheet date.

(a) Fixed assets held under finance leases

As at 31 December 2017, the fixed assets with a carrying amount of RMB47,649,461.98 (a cost of RMB70,899,678.79) were held under a finance lease (31 December 2016: a carrying amount of RMB54,384,931.54 and a cost of RMB70,899,678.79) (Note 12). The analysis is as follows:

	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
31 December 2017				
Other equipment	70,899,678.79	(23,250,216.81)	–	47,649,461.98
31 December 2016				
Other equipment	70,899,678.79	(16,514,747.25)	–	54,384,931.54

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(15) Fixed assets (continued)

(b) Fixed assets with pending certificates of ownership:

As at 31 December 2017, the certificate of title to buildings at a carrying amount of approximately RMB633,020,729.90 (a cost of RMB747,622,512.71) has not been obtained yet (31 December 2016: a carrying amount of RMB584,541,777.05 and a cost of RMB678,809,009.90).

	Reasons for not obtaining certificates of title yet	Estimated date that certificate of title will be obtained
Buildings	In the process of obtaining	Meet registration procedures requirement and related charges paid

(c) Fixed assets leased out under operating lease

	31 December 2017 Carrying amount	31 December 2016 Carrying amount
Vessels	380,617,247.19	400,988,400.39
Transportation equipment	343,852,192.97	448,578,085.88
Terminal facilities	228,683,212.22	360,409,141.69
Buildings	128,532,534.96	123,818,242.65
Storage facilities	77,643,960.66	394,882,249.03
Handling equipment	46,847,592.89	18,267,005.32
Oil tanks and pipelines	762,708.37	810,208.33
Machinery and equipment	2,472.24	45,361,145.94
Other equipment	18,366,648.12	20,619,247.98
	1,225,308,569.62	1,813,733,727.21

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(16) Construction in progress

	31 December 2017			31 December 2016		
	Ending balance	Provision for impairment loss	Carrying amount	Ending balance	Provision for impairment loss	Carrying amount
Dayao Bay No. 13 – 16 Berth in Phase II	688,277,007.63	-	688,277,007.63	648,548,444.26	-	648,548,444.26
No.19 – 21 Berth	498,523,717.65	-	498,523,717.65	-	-	-
New Port No.18 – 21 Berth	344,466,187.84	-	344,466,187.84	336,584,575.69	-	336,584,575.69
Dalian Automotive Terminal No.4 Berth Project	218,996,346.03	-	218,996,346.03	198,937,064.34	-	198,937,064.34
Dalian Bay Passenger Terminal	154,715,311.75	-	154,715,311.75	77,552,062.51	-	77,552,062.51
Dayao Bay North Shore Automotive Logistics Centre	148,898,592.13	-	148,898,592.13	148,898,592.13	-	148,898,592.13
Ore No.4 Storage Yard	38,840,238.77	-	38,840,238.77	37,174,855.63	-	37,174,855.63
Dalian Bay Groceries and Ro-ro Berth Project	14,976,150.50	-	14,976,150.50	16,520,513.47	-	16,520,513.47
Others	152,916,186.27	-	152,916,186.27	151,791,927.12	-	151,791,927.12
	2,260,609,738.57	-	2,260,609,738.57	1,616,008,035.15	-	1,616,008,035.15

The Group's management believes that no provision for impairment of construction in progress is required at balance sheet date.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(16) Construction in progress (continued)

(a) Movement of significant projects of construction in progress

Project name	Budgeted amount	31 December 2016	Increase in the current year	Including: Business combinations involving enterprises not under common control	Transfer to fixed assets, including: intangible assets and long-term prepaid expenses in the current year	Other decreases	31 December 2017	Proportion of expenditures incurred to budgeted amount (i)	Progress of construction	Accumulative amount of borrowing capitalised in current year	Including: borrowing capitalised in current year	Capitalisation rate	Source of funds
Dayao Bay No. 13 - 16 Berth in Phase II	3,783,000,000.00	648,548,444.26	39,728,563.37	-	-	-	688,277,007.63	92%	92%	211,651,457.96	22,694,558.93	4.96%	Self-owned funds, loans from financial institutions and other sources
No.19 - 21 Berth	2,515,823,200.00	-	500,017,933.65	497,788,783.66	-	(1,494,216.00)	498,523,717.65	19%	19%	54,875,784.31	1,712,935.45	4.53%	Self-owned funds and loans from financial institutions
New Port No.18 - 21 Berth	413,770,000.00	336,584,575.69	7,881,612.15	-	-	-	344,466,187.84	85%	85%	83,522,029.54	-	-	Loans from financial institutions and other sources
Dalian Automotive Terminal No.4 Berth Project	456,420,000.00	198,937,064.34	20,059,281.69	-	-	-	218,996,346.03	80%	80%	32,412,070.21	11,724,629.41	5.02%	Self-owned funds and loans from financial institutions
Dalian Bay Passenger Terminal	383,160,000.00	77,552,062.51	77,789,627.80	-	-	(626,378.56)	154,715,311.75	45%	45%	10,157,849.88	6,839,282.59	4.96%	Self-owned funds and loans from financial institutions
Dayao Bay North Shore Automotive Logistics Centre	450,000,000.00	148,898,592.13	-	-	-	-	148,898,592.13	33%	33%	8,054,440.28	-	-	Loans from financial institutions and other sources
Ore No.4 Storage Yard	570,600,000.00	37,174,855.63	2,665,655.30	-	-	(1,000,272.16)	38,840,238.77	99%	99%	-	-	-	Raised funds
Dalian Bay Groceries and Ro-ro Berth Project	700,000,000.00	16,520,513.47	85,486.20	-	-	(1,629,849.17)	14,976,150.50	99%	99%	-	-	-	Self-owned funds and loans from financial institutions
Others	1,202,067,193.84	151,791,927.12	355,266,822.99	124,528.30	(352,246,773.63)	(1,885,790.21)	152,916,186.27			10,750,898.26	2,899,902.84	5.02%	
		1,616,008,035.15	1,003,484,983.15	497,913,311.96	(352,246,773.63)	(6,636,506.10)	2,260,609,738.57			411,424,530.44	45,871,309.22		

(i) Proportion of expenditures incurred to budgeted amount is the proportion of the total expenditures incurred to budgeted amount.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(17) Fixed assets pending for disposal

	31 December 2017	31 December 2016
Handing equipment	2,452,324.25	511,951.88
Transportation equipment	284,740.33	280,207.42
Buildings	-	355,151.03
Machinery and equipment	-	12,650.00
Other equipment	943,157.46	1,522,864.38
	3,680,222.04	2,682,824.71

(18) Intangible assets

	Land use rights	Container flat vehicle use rights	Software	Golf membership	Sea area use rights	Berth facility use rights	Customer relationships	Port information platform	Total
Cost									
31 December 2016	995,102,462.56	46,660,098.18	166,780,017.60	1,977,376.00	3,455,982.72	253,448,422.59	15,970,000.00	64,310,000.00	1,547,704,359.65
Increase in the current year									
Increase from acquisition	-	-	3,408,400.28	-	-	-	-	-	3,408,400.28
Transfers from construction in progress	-	-	20,347,246.99	-	-	-	-	-	20,347,246.99
Business combinations involving enterprises not under common control	476,600,822.37	-	26,374,904.26	-	-	153,767,730.03	-	-	656,743,456.66
Other increases in the current year	-	-	3,691.69	-	-	-	-	-	3,691.69
Decrease in the current year									
Disposal	-	-	(1,419,612.51)	-	-	-	-	-	(1,419,612.51)
Other decreases	(70,616,548.00)	-	(9,044,527.75)	-	-	-	-	-	(79,661,075.75)
31 December 2017	1,401,086,736.93	46,660,098.18	206,450,120.56	1,977,376.00	3,455,982.72	407,216,152.62	15,970,000.00	64,310,000.00	2,147,126,467.01

Accumulated amortisation

31 December 2016	(169,873,488.27)	(30,711,727.38)	(85,117,147.36)	(975,442.45)	(2,401,854.58)	(99,065,040.79)	(14,217,000.00)	(55,199,416.67)	(457,561,117.50)
Increase in the current year									
Provision	(19,641,291.85)	(3,007,293.84)	(16,763,611.83)	(13,756.32)	(414,717.84)	(5,911,759.98)	(1,597,000.00)	(6,431,000.00)	(53,780,431.66)
Other increases in the current year	-	-	(3,691.69)	-	-	-	-	-	(3,691.69)
Decrease in the current year									
Disposal	-	-	1,360,519.22	-	-	-	-	-	1,360,519.22
31 December 2017	(189,514,780.12)	(33,719,021.22)	(100,523,931.66)	(989,198.77)	(2,816,572.42)	(104,976,800.77)	(15,814,000.00)	(61,630,416.67)	(509,984,721.63)

Carrying amount

31 December 2017	1,211,571,956.81	12,941,076.96	105,926,188.90	988,177.23	639,410.30	302,239,351.85	156,000.00	2,679,583.33	1,637,141,745.38
31 December 2016	825,228,974.29	15,948,370.80	81,662,870.24	1,001,933.55	1,054,128.14	154,383,381.80	1,753,000.00	9,110,583.33	1,090,143,242.15

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4 Notes to the consolidated financial statements (continued)

(18) Intangible assets (continued)

For the year ended 31 December 2017, the amortisation of intangible assets amounted to RMB53,780,431.66 (2016: RMB51,130,616.39).

As at 31 December 2017, land use rights with a carrying amount of RMB14,871,587.05 (a cost of RMB17,631,590.19) (31 December 2016: a carrying amount of RMB15,224,272.81 and a cost of RMB17,631,590.19) were pledged as collateral for long-term borrowings of RMB7,010,023.77, including the current portion of RMB7,010,023.77 (31 December 2016: RMB17,010,023.77, including the current portion of RMB10,000,000.00) (Note 4(35)(a-i)).

(19) Goodwill

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Goodwill –				
Liaoning Con-Rail International Logistics Co., Ltd.	–	4,398,401.85	–	4,398,401.85
Dalian Jiyi Logistics Co., Ltd.	2,397,589.82	–	–	2,397,589.82
DCT Logistics Co., Ltd.	6,218,460.29	–	–	6,218,460.29
Dalian Port Logistic Network Co., Ltd.	7,419,238.63	–	–	7,419,238.63
	16,035,288.74	4,398,401.85	–	20,433,690.59
Less: Provision for impairment	–	–	–	–
	16,035,288.74	4,398,401.85	–	20,433,690.59

Goodwill recognised in the current year arose from acquisition of 50% of the equity interests in Liaoning Con-Rail International Logistics Co., Ltd. (Note 5(1)).

(a) Impairment

For Liaoning Con-Rail International Logistics Co., Ltd., Dalian Jiyi Logistics Co., Ltd., DCT Logistics Co., Ltd. and Dalian Port Logistic Network Co., Ltd., the recoverable amounts of asset groups are calculated using the estimated cash flows determined according to the three-year budget approved by management, together with the constant growth rates thereafter. The latter are set out in the following table.

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4 Notes to the consolidated financial statements (continued)

(19) Goodwill (continued)

(a) Impairment (continued)

The main assumptions applied in calculating discounted future cash flows are as follows:

	Liaoning Con-Rail International Logistics Co., Ltd.	Dalian Jiyi Logistics Co., Ltd.	DCT Logistics Co., Ltd.	Dalian Port Logistic Network Co., Ltd..
Growth rate	3.00%	3.00%	3.00%	3.00%
Gross margin	7.00%	5.00%	15.00%	60.00%
Discount rates	12.00%	12.00%	12.00%	12.00%

The growth rates mentioned above are the weighted average growth rates applied by management to extrapolate cash flows beyond the three-year period, and the growth rates are consistent with those estimated in the industry reports, and do not exceed the long-term average growth rates of each product. Management determines budgeted gross margins based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups and groups of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and group of asset groups within the corresponding business segment.

(20) Long-term prepaid expenses

	31 December 2016	Increase in the current year	Amortisation charged in the current year	Other decreases	31 December 2017
Public facilities in bonded port	9,405,739.48	–	(855,067.44)	–	8,550,672.04
Decoration	3,920,256.71	1,984,493.06	(2,003,778.70)	(69,152.07)	3,831,819.00
Site development expenses	9,961,974.47	4,351,412.87	(1,485,972.11)	–	12,827,415.23
Environmental reconstruction expenses	23,081,254.61	–	(1,171,843.54)	(25,989.87)	21,883,421.20
Reconstruction of No.6 bridge	–	23,261,805.50	(1,938,483.79)	–	21,323,321.71
Rental	–	43,250,000.00	(14,789,789.87)	(5,937,687.63)	22,522,522.50
Others	7,357,676.55	11,089,268.86	(1,840,773.99)	(761,723.20)	15,844,448.22
	53,726,901.82	83,936,980.29	(24,085,709.44)	(6,794,552.77)	106,783,619.90

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(21) Deferred tax assets and deferred tax liabilities

(a) Deferred tax asset before offsetting

	31 December 2017		31 December 2016	
	Deferred tax asset	Deductible temporary differences and deductible losses	Deferred tax asset	Deductible temporary differences and deductible losses
Elimination of intra-group unrealised profit	50,029,703.08	200,118,812.32	55,690,722.56	222,762,890.24
Government grants	201,749.23	806,996.92	10,035,913.50	40,143,654.00
Difference on depreciation period	2,684,991.89	10,739,967.56	2,699,870.52	10,799,482.08
Advances from customers with tax paid	3,398,513.18	13,594,052.72	2,863,321.59	11,453,286.36
Provision for asset impairments	2,212,222.33	8,848,889.32	2,212,246.08	8,848,984.32
Changes in fair value of financial assets at fair value through profit or loss	928,358.11	3,713,432.44	864,203.11	3,456,812.44
Deductible losses	8,154,487.16	32,617,948.64	–	–
Fair value adjustment for business combinations involving enterprises not under common control	19,202,200.56	76,808,802.24	404,843.20	1,619,372.80
Others	2,163,153.46	8,652,613.84	792,616.00	3,170,464.00
	88,975,379.00	355,901,516.00	75,563,736.56	302,254,946.24
Including:				
Expected to be recovered within one year (inclusive)	12,612,399.17		6,731,025.61	
Expected to be recovered after one year	76,362,979.83		68,832,710.95	
	88,975,379.00		75,563,736.56	

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(21) Deferred tax assets and deferred tax liabilities (continued)

(b) Deferred tax liabilities before offsetting

	31 December 2017		31 December 2016	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combinations involving enterprises not under common control				
Fair value adjustment	92,652,379.60	370,609,518.38	7,093,266.86	28,373,067.44
Realisation of business combination in stages	37,891,003.77	151,564,015.08	–	–
Others	9,690,092.51	38,760,370.04	7,385,044.45	29,540,177.80
	140,233,475.88	560,933,903.50	14,478,311.31	57,913,245.24
Including:				
Expected to be recovered within one year (inclusive)	6,737,064.75		1,812,530.03	
Expected to be recovered after one year	133,496,411.13		12,665,781.28	
	140,233,475.88		14,478,311.31	

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2017	31 December 2016
Deductible losses	337,846,896.04	266,230,526.04
Deductible temporary difference	71,135,137.53	12,333,368.04
	408,982,033.57	278,563,894.08

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(21) Deferred tax assets and deferred tax liabilities (continued)

(d) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	31 December 2017	31 December 2016
2017	–	48,647,533.90
2018	47,256,880.39	47,256,880.39
2019	79,243,753.77	79,243,753.77
2020	39,725,500.81	40,378,323.82
2021	48,824,770.86	50,704,034.16
2022	122,795,990.21	–
	337,846,896.04	266,230,526.04

(e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2017		31 December 2016	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax asset	(22,974,864.61)	66,000,514.39	(634,710.94)	74,929,025.62
Deferred tax liabilities	(22,974,864.61)	117,258,611.27	(634,710.94)	13,843,600.37

(22) Other non-current assets

	31 December 2017	31 December 2016
Guarantee payment for land bidding (i)	118,610,000.00	118,610,000.00
VAT input to be deducted (ii)	22,777,426.80	24,047,476.02
Advances for construction projects	1,535,773.58	54,535,212.49
	142,923,200.38	197,192,688.51

(i) According to the Agreement on *Pre-transfer of Land* entered into by Dalian Port (PDA) Company Limited (“Party B”) and Dalian Bonded Area Land Reserve Trading Centre (“Party A”), the Company pays guarantee payment for land of RMB139,880,000 for Dalian Port Petrochemical Project. Party A has released a land pre-transfer announcement for the Project. If Party B fails to clinch the deal upon expiry of the quotation period, Party A will return all amounts paid by Party B within 5 days. As at 31 December 2017, the balance of guarantee payment for land bidding was RMB118,610,000.

(ii) VAT input to be deducted are VAT inputs arising from the Group’s purchase of goods and services with VAT payable, but not yet fully offset in the current year.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(23) Provision for asset impairments

	31 December	Increase in the	Decrease in the current year		31 December
	2016		current year	Reversal	Write-off
Provision for bad debts	1,209,192.97	52,873,223.17	–	–	54,082,416.14
Including: Provision for bad debts of accounts receivable	148,000.00	25,301,240.35	–	–	25,449,240.35
Provision for bad debts of other receivables	1,061,192.97	27,571,982.82	–	–	28,633,175.79
Provision for decline in the value of inventories	7,803,889.80	7,054,584.56	(95.00)	–	14,858,379.36
	9,013,082.77	59,927,807.73	(95.00)	–	68,940,795.50

(24) Short-term borrowings

	31 December 2017	31 December 2016
Impawn (a)	370,380,689.29	438,427,798.80
Guaranteed (b)	30,000,000.00	–
Unsecured	2,870,853,313.45	61,000,000.00
	3,271,234,002.74	499,427,798.80

(a) As at 31 December 2017, pledge bank borrowings of RMB308,692,031.66 (31 December 2016: RMB226,487,016.66) were secured by the Group's inventories with carrying amount of RMB327,114,425.81 (31 December 2016: RMB317,241,729.72) and relevant documents of import business (Note (4)(9)(a)), and pledge bank borrowings of RMB61,688,657.63 (31 December 2016: RMB211,940,782.14) were the rights and documents concerning motor vehicles of entrusted agency business.

(b) As at 31 December 2017, guaranteed loans of the bank of RMB30,000,000.00 (31 December 2016: RMB0.00) were provided with security by Hanhua Guarantee Co., Ltd., Dalian branch.

As at 31 December 2017, the interest for the short-term borrowings was 1.90% – 5.80% (31 December 2016: 1.80% – 6.80%).

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(25) Notes payable

	31 December 2017	31 December 2016
Bank acceptance notes	-	1,250,000.00

(26) Accounts payable

	31 December 2017	31 December 2016
Vessel leasing and ocean freight	136,760,560.21	52,453,087.11
Purchase of goods	128,393,067.08	4,510,238.41
Purchase of auxiliary materials and guarantee deposit	115,235,733.54	178,738,447.65
	380,389,360.83	235,701,773.17

(a) As at 31 December 2017, accounts payable with ageing over one year amounted to RMB16,883,429.59 (31 December 2016: RMB15,755,861.28) and mainly comprised payables for subcontracting, materials and quality guarantee deposit which had not been cleared finally for the overall project had not been completed and finally settled.

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

	31 December 2017	31 December 2016
Within 1 year	363,505,931.24	219,945,911.89
1 to 2 years	10,213,922.34	11,994,623.06
2 to 3 years	5,347,996.82	2,768,046.73
Over 3 years	1,321,510.43	993,191.49
	380,389,360.83	235,701,773.17

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(27) Advances from customers

	31 December 2017	31 December 2016
Sales of motor vehicles	142,493,675.89	121,742,555.36
Miscellaneous expenses	15,244,771.53	16,052,933.70
Rental expenses	10,338,024.66	7,488,546.99
Freight	5,909,747.73	5,876,496.84
Cold chain trade	-	39,747,017.39
Refined oil trade	-	13,211,820.20
Public facility maintenance expenses	-	1,859,233.61
Others	18,243,981.29	18,143,354.85
	192,230,201.10	224,121,958.94

As at 31 December 2017, advances from customers with ageing over one year amounted to RMB6,643,619.81 (31 December 2016: RMB34,837,459.49), and mainly comprised the advances of miscellaneous expenses from Chinatex Grains and Oils (Heilongjiang) Co. Ltd., which were unsettled due to the incompleteness of the project.

(28) Employee benefits payable

	31 December 2017	31 December 2016
Short-term employee benefits payable (a)	241,069,727.91	220,882,346.04
Defined contribution plans payable (b)	9,598,572.87	7,548,315.25
Termination benefits payable (c)	-	-
	250,668,300.78	228,430,661.29

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(28) Employee benefits payable (continued)

(a) Short-term employee benefits

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Wages and salaries, bonus, allowances and subsidies	206,816,685.10	821,995,037.14	(811,639,526.49)	217,172,195.75
Staff welfare	484,985.96	69,406,985.86	(67,224,442.78)	2,667,529.04
Social insurance contributions	207,687.14	74,970,831.24	(75,071,287.88)	107,230.50
Including: Medical insurance	110,029.46	58,548,239.50	(58,560,967.50)	97,301.46
Work injury insurance	95,482.90	6,120,972.16	(6,208,700.80)	7,754.26
Maternity insurance	2,174.78	8,727,372.50	(8,727,372.50)	2,174.78
Others	–	1,574,247.08	(1,574,247.08)	–
Housing funds	–	122,767,509.12	(122,767,509.12)	–
Labour union funds and employee education funds	2,044,971.59	25,281,973.10	(25,132,172.08)	2,194,772.61
Labour costs	4,307,039.12	247,202,979.21	(248,768,957.37)	2,741,060.96
Other short-term employee benefits	7,020,977.13	12,957,839.87	(3,791,877.95)	16,186,939.05
	220,882,346.04	1,374,583,155.54	(1,354,395,773.67)	241,069,727.91

(b) Defined contribution plans

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Basic pensions	264,345.12	132,010,353.33	(132,010,353.33)	264,345.12
Payment of annuity	7,262,087.75	34,795,510.73	(32,745,253.11)	9,312,345.37
Unemployment insurance	21,882.38	3,667,078.62	(3,667,078.62)	21,882.38
	7,548,315.25	170,472,942.68	(168,422,685.06)	9,598,572.87

(c) Termination benefits payable

	31 December 2017	31 December 2016
Other termination benefits (i)	–	–

(i) In 2017, the Group's other termination benefits paid for termination of the employment relationship were RMB144,984.12.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(29) Taxes payable

	31 December 2017	31 December 2016
Import tariff and consumption tax payable	56,619,337.45	8,793,596.43
Corporate income tax payable	37,734,825.66	75,558,503.53
Unpaid VAT	25,286,101.86	14,673,333.47
Individual income tax payable	3,709,965.90	12,095,641.07
City maintenance and construction tax payable	367,759.28	331,135.07
Educational surcharge payable	262,861.08	238,573.54
Business tax payable	-	21,120.00
Others	3,333,908.70	3,210,547.82
	127,314,759.93	114,922,450.93

(30) Interest payable

	31 December 2017	31 December 2016
Interest of bonds	168,008,750.05	132,971,380.18
Interest of short-term borrowings	9,313,708.41	2,898,445.01
Interest of long-term borrowings with instalment payments and principal due for maturity	5,060,537.86	247,636.16
Interest to be paid together with the principle of long-term borrowings due within one year	-	28,843,779.71
	182,382,996.32	164,961,241.06

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(31) Dividends payable

	31 December 2017	31 December 2016
Singapore Dalian Port Investment Pte. Ltd.	34,641,594.77	65,459,174.35
China Shipping Terminal Development Co., Ltd.	18,347,524.17	–
NYK	11,435,899.96	–
PSA China Pte Ltd.	8,764,740.84	–
COSCO Terminal (DALIAN) Company Limited	7,262,213.84	–
China Shipping Port Development Co., Ltd.	6,110,276.47	–
Dalian Bonded Zhengtong Company Limited	5,779,554.22	5,779,554.22
NYK Bulk & Projects Carriers Ltd.	775,327.75	277,790.92
Dalian Construction Investment Group Co., Ltd.	–	2,653,250.56
Others	653,522.68	2,491,269.59
	93,770,654.70	76,661,039.64

(32) Other payables

	31 December 2017	31 December 2016
Project expenses payable	264,072,609.65	249,840,632.82
Borrowings from related parties	48,000,000.00	50,000,000.00
Guaranty	35,459,014.35	23,356,212.38
Down payment	25,822,249.63	45,074,654.07
Port construction expenses collected for other companies	22,248,576.83	14,657,475.83
Freight charges	20,383,300.46	21,159,562.14
Security expenses payable to the Bureau of Port	13,594,052.70	9,594,052.70
Compensation received for other companies	10,870,828.55	5,056,848.14
Fares collected for other companies	4,018,468.45	6,931,818.61
Subsidies received for other companies	213,300.00	10,379,914.78
Others	88,367,700.19	80,370,381.62
	533,050,100.81	516,421,553.09

As at 31 December 2017, other payables with ageing over one year amounted to RMB202,752,410.88 (31 December 2016: RMB231,151,191.90). Such other payables were mainly project expenses payable, down payment and amounts received for other companies which were unsettled as the project had not been completed, and the business had not been commenced or payment conditions had not been met.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(33) Current portion of non-current liabilities

	31 December 2017	31 December 2016
Current portion of bonds payable (Note 4(36))	3,449,545,262.51	–
Current portion of long-term borrowings (Note 4(35))	652,005,906.51	1,024,000,000.00
Current portion of long-term payables (Note 4(37))	56,776,903.92	23,523,521.42
	4,158,328,072.94	1,047,523,521.42

(34) Other non-current liabilities

	31 December 2017	31 December 2016
Corporate bonds (a)	–	3,038,041,251.61

(a) Related information of short-term bonds payable is as follows:

	31 December 2016	Issued in the current year	Interest at par value	Amortisation of premium/discount	Repayment in the current year	31 December 2017
Corporate bonds (i)	3,038,041,251.61	–	21,614,817.34	2,037,081.73	(3,061,693,150.68)	–

	Par value	Issuance date	Maturity	Issuance amount
Corporate bonds (i)	100.00	8 July 2016	270 days	3,000,000,000.00

(i) On 8 July 2016, the Company issued corporate bonds totalling RMB3,000,000,000.00 with maturities of 270 days. Such bonds at a fixed interest rate have a nominal interest rate of 2.78%. Interest and principal are paid on the maturity date and related issuance expense amounts to RMB6,126,415.09.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(35) Long-term borrowings

	31 December 2017	31 December 2016
Pledged (a)	649,409,158.06	1,017,010,023.77
Unsecured	2,584,140,684.04	154,000,000.00
	3,233,549,842.10	1,171,010,023.77
Less: Current portion of long-term borrowings (Note 4(33))		
Pledged	(121,010,023.77)	(1,010,000,000.00)
Unsecured	(530,995,882.74)	(14,000,000.00)
	(652,005,906.51)	(1,024,000,000.00)
	2,581,543,935.59	147,010,023.77

(a-i) As at 31 December 2017, bank borrowings of RMB7,010,023.77 (31 December 2016: RMB17,010,023.77) were secured by the Group's fixed assets with a carrying amount of RMB91,589,155.04 (a cost of RMB102,322,342.45) (31 December 2016: a carrying amount of RMB94,019,310.68 and a cost of RMB102,322,342.45) (Note 4(15)), and land use rights with a carrying amount of RMB14,871,587.05 (a cost of RMB17,631,590.19) (31 December 2016: a carrying amount of RMB15,224,272.81 and a cost of RMB17,631,590.19) (Note 4(18)). The interest is payable every three months and the principals will be repaid on 20 June 2018 and 20 December 2018 in two equal instalments respectively.

(a-ii) As at 31 December 2017, borrowings of RMB588,399,134.29 were secured by the Group's fixed assets with a carrying amount of RMB399,006,474.68 (a cost of RMB404,286,353.00) (Note 4(15)). The interest is payable every three months and the principal due within one year will be repaid on 29 December 2018 and the remaining principal shall be repaid by 21 February 2019 in instalments. As at 31 December 2016, no such transactions were made.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(35) Long-term borrowings (continued)

- (a-iii) As at 31 December 2017, borrowings of RMB54,000,000.00 were secured by the Group's fixed assets with a carrying amount of RMB94,420,298.35 (a cost of RMB95,364,004.65) (Note 4(15)). The interest is payable every three months and the principal shall be repaid by 8 September 2022 in instalments. As at 31 December 2016, no such transactions were made.
- (a-iv) As at 31 December 2016, borrowings of RMB150,000,000.00 were secured by the Company's fixed assets with a carrying amount of approximately RMB143,105,574.13 (a cost of RMB228,576,076.21) (Note 4(15)). The interest was paid together with the principal at the maturity date. The principal was repaid on 23 January 2017. As at 31 December 2017, no such transactions were made.
- (a-v) As at 31 December 2016, borrowings of RMB500,000,000.00 were secured by the Company's fixed assets with a carrying amount of approximately RMB414,413,226.01 (a cost of RMB935,860,681.53) (Note 4(15)). The interest was paid together with the principal at the maturity date. The principal was repaid on 23 May 2017. As at 31 December 2017, no such transactions were made.
- (a-vi) As at 31 December 2016, borrowings of RMB50,000,000.00 were secured by the Company's fixed assets with a carrying amount of approximately RMB43,882,684.51 (a cost of RMB68,391,732.00) (Note 4(15)). The interest was paid together with the principal at the maturity date. The principal was repaid on 23 January 2017. As at 31 December 2017, no such transactions were made.
- (a-vii) As at 31 December 2016, borrowings of RMB300,000,000.00 were secured by the Company's fixed assets with a carrying amount of approximately RMB264,933,255.01 (a cost of RMB384,992,940.93) (Note 4(15)). The interest was paid together with the principal at the maturity date. The principal was repaid on 23 January 2017. As at 31 December 2017, no such transactions were made.

As at 31 December 2017, the interest rate range of long-term borrowings was 2.69% to 6.00% (31 December 2016: 4.51% to 6.33%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(36) Bonds payable

	31 December 2016	Issued in the current year	Issuance expense	Amortisation of premium/ discount	Repayment in the current year	Current portion of bonds payable (Note 4(33))	31 December 2017	Interest at par value
Corporate bonds	5,779,081,112.06	1,070,000,000.00	(6,360,413.25)	11,323,211.49	-	(3,449,545,262.51)	3,404,498,647.79	355,912,369.87

Details of the bonds are as follows:

	Par value	Issuance date	Maturity	Issuance amount
Corporate bonds (a)	100.00	23 May 2011	10 years	2,350,000,000.00
Corporate bonds (b)	100.00	26 September 2011	7 years	2,650,000,000.00
Corporate bonds (c)	100.00	17 February 2015	3 years	800,000,000.00
Corporate bonds (d)	100.00	26 April 2017	5 years	1,070,000,000.00

- (a) Under Regulatory Permission [2011] No. 699 approved by CSRC, the Company issued corporate bonds on 23 May 2011. The interest of such bonds is calculated by adopting the simple interest method on an annual basis at a fixed annual interest rate of 5.30%, which is payable every year (Note 4(31)). The related issuance expense amounts to RMB25,156,495.00. As at 31 December 2017, bonds payable with a par value of RMB2,350,000,000.00 (31 December 2016: RMB2,350,000,000.00) were secured with an unconditional and irrevocable guarantee provided by PDA Group.
- (b) Under Regulatory Permission [2011] No. 1226 approved by CSRC, the Company issued corporate bonds on 26 September 2011. At the end of the fifth year after issuance, the Company has the right to increase the nominal interest rate of such bonds and holders have the right to sell all or partial bonds back to the Company at par. Such bonds at a fixed interest rate have a nominal interest rate of 6.05%. The interest is payable every year (Note 4(31)), and related issuance expense amounts to RMB27,775,729.25. As at 31 December 2017, bonds payable with a par value of RMB2,650,000,000.00 (31 December 2016: RMB2,650,000,000.00) were secured with an unconditional and irrevocable guarantee provided by PDA Group.
- (c) The Group issued corporate bonds on 17 February 2015. The interest of such bonds is calculated by adopting the simple interest method on an annual basis at a fixed annual interest rate of 4.50%, which is payable every half year (Note 4(30)). The related issuance expense amounts to RMB23,424,000.00.
- (d) Under Regulatory Permission [2016] No. 3075 approved by CSRC, the Company issued corporate bonds on 26 April 2017. The interest of such bonds is calculated by adopting the simple interest method on an annual basis at a fixed annual interest rate of 4.80%, which is payable every year (Note 4(30)). The related issuance expense amounts to RMB6,360,413.25.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(37) Long-term payables

	31 December 2017	31 December 2016
Payable for finance lease (Note 12)	56,776,903.92	61,641,602.90
Standby letters of credit fee payable	-	5,020,000.00
	56,776,903.92	66,661,602.90
Less: Current portion of long-term payables (Note 4(33))	(56,776,903.92)	(23,523,521.42)
	-	43,138,081.48

(38) Deferred income

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Government grants (a)	565,971,998.11	80,119,655.20	(76,009,560.84)	570,082,092.47

(a) Government grants

	31 December 2016	Increase in the current year	Decrease in the current year		31 December 2017	Related to assets/income
			Amount recognised in other income	Amount written down against general and administrative expenses		
Relocation compensation (i)	456,778,631.30	-	(33,146,664.79)	-	423,631,966.51	Related to assets
Production safety fund (ii)	30,797,500.00	-	(1,270,000.00)	-	29,527,500.00	Related to assets
Foreign trade and economic development special funds (iii)	21,094,366.00	-	(21,094,366.00)	-	-	Related to income/ assets
Sea-railway transportation subsidies (iv)	10,340,000.00	6,340,000.00	-	-	16,680,000.00	Related to assets
Transport junction passenger station project (v)	10,000,000.00	70,000,000.00	-	-	80,000,000.00	Related to assets
Operation subsidies (vi)	9,778,476.19	1,053,700.00	(10,119,500.00)	-	712,676.19	Related to income
Log process project (vii)	8,300,000.00	-	-	-	8,300,000.00	Related to assets
Stable position subsidies (viii)	8,002,109.79	-	(8,002,109.79)	-	-	Related to income
Energy conservation and emission reduction special fund (ix)	3,007,876.79	1,693,010.00	(873,073.68)	-	3,827,813.11	Related to assets
Vessel acquisition subsidies (x)	2,874,881.08	-	(791,217.56)	-	2,083,663.52	Related to assets
Equipment reconstruction subsidies (xi)	1,891,284.82	430,740.00	(272,255.68)	-	2,049,769.14	Related to assets
Others	3,106,872.14	602,205.20	(440,121.11)	(252.23)	3,268,704.00	Related to assets
	565,971,998.11	80,119,655.20	(76,009,308.61)	(252.23)	570,082,092.47	

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(38) Deferred income (continued)

(a) Government grants (continued)

The government grants recognised in profit or loss or deducted against related expenses in the current year are set out as follows:

Government grants	Category	Amount recognised in profit or loss or deducted against related expenses in the current year	Presented item recognised in profit or loss or written down against related expenses in the current year
Relocation compensation (i)	Related to assets	33,146,664.79	Other income
Production safety fund (ii)	Related to assets	1,270,000.00	Other income
Foreign trade and economic development special funds (iii)	Related to income/ assets	21,094,366.00	Other income
Operation subsidies (vi)	Related to income	10,119,500.00	Other income
Stable position subsidies (viii)	Related to income	8,002,109.79	Other income
Energy conservation and emission reduction special fund (ix)	Related to assets	873,073.68	Other income
Vessel acquisition subsidies (x)	Related to assets	791,217.56	Other income
Equipment reconstruction subsidies (xi)	Related to assets	272,255.68	Other income
Others	Related to assets	440,373.34	Other income/general and administrative expenses
		76,009,560.84	

- (i) The amount received by the Company in respect of the government grant for the relocation of the terminals will be recognised in the consolidated income statement by periods over the estimated useful lives of the new terminals upon commencement of their operations.
- (ii) The amount received by the Company in respect of the government grant for safety of production will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets.
- (iii) The Company received a government grant to encourage foreign trade and economic development from Dalian Free Trade Zone Bureau of Foreign Trade & Economic Cooperation. This subsidy is used for market development for oil products, strengthen the safeguards for oil product bonded storage, logistic facilities and assets, and enhance the construction of petroleum import and export trade platform and etc. This subsidy includes assets-related portion and income-related portion, and the Company accounts for the different portions separately, and those hard to distinguish, as income-related as a whole.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(38) Deferred income (continued)

(a) Government grants (continued)

- (iv) The amount received by the Company in respect of the government grant for the sea-railway co-transportation system will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets. This project has not been completed and transferred to fixed assets.
- (v) The amount received by the Company in respect of the government grant for the transport junction passenger station project will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets. This project has not been completed and transferred to fixed assets.
- (vi) The subsidy related to operation granted by the People's Government of Muling to the Group was used for the compensation for operating loss in five years since the opening of the Company's subsidiary Heilongjiang Suimu Dalian Port Logistics Co., Ltd. This company was characterised as large initial investment and long payback period. The local government offered financial supporting for the operating loss incurred in the initial operating period in order to encourage its investment in the local area. The amount received by the Group in respect of the subsidy will be recognised in the consolidated income statement by periods based on the subsidiary's annual operating performance.
- (vii) The amount received by the Group in respect of the government grant for log process project will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets. This project has not been completed and transferred to fixed assets.
- (viii) The amount received by the Company in respect of the government grant for supporting enterprise to stabilise the positions will be recognised in the consolidated income statement by periods based on social security contributions, welfares and education funds paid by the Company each year.
- (ix) The amount received by the Group in respect of the government grant for the equipment acquisition and reconstruction regarding energy conservation and emission reduction will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets.
- (x) The amount received by the Group in respect of the government grant for the acquisition of vessels will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets.
- (xi) The amount received by the Group in respect of the government grant for the equipment reconstruction will be recognised in the consolidated income statement by periods over the useful lives of the relevant assets.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(39) Other non-current liabilities

	31 December 2017	31 December 2016
All-in charges for cargo handling	98,915,093.00	99,241,941.00

In 2013, the Company entered into an all-in charges contract with Chinatex Grains and Oils (Heilongjiang) Co., Ltd. Chinatex Grains and Oils (Heilongjiang) Co., Ltd. paid in advance the all-in charges for full logistics including distribution services and port operations to the Company with an amount of RMB112 million. The first seven years were the deduction period, during which the interest was calculated in terms of the loan interest rate stipulated by the People's Bank of China for the corresponding period, and the last three years represent the preferential period. As at 31 December 2017, the balance of all-in charges for cargo handling paid in advance was RMB98,915,093.00 (31 December 2016: RMB99,241,941.00).

(40) Share capital

	31 December 2016	Movements for the year					31 December 2017
		Newly issued	Bonus share	Transferred from reserves	Others	Subtotal	
RMB-denominated ordinary shares	7,735,820,000.00	-	-	-	-	-	7,735,820,000.00
Foreign shares listed overseas	5,158,715,999.00	-	-	-	-	-	5,158,715,999.00
	12,894,535,999.00	-	-	-	-	-	12,894,535,999.00

	31 December 2015	Movements for the year					31 December 2016
		Newly issued	Bonus share	Transferred from reserves	Others	Subtotal	
RMB-denominated ordinary shares	3,363,400,000.00	-	1,009,020,000.00	3,363,400,000.00	-	4,372,420,000.00	7,735,820,000.00
Foreign shares listed overseas	1,062,600,000.00	1,180,320,000.00	672,875,999.00	2,242,920,000.00	-	4,096,115,999.00	5,158,715,999.00
	4,426,000,000.00	1,180,320,000.00	1,681,895,999.00	5,606,320,000.00	-	8,468,535,999.00	12,894,535,999.00

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(40) Share capital (continued)

As at 31 December 2017, 722,166,000 shares of foreign shares listed overseas were held by PDA Group through HKSCC Nominees Limited (31 December 2016: 588,248,000 shares). In 2016, the additional H shares were purchased from secondary market of Stock Exchange of Hong Kong Limited.

(41) Capital surplus

	31 December 2016	Increase in the current year (a)	Decrease in the current year	31 December 2017
Capital premium	2,910,765,975.69	–	–	2,910,765,975.69
Other capital surplus -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	13,404,290.37	1,233,443.56	(1,527,300.57)	13,110,433.36
Others	6,774,419.90	–	(2,046,113.58)	4,728,306.32
	2,930,944,685.96	1,233,443.56	(3,573,414.15)	2,928,604,715.37
	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Capital premium	6,103,613,277.83	2,413,472,697.86	(5,606,320,000.00)	2,910,765,975.69
Other capital surplus -				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (a)	8,445,750.98	4,958,539.39	–	13,404,290.37
Others	5,506,725.81	1,267,694.09	–	6,774,419.90
	6,117,565,754.62	2,419,698,931.34	(5,606,320,000.00)	2,930,944,685.96

- (a) Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method mainly comprises special reserve appropriated by joint ventures and associates of the Group in the current year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(42) Other comprehensive income

	Other comprehensive income in balance sheet		Other comprehensive income in income statement for the year ended 31 December 2017					
	31 December 2016	Attributable to equity owners of the Company – net of tax	31 December 2017	Amount incurred before tax for the current year	Less: Previously recognised in OCI but transferred to P&L for the current year	Less: Income tax expenses	Attributable to equity owners of the Company – net of tax	Attributable to minority shareholders – net of tax
Other comprehensive income that will be subsequently reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(755,666.78)	755,666.78	-	-	755,666.78	-	755,666.78	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	(4,520,209.49)	4,679,843.22	159,633.73	4,679,843.22	-	-	4,679,843.22	-
Differences on translation of foreign currency financial statements	52,651,443.26	(23,412,892.84)	29,238,550.42	(23,412,892.84)	-	-	(23,412,892.84)	-
	47,375,566.99	(17,977,382.84)	29,398,184.15	(18,733,049.62)	755,666.78	-	(17,977,382.84)	-

	Other comprehensive income in balance sheet		Other comprehensive income in income statement for the year ended 31 December 2016					
	31 December 2015	Attributable to equity owners of the Company – net of tax	31 December 2016	Amount incurred before tax for the current year	Less: Previously recognised in OCI but transferred to P&L for the current year	Less: Income tax expenses	Attributable to equity owners of the Company – net of tax	Attributable to minority shareholders – net of tax
Other comprehensive income that will be subsequently reclassified to profit or loss								
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	(755,666.78)	-	(755,666.78)	-	-	-	-	-
Gains or losses arising from changes in fair value of available-for-sale financial assets	(3,514,596.01)	(1,005,613.48)	(4,520,209.49)	(1,005,613.48)	-	-	(1,005,613.48)	-
Differences on translation of foreign currency financial statements	31,293,840.07	21,357,603.19	52,651,443.26	21,357,603.19	-	-	21,357,603.19	-
	27,023,577.28	20,351,989.71	47,375,566.99	20,351,989.71	-	-	20,351,989.71	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(43) Surplus reserve

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Statutory surplus reserve	675,669,606.41	82,072,293.76	–	757,741,900.17
Reserve fund	353,065.88	–	–	353,065.88
Discretionary surplus reserve	620,468.49	–	–	620,468.49
	676,643,140.78	82,072,293.76	–	758,715,434.54

	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Statutory surplus reserve	622,952,355.31	52,717,251.10	–	675,669,606.41
Reserve fund	353,065.88	–	–	353,065.88
Discretionary surplus reserve	620,468.49	–	–	620,468.49
	623,925,889.68	52,717,251.10	–	676,643,140.78

In accordance with the *Company Law of the PRC* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB82,072,293.76 for the year 2017 (2016: 10% of the net profit, amounting to RMB52,717,251.10) to the statutory surplus reserve.

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(44) Undistributed profits

	2017	2016
Undistributed profits at the beginning of the year	1,194,212,957.96	2,820,227,405.53
Add: Net profit attributable to equity owners of the Company for the current year	500,779,944.29	531,012,717.43
Less: Appropriation to statutory surplus reserve	(82,072,293.76)	(52,717,251.10)
Ordinary share dividends payable (a)	(193,418,039.99)	(420,474,000.00)
Appropriation to employees' bonus and welfare fund in subsidiaries	(3,433,841.52)	(1,939,914.90)
Ordinary share dividends converted to share capital	-	(1,681,895,999.00)
Others	2,812.78	-
Undistributed profits at the end of the year	1,416,071,539.76	1,194,212,957.96

- (a) In accordance with the resolution at the Board of Shareholders' meeting dated 28 June 2017, the Company proposed a cash dividend to the shareholders at RMB0.15 per 10 shares (including tax), amounting to RMB193,418,039.99 calculated by 12,894,535,999 issued shares.

In accordance with the resolution at the Board of Shareholders' meeting dated 28 June 2016, the Company proposed a cash dividend to the shareholders at RMB0.75 per 10 shares (including tax), amounting to RMB420,474,000.00 calculated by 5,606,320,000 issued shares.

Notes to the Financial Statements (continued)

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4 Notes to the consolidated financial statements (continued)

(45) Minority interests

	31 December 2017	31 December 2016
Dalian Container Terminal Co., Ltd.	1,936,717,325.33	684,568,270.94
Dalian Haijia Automobile Terminal Co., Ltd.	221,265,535.28	216,555,744.60
Dalian Port Lvshun Harbour Service Co., Ltd.	134,578,524.70	133,069,579.54
Dalian Golden Bay Grain Logistics Co., Ltd.	123,894,456.06	123,768,695.73
Dalian Dilangsirui Caravan Co., Ltd.	50,350,991.88	49,987,266.08
Dalian Port Construction Supervision & Consultation Co., Ltd.	18,681,825.86	15,672,472.46
Dalian Port Group Zhuanghe Terminal Co., Ltd.	17,711,483.75	19,422,716.07
Dalian FTZ Jinxin Petrochemical Co., Ltd.	14,324,120.70	14,823,054.96
Dalian Portsoft Technology Co., Ltd.	13,035,265.93	10,955,019.25
Dalian Port Logistic Network Co., Ltd.	12,202,413.07	10,871,291.50
Dalian Port Lianheng Supply Chain Management Co., Ltd.	9,888,712.84	9,814,901.15
Dalian Ganghong International Trade Co., Ltd.	9,652,444.46	9,582,140.71
Dalian International Container Services Co., Ltd.	8,866,980.71	8,762,121.30
Dalian Port Telecommunications Engineering Co., Ltd.	6,850,174.54	6,928,559.81
Dalian Hongyang International Logistics Co., Ltd.	3,785,059.50	(593,074.44)
Heilongjiang Suimu Dalian Port Logistics Co., Ltd.	3,778,350.48	3,779,471.57
Inner Mongolia Lugang Bonded Logistics Park Co., Ltd.	3,342,842.79	5,030,114.95
Dalian Ocean Shipping Tally Co., Ltd.	2,936,649.65	3,072,081.48
Dalian Gangrun Gas Co., Ltd.	2,047,924.30	2,943,003.03
Dalian Port Senlida Timber Trading Centre Co., Ltd.	2,023,286.72	5,753,081.51
Dalian Port Oulu International Logistics Co., Ltd.	1,795,089.90	1,228,207.06
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	850,672.18	2,571,510.37
Caofeidian Port Container logistics Co., Ltd.	255,071.14	252,715.09
Dalian International Logistics Park Development Co., Ltd.	(15,833,519.23)	(12,885,909.64)
Dalian United King Port Auto Trade Co., Ltd.	(23,132,973.32)	5,213,994.85
Dalian Jifa Technology Co., Ltd.	-	1,853,265.30
Dalian Port Xinchengshi Trade Co., Ltd.	-	(2,267.95)
	2,559,868,709.22	1,332,998,027.28

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(46) Revenue and cost of sales

	2017	2016
Revenue from main operations	8,584,027,116.26	12,499,813,840.14
Revenue from other operations	447,616,233.96	314,670,021.00
	9,031,643,350.22	12,814,483,861.14

	2017	2016
Cost of sales from main operations	7,290,497,966.48	11,160,474,912.91
Cost of sales from other operations	277,704,541.20	266,586,906.70
	7,568,202,507.68	11,427,061,819.61

(a) Analysis by industries is as follows:

	2017		2016	
	Revenue	Cost of sales	Revenue	Cost of sales
Oil and liquefied chemicals terminal and related logistics and trading services	2,568,149,091.77	2,065,151,976.02	6,151,513,314.80	5,422,277,469.82
Container terminal and related logistics services	2,324,693,840.07	1,883,558,475.63	1,548,058,061.14	1,234,368,793.86
General cargo terminal and related logistics and trading services	315,435,489.60	346,459,606.16	469,721,885.04	506,723,225.05
Ore terminal and related logistics services	385,757,321.36	272,347,131.83	314,027,495.35	281,266,698.49
Grains terminal and related logistics and trading services	493,134,073.32	457,563,149.43	681,657,589.01	706,392,865.74
Passenger, roll-on, roll-off terminal and related logistics services	163,083,222.14	115,887,863.81	138,607,950.47	103,806,463.56
Port value-added and ancillary services	955,244,743.21	658,172,982.58	937,338,809.20	669,425,613.68
Automobile terminal and related logistics and trading services	1,728,744,110.94	1,691,946,365.67	2,490,667,323.32	2,426,317,672.29
Others	97,401,457.81	77,114,956.55	82,891,432.81	76,483,017.12
	9,031,643,350.22	7,568,202,507.68	12,814,483,861.14	11,427,061,819.61

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(46) Revenue and cost of sales (continued)

(b) The revenue is categorised as follows:

	2017	2016
Commodity trading	3,618,506,281.08	7,861,426,905.58
Handling services	2,171,700,608.62	1,775,105,873.33
Storage services	553,401,478.56	839,822,024.71
Agency services	949,113,027.69	754,258,103.15
Transportation services	535,836,818.43	463,520,474.70
Leasing income	263,320,406.76	222,996,028.23
Port management services	246,769,760.49	234,748,363.71
Project construction and supervision services	123,838,092.30	170,447,389.25
Electric supply services	94,089,108.03	90,736,174.73
Information services	80,683,188.91	83,421,409.76
Tallying services	65,361,589.04	66,378,611.19
Sales of products	32,609,559.33	31,233,405.71
Others	296,413,430.98	220,389,097.09
	9,031,643,350.22	12,814,483,861.14

(47) Taxes and surcharges

	2017	2016	Tax base
Property tax	12,569,732.06	8,087,389.63	1.2% of residual value of property or 12% of lease income for property tax
Land use tax	11,808,910.04	6,270,616.50	Unit taxable amount stated in tax law based on actual land area used
City maintenance and construction tax	8,637,534.75	9,094,953.92	7% of business tax and VAT for city maintenance and construction tax
Educational surcharge	6,179,672.15	6,518,325.44	3% of business tax and VAT for educational surcharge and 2% for local educational surcharge
Stamp tax	4,378,341.51	5,599,136.47	Proportional tax rate stated in tax law or calculating taxable amount by number of vouchers, based on nature of taxable vouchers
Vehicle and vessel use tax	1,467,863.61	599,797.94	Based on categories of vehicle and vessel used and applicable tax rate in accordance with tax laws
Business tax	370,562.42	8,050,951.69	5% of taxable income for business tax
	45,412,616.54	44,221,171.59	

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(48) Selling and distribution expenses

	2017	2016
Advertising expenses	255,111.38	641,367.29
Fuel expenses	39,431.10	5,538.00
Others	118,018.43	248,833.24
	412,560.91	895,738.53

(49) General and administrative expenses

	2017	2016
Employee benefits	441,458,573.25	448,891,776.76
Depreciation and amortisation expenses	47,640,441.66	46,316,336.48
Rental expenses	25,169,630.35	24,282,964.77
Entertainment expenses	17,625,014.32	18,742,469.61
General office expenses	7,432,557.60	7,168,954.61
Property insurance fee	6,711,346.88	7,385,560.31
Audit fees	5,377,649.86	3,822,360.91
Taxation expenses	–	7,684,697.72
Others	110,930,172.58	99,069,880.73
	662,345,386.50	663,365,001.90

(50) Financial expenses

	2017	2016
Interest costs	573,759,310.24	548,027,375.72
Less: Amounts capitalised on qualifying assets (i)	(45,871,309.22)	(28,042,259.06)
Interest expenses	527,888,001.02	519,985,116.66
Less: Interest income	(118,268,304.97)	(75,838,612.10)
Exchange gains or losses	220,557,546.32	(197,208,663.45)
Others	9,676,019.74	9,946,196.97
	639,853,262.11	256,884,038.08

- (i) Borrowing costs capitalised have been included into construction in progress, and are carried forward to fixed assets upon the completion of construction in progress.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
 (All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

4 Notes to the consolidated financial statements (continued)

(51) Expenses by nature

The cost of sales, selling and distribution expenses and general and administrative expenses in the income statements are listed as follows by nature:

	2017	2016
Cost of goods sales	3,625,227,269.20	7,809,009,485.35
Employee benefits	1,515,383,752.30	1,479,233,551.33
Depreciation and amortisation expenses	850,488,652.40	801,094,730.09
Agency cost	755,449,914.48	571,288,224.25
Leasing and warehousing expenses	293,690,241.55	359,825,918.65
Fuel expenses	186,720,613.88	146,838,400.30
Electric charge	132,383,670.24	121,533,992.23
Materials expenses	69,692,392.00	81,676,158.40
Repair charges	108,821,439.56	83,075,635.76
Audit fees	5,377,649.86	3,822,360.91
– Audit services	4,167,503.81	3,100,732.21
– Non-audit services	1,210,146.05	721,628.70
Others	687,724,859.62	633,924,102.77
	8,230,960,455.09	12,091,322,560.04

(52) (Losses)/gains on changes in fair value

	2017	2016
Financial assets at fair value through profit or loss		
– Investments in equity instrument held for trading	(256,620.00)	(1,109,570.03)
– Others	(5,690,307.00)	1,879,405.00
	(5,946,927.00)	769,834.97

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(53) Investment income

	2017	2016
Income from long-term equity investments under equity method	360,116,642.88	162,831,714.95
Income from business combination involving enterprises not under common control	154,247,744.00	–
Losses from disposal of long-term equity investments	(1,290,298.05)	–
Income earned during the holding period of financial assets at fair value through profit or loss	94,350.00	107,508.00
Income earned during the holding period of available-for-sale financial assets	591,627.46	2,060,000.00
Income from disposal of financial assets at fair value through profit or loss	359,826.21	627,227.54
Income from wealth management products and entrusted investments	28,432,598.14	14,053,679.46
Others	–	1,481,180.27
	542,552,490.64	181,161,310.22

There is no significant restriction on recovery of investment income of the Group.

(54) Gains on disposals of assets

	2017	2016	Amount recognised in non-recurring profit or loss in 2017
Gains on disposal of fixed assets	15,927,761.29	3,599,015.62	15,927,761.29
Losses on disposal of fixed assets	(180,159.97)	–	(180,159.97)
Gains on disposal of intangible assets	–	9,110,500.00	–
	15,747,601.32	12,709,515.62	15,747,601.32

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(55) Other income

	2017	2016	Related to assets/income
Relocation compensation	33,146,664.79	–	Related to assets
Production safety fund	1,270,000.00	–	Related to assets
Vessel acquisition subsidies	791,217.56	–	Related to assets
Energy conservation and emission reduction special fund	873,073.68	–	Related to assets
Equipment reconstruction subsidies	272,255.68	–	Related to assets
Others	440,121.11	–	Related to assets
Container subsidies	21,927,000.00	–	Related to income
Foreign trade and economic development special funds	21,094,366.00	–	Related to income/ assets
Operation subsidies	10,119,500.00	–	Related to income
Stable position subsidies	8,707,548.06	–	Related to income
Refund of turnover taxes	168,314.28	–	Related to income
Others	4,621,784.34	–	Related to income
	103,431,845.50	–	

(56) Asset impairment losses

	2017	2016
Impairment losses on bad debts	52,863,223.17	178,104.00
Impairment losses on inventories	7,054,489.56	5,766,246.81
	59,917,712.73	5,944,350.81

(57) Non-operating income

	2017	2016	Amount recognised in non-recurring profit or loss in 2017
Government grants (a)	15,888,145.62	161,059,020.47	15,888,145.62
Profits on scrapping of fixed assets	351,275.17	1,097,061.67	351,275.17
Others	6,021,425.32	8,418,784.98	6,021,425.32
	22,260,846.11	170,574,867.12	22,260,846.11

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(57) Non-operating income (continued)

(a) Details of government grants

	2017	2016	Related to assets/income
Compensation for loss of original terminal	15,580,000.00	–	Related to assets
Production safety fund	–	952,500.00	Related to assets
Relocation compensation	–	33,621,113.74	Related to assets
Vessel acquisition subsidies	–	791,217.56	Related to assets
Energy conservation and emission reduction special fund	–	646,659.70	Related to assets
Equipment reconstruction subsidies	–	264,423.68	Related to assets
Others	–	394,815.40	Related to assets
Container subsidies	–	108,258,234.20	Related to income
Operation subsidies	–	10,510,000.00	Related to income
Refund of turnover taxes	–	454,078.33	Related to income
Others	308,145.62	5,165,977.86	Related to income
	15,888,145.62	161,059,020.47	

(58) Non-operating expenses

	2017	2016	Amount recognised in non-recurring profit or loss in 2017
Losses on scrapping of fixed assets	2,091,048.60	2,424,494.85	2,091,048.60
Donations	100,000.00	–	100,000.00
Losses on scrapping of intangible assets	34,973.79	221,474.63	34,973.79
Others	4,160,953.27	668,348.11	4,160,953.27
	6,386,975.66	3,314,317.59	6,386,975.66

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (continued)

(59) Income tax expenses

	2017	2016
Current income tax calculated based on tax law and related regulations	109,385,241.41	176,307,091.42
Deferred income tax	43,481,032.91	(10,977,083.92)
	152,866,274.32	165,330,007.50

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

	2017	2016
Total profit	727,158,184.66	778,012,950.96
Income tax expenses calculated at applicable tax rates	181,789,546.17	194,503,237.74
Effect of different tax rates applicable to subsidiaries in Mainland China	(899,868.40)	(1,397,506.41)
Effect of different tax rates applicable to subsidiaries outside Mainland China	8,502,687.09	5,041,639.73
Adjustments for current income tax of prior periods	(2,127,699.56)	(3,279,136.24)
Income not subject to tax	(94,206,253.05)	(49,998,502.25)
Costs, expenses and losses not deductible for tax purposes	13,518,727.96	11,369,224.79
Utilisation of deductible losses and temporary differences for which no deferred tax asset was recognised in previous period	(2,193,647.84)	(6,668,300.41)
Deductible losses and temporary differences for which no deferred tax asset was recognised	48,482,781.95	15,759,350.55
Income tax expenses	152,866,274.32	165,330,007.50

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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 [English translation for reference only]

4 Notes to the consolidated financial statements (continued)

(60) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2017	2016
Consolidated net profit attributable to ordinary shareholders of the Company	500,779,944.29	531,012,717.43
Weighted average number of ordinary shares outstanding	12,894,535,999.00	12,664,599,344.26
Basic earnings per share	0.04	0.04
Including:		
– Basic earnings per share from continuing operations:	0.04	0.04
– Basic earnings per share for discontinued operations:	–	–

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. For the year ended 31 December 2017, there were no dilutive potential ordinary shares (2016: Nil), and hence diluted earnings per share is equal to basic earnings per share.

(61) Notes to the cash flows statement

(a) Cash received relating to other operating activities

	2017	2016
Bank interest income received	87,616,021.88	69,742,829.49
Down payment received	82,622,936.39	106,170,987.00
Government grants received	19,301,728.32	246,357,647.39
Others	40,413,130.53	45,367,651.10
	229,953,817.12	467,639,114.98

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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 [English translation for reference only]

4 Notes to the consolidated financial statements (continued)

(61) Notes to the cash flows statement (continued)

(b) Cash paid relating to other operating activities

	2017	2016
Other payments on behalf of others	57,621,406.58	101,926,456.70
Rental expenses	25,174,394.35	24,315,489.04
Intermediary fees	21,417,756.91	13,040,355.78
Subsidies paid for other companies	13,020,866.00	30,256,000.00
Technology research and development	8,514,793.05	10,397,526.58
General office expenses	7,432,557.60	7,169,422.61
Travelling expenses	7,085,471.62	7,256,394.39
Insurance expenses	6,711,346.88	7,385,560.31
Utility fees	6,336,752.86	4,105,261.10
Commuting expenses	5,976,354.17	4,328,331.36
Repair charges	4,946,127.59	4,287,042.28
Fuel expenses	3,554,857.65	3,504,460.40
Materials expenses	1,001,797.57	924,044.12
Bank commission charges	842,594.59	528,019.17
Communication expenses	422,887.34	393,420.91
Others	58,091,959.18	47,658,187.54
	228,151,923.94	267,475,972.29

(c) Cash received relating to other investing activities

	2017	2016
Fixed deposits of more than half year received	285,500,000.00	171,950,000.00
Cash received from restricted balances with financial institutions	250,684,608.19	214,247,431.96
Asset-related government grants received	94,645,702.97	47,445,027.50
Land-transferring fees refunded	70,616,548.00	491,032,200.00
	701,446,859.16	924,674,659.46

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
 (All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

4 Notes to the consolidated financial statements (continued)

(61) Notes to the cash flows statement (continued)

(d) Cash paid relating to other investing activities

	2017	2016
Fixed deposits with banks for over 6 months	558,547,719.21	285,500,000.00
Restricted balances with financial institutions	194,565,044.80	261,519,134.30
Others	-	881,800.00
	753,112,764.01	547,900,934.30

(e) Cash received relating to other financing activities

	2017	2016
Advances from minority shareholders	-	9,800,000.00

(f) Cash paid relating to other financing activities

	2017	2016
Bonds issuance expense paid	11,380,413.25	17,609,513.95
Finance lease paid	4,688,280.04	7,592,697.39
Refunds to minority shareholders	1,400,000.00	9,800,000.00
Payment for stocks issuance expense	-	3,298,085.25
Others	1,375,694.24	4,398,177.79
	18,844,387.53	42,698,474.38

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(62) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	2017	2016
Net profit	574,291,910.34	612,682,943.46
Add: Provision for asset impairment	59,927,712.73	5,944,350.81
Depreciation of fixed assets	756,357,570.68	726,782,918.33
Depreciation of investment properties	18,485,467.86	18,154,798.68
Amortisation of intangible assets	51,735,812.76	47,594,584.87
Amortisation of long-term prepaid expenses	24,085,709.44	8,486,796.12
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(15,747,601.32)	(12,709,515.62)
Losses on scrapping of fixed assets and intangible assets	1,774,747.22	1,548,907.81
Financial expenses	712,140,773.97	341,409,472.16
Investment income	(542,552,490.64)	(181,161,310.22)
Losses/(gains) on changes in fair value	5,946,927.00	(769,834.97)
Decrease/(increase) in deferred tax assets	27,618,345.27	(13,089,052.12)
Increase in deferred tax liabilities	15,862,687.63	2,111,968.20
Transfer from deferred income	(90,535,608.61)	(45,673,038.08)
(Increase)/decrease in inventories	(165,951,743.14)	533,609,583.34
Increase in special reserve	4,557,928.72	6,354,049.84
(Increase)/decrease in operating receivables	(297,571,434.17)	166,717,149.21
Increase/(decrease) in operating payables	63,939,856.67	(151,610,811.51)
Net cash flows from operating activities	1,204,366,572.41	2,066,383,960.31

Significant operating and financing activities that do not involve cash receipts and payments

	2017	2016
Import Bill Advance under LC – Bank payments for goods	114,093,097.34	54,430,910.66

Net increase/(decrease) in cash and cash equivalents

	2017	2016
Cash and cash equivalents at the end of the year	6,925,797,974.59	6,376,088,087.66
Less: Cash and cash equivalents at the beginning of the year	(6,376,088,087.66)	(2,728,928,183.51)
Net increase in cash and cash equivalents	549,709,886.93	3,647,159,904.15

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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[English translation for reference only]

4 Notes to the consolidated financial statements (continued)

(62) Supplementary information to the cash flow statement (continued)

(b) Acquisition of subsidiaries

	Liaoning Con-Rail International Logistics Co., Ltd.	Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd.	Total
Cash and cash equivalents paid in the current year for business combination occurred in the current year	6,996,850.00	119,528,100.00	126,524,950.00
Less: Cash and cash equivalents held by subsidiaries at acquisition date (Note 5(1)(c))	(2,015,660.78)	(75,546,934.03)	(77,562,594.81)
Net cash paid to acquire subsidiaries	4,981,189.22	43,981,165.97	48,962,355.19
Considerations for acquisition of subsidiaries in 2017	9,595,298.16	1,124,477,862.23	1,134,073,160.39
Fair value of net assets of the subsidiaries acquired			
Current assets	28,993,253.79	381,063,938.83	410,057,192.62
Non-current assets	7,261,536.74	4,642,931,430.42	4,650,192,967.16
Current liabilities	(14,957,894.22)	(698,861,673.49)	(713,819,567.71)
Non-current liabilities	(16,100,000.00)	(1,989,769,495.90)	(2,005,869,495.90)
	5,196,896.31	2,335,364,199.86	2,340,561,096.17

(c) Cash and cash equivalents

	31 December 2017	31 December 2016
Cash	732,794.91	100,184.43
Including: Cash on hand	732,794.91	100,184.43
Cash at bank that can be readily drawn on demand	6,922,358,862.36	6,373,940,199.17
Other cash balances that can be readily drawn on demand	2,706,317.32	2,047,704.06
Cash and cash equivalents at the end of the year	6,925,797,974.59	6,376,088,087.66

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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4 Notes to the consolidated financial statements (continued)

(63) Monetary items denominated in foreign currency

	31 December 2017		
	Amount in foreign currency	Translation rate	Amount in RMB
Cash at bank and on hand -			
USD	618,720,057.32	6.5342	4,042,840,598.54
JPY	13,090,659.00	0.0579	757,949.16
HKD	6,876,726.85	0.8359	5,748,255.97
			4,049,346,803.67
Accounts receivable -			
USD	7,786,798.46	6.5342	50,880,498.50
JPY	298,777.00	0.0579	17,299.19
			50,897,797.69
Other receivables -			
USD	471,149.83	6.5342	3,078,587.22
Accounts payable -			
USD	14,604,843.03	6.5342	95,430,965.33
Other payables -			
USD	3,985.00	6.5342	26,038.79
HKD	28,079.70	0.8359	23,471.82
			49,510.61
Short-term borrowings -			
USD	39,428,161.91	6.5342	257,631,495.55
JPY	369,000,000.00	0.0579	21,358,827.00
EUR	14,871,175.35	7.8023	116,029,371.43
CAD	1,550,560.24	5.2009	8,064,308.75
			403,084,002.73
Current portion of non-current liabilities -			
USD	8,339,665.59	6.5342	54,493,042.90

The above monetary items denominated in foreign currency refer to all currencies other than RMB (the scope of which is different from the foreign currency items in Note 14(1)(a)).

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

5 Changes of consolidation scope

(1) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises not under common control in the current year

Acquiree	Timing of acquisition	Acquisition cost	Interest acquired (%)	Method of acquisition	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the year	Net profit/ (losses) of the acquiree from the acquisition date to the end of the year	Cash flows from operating activities of the acquiree from the acquisition date to the end of the year	Net cash flows of the acquiree from the acquisition date to the end of the year
Liaoning Con-Rail International Logistics Co., Ltd. (i)	26 August 2017	6,996,850.00	50.00%	Business combination involving enterprises not under common control	26 August 2017	The date on which the Group obtains control	10,244,422.08	(7,639,436.42)	644,716.27	239,871.27
Dalian Port Container Terminal Co., Ltd. (ii)	31 October 2017	389,325,406.61	13.15%	Business combination involving enterprises not under common control	31 October 2017	The date on which the Group obtains control	Not applicable	Not applicable	Not applicable	Not applicable
Dalian International Container Terminal Co., Ltd. (ii)	31 October 2017	735,152,455.62	8.15%	Business combination involving enterprises not under common control	31 October 2017	The date on which the Group obtains control	Not applicable	Not applicable	Not applicable	Not applicable

(i) The Group previously held 50% equities of Liaoning Con-Rail International Logistics Co., Ltd. ("Liaoning Con-Rail"), which was accounted for as a joint venture under equity method. On 26 August 2017, the Group entered into an equity transfer agreement with Liaoning International Freight Co., Ltd. to acquire the remaining 50% equities of Liaoning Con-Rail held by the latter at a consideration of RMB6,996,850.00. Thereafter, the Group holds 100% equities and voting rights of Liaoning Con-Rail. Therefore, the acquisition date of this transaction is 26 August 2017.

(ii) The Group previously held 51%, 35% and 40% equities of Dalian Container Terminal Co., Ltd. ("DCT"), Dalian Port Container Terminal Co., Ltd. ("DPCM") and Dalian International Container Terminal Co., Ltd. ("DICT") respectively, which were respectively accounted for as a subsidiary under cost method and two joint ventures under equity method.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

5 Changes of consolidation scope (continued)

(1) Business combinations involving enterprises not under common control (continued)

(a) Business combinations involving enterprises not under common control in the current year (continued)

On 3 August 2017 and 4 August 2017, the Group entered into an equity transfer agreement with APM Terminals Dalian Company Limited to acquire its 20% equities in DPCM at a consideration of USD18,000,000.00. In addition, the Group's holding subsidiary DCT and joint ventures DPCM and DICT entered into a *Merger Agreement* with their investors including Dalian Port Container Development Co., Ltd. ("DPCD") (which is wholly owned subsidiary of the Group), COSCO Terminal (Dalian) Company Limited ("COSCO Terminal"), China Shipping Terminal Development Co., Ltd. ("CSTD"), China Shipping Ports Development Co., Ltd. ("CSPD"), Singapore Dalian Port Investment Pte. Ltd. ("SDPIP"), PSA China Pte. Ltd. ("PSA") and Nippon Yusen Kabushiki Kaisha ("NYK Line"), under which DCT will merge DPCM and DICT. After the merger, DPCD, COSCO Terminal, CSTD, CSPD, SDPIP, PSA and NYK Line will hold 48.15%, 4.35%, 10.99%, 3.66%, 20.75%, 5.25% and 6.85% of DCT's shares. On 31 October 2017, DCT undertook the assets, liabilities, business and personnel of DPCM and DICT and will conduct operation under the *Merger Agreement* and the new Articles of Association, pursuant to which shareholders will hold relevant equity and assume relevant obligations.

On 4 August 2017, DPCD entered into a *Consent Agreement Concerning Dalian Container Terminal Co., Ltd.* with NYK Line, under which NYK Line will maintain its concerted actions with DPCD on the voting of DCT's business decision-making matters.

Due to the merger, revenue, net profit, cash flows from operating activities and net cash flows of the acquirees from the acquisition date to the end of the year are presented as not applicable.

(b) Details of the cost of combination and goodwill recognised are as follows:

	Liaoning Con-Rail International Logistics Co., Ltd.	Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd.
Costs of combination –		
Cash	6,996,850.00	119,528,100.00
Fair value of non-cash assets transferred	–	84,892,899.74
Fair value of previously held equities at the acquisition date (i)	2,598,448.16	920,056,862.49
Total cost of combination	9,595,298.16	1,124,477,862.23
Less: Fair value of the identifiable net assets obtained	(5,196,896.31)	(1,124,477,862.23)
Goodwill	4,398,401.85	–

(i) Fair value of the equities previously held on the acquisition date.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

5 Changes of consolidation scope (continued)

(1) Business combinations involving enterprises not under common control (continued)

(b) Details of the cost of combination and goodwill recognised are as follows: (continued)

- Fair value of the 50% equities of Liaoning Con-Rail held by the Group prior to the acquisition date.

Gains or losses arising from remeasurement at fair value of the 50% equities of Liaoning Con-Rail previously held by the Group prior to the acquisition date:

Fair value of the 50% equities previously held	2,598,448.16
Less: Carrying amount of the 50% equities previously held	<u>(2,598,448.16)</u>

Gains or losses arising from remeasurement	<u>—</u>
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- Fair value of the equities of DPCM and DICT held by the Group prior to the acquisition date.

Gains or losses arising from remeasurement at fair value of the 35% equities of DPCM previously held by the Group, 20% equities of DPCM cash purchased by the Group and 40% equities of DICT previously held by the Group prior to the acquisition date:

Fair value of the equities previously held and cash purchased	1,088,103,912.53
Less: Carrying amount of the equities previously held	(814,328,068.53)
Less: Cash consideration paid	<u>(119,528,100.00)</u>

Gains or losses arising from remeasurement	<u>154,247,744.00</u>
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Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

5 Changes of consolidation scope (continued)

(1) Business combinations involving enterprises not under common control (continued)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows:

(i) Liaoning Con-Rail International Logistics Co., Ltd.

	Fair value at the acquisition date	Carrying amount at the acquisition date	Carrying amount at 31 December 2016
Cash at bank and on hand	2,015,660.78	2,015,660.78	4,608,659.75
Receivables	26,725,264.46	26,725,264.46	37,799,814.61
Inventories	85,307.83	85,307.83	193,786.08
Other current assets	1,696,615.52	1,696,615.52	1,362,177.43
Fixed assets	5,909,725.67	5,909,725.67	5,116,377.57
Intangible assets	–	–	33,396.18
Other non-current assets	1,351,811.07	1,351,811.07	457,853.59
Less: Borrowings	(16,100,000.00)	(16,100,000.00)	(32,200,000.00)
Payables	(15,933,903.69)	(15,933,903.69)	(3,381,667.82)
Employee benefits payable	(0.01)	(0.01)	(360,981.84)
Other liabilities	(553,585.32)	(553,585.32)	(26,406.99)
Net assets	5,196,896.31	5,196,896.31	13,603,008.56
Less: Minority interests	–	–	–
Net assets acquired	5,196,896.31	5,196,896.31	13,603,008.56

The fair value of the assets and liabilities of Liaoning Con-Rail International Logistics Co., Ltd. at the acquisition date is determined by the Group using valuation techniques. Valuation methods and critical assumptions for primary assets are as follows:

The valuation method for fixed assets is the cost method and the critical assumptions used are as follows:

Determination of residue ratio of fixed assets: in the estimation of the residue ratio, substantial depreciation rate rather than the functional depreciation and economic depreciation of the equipment will be calculated to determine the residue ratio of the equipment. Residue ratio estimation is mainly determined based on useful lives.

The valuation method for intangible assets is the cost method and the critical assumptions used are as follows:

Determination of assessment on intangible assets: the residual value of intangible assets is re-evaluated over their remaining useful lives.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

5 Changes of consolidation scope (continued)

(1) Business combinations involving enterprises not under common control (continued)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows: (continued)

(ii) Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd.

	Fair value at the acquisition date		Carrying amount at the acquisition date		Carrying amount at 31 December 2016	
	Dalian Port Container Terminal Co., Ltd.	Dalian International Container Terminal Co., Ltd.	Dalian Port Container Terminal Co., Ltd.	Dalian International Container Terminal Co., Ltd.	Dalian Port Container Terminal Co., Ltd.	Dalian International Container Terminal Co., Ltd.
Cash at bank and on hand (a)	139,449,320.11	50,667,407.34	139,449,320.11	50,667,407.34	131,232,214.18	73,752,697.50
Receivables	121,640,342.96	65,433,931.16	121,640,342.96	65,433,931.16	67,249,979.61	47,924,419.40
Inventories	993,405.29	2,084,323.85	993,405.29	2,084,323.85	1,510,042.12	1,669,446.10
Other current assets	344,677.86	450,530.26	344,677.86	450,530.26	8,737,786.89	8,001,396.62
Fixed assets	1,558,207,507.00	1,771,739,499.00	1,502,657,856.29	1,689,207,457.41	1,561,321,259.64	1,749,236,044.37
Intangible assets	177,008,283.37	479,735,173.29	134,220,068.56	405,394,144.73	137,477,322.65	399,948,410.77
Deferred tax assets	818,455.96	17,871,378.09	238,013.18	-	186,072.00	-
Other non-current assets	672,946.22	636,878,187.49	434,933.04	613,305,706.49	523,126.79	605,372,053.98
Less: Borrowings	(1,043,875,220.00)	(1,396,735,751.37)	(1,043,875,220.00)	(1,396,735,751.37)	(1,043,875,220.00)	(1,481,273,147.05)
Payables	(15,262,145.46)	(24,684,928.37)	(15,262,145.46)	(24,684,928.37)	(34,772,773.20)	(32,163,001.81)
Employee benefits payable	(11,806,246.17)	(5,001,990.10)	(11,806,246.17)	(5,001,990.10)	(11,437,007.49)	(5,858,763.16)
Deferred tax liabilities	(24,926,895.99)	(62,625,427.28)	-	-	-	-
Other liabilities	(94,696,608.48)	(9,015,956.17)	(94,696,608.48)	(9,015,956.17)	(84,989,422.06)	(7,234,513.79)
Net assets	808,567,822.67	1,526,796,377.19	734,338,397.18	1,391,104,875.23	733,163,381.13	1,359,375,042.93
Less: Minority interests	-	-	-	-	-	-
Net assets acquired	808,567,822.67	1,526,796,377.19	734,338,397.18	1,391,104,875.23	733,163,381.13	1,359,375,042.93

The fair value of the assets and liabilities of Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd. at the acquisition date is determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

The valuation method for fixed assets is the replacement cost method and the critical assumptions used are as follows:

Determination of residue ratio of fixed assets designated as buildings: the residue ratio is calculated based on theoretical residue ratio and on-site investigation residue ratio. A comprehensive residue ratio will be determined by the weighted average number of the aforesaid two ratios calculated at the proportion of 4:6.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

5 Changes of consolidation scope (continued)

(1) Business combinations involving enterprises not under common control (continued)

(c) The assets and liabilities of the acquiree at the acquisition date are as follows: (continued)

(ii) Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd. (Continued)

Determination of residue ratio of fixed assets designated as equipment with high value: the residue ratio is determined by the weighted sum which equals to 40% of theoretical residue ratio plus 60% of investigation residue ratio. These two ratios are calculated by using useful life method and on-site investigation method respectively.

The valuation method for intangible assets is the cost approaching method and the critical assumptions used are as follows:

Intangible assets designated as land use rights: the land price is mainly determined by the average standard of land acquisition fee and land development fee in the region where the evaluated target is located plus certain interest, profit and land appreciation income.

(a) As restricted by laws and regulations, Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd. are required to retain RMB114,569,793.42 for equal repayment of borrowings, payment of dividends and payment of relevant taxes. As a result, cash received by the subsidiaries acquired and other business units is less than cash at bank and on hand at the consolidation date of Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd.

(2) Changes of consolidation scope due to other reasons

Due to optimisation of internal resource allocation of the Group, after approved by the Board of Directors, the Group deregistered the Company's holding subsidiary Dalian Jifa Technology Co., Ltd. on 15 July 2016. As at 31 December 2017, Dalian Jifa Technology Co., Ltd. had completed its deregistration procedures.

Due to optimisation of internal resource allocation of the Group, after approved by the Board of Directors, the Group acquired its subsidiary Dalian Shunda Logistic Services Co., Ltd. on 30 November 2016. As at 31 December 2017, Dalian Shunda Logistic Services Co., Ltd. had completed its deregistration procedures.

Due to optimisation of internal resource allocation of the Company, after approved by the shareholders' meeting, the Company deregistered its holding subsidiary Dalian Port Xinshengshi Trade Co., Ltd. in the current year. As at 31 December 2017, Dalian Port Xinshengshi Trade Co., Ltd. had completed its deregistration procedures.

Due to optimisation of internal resource allocation of the Group, after approved by the Board of Directors, the Group deregistered its wholly owned subsidiary Huanan Dalian Gangzheng Cereals and Oil Trading Co., Ltd. in the current year. As at 31 December 2017, Huanan Dalian Gangzheng Cereals and Oil Trading Co., Ltd. had completed its deregistration procedures.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

6 Interests in other entities

(1) Interests in subsidiaries

(a) Constitution of the Group

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and bonds issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Dalian FTZ Jinxin Petrochemical Co., Ltd.	LLC (Sino-foreign joint)	Dalian, Liaoning	Dalian, Liaoning	Wholesale and agency	None	60.00	-	60.00	Contributed by investor
Dalian Port Jifa Logistics Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	-	100.00	100.00	Contributed by investor
Dalian Port Container Development Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Container services	None	100.00	-	100.00	Contributed by investor
Dalian International Container Services Co., Ltd. (iv)	LLC	Dalian, Liaoning	Dalian, Liaoning	Transportation agency	None	-	55.00	60.00	Contributed by investor
Dalian International Logistics Park Development Co., Ltd.	Other LLC	Dalian, Liaoning	Dalian, Liaoning	Property development	None	-	90.00	90.00	Contributed by investor
Dalian Jifa Shipping Agency Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Shipping agency	None	-	100.00	100.00	Contributed by investor
Dalian Jifa Ship Management Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Ship management service	None	90.77	9.23	100.00	Contributed by investor
Dalian Jifa Port Technical Service Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Port technical services	None	-	100.00	100.00	Contributed by investor
Dalian Jifa International Freight Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	-	100.00	100.00	Contributed by investor
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Transportation	None	-	97.36	97.36	Contributed by investor
Dalian Port Logistics Technology Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Computer software	None	-	100.00	100.00	Contributed by investor
Dalian Dilangsirui Caravan Co., Ltd.	LLC (Sino-foreign joint)	Dalian, Liaoning	Dalian, Liaoning	Manufacturing	None	51.00	-	51.00	Set up by investment

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) Constitution of the Group (continued)

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and bonds issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Dalian Ganghong International Trade Co., Ltd. (iv)	Other LLC	Dalian, Liaoning	Dalian, Liaoning	Trading	None	-	51.00	60.00	Set up by investment
Dalian Port Grain and Oil Trading Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Trading	None	100.00	-	100.00	Set up by investment
Dalian Gangrun Gas Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Sales of fuel gas	None	51.00	-	51.00	Set up by investment
Dalian Haijia Automobile Terminal Co., Ltd. (j)	LLC	Dalian, Liaoning	Dalian, Liaoning	Construction and operation of auto terminal	None	50.00	-	100.00	Set up by investment
Dalian Container Terminal Co., Ltd. (iii)(iv)	LLC (Sino-foreign joint)	Dalian, Liaoning	Dalian, Liaoning	Port industry	None	-	48.15	55.56	Set up by investment
Dalian United King Port Auto Trade Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Trading	None	60.00	-	60.00	Set up by investment
Dalian Steel Logistics Park Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Trading	None	100.00	-	100.00	Set up by investment
Harbour Full Group Limited	LLC	BVI	BVI	Logistics	None	-	100.00	100.00	Set up by investment
Heilongjiang Suimu Dalian Port Logistics Co., Ltd.	Other LLC	Muling, Heilongjiang	Muling, Heilongjiang	Logistics	None	-	91.67	91.67	Set up by investment
Qinhuangdao Jigang Shipping Agency Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Qinhuangdao, Hebei	Qinhuangdao, Hebei	Shipping agency	None	-	100.00	100.00	Set up by investment
Caofeidian Port Container Logistics Co., Ltd.	LLC	Tangshan, Hebei	Tangshan, Hebei	Shipping agency	None	-	51.00	51.00	Set up by investment
Asia Pacific Ports (Dalian) Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	-	100.00	100.00	Set up by investment
Asia Pacific Ports Development Co., Ltd. (v)	LLC	BVI	BVI	Logistics	(v)	-	100.00	100.00	Set up by investment
Asia Pacific Ports Investment Co., Ltd.	LLC	Hong Kong	Hong Kong	Logistics	None	-	100.00	100.00	Set up by investment

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) Constitution of the Group (continued)

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and bonds issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Asia Pacific Ports Company Limited	LLC	Hong Kong	Hong Kong	Logistics	None	100.00	–	100.00	Set up by investment
Dalian Port Oulu International Logistics Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Freight services	None	–	60.00	60.00	Set up by investment
Dalian Zhuanghe Gangxing Investment Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Property development	None	100.00	–	100.00	Set up by investment
Dalian Port Senlida Timber Trading Centre Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Service industry	None	–	51.00	51.00	Set up by investment
Inner Mongolia Lugang Bonded Logistics Park Co., Ltd.	Other LLC	Tongliao, Inner Mongolia	Tongliao, Inner Mongolia	Freight services	None	–	51.00	51.00	Set up by investment
Dalian Hongyang International Logistics Co., Ltd. (i)	LLC	Dalian, Liaoning	Dalian, Liaoning	Freight services	None	50.00	–	100.00	Set up by investment
Dalian Port Lianheng Supply Chain Management Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Supply chain management services	None	–	51.00	51.00	Set up by investment
Dalian Jifa South Coast International Logistics Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Port industry	None	–	100.00	100.00	Set up by investment
Dalian Dilangsirui Tourism Development Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Tourist project development	None	–	100.00	100.00	Set up by investment
Dalian Dilangsirui Automobile Leasing Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Automobile leasing	None	–	100.00	100.00	Set up by investment
Dalian Port Power Supply Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Construction industry	None	100.00	–	100.00	Business combination involving enterprises under common control
Dalian Port Group Zhuanghe Terminal Co., Ltd.	Other LLC	Dalian, Liaoning	Dalian, Liaoning	Port industry	None	60.00	–	60.00	Business combination involving enterprises under common control

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) Constitution of the Group (continued)

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and bonds issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Dalian Port Construction Supervision & Consultation Co., Ltd.	LLC (Sino-foreign joint)	Dalian, Liaoning	Dalian, Liaoning	Supervision service	None	75.00	-	75.00	Business combination involving enterprises under common control
Dalian Portsoft Technology Co., Ltd. (ii)(iv)	LLC	Dalian, Liaoning	Dalian, Liaoning	Computer system service	None	49.00	-	60.00	Business combination involving enterprises under common control
Dalian Portsoft Network Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Computer system service	None	-	100.00	100.00	Business combination involving enterprises under common control
Dalian Port Telecommunications Engineering Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Telecommunication service	None	45.00	20.00	65.00	Business combination involving enterprises under common control
Dalian Golden Bay Grain Logistics Co., Ltd. (iii)	LLC	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	37.50	-	75.00	Business combination involving enterprises under common control
Dalian Ocean Shipping Tally Co., Ltd.	Other LLC	Dalian, Liaoning	Dalian, Liaoning	Tallying	None	84.00	-	84.00	Business combination involving enterprises under common control
Dalian Changxing Island Economic Zone Wanpeng Harbour Construction Supervisory and Consultancy Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Supervision service	None	-	100.00	100.00	Business combination involving enterprises under common control
Dalian Port Haiheng Ship Management Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Service industry	None	100.00	-	100.00	Business combination involving enterprises under common control
Dalian Port Lvshun Harbour Service Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Port industry	None	60.00	-	60.00	Business combination involving enterprises not under common control
Dalian Jiye Logistics Co., Ltd.	LLC (Sole Proprietorship of Legal Person)	Dalian, Liaoning	Dalian, Liaoning	Freight services	None	-	100.00	100.00	Business combination involving enterprises not under common control
DCT Logistics Co., Ltd.	LLC	Dalian, Liaoning	Dalian, Liaoning	Logistics	None	-	100.00	100.00	Business combination involving enterprises not under common control

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) Constitution of the Group (continued)

Name of subsidiaries	Category of legal person	Major business location	Place of registration	Nature of business	Information of equity and bonds issued	Shareholding (%)		Voting rights (%)	Method of acquisition
						Direct (%)	Indirect (%)		
Dalian Port Logistic Network Co., Ltd. (vi)	Joint stock limited company	Dalian, Liaoning	Dalian, Liaoning	Computer system service	None	-	79.03	79.03	Business combination involving enterprises not under common control
Liaoning Con-Rail International Logistics Co., Ltd.	LLC	Shenyang, Liaoning	Shenyang, Liaoning	Logistics	None	-	100.00	100.00	Business combination involving enterprises not under common control

- (i) Pursuant to Joint Venture Contract signed with the other shareholders, other shareholders keep a consistent policy with the Company regarding material operation matters of the joint ventures, and the Company exerts actual control over the joint venture.
- (ii) With the majority of the voting rights owned in the board, the Company actually takes the control rights.
- (iii) Pursuant to the consent agreement entered into between some other shareholders and the Company, these shareholders keep a consistent policy with the Company, and the Company actually takes the control rights.
- (iv) The proportion of shareholdings is determined by the amount of contributions in the investment agreement, while the voting rights is determined by the voting methods of the highest decision-making institution in the Articles of Association of the invested company, which leads to inconsistency between the above two.
- (v) Asia Pacific Ports Development Co., Ltd. issued corporate bonds with an amount of RMB800,000,000.00 with a duration of 3 year on 17 February 2015. Please refer to Note 4(36) for related information.
- (vi) Dalian Portnet Co., Ltd. is renamed as Dalian Port Logistic Network Co., Ltd. in this year.

Notes to the Financial Statements (continued)

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6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(b) Subsidiaries with significant minority interests

Name of subsidiaries	Shareholding of minority shareholders (%)	Profit or loss attributable to minority shareholders for the year 2017	Dividends paid to minority shareholders for the year 2017	Minority interests as at 31 December 2017
Dalian Container Terminal Co., Ltd.	51.85	90,169,010.47	(86,562,250.05)	1,936,717,325.33
Dalian Haijia Automobile Terminal Co., Ltd.	50.00	4,709,790.67	–	221,265,535.28
Dalian Port Lvshun Harbour Service Co., Ltd.	40.00	1,508,945.16	–	134,578,524.70
Dalian Golden Bay Grain Logistics Co., Ltd.	62.50	125,760.33	–	123,894,456.06

The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dalian Container Terminal Co., Ltd.	644,294,587.93	5,894,652,327.78	6,538,946,915.71	938,196,761.50	1,865,501,438.06	2,803,698,199.56
Dalian Haijia Automobile Terminal Co., Ltd.	163,918,176.40	289,782,873.88	453,701,050.28	3,693,071.46	7,476,908.25	11,169,979.71
Dalian Port Lvshun Harbour Service Co., Ltd.	34,834,218.41	344,921,584.29	379,755,802.70	10,637,031.87	32,672,459.07	43,309,490.94
Dalian Golden Bay Grain Logistics Co., Ltd.	148,131,189.84	50,463,230.57	198,594,420.41	363,290.72	–	363,290.72

	31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dalian Container Terminal Co., Ltd.	198,773,687.19	1,388,329,521.39	1,587,103,208.58	188,420,312.27	1,586,150.70	190,006,462.97
Dalian Haijia Automobile Terminal Co., Ltd.	105,095,629.64	341,929,526.82	447,025,156.46	8,741,807.05	5,171,860.21	13,913,667.26
Dalian Port Lvshun Harbour Service Co., Ltd.	19,689,600.05	351,321,669.04	371,011,269.09	5,603,542.80	32,733,777.45	38,337,320.25
Dalian Golden Bay Grain Logistics Co., Ltd.	146,618,141.62	53,994,297.67	200,612,439.29	2,582,526.13	–	2,582,526.13

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6 Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(b) Subsidiaries with significant minority interests (continued)

	2017				2016			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit/(loss)	Total comprehensive income/(loss)	Cash flows from operating activities
Dalian Container Terminal Co., Ltd.	679,729,816.62	173,903,588.18	173,903,588.18	343,353,670.73	475,719,213.21	136,595,247.17	136,595,247.17	218,385,045.22
Dalian Haijia Automobile Terminal Co., Ltd.	-	9,419,581.35	9,419,581.35	(50,000.00)	-	7,945,292.94	7,945,292.94	50,000.00
Dalian Port Lvshun Harbour Service Co., Ltd.	56,233,272.04	3,772,362.90	3,772,362.90	23,229,116.63	44,232,939.47	775,285.03	775,285.03	12,225,423.54
Dalian Golden Bay Grain Logistics Co., Ltd.	18,366,478.88	201,216.53	201,216.53	20,531,696.79	10,569,792.98	(3,775,182.49)	(3,775,182.49)	19,913,510.80

(2) Interests in joint ventures and associates

(a) Basic information of important joint ventures and associates

	Major business location	Place of registration	Nature of business	Whether strategic to the Group's activities	Shareholding (%)		Voting rights (%)
					Direct (%)	Indirect (%)	
Joint ventures -							
Dalian Changxing Island Port Investment and Development Co., Ltd. (ii)	Dalian, Liaoning	Dalian, Liaoning	Terminal facility development construction	Yes	46.58	-	50.00
China United International Rail Containers (Dalian) Co., Ltd. (iii)	Dalian, Liaoning	Dalian, Liaoning	International container service	Yes	-	40.00	40.00
Dalian Port Yidu Cold Chain Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Trading	Yes	-	50.00	50.00
Dalian Automobile Terminal Co., Ltd. (ii) (iii)	Dalian, Liaoning	Dalian, Liaoning	Import and export, handling and storage	Yes	32.00	-	33.33
Dalian Port PetroChina International Terminal Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Oil terminal, handling and consultancy	Yes	50.00	-	50.00
Odfjell Terminals (Dalian) Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Construction and operation of tank terminal	Yes	50.00	-	50.00
Associates -							
PetroChina Dalian LNG Co., Ltd	Dalian, Liaoning	Dalian, Liaoning	Liquefied natural gas business	Yes	20.00	-	20.00
Dalian Port Group Financial Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Financial industry	Yes	40.00	-	40.00
Sino Rail Bohai Train Ferry Co., Ltd. (i)	Yantai, Shandong	Yantai, Shandong	Ferry transportation	Yes	17.50	-	17.50
Dalian Puji Storage Facility Co., Ltd.	Dalian, Liaoning	Dalian, Liaoning	Other storage	Yes	-	40.00	40.00

The above equity investments are all measured using equity method by the Group.

Notes to the Financial Statements (continued)

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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(a) Basic information of important joint ventures and associates (continued)

- (i) Although the voting rights the Company owns in Sino Rail Bohai Train Ferry Co., Ltd. are less than 20%, the Company can still have a say in the operating policy of the investees for the Company's representatives appointed in the Board of Directors or similar authority institutions have substantive power in decision-making. Therefore, it is accounted for as an associate.
- (ii) The proportion of shareholdings is determined by the amount of contributions in the investment agreement, while the voting rights is determined by the voting methods of the highest decision-making institution in the Articles of Association of the invested company, which leads to inconsistency between the above two.
- (iii) In accordance with the Company's Articles of Association, all significant events are jointly decided by investors, thus it is a joint venture under common control of the Group.
- (iv) The significant joint ventures Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd. were merged by the Group's holding subsidiary Dalian Container Terminal Co., Ltd on 31 October 2017. Refer to Note 5(1) for detailed information. As at 31 December 2016, Dalian Port Container Terminal Co., Ltd. and Dalian International Container Terminal Co., Ltd. were disclosed as significant joint ventures.

(b) Summarised financial information of significant joint ventures

	31 December 2017					
	Dalian Changxing Island Port Investment and Development Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd. (ii)	Dalian Automobile Terminal Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.
Current assets	287,284,605.19	55,656,284.58	391,893,763.80	72,617,053.37	6,646,039.91	66,521,381.55
Including: Cash and cash equivalents	81,303,692.49	26,743,170.44	9,682,857.98	58,413,115.77	6,565,790.91	48,925,403.81
Non-current assets	4,530,241,014.76	406,371,469.22	516,037,710.50	535,638,759.18	489,351,927.38	379,976,482.10
Total assets	4,817,525,619.95	462,027,753.80	907,931,474.30	608,255,812.55	495,997,967.29	446,497,863.65
Current liabilities	323,065,780.39	11,219,221.59	90,957,464.79	111,905,403.96	75,477,284.43	40,654,191.35
Non-current liabilities	3,496,744,521.75	-	126,000,000.00	153.35	-	83,300,664.93
Total liabilities	3,819,810,302.14	11,219,221.59	216,957,464.79	111,905,557.31	75,477,284.43	123,954,856.28
Minority interests	-	-	-	-	-	-
Attributable to shareholders of the Company	997,715,317.81	450,808,532.21	690,974,009.51	496,350,255.24	420,520,682.86	322,543,007.37
Shares of net assets in proportion (i)	464,735,795.04	180,323,412.92	328,081,877.49	158,832,081.68	210,260,341.43	161,271,503.69
Adjustments						
- Goodwill	-	-	-	2,453,618.25	-	-
- Unrealised profits arising from internal transactions	(5,914,025.79)	-	-	-	-	-
Carrying amount of investment in joint ventures	458,811,769.24	180,323,412.92	328,081,877.49	166,546,488.69	210,260,341.43	161,275,711.82

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For the year ended 31 December 2017
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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(b) Summarised financial information of significant joint ventures (continued)

	31 December 2016								
	Dalian International Container Terminal Co., Ltd.	Dalian Changxing Island Port Investment and Development Co., Ltd.	Dalian Port Container Terminal Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd.	Dalian Automobile Terminal Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.	
Current assets	131,347,959.62	448,102,880.56	208,730,022.80	61,230,248.39	259,284,270.79	69,312,665.40	17,726,124.64	53,803,377.61	
Including: Cash and cash equivalents	73,752,697.50	231,316,753.82	131,232,214.18	16,292,061.83	23,692,294.27	47,433,571.85	17,633,159.64	38,369,931.91	
Non-current assets	2,754,556,509.12	4,319,157,507.36	1,699,507,781.08	417,710,265.21	448,907,946.08	544,747,093.64	507,039,183.29	387,724,324.75	
Total assets	2,885,904,468.74	4,767,260,387.92	1,908,237,803.88	478,940,513.60	708,192,216.87	614,059,759.04	524,765,307.93	441,527,702.36	
Current liabilities	127,817,394.55	1,547,529,715.48	244,503,752.75	16,497,377.04	136,981,649.29	21,427,079.36	6,696,530.36	36,914,852.55	
Non-current liabilities	1,398,712,031.26	2,226,954,432.27	930,570,670.00	-	122,000,000.00	81,561,130.31	140,000,000.00	88,403,640.24	
Total liabilities	1,526,529,425.81	3,774,484,147.75	1,175,074,422.75	16,497,377.04	258,981,649.29	102,988,209.67	146,696,530.36	125,318,492.79	
Minority interests	-	-	-	-	-	-	-	-	
Attributable to shareholders of the Company	1,359,375,042.93	992,776,240.17	733,163,381.13	462,443,136.56	449,210,567.58	511,071,549.37	378,068,777.57	316,209,209.57	
Shares of net assets based on shareholding (i)	543,750,017.17	462,435,172.67	256,607,183.40	184,977,254.66	333,208,705.77	171,924,261.75	189,034,388.78	158,104,604.79	
Adjustments									
- Goodwill	-	-	-	-	-	2,453,618.25	-	-	
- Unrealised profits arising from internal transactions	(132,986.73)	-	(42,087,886.35)	-	-	-	-	-	
Carrying amount of investment in joint ventures	543,703,911.85	462,425,172.67	214,519,297.05	184,977,254.66	333,208,705.77	174,377,880.00	189,034,388.78	158,104,604.79	

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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(b) Summarised financial information of significant joint ventures (continued)

	2017						
	Dalian Changxing Island Port Investment and Development Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd. (ii)	Dalian Automobile Terminal Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.	
Revenue	-	58,425,140.10	123,474,386.19	117,285,597.00	104,285,714.30	108,293,696.80	
Financial expenses	-	100,750.87	155,490.03	(1,976,157.58)	(4,706,159.63)	84,180.14	
Income tax expenses	-	-	(5,486,053.52)	(5,241,843.27)	(18,660,190.25)	(14,068,602.96)	
Net profit/(loss)	4,605,220.95	(11,634,604.35)	16,551,442.31	34,366,046.03	54,306,454.15	46,421,358.38	
Other comprehensive income	-	-	-	-	-	-	
Total comprehensive income/(loss)	4,605,220.95	(11,634,604.35)	16,551,442.31	34,366,046.03	54,306,454.15	46,421,358.38	
Dividends received from joint ventures by the Group for the current year	-	-	13,500,000.00	18,600,165.76	6,723,078.00	20,000,000.00	

	2016								
	Dalian International Terminal Co., Ltd.	Dalian Changxing Island Port Investment and Development Co., Ltd.	Dalian Port Container Terminal Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd. (ii)	Dalian Automobile Terminal Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.	
Revenue	305,213,687.91	-	476,708,590.92	54,061,023.83	114,171,651.82	95,034,769.40	106,107,142.85	87,900,068.79	
Financial expenses	(55,724,374.69)	-	(48,735,830.37)	133,997.49	(291,763.41)	(4,807,203.01)	(8,015,935.99)	(256,813.51)	
Income tax expenses	(6,409,163.50)	-	(7,127,707.78)	-	(6,063,728.82)	(3,266,556.50)	(17,938,489.05)	(10,008,132.15)	
Net profit/(loss)	20,674,620.45	(3,949,676.67)	51,282,776.00	772,389.38	16,321,211.07	20,416,627.73	53,784,626.44	33,000,706.88	
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive income/(loss)	20,674,620.45	(3,949,676.67)	51,282,776.00	772,389.38	16,321,211.07	20,416,627.73	53,784,626.44	33,000,706.88	
Dividends received from joint ventures by the Group for the current year	-	-	27,787,294.44	-	-	-	10,771,900.00	20,000,000.00	

(i) Share of asset is calculated according to proportion of shareholding based on the amount attributable to the parent company in the consolidated financial statements of joint ventures. The amount in the consolidated financial statements of joint ventures considers the impacts of fair value of identifiable assets and liabilities of joint ventures at the time of acquisition and the unification of accounting policies.

(ii) Profit for the current year is distributed based on proportion of paid-in capital.

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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(c) Summarised financial information of significant associates

	31 December 2017				31 December 2016			
	PetroChina Dalian LNG Co., Ltd	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.	PetroChina Dalian LNG Co., Ltd	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.
Current assets	177,963,629.33	6,182,398,085.36	159,266,700.69	8,338,096.54	28,583,362.26	4,812,437,575.65	218,844,931.57	27,781,507.90
Non-current assets	3,031,291,051.17	2,476,233,843.18	1,963,116,127.72	597,006,172.78	3,279,303,477.76	3,032,883,600.50	2,051,034,390.78	624,145,703.42
Total assets	3,209,254,680.50	8,658,631,928.54	2,122,382,828.41	605,344,269.32	3,307,886,840.02	7,845,321,176.15	2,269,879,322.35	651,927,211.32
Current liabilities	127,869,139.81	6,332,169,810.98	457,517,056.59	19,115,217.84	428,993,652.13	5,317,099,142.78	571,636,154.24	32,022,402.86
Non-current liabilities	-	-	150,000,000.00	214,517,999.15	-	-	210,000,000.00	216,017,999.15
Total liabilities	127,869,139.81	6,332,169,810.98	607,517,056.59	233,633,216.99	428,993,652.13	5,317,099,142.78	781,636,154.24	248,040,402.01
Minority interests Attributable shareholders of the Company	-	-	21,537,680.49	-	-	-	21,053,473.59	-
Shares of net assets in proportion (i)	616,277,108.14	930,584,847.02	261,332,415.98	148,684,420.93	575,778,637.58	1,011,288,813.35	256,758,196.50	161,554,723.72
Adjustments								
- Goodwill	-	-	-	-	-	-	-	-
- Unrealised profits arising from internal transactions	-	-	-	(25,792,603.04)	-	-	-	(26,534,123.60)
Carrying amount of investment in associates	616,277,108.14	930,584,847.02	261,332,415.92	122,891,817.88	575,778,637.58	1,011,288,813.35	256,758,196.50	135,020,600.12

	2017				2016			
	PetroChina Dalian LNG Co., Ltd	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.	PetroChina Dalian LNG Co., Ltd	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.
Revenue	892,521,434.00	295,547,703.52	482,521,257.07	27,900,818.56	524,868,894.62	276,688,563.95	386,768,142.78	26,702,700.10
Net profit/(loss)	384,998,030.60	161,754,680.31	27,654,314.92	(30,315,716.65)	99,700,008.71	171,566,387.15	(19,415,967.60)	(27,680,032.43)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	384,998,030.60	161,754,680.31	27,654,314.92	(30,315,716.65)	99,700,008.71	171,566,387.15	(19,415,967.60)	(27,680,032.43)
Dividends received from associates by the Group for the current year	37,358,825.56	145,405,838.45	-	-	-	-	-	-

- (i) Share of asset is calculated according to proportion of shareholding based on the amount attributable to the parent company in the consolidated financial statements of associates. The amount in the consolidated financial statements of associates considers the impacts of fair value of identifiable assets and liabilities of associates at the time of acquisition and the unification of accounting policies.

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6 Interests in other entities (continued)

(2) Interests in joint ventures and associates (continued)

(d) Summarised financial information of insignificant joint ventures and associates

	2017	2016
Joint ventures:		
Aggregated carrying amount of investments	397,185,438.72	354,047,905.15
Aggregate of the following items in proportion		
Net profit/(loss) (i)	110,819,004.93	(22,399,073.34)
Other comprehensive income (i)	–	–
Total comprehensive income/(loss)	110,819,004.93	(22,399,073.34)
Associates:		
Aggregated carrying amount of investments	347,866,908.70	308,911,352.43
Aggregate of the following items in proportion		
Net profit (i)	37,501,121.27	30,466,499.65
Other comprehensive income (i)	–	–
Total comprehensive income	37,501,121.27	30,466,499.65

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment and accounting policies unifying.

(e) Excess deficit incurred in joint ventures and associates

	Accumulated unrecognised losses at the beginning of the year	Unrecognised losses in the current year	Decrease in the current year (i)	Accumulated unrecognised losses at the end of the year
SINOECL Auto Liners, Limited	1,470,487.07	–	(1,470,487.07)	–
Jadeway Limited	2,607,345.35	–	(2,607,345.35)	–
Ha'ou International Logistics Co., Ltd.	–	9,617,014.64	–	9,617,014.64

(i) As at 31 December 2017, SINOECL Auto Liners, Limited and Jadeway Limited had completed all deregistration procedures.

(f) Unrecognised commitments relating to investment in joint ventures are listed in Note 10. Contingent liabilities arising from investment of joint ventures and associates are detailed in Note 9.

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7 Segment information

The reportable segments of the Group are the business units that provide different products or services, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies, the Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group identified 8 reportable segments as follows:

- Oil/liquefied chemicals terminal and related logistics services, responsible for loading and discharging, storage and transshipment of oil products and liquefied chemicals, port management services and oil trade business
- Container terminal and related logistics services, responsible for loading and discharging, storage and transshipment of containers, leasing of terminals and various container logistics services and sales of properties
- General cargo terminal and related logistics and trading services, responsible for loading and discharging of general cargo and provision of related logistics services and steel trading
- Ore terminal and related logistics services, responsible for loading and discharging of ore and provision of related logistics services
- Bulk grains terminal and related logistics and trading services, responsible for loading and discharging of grains and provision of related logistics services and unprocessed grains trading operation
- Passenger and roll-on, roll-off terminal and related logistics services, responsible for passenger transportation and general cargo roll-on and roll-off provision of related logistics services
- Port value-added services and related ancillary port operations, responsible for tallying, tugging, transportation, power supply, information technology and construction services
- Automobile terminal and related logistics and trading services, responsible for loading and discharging of automobile and provision of related logistics and trading services

Management monitors the results of the business units separately for the purpose of making decisions about resources allocation and performance assessment.

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profit. The adjusted total profit is measured consistently with the Group's total profit except for certain revenue and expenses attributable to headquarters. Segment assets and liabilities exclude certain assets and liabilities attributable to headquarters as these assets and liabilities are managed by the Group.

The above reporting segments are the basis on which the Group reports its segment information and no operating segments have been aggregated to form the above reportable segments.

Notes to the Financial Statements (continued)

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7 Segment information (continued)

Inter-segment revenue is eliminated on consolidation. Inter-segment sales and transactions are conducted in accordance with the terms mutually agreed between the parties.

Inter-segment transfer prices are measured by reference to selling prices to third parties.

The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

(a) Segment information as at and for the year ended 31 December 2017 was as follows (unit: RMB'000):

	Oil and liquefied chemicals terminal and related logistics services	Container terminal and related logistics services	General cargo terminal and related logistics and trading services	Ore terminal and related logistics services	Bulk grains terminal and related logistics and trading services	Passenger, roll-on, roll-off terminal and related logistics services	Port value-added services and related ancillary port operations	Automobile terminal and related logistics and trading services	Others	Elimination	Total
Revenue from external customers	2,568,149	2,324,694	315,435	385,758	493,134	163,083	955,245	1,728,744	97,401	-	9,031,643
Inter-segment revenue	2,833	5,374	334	233	1,324	1,025	132,922	-	39,642	(183,687)	-
Cost of sales from main operations	2,043,345	1,826,870	320,885	272,347	433,654	110,659	564,850	1,688,457	29,431	-	7,290,498
Interest income	24,506	6,268	1,136	313	2,900	605	2,298	3,282	76,960	-	118,268
Investment income/(loss) from associates and joint ventures	140,720	80,393	24,410	9,065	(376)	10,579	70,437	24,889	-	-	360,117
Asset impairment losses	-	(0)	(10)	-	-	-	-	59,928	-	-	59,918
Depreciation and amortisation expenses	219,883	244,600	82,669	103,949	65,912	32,634	70,188	272	30,382	-	850,489
Total profit/(loss)	598,665	466,987	(45,387)	88,059	12,473	25,788	215,079	(31,020)	(603,486)	-	727,158
Income tax expenses	113,062	125,860	(15,882)	19,745	5,830	2,813	23,507	2,109	(124,178)	-	152,866
Net profit/(loss)	485,603	341,127	(29,505)	68,314	6,643	22,975	191,572	(33,129)	(479,308)	-	574,292
Total assets	7,668,008	11,385,210	2,317,232	1,972,700	1,418,002	1,494,717	2,712,976	1,909,937	7,506,518	(1,800,024)	36,585,276
Total liabilities	1,884,354	5,411,929	77,703	79,725	215,692	63,293	262,138	930,667	8,840,001	(1,800,024)	15,965,478
Non-cash expenses other than depreciation and amortisation expenses	1,423	11,833	22	-	-	15	474	-	62,243	-	76,010
Long-term equity investments in associates and joint ventures	1,560,907	783,781	143,335	13,712	39,844	345,634	951,356	342,869	-	-	4,181,438
Increase in non-current assets	114,292	4,866,955	18,313	20,424	34,407	100,144	22,214	26,808	22,032	-	5,225,589

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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7 Segment information (continued)

(a) Segment information as at and for the year ended 31 December 2016 was as follows (unit: RMB'000):

	Oil and liquefied chemicals terminal and related logistics services	Container terminal and related logistics services	General cargo terminal and related logistics and trading services	Ore terminal and related logistics services	Bulk grains terminal and related logistics and trading services	Passenger, roll-on, roll-off terminal and related logistics services	Port value-added services and related ancillary port operations	Automobile terminal and related logistics and trading services	Others	Elimination	Total
Revenue from external customers	6,151,513	1,548,058	469,722	314,028	681,658	138,608	937,339	2,490,667	82,891	-	12,614,484
Inter-segment revenue	1,101	3,959	241	233	691	914	104,901	-	47,255	(159,295)	-
Cost of sales from main operations	5,405,841	1,181,209	484,968	281,267	683,657	98,281	569,093	2,426,318	29,841	-	11,160,475
Interest income	18,717	4,458	1,145	257	3,125	258	2,244	2,765	42,870	-	75,839
Investment income/(loss) from associates and joint ventures	72,825	33,103	(34,191)	5,027	-	(990)	75,757	11,301	-	-	162,832
Asset impairment losses	-	5,944	-	-	-	-	-	-	-	-	5,944
Depreciation and amortisation expenses	219,694	193,530	85,684	106,097	67,941	31,324	69,190	148	27,487	-	801,095
Total profit/(loss)	737,493	271,287	(109,044)	5,949	(56,330)	4,613	189,310	25,884	(291,149)	-	778,013
Income tax expenses	185,103	62,901	(20,636)	114	(15,453)	1,136	25,949	2,830	(76,614)	-	165,330
Net profit/(loss)	552,390	208,386	(88,408)	5,835	(40,877)	3,477	163,361	23,054	(214,535)	-	612,683
Total assets	7,611,956	7,545,201	2,363,230	1,941,560	1,358,248	1,325,679	2,845,978	1,558,615	7,053,211	(1,701,613)	31,902,065
Total liabilities	1,660,690	2,215,015	74,596	68,432	148,145	54,661	248,854	683,933	9,343,037	(1,701,613)	12,795,750
Non-cash expenses other than depreciation and amortisation expenses	1,105	11,899	22	25	-	36	473	-	33,621	-	47,181
Long-term equity investments in associates and joint ventures	1,488,877	1,590,379	118,902	9,554	-	335,055	1,031,396	327,994	-	-	4,902,157
Increase in non-current assets (i)	66,272	88,747	27,205	31,114	24,011	27,301	96,513	45,838	27,480	-	434,481

(i) Non-current assets exclude financial assets, long-term equity investments and deferred tax assets.

Geographical information:

The entire Group's operations are located in Mainland China. Therefore, all revenue of segments is generated from the Mainland China and the major non-current assets are also located in Mainland China.

Information about major customers:

The revenue from oil/liquefied chemicals terminal and related logistics services segment of RMB486,271,159.63 is derived from one single customer, accounting for 5.38% of the Group's total revenue.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
 (All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

8 Related parties and related party transactions

(1) Information of the parent of the company

(a) General information of the parent company

	Type	Place of incorporation	Nature of business
PDA Group	Solely state-owned	Dalian, Liaoning	Port business

The Company's ultimate controlling party is PDA Group.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
PDA Group	12,000,000,000.00	83,156,000.00	–	12,083,156,000.00

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2017		31 December 2016	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
PDA Group	46.78%	46.78%	45.74%	45.74%

(2) Information of Subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6(1)(a).

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(3) Information of joint ventures and associates

Except for those material joint ventures and associates disclosed in Note 6(2)(a), other joint ventures and associates that have related party transactions with the Group are as follows:

	Relationship with the Group
Ha'ou International Logistics Co., Ltd.	Joint venture
China Oil Dock Management (Dalian) Co., Ltd. (i)	Joint venture
Dalian Port Tongli Shipping Agency Co., Ltd.	Joint venture
Dalian Singamas International Container Co., Ltd. (i)	Joint venture
Dalian Jilong Logistics Co., Ltd. (i)	Joint venture
Dalian Changxing Island Port Co., Ltd. (i)	Joint venture
Dalian Vanguard International Logistics Co., Ltd.	Joint venture
Odfjell Dalian Port Consulting Co., Ltd.	Joint venture
China United Tally (Dalian) Co., Ltd.	Joint venture
Weifang Senda Container Service Co., Ltd.	Joint venture
Liaoning Electronic Port Co., Ltd.	Joint venture
Dalian United International Shipping Agency Co., Ltd.	Joint venture
Dalian Dagang China Shipping Container Terminal Co., Ltd.	Joint venture
Odfjell Changxing Terminals (Dalian) Co., Ltd.	Joint venture
Dalian Port Bulk Cargo Logistics Centre Co., Ltd. (i)	Joint venture
Dalian Harbour ECL Logistics Co., Ltd.	Joint venture
Dalian Shunde Jifa Supply Chain Management Co., Ltd. (i)	Joint venture
Dalian Port Xiangyu Grain Logistics Co., Ltd. (i)	Joint venture
Liaoning Con-Rail International Logistics Co., Ltd. (ii)	Joint venture
Guangzhou King Port Auto International Trade Co., Ltd.	Associate
Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.	Associate
Taicang Xinggang Tug Co., Ltd.	Associate
Dalian Port New Silk Road International Logistics Co., Ltd.	Associate
Dalian North Oil Petroleum Logistics Co., Ltd.	Associate
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	Associate
Dalian Wanpeng Port Engineering Testing Co., Ltd.	Associate
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	Associate
China Harbour United Shipping Co., Ltd.	Associate

(i) In accordance with the Company's Articles of Association, all significant events are jointly decided by investors, and thus it is a joint venture under common control of the Group.

(ii) Liaoning Con-Rail International Logistics Co., Ltd. was included in the Group's consolidation scope on 26 August 2017. Refer to Note 5 for detailed information of changes in consolidation scope.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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8 Related parties and related party transactions (continued)

(4) Information of other related parties

	Relationship with the Group
Dalian Port Machinery Co., Ltd.	Subsidiary of the parent company
Dalian Port Security Services Co., Ltd.	Subsidiary of the parent company
Dalian Hongyu Building Co., Ltd.	Subsidiary of the parent company
Dalian Harbour Engineering Co., Ltd.	Subsidiary of the parent company
Dalian Harbour Building Co., Ltd.	Subsidiary of the parent company
Dalian Dagang Hongyu Housekeeping Services Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Construction Engineering Co., Ltd.	Subsidiary of the parent company
Dalian Dongwang Auto Repair Factory	Subsidiary of the parent company
Dalian Port Wantong Logistics Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Port Company Limited	Subsidiary of the parent company
Dalian Wanfeng Properties Co., Ltd.	Subsidiary of the parent company
Dalian Port Petroleum & Chemical Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Automobile Terminal Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Investment and Development Co., Ltd.	Subsidiary of the parent company
Dalian FTZ Yongdixin Real Estate Development Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Investment & Development Co., Ltd.	Subsidiary of the parent company
Dalian International Cruise City Development Co., Ltd.	Subsidiary of the parent company
Dalian Gangtai Insurance Brokers Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Container Terminal Co., Ltd.	Subsidiary of the parent company
Dalian Port Investment and Financing Holding Group Co., Ltd.	Subsidiary of the parent company
Dalian Port Real Estate Co., Ltd.	Subsidiary of the parent company
Dalian Creative Industry Project Development Co., Ltd.	Subsidiary of the parent company
Dalian Harbour City Construction Development Co., Ltd.	Subsidiary of the parent company
Dalian Port Petty Loan Co., Ltd.	Subsidiary of the parent company
Dalian Northeast Asia International Shipping Center of Shipping Exchange Market Co., Ltd.	Subsidiary of the parent company
PDA Group (Jinzhou) Liaoxi Port Investment and Development Co., Ltd.	Subsidiary of the parent company
Dalian Ganghe Economic and Trade Co., Ltd.	Subsidiary of the parent company
Dalian Wantong Ronghai Shipping Co., Ltd.	Subsidiary of the parent company
Dalian Equipment Finance Lease Co., Ltd.	Subsidiary of the parent company
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	Subsidiary of the parent company

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Related parties and related party transactions (continued)

(4) Information of other related parties (continued)

	Relationship with the Group
Jinzhou Liaoxi PDA Properties Co., Ltd	Subsidiary of the parent company
Ningbo Yizhihong International Trade Co., Ltd.	Subsidiary of the parent company
Shenyang Kaiming Industrial Co., Ltd.	Subsidiary of the parent company
Ganghe (Shanghai) Economic and Trade Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Investment & Holding Co., Ltd.	Subsidiary of the parent company
Dalian Yuxiang Marine Engineering Co., Ltd.	Subsidiary of the parent company
Changhai County Guanglu Wharf Construction Management Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Real Estate Development Co., Ltd.	Subsidiary of the parent company
Shenyang Mingshuo Industrial Development Co., Ltd.	Subsidiary of the parent company
Dalian ETDZ Harbour Freight Co., Ltd.	Subsidiary of the parent company
Ocean Harvest Container Co. Ltd.	Subsidiary of the parent company
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	Joint venture of the parent company
Dalian Port Industrial Co., Ltd.	Associate of the parent company
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	Associate of the parent company
Dalian Port Rixing Boiler Installation Co., Ltd.	Associate of the parent company
Dalian Port Xingang Construction Engineering Co., Ltd.	Associate of the parent company
Dalian Port Property Management Co., Ltd.	Associate of the parent company
Dalian Port Landscape Engineering Co., Ltd.	Associate of the parent company
Dalian Life Raft Inspection Co., Ltd.	Associate of the parent company
Jinzhou Port Co., Ltd.	Associate of the parent company
Dalian Port Machinery and Electric Co., Ltd.	Associate of the parent company
Dalian Port Design & Research Institute Co., Ltd.	Associate of the parent company
Dalian CITIC Harbour Investment Co., Ltd.	Associate of the parent company
Datong Securities Co., Ltd.	Associate of the parent company
Dalian Port Real Estate Group Co., Ltd.	Associate of the parent company
Dalian Wanpeng Foundation Engineering Co., Ltd.	Associate of the parent company
Dalian Port Industrial Co., Ltd. (Xingang Gas Station)	Associate of the parent company
Liaogang Commodity Trading Co., Ltd	Associate of the parent company
China Shipping Terminal Development Co., Ltd.	Major shareholder of significant subsidiaries

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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8 Related parties and related party transactions (continued)

(5) Related party transactions

(a) Purchase and sales of goods, and rendering and receiving of service

(i) Purchase of goods and receiving of service

Transactions with the parent company

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
PDA Group	Comprehensive service	Terms of agreement	18,331,077.90	16,689,036.29

Transactions with joint ventures and associates

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
Ha'ou International Logistics Co., Ltd.	Transportation	Terms of agreement	104,408,298.30	1,142.08
China United International Rail Containers (Dalian) Co., Ltd.	Transportation	Terms of agreement	28,883,690.09	29,962,152.41
China Oil Dock Management (Dalian) Co., Ltd.	Port service	Terms of agreement	19,774,476.58	16,847,854.37
Dalian International Container Terminal Co., Ltd.	Handling service	Terms of agreement	5,928,853.12	7,690,318.74
Dalian Port Container Terminal Co., Ltd.	Handling service	Terms of agreement	2,293,599.32	2,556,933.98
Dalian Port Tongli Shipping Agency Co., Ltd.	Agent service	Terms of agreement	1,417,468.80	1,417,672.41
Dalian Singamas International Container Co., Ltd.	Comprehensive service	Terms of agreement	1,161,966.34	846,820.64
Dalian Automobile Terminal Co., Ltd.	Supervision service	Terms of agreement	754,716.96	6,553.40
Dalian Jilong Logistics Co., Ltd.	Comprehensive service	Terms of agreement	611,666.18	387,631.45
Liaoning Con-Rail International Logistics Co., Ltd.	Transportation	Terms of agreement	542,211.04	-
Dalian Changxing Island Port Co., Ltd.	Electrical service	Terms of agreement	351,239.24	307,486.79
Dalian Gangsheng Tendering&Bidding Agency Co., Ltd.	Agent service	Terms of agreement	257,905.66	126,731.13

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(i) Purchase of goods and receiving of service (continued)

Transactions with the joint ventures and associates (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
Dalian Port Group Financial Co., Ltd.	Financial service	Terms of agreement	214,828.68	260,227.14
Dalian Vanguard International Logistics Co., Ltd.	Transportation	Terms of agreement	193,123.58	1,000.00
Odfjell Dalian Port Consulting Co., Ltd.	Training service	Terms of agreement	174,820.39	211,040.89
China United Tally (Dalian) Co., Ltd.	Tally service	Terms of agreement	164,433.96	340,922.64
Dalian Changxing Island Port Investment and Development Co., Ltd.	Comprehensive service	Terms of agreement	-	77,688,679.30
Odfjell Terminals (Dalian) Co., Ltd.	Storage service	Terms of agreement	-	896,761.70
Guangzhou King Port Auto International Trade Co., Ltd.	Agent service	Terms of agreement	-	719,207.54
Weifang Senda Container Service Co., Ltd.	Transportation	Terms of agreement	-	283,807.55
Liaoning Electronic Port Co., Ltd.	Telecommunication service	Terms of agreement	-	120,754.72
			167,133,298.24	140,673,698.88

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(i) Purchase of goods and receiving of service (continued)

Transaction with other related parties

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	Purchase of fuel	Terms of agreement	49,051,693.18	44,784,806.05
Dalian Port Industrial Co., Ltd.	Comprehensive service	Terms of agreement	31,425,753.25	30,313,224.64
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	Purchase of fuel	Terms of agreement	27,063,265.01	20,248,343.29
Dalian Port Machinery Co., Ltd.	Maintenance service	Terms of agreement	12,491,908.79	9,912,724.45
Dalian Port Rixing Boiler Installation Co., Ltd.	Maintenance service	Terms of agreement	4,425,938.09	1,985,963.15
Dalian Port Xingang Construction Engineering Co., Ltd.	Maintenance service	Terms of agreement	3,265,346.34	1,706,483.26
Dalian Hongyu Building Co., Ltd.	Comprehensive service	Terms of agreement	2,713,060.86	2,573,819.22
Dalian Port Security Services Co., Ltd.	Security service	Terms of agreement	2,357,056.50	2,007,952.20
Dalian Harbour Building Co., Ltd.	Comprehensive service	Terms of agreement	1,409,893.10	1,052,827.73
Dalian Harbour Engineering Co., Ltd.	Comprehensive service	Terms of agreement	1,381,398.92	1,520,500.69
Dalian Port Property Management Co., Ltd.	Property service	Terms of agreement	759,851.33	459,698.79
Dalian Port Landscape Engineering Co., Ltd.	Comprehensive service	Terms of agreement	355,367.04	422,038.84
China Shipping Terminal Development Co., Ltd.	Consulting service	Terms of agreement	233,333.33	-
Dalian Life Raft Inspection Co., Ltd.	Maintenance service	Terms of agreement	167,664.97	204,350.44
Jinzhou Port Co., Ltd.	Comprehensive service	Terms of agreement	31,591.11	-
Dalian Dagang Hongyu Housekeeping Services Co., Ltd.	Property service	Terms of agreement	485.44	-
Dalian Port Machinery and Electric Co., Ltd.	Maintenance service	Terms of agreement	-	2,274,306.38
Dalian Taiping Bay Construction Engineering Co., Ltd.	Purchase of materials	Terms of agreement	-	307,540.00
Dalian Port Design & Research Institute Co., Ltd.	Comprehensive service	Terms of agreement	-	168,207.55
Dalian Dongwang Auto Repair Factory	Maintenance service	Terms of agreement	-	14,996.15
			137,133,607.26	119,957,782.83

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service

Transactions with the parent company

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
PDA Group	Comprehensive service	Terms of agreement	21,267,078.62	33,103,558.30

Transactions with joint ventures and associates

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
Dalian Changxing Island Port Investment and Development Co., Ltd.	Comprehensive service	Terms of agreement	68,510,174.35	140,643,878.33
Dalian Port Container Terminal Co., Ltd.	Comprehensive service	Terms of agreement	42,757,874.83	49,443,142.48
China Oil Dock Management (Dalian) Co., Ltd.	Comprehensive service	Terms of agreement	42,146,527.20	41,493,392.06
Dalian International Container Terminal Co., Ltd.	Comprehensive service	Terms of agreement	36,719,621.87	38,762,421.64
Dalian Port Yidu Cold Chain Co., Ltd.	Comprehensive service	Terms of agreement	22,127,755.68	20,187,551.52
Taicang Xinggang Tug Co., Ltd.	Transportation	Terms of agreement	16,138,817.98	13,424,150.96
Ha'ou International Logistics Co., Ltd.	Transportation	Terms of agreement	15,871,191.36	–
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	Comprehensive service	Terms of agreement	14,633,958.74	16,176,760.03
Dalian United International Shipping Agency Co., Ltd.	Comprehensive service	Terms of agreement	13,890,835.28	8,642,398.04
Dalian Port New Silk Road International Logistics Co., Ltd.	Logistics service	Terms of agreement	11,896,116.00	–
Dalian Changxing Island Port Co., Ltd.	Comprehensive service	Terms of agreement	9,450,089.50	9,596,143.99
Liaoning Con-Rail International Logistics Co., Ltd.	Comprehensive service	Terms of agreement	7,685,466.26	18,974,128.95

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transactions with joint ventures and associates (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
Odfjell Terminals (Dalian) Co., Ltd.	Comprehensive service	Terms of agreement	6,310,935.11	7,264,330.19
Dalian Automobile Terminal Co., Ltd.	Comprehensive service	Terms of agreement	4,884,498.45	5,038,317.42
China United International Rail Containers (Dalian) Co., Ltd.	Comprehensive service	Terms of agreement	1,856,790.52	1,838,077.53
Dalian Jilong Logistics Co., Ltd.	Comprehensive service	Terms of agreement	1,721,020.80	1,847,163.08
Dalian Vanguard International Logistics Co., Ltd.	Comprehensive service	Terms of agreement	1,650,783.31	1,589,595.85
Dalian Singamas International Container Co., Ltd.	Comprehensive service	Terms of agreement	1,592,383.73	1,292,840.86
Dalian Port Group Financial Co., Ltd.	Comprehensive service	Terms of agreement	1,307,394.17	387,624.66
Dalian Dagang China Shipping Container Terminal Co., Ltd.	Comprehensive service	Terms of agreement	1,298,091.60	2,333,285.23
Dalian North Oil Petroleum Logistics Co., Ltd.	Electrical service	Terms of agreement	1,218,260.27	1,901,469.69
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	Transportation	Terms of agreement	902,934.43	2,320,787.64
China United Tally (Dalian) Co., Ltd.	Telecommunication service	Terms of agreement	716,050.25	751,734.71
Dalian Port PetroChina International Terminal Co., Ltd.	Comprehensive service	Terms of agreement	694,206.50	691,969.32
Odfjell Changxing Terminals (Dalian) Co., Ltd.	Comprehensive service	Terms of agreement	622,367.88	604,384.38
Weifang Senda Container Service Co., Ltd.	Comprehensive service	Terms of agreement	424,528.00	-
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	Comprehensive service	Terms of agreement	355,140.83	142,944.90
Dalian Harbour ECL Logistics Co., Ltd.	Comprehensive service	Terms of agreement	293,032.97	292,680.07

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transactions with joint ventures and associates (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
PetroChina Dalian LNG Co., Ltd	Comprehensive service	Terms of agreement	188,735.21	8,128.20
Dalian Port Tongli Shipping Agency Co., Ltd.	Telecommunication service	Terms of agreement	142,969.14	51,562.44
Dalian Wanpeng Port Engineering Testing Co., Ltd.	Comprehensive service	Terms of agreement	68,507.44	48,955.93
Dalian Port Xiangyu Grain Logistics Co., Ltd.	Comprehensive service	Terms of agreement	7,593.96	-
Dalian Puji Storage Facility Co., Ltd.	Comprehensive service	Terms of agreement	3,537.80	2,082,424.71
Guangzhou King Port Auto International Trade Co., Ltd.	Sales of goods	Terms of agreement	-	41,080,953.58
China Harbour United Shipping Co., Ltd.	Comprehensive service	Terms of agreement	-	1,118,950.65
Dalian Shunde Jifa Supply Chain Management Co., Ltd.	Comprehensive service	Terms of agreement	-	289,245.31
Sino Rail Bohai Train Ferry Co., Ltd.	Port service	Terms of agreement	-	2,542.45
			328,088,191.42	430,323,936.80

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transaction with other related parties

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
Dalian Port Wantong Logistics Co., Ltd.	Comprehensive service	Terms of agreement	29,608,410.49	30,279,649.72
Dalian Taiping Bay Port Company Limited	Project supervision	Terms of agreement	17,254,576.64	13,685,143.51
Dalian CITIC Harbour Investment Co., Ltd.	Electrical services	Terms of agreement	3,689,789.49	5,904,652.03
Dalian Creative Industry Project Development Co., Ltd.	Comprehensive service	Terms of agreement	2,640,225.31	48,268.89
Dalian Port Industrial Co., Ltd.	Comprehensive service	Terms of agreement	2,511,070.99	3,283,736.00
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	Comprehensive service	Terms of agreement	2,087,986.42	708,255.58
Dalian Wanfeng Properties Co., Ltd.	Comprehensive service	Terms of agreement	1,895,413.65	892,101.99
Dalian Port Petroleum & Chemical Co., Ltd.	Comprehensive service	Terms of agreement	1,658,780.06	2,294,706.28
Dalian Port Machinery and Electric Co., Ltd.	Engineering construction	Terms of agreement	1,645,167.24	4,800,226.64
Dalian Port North Shore Automobile Terminal Co., Ltd.	Project supervision	Terms of agreement	1,590,580.84	1,198,112.87
Dalian Hongyu Building Co., Ltd.	Comprehensive service	Terms of agreement	1,444,786.53	1,307,781.16
Dalian Harbour Engineering Co., Ltd.	Comprehensive service	Terms of agreement	1,384,860.86	1,712,224.61
Dalian Port North Shore Investment and Development Co., Ltd.	Comprehensive service	Terms of agreement	1,103,228.75	386,497.01
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	Comprehensive service	Terms of agreement	920,897.21	1,281,042.60
Dalian Port Machinery Co., Ltd.	Comprehensive service	Terms of agreement	885,264.79	865,370.47
Datong Securities Co., Ltd.	Telecommunication service	Terms of agreement	862,564.11	1,486,290.60
Dalian FTZ Yongdexin Real Estate Development Co., Ltd.	Telecommunication service	Terms of agreement	653,221.21	934,805.48
Liaogang Commodity Trading Co., Ltd	Transportation	Terms of agreement	439,639.64	-
Dalian Taiping Bay Investment & Development Co., Ltd.	Comprehensive service	Terms of agreement	415,368.50	1,236,930.37

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transaction with other related parties (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
Dalian International Cruise City Development Co., Ltd.	Comprehensive service	Terms of agreement	286,623.79	–
Dalian Port Design & Research Institute Co., Ltd.	Telecommunication service	Terms of agreement	222,627.64	592,786.20
Dalian Gangtai Insurance Brokers Co., Ltd.	Comprehensive service	Terms of agreement	200,922.43	–
Dalian Port North Shore Container Terminal Co., Ltd.	Comprehensive service	Terms of agreement	145,867.97	7,422,641.05
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	Telecommunication service	Terms of agreement	102,417.11	91,367.03
Dalian Port Investment and Financing Holding Group Co., Ltd.	Comprehensive service	Terms of agreement	71,036.30	98,403.92
Dalian Port Real Estate Co., Ltd.	Comprehensive service	Terms of agreement	60,719.79	129,144.87
Dalian Harbour City Construction Development Co., Ltd.	Telecommunication service	Terms of agreement	39,802.82	41,899.54
Dalian Port Petty Loan Co., Ltd.	Telecommunication service	Terms of agreement	26,749.90	21,666.43
Dalian Northeast Asia International Shipping Center of Shipping Exchange Market Co., Ltd.	Telecommunication service	Terms of agreement	26,414.19	33,022.49
PDA Group (Jinzhou) Liaoxi Port Investment and Development Co., Ltd.	Telecommunication service	Terms of agreement	20,649.13	5,956.06
Dalian Port Landscape Engineering Co., Ltd.	Telecommunication service	Terms of agreement	18,041.46	18,375.44
Dalian Port Rixing Boiler Installation Co., Ltd.	Telecommunication service	Terms of agreement	15,725.19	27,724.52
Dalian Harbour Building Co., Ltd.	Comprehensive service	Terms of agreement	13,409.98	13,780.60
Dalian Port Xingang Construction Engineering Co., Ltd.	Telecommunication service	Terms of agreement	9,271.17	6,649.31
Dalian Ganghe Economic and Trade Co., Ltd.	Telecommunication service	Terms of agreement	7,547.16	–
Dalian Port Real Estate Group Co., Ltd.	Comprehensive service	Terms of agreement	5,609.07	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Purchase and sales of goods, and rendering and receiving of service (continued)

(ii) Sales of goods and rendering of service (continued)

Transaction with other related parties (continued)

	Nature of related party transactions	Pricing policies for related party transaction	Amount for the year 2017	Amount for the year 2016
Dalian Wantong Ronghai Shipping Co., Ltd.	Telecommunication service	Terms of agreement	5,003.07	10,375.04
Dalian Port Property Management Co., Ltd.	Telecommunication service	Terms of agreement	4,762.18	175,215.66
Dalian Equipment Finance Lease Co., Ltd.	Telecommunication service	Terms of agreement	3,396.23	-
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	Telecommunication service	Terms of agreement	3,300.60	10,142.96
Dagang Hongyu Domestic Services Co., Ltd.	Telecommunication service	Terms of agreement	1,782.87	1,823.42
Jinzhou Western Liaoning Dalian Port Real Estate Co., Ltd.	Project supervision	Terms of agreement	1,698.11	152,547.17
Ningbo Yizhihong International Trade Co., Ltd.	Telecommunication service	Terms of agreement	1,132.08	1,132.08
Shenyang Kaiming Industrial Co., Ltd.	Telecommunication service	Terms of agreement	1,132.08	535.48
Ganghe (Shanghai) Economic and Trade Co., Ltd.	Telecommunication service	Terms of agreement	1,132.08	-
Dalian Taiping Bay Construction Engineering Co., Ltd.	Telecommunication service	Terms of agreement	711.34	1,132.08
Dalian Taiping Bay Investment & Holding Co., Ltd.	Comprehensive service	Terms of agreement	566.04	-
Dalian Yuxiang Marine Engineering Co., Ltd.	Comprehensive service	Terms of agreement	566.04	-
Changhai County Guanglu Wharf Construction Management Co., Ltd.	Project supervision	Terms of agreement	-	188,679.25
Dalian Wanpeng Foundation Engineering Co., Ltd.	Heating services	Terms of agreement	-	32,423.06
Dalian Port North Shore Property Development Co., Ltd.	Telecommunication service	Terms of agreement	-	1,132.08
Dalian Port Industrial Co., Ltd. Xingang Gas Station	Telecommunication service	Terms of agreement	-	795.49
			73,990,450.55	81,385,147.04

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(b) Leases

The Group as the lessor

Transactions with joint ventures and associates:

Name of lessee	Type of the leased property	Leasing income recognised for the year 2017	Leasing income recognised for the year 2016
Dalian Port Container Terminal Co., Ltd.	Buildings/berth and stock yard	108,197,739.49	106,017,240.51
China Oil Dock Management (Dalian) Co., Ltd.	Berth and stock yard	14,205,102.77	14,278,897.23
Liaoning Con-Rail International Logistics Co., Ltd.	Handling equipment	10,998,331.73	11,241,606.75
Dalian Jilong Logistics Co., Ltd.	Site place	4,940,638.42	4,366,022.66
Dalian Port Yidu Cold Chain Co., Ltd.	Handling equipment	1,052,455.68	1,052,455.77
China United International Rail Containers (Dalian) Co., Ltd.	Site place	797,746.65	–
Dalian North Oil Petroleum Logistics Co., Ltd.	Oil pipe and tank	211,904.76	222,500.00
Dalian International Container Terminal Co., Ltd.	Site place	65,275.47	96,615.84
China United Tally (Dalian) Co., Ltd.	Electronic equipment	7,003.71	–
Dalian Changxing Island Port Co., Ltd.	Optical fibre	6,792.46	10,188.69
		140,482,991.14	137,285,527.45

Transactions with other related parties:

Name of lessee	Type of the leased property	Leasing income recognised for the year 2017	Leasing income recognised for the year 2016
Dalian Port Industrial Co., Ltd.	Automobile/buildings	1,845,894.45	1,501,731.29
Dalian Port Wantong Logistics Co., Ltd.	Buildings	1,465,372.68	989,190.67
Dalian Harbour City Construction Development Co., Ltd.	Buildings	525,524.95	507,113.34
Dalian Wantong Ronghai Shipping Co., Ltd.	Buildings	147,619.05	155,000.00
		3,984,411.13	3,153,035.30

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(b) Leases (continued)

The Group as the lessee

Transactions with the parent company:

Name of lessor	Type of the leased property	Leasing expenses recognised for the year 2017	Leasing expenses recognised for the year 2016
PDA Group	Land use rights/island embankment/buildings	48,053,834.78	44,238,836.38

Transactions with joint ventures and associates:

Name of lessor	Type of the leased property	Leasing expenses recognised for the year 2017	Leasing expenses recognised for the year 2016
Dalian Port PetroChina International Terminal Co., Ltd.	Terminal facilities	104,285,714.30	106,107,142.85
Dalian International Container Terminal Co., Ltd.	Facilities/buildings	2,240,175.75	2,820,978.81
Dalian Port Container Terminal Co., Ltd.	Facilities	1,804,206.81	2,165,048.56
Dalian Puji Storage Facility Co., Ltd.	Site place	823,330.32	987,069.13
Dalian Port Xiangyu Grain Logistics Co., Ltd.	Vehicles	326,307.69	–
Dalian Changxing Island Port Co., Ltd.	Buildings	74,857.14	88,171.42
Dalian Automobile Terminal Co., Ltd.	Buildings	39,080.00	121,169.98
		109,593,672.01	112,289,580.75

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(b) Leases (continued)

The Group as the lessee (continued)

Transactions with other related parties:

Name of lessor	Type of the leased property	Leasing expenses recognised for the year 2017	Leasing expenses recognised for the year 2016
Dalian FTZ Yongdixin Real Estate Development Co., Ltd.	Buildings	6,072,672.39	6,116,405.88
Dalian Harbour Building Co., Ltd.	Buildings	2,963,280.54	2,896,306.78
Dalian Port Industrial Co., Ltd.	Automobile/handling equipment	662,899.60	826,967.01
Dalian Hongyu Building Co., Ltd.	Buildings	416,696.25	337,653.16
Dalian Port Landscape Engineering Co., Ltd.	Flowers	86,880.50	–
Dalian Port Machinery Co., Ltd.	Buildings	75,065.42	77,043.37
		10,277,494.70	10,254,376.20

Assets held under finance leases

Name of lessor	Type of the leased property	Lease expenses paid for the year 2017	Lease expenses paid for the year 2016
Dalian Equipment Finance Lease Co., Ltd.	ISO Dry Container	4,007,076.96	7,646,052.44

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(c) Guarantee

The Group as the guaranteed party:

Guarantor	Guaranteed party	Guaranteed amount	Commencement date	Termination date	Fully performed or not
PDA Group	Dalian Port (PDA) Company Limited	2,350,000,000.00	23 May 2011	23 May 2021	No
PDA Group	Dalian Port (PDA) Company Limited	2,650,000,000.00	26 September 2011	25 March 2019	No

The above related parties provided guarantees for bonds payable without any charge (Note 4(36)).

The Group as the guarantor

There were no guarantees provided to the related parties for the 12 months ended 31 December 2017.

(d) Borrowings and lending

(i) Borrowings

2017

	Amount	Starting date	Maturity date (i)
Borrowing –			
Dalian Port Group Financial Co., Ltd.	1,260,000.00	5 January 2017	4 July 2017
Dalian Port Group Financial Co., Ltd.	15,600,000.00	12 January 2017	11 July 2017
Dalian Port Group Financial Co., Ltd.	2,230,000.00	12 January 2017	11 July 2017
Dalian Port Group Financial Co., Ltd.	4,346,300.00	12 January 2017	11 July 2017
Dalian Port Group Financial Co., Ltd.	24,730,000.00	18 January 2017	17 July 2017
Dalian Port Group Financial Co., Ltd.	30,000,000.00	13 February 2017	12 August 2017
Dalian Port Group Financial Co., Ltd.	15,600,000.00	13 February 2017	12 August 2017
Dalian Port Group Financial Co., Ltd.	2,320,000.00	15 February 2017	14 August 2017
Dalian Port Group Financial Co., Ltd.	15,750,000.00	15 February 2017	14 August 2017
Dalian Port Group Financial Co., Ltd.	6,160,000.00	15 February 2017	14 February 2018
Dalian Port Group Financial Co., Ltd.	16,550,000.00	21 February 2017	20 August 2017
Dalian Port Group Financial Co., Ltd.	30,000,000.00	8 March 2017	7 March 2018
Dalian Port Group Financial Co., Ltd.	30,000,000.00	9 March 2017	8 March 2018
Dalian Port Group Financial Co., Ltd.	50,000,000.00	12 April 2017	11 August 2017
Dalian Port Group Financial Co., Ltd.	7,030,000.00	13 April 2017	10 October 2017
Dalian Port Group Financial Co., Ltd.	7,030,000.00	18 April 2017	15 October 2017

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Borrowings and lending (continued)

(i) Borrowings (continued)

2017 (continued)

	Amount	Starting date	Maturity date (i)
Borrowing –			
Dalian Port Group Financial Co., Ltd.	950,000.00	27 April 2017	24 October 2017
Dalian Port Group Financial Co., Ltd.	600,000,000.00	13 May 2017	12 May 2020
Dalian Port Group Financial Co., Ltd.	4,340,000.00	22 June 2017	19 December 2017
Dalian Port Group Financial Co., Ltd.	4,830,000.00	27 June 2017	24 December 2017
Dalian Port Group Financial Co., Ltd.	5,910,000.00	4 July 2017	3 January 2018
Dalian Port Group Financial Co., Ltd.	4,940,000.00	5 July 2017	1 January 2018
Dalian Port Group Financial Co., Ltd.	49,460,000.00	12 July 2017	8 January 2018
Dalian Port Group Financial Co., Ltd.	13,000,000.00	21 July 2017	17 January 2018
Dalian Port Group Financial Co., Ltd.	11,300,000.00	1 August 2017	28 January 2018
Dalian Port Group Financial Co., Ltd.	15,000,000.00	7 August 2017	7 December 2017
Dalian Port Group Financial Co., Ltd.	27,600,000.00	8 August 2017	4 February 2018
Dalian Port Group Financial Co., Ltd.	13,640,000.00	18 August 2017	14 February 2018
Dalian Port Group Financial Co., Ltd.	13,530,000.00	23 August 2017	19 February 2018
Dalian Port Group Financial Co., Ltd.	3,200,000.00	29 August 2017	25 February 2018
Dalian Port Group Financial Co., Ltd.	54,000,000.00	8 September 2017	8 September 2022
Dalian Port Group Financial Co., Ltd.	6,250,000.00	13 September 2017	12 March 2018
Dalian Port Group Financial Co., Ltd.	13,000,000.00	9 October 2017	9 February 2018
Dalian Port Yidu Cold Chain Co., Ltd.	26,000,000.00	19 October 2017	18 October 2018
Dalian Port Yidu Cold Chain Co., Ltd.	24,000,000.00	20 October 2017	19 October 2018
Dalian Port Yidu Cold Chain Co., Ltd.	26,000,000.00	24 October 2017	23 October 2018
Dalian Port Yidu Cold Chain Co., Ltd.	24,000,000.00	26 October 2017	25 October 2018
Dalian Port Yidu Cold Chain Co., Ltd.	7,000,000.00	27 October 2017	26 October 2018
Dalian Port Yidu Cold Chain Co., Ltd.	15,000,000.00	30 October 2017	29 October 2018
Dalian Port Yidu Cold Chain Co., Ltd.	9,000,000.00	31 October 2017	30 October 2018
Dalian Port Yidu Cold Chain Co., Ltd.	40,000,000.00	2 November 2017	1 November 2018
Dalian Port Group Financial Co., Ltd.	50,000,000.00	3 November 2017	3 March 2018
Dalian Port Group Financial Co., Ltd.	50,000,000.00	7 November 2017	7 March 2018
Dalian Port Yidu Cold Chain Co., Ltd.	8,000,000.00	9 November 2017	8 November 2018
Dalian Port Yidu Cold Chain Co., Ltd.	5,000,000.00	10 November 2017	9 November 2018
Dalian Port Yidu Cold Chain Co., Ltd.	6,000,000.00	13 November 2017	12 November 2018
Dalian Port Group Financial Co., Ltd.	6,000,000.00	14 November 2017	14 December 2017
Dalian Port Group Financial Co., Ltd.	6,600,000.00	17 November 2017	17 December 2017
Dalian Port Group Financial Co., Ltd.	6,600,000.00	22 November 2017	22 December 2017
Dalian Port Yidu Cold Chain Co., Ltd.	14,000,000.00	22 November 2017	21 November 2018

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Borrowings and lending (continued)

(i) Borrowings (continued)

2017 (continued)

	Amount	Starting date	Maturity date (i)
Borrowing –			
Dalian Port Group Financial Co., Ltd.	4,100,000.00	24 November 2017	24 December 2017
Dalian Port Yidu Cold Chain Co., Ltd.	10,000,000.00	24 November 2017	23 November 2018
Dalian Port Group Financial Co., Ltd.	6,600,000.00	27 November 2017	27 December 2017
Dalian Port Group Financial Co., Ltd.	4,400,000.00	28 November 2017	28 December 2017
Dalian Port Group Financial Co., Ltd.	6,600,000.00	29 November 2017	28 December 2017
Dalian Port Yidu Cold Chain Co., Ltd.	5,000,000.00	29 November 2017	28 November 2018
Dalian Port Group Financial Co., Ltd.	7,900,000.00	4 December 2017	28 December 2017
Dalian Port Group Financial Co., Ltd.	6,600,000.00	4 December 2017	28 December 2017
Dalian Port Yidu Cold Chain Co., Ltd.	6,000,000.00	26 December 2017	25 December 2018

(i) The date on which the Group repays the borrowings in advance as agreed in contract, is the repayment date.

2016

	Amount	Starting date	Maturity date
Borrowings –			
Dalian Port Group Financial Co., Ltd.	15,000,000.00	6 January 2016	30 June 2016
Dalian Port Group Financial Co., Ltd.	60,000,000.00	8 January 2016	8 April 2016
Dalian Port Group Financial Co., Ltd.	10,000,000.00	13 January 2016	18 April 2016
Dalian Port Group Financial Co., Ltd.	30,000,000.00	19 January 2016	30 June 2016
Dalian Port Group Financial Co., Ltd.	9,360,000.00	19 January 2016	20 July 2016
Dalian Port Group Financial Co., Ltd.	45,000,000.00	20 January 2016	14 April 2016
Dalian Port Group Financial Co., Ltd.	7,620,000.00	29 February 2016	30 August 2016
Dalian Port Group Financial Co., Ltd.	17,500,000.00	2 March 2016	3 August 2016
Dalian Port Group Financial Co., Ltd.	17,430,000.00	2 March 2016	3 August 2016
Dalian Port Group Financial Co., Ltd.	30,000,000.00	22 April 2016	21 April 2019
Dalian Port Group Financial Co., Ltd.	6,000,000.00	10 May 2016	10 May 2017
Dalian Port Group Financial Co., Ltd.	6,900,000.00	8 June 2016	9 December 2016
Dalian Port Group Financial Co., Ltd.	5,570,000.00	29 July 2016	28 September 2016
Dalian Port Group Financial Co., Ltd.	3,700,000.00	31 July 2016	27 October 2016
Dalian Port Group Financial Co., Ltd.	2,210,000.00	31 July 2016	31 January 2017

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Borrowings and lending (continued)

(i) Borrowings (continued)

2016 (continued)

	Amount	Starting date	Maturity date
Borrowings –			
Dalian Port Group Financial Co., Ltd.	30,000,000.00	15 August 2016	14 August 2017
Dalian Port Group Financial Co., Ltd.	13,430,000.00	31 August 2016	31 October 2016
Dalian Port Group Financial Co., Ltd.	7,200,000.00	31 August 2016	27 October 2016
Dalian Port Group Financial Co., Ltd.	30,000,000.00	9 September 2016	8 September 2019
Dalian Port Group Financial Co., Ltd.	15,000,000.00	18 October 2016	14 August 2017
Shenyang Kaiming Industrial Co., Ltd.	30,000,000.00	24 October 2016	23 October 2017
Shenyang Mingshuo Industrial Development Co., Ltd.	20,000,000.00	25 October 2016	24 October 2017
Dalian Port Group Financial Co., Ltd.	14,910,000.00	27 October 2016	26 April 2017
Dalian Port Group Financial Co., Ltd.	8,480,000.00	27 October 2016	26 April 2017
Dalian Port Group Financial Co., Ltd.	5,040,000.00	27 October 2016	30 December 2016
Dalian Port Group Financial Co., Ltd.	12,260,000.00	28 October 2016	30 November 2016
Dalian Port Group Financial Co., Ltd.	70,000,000.00	31 October 2016	30 October 2019
Dalian Port Group Financial Co., Ltd.	5,000,000.00	22 November 2016	14 August 2017
Dalian Port Group Financial Co., Ltd.	5,000,000.00	24 November 2016	14 August 2017
Dalian Port Group Financial Co., Ltd.	3,000,000.00	24 November 2016	23 May 2017
Dalian Port Group Financial Co., Ltd.	5,282,000.00	29 November 2016	30 December 2016
Dalian Port Group Financial Co., Ltd.	9,740,000.00	8 December 2016	30 December 2016
Dalian Port Group Financial Co., Ltd.	2,670,000.00	8 December 2016	7 June 2017
Dalian Port Group Financial Co., Ltd.	5,630,000.00	15 December 2016	14 June 2017
Dalian Port Group Financial Co., Ltd.	784,000.00	20 December 2016	30 December 2016
Dalian Port Group Financial Co., Ltd.	5,880,000.00	20 December 2016	17 June 2017
Dalian Port Group Financial Co., Ltd.	3,300,000.00	23 December 2016	22 June 2017
Dalian Port Group Financial Co., Ltd.	9,575,000.00	23 December 2016	22 June 2017
Dalian Port Group Financial Co., Ltd.	8,600,000.00	15 December 2016	29 December 2016

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Borrowings and lending (continued)

(i) Borrowings (continued)

Interest expenses paid

	2017	2016
Dalian Port Group Financial Co., Ltd.	32,380,276.76	15,482,086.90
Dalian Equipment Finance Lease Co., Ltd.	11,072,589.53	73,789,173.81
Shenyang Kaiming Industrial Co., Ltd.	2,614,200.00	287,184.47
Shenyang Mingshuo Industrial Development Co., Ltd.	1,756,366.67	1,282,917.14
Dalian Port Yidu Cold Chain Co., Ltd.	1,638,741.66	–
Dalian Harbour ECL Logistics Co., Ltd.	897,798.60	900,258.33
	50,359,973.22	91,741,620.65

The borrowings from related parties bear interest at rates mutually agreed between the parties by reference to the upper limit of the interest rate for the same type of bank loans as stipulated by the People's Bank of China.

(ii) Lending

2017

	Amount	Starting date	Maturity date
Lending –			
Dalian Changxing Island Port Co., Ltd.	29,000,000.00	18 August 2017	18 August 2018
Dalian Vanguard International Logistics Co., Ltd.	9,000,000.00	29 December 2017	29 December 2018
Liaoning Con-Rail International Logistics Co., Ltd. (i)	4,600,000.00	10 February 2017	9 February 2018

(i) Liaoning Con-Rail International Logistics Co., Ltd. was included in the Group's consolidation scope on 26 August 2017. Refer to Note 5 for detailed information of changes in consolidation scope.

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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Borrowings and lending (continued)

(ii) Lending (continued)

2016

	Amount	Starting date	Maturity date
Lending –			
Liaoning Con-Rail International Logistics Co., Ltd.	1,000,000.00	20 January 2016	19 January 2019
Dalian Puji Storage Facility Co., Ltd.	16,000,000.00	29 January 2016	28 January 2017
Liaoning Con-Rail International Logistics Co., Ltd.	4,600,000.00	12 February 2016	11 February 2017
Liaoning Con-Rail International Logistics Co., Ltd.	2,000,000.00	12 May 2016	11 May 2019
Dalian Port Yidu Cold Chain Co., Ltd.	33,000,000.00	30 May 2016	29 November 2016
China Harbour United Shipping Co., Ltd.	7,432,800.00	29 June 2016	28 December 2016
Liaoning Con-Rail International Logistics Co., Ltd.	5,500,000.00	9 November 2016	8 November 2019
Dalian Port Yidu Cold Chain Co., Ltd.	33,000,000.00	23 December 2016	22 March 2017

Interest income from lending

	2017	2016
Liaoning Con-Rail International Logistics Co., Ltd.	551,904.99	587,725.55
Dalian Changxing Island Port Co., Ltd.	503,333.52	–
Dalian Port Yidu Cold Chain Co., Ltd.	335,175.71	2,082,603.52
Dalian Puji Storage Facility Co., Ltd.	32,830.19	2,080,383.88
Dalian Vanguard International Logistics Co., Ltd.	3,077.83	–
China Harbour United Shipping Co., Ltd.	–	214,182.10
	1,426,322.24	4,964,895.05

The loans to above related parties bear interest at rates mutually agreed between the parties by reference to the upper limit of the interest rate for the same type of bank loans as stipulated by the People's Bank of China.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(e) Transfer of assets

(i) Acquisition of assets

Related parties	Nature of related party transactions	Type of related party transactions	Amount for the year 2017	Amount for the year 2016
Dalian Harbour Engineering Co., Ltd.	Engineering Construction	Construction labour	27,818,654.79	10,073,943.76
Dalian Port Machinery and Electric Co., Ltd.	Engineering Construction	Construction labour	9,586,643.57	7,138,121.83
Dalian Port Machinery Co., Ltd.	Engineering Construction	Construction labour	2,844,616.92	924,945.88
Dalian Port Rixing Boiler Installation Co., Ltd.	Engineering Construction	Construction labour	1,935,234.61	874,489.71
Dalian Port Landscape Engineering Co., Ltd.	Engineering Construction	Construction labour	896,716.89	628,241.00
Dalian Port Xingang Construction Engineering Co., Ltd.	Engineering Construction	Construction labour	638,981.98	3,608,240.78
Dalian Port Design & Research Institute Co., Ltd.	Engineering Construction	Construction labour	380,849.06	1,262,113.22
Dalian Wanpeng Foundation Engineering Co., Ltd.	Engineering Construction	Construction labour	-	2,028,152.00
Dalian International Container Terminal Co., Ltd.	Engineering Construction	Construction labour	-	99,448.00
			44,101,697.82	26,637,696.18

(ii) Transfer of assets

Related parties	Nature of related party transactions	Type of related party transactions	Amount for the year 2017	Amount for the year 2016
Dalian Port Xiangyu Grain Logistics Co., Ltd.	Disposal of assets	Disposal of assets	96,212,815.51	-

(f) Deposits with a related party

As at 31 December 2017, the Group's deposits in Dalian Port Group Financial Co., Ltd. were RMB2,524,252,940.72 (31 December 2016: RMB1,789,647,542.51) and the Group gained an interest income of RMB18,582,035.80 (2016: RMB10,848,893.22) in the current period.

(g) Remuneration of key management

	2017	2016
Remuneration of key management	4,195,559.55	4,160,572.46

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties

Receivables from related parties:

Accounts receivable	31 December 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amount due from the parent				
PDA Group	1,218,285.00	-	2,094,072.44	-

	31 December 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amounts due from joint ventures and associates				
Dalian Port Yidu Cold Chain Co., Ltd.	3,774,716.19	-	4,273,562.73	-
Dalian Changxing Island Port Co., Ltd.	2,912,201.34	-	1,405,300.46	-
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	2,019,570.00	-	-	-
Odfjell Terminals (Dalian) Co., Ltd.	1,006,997.12	-	552,904.00	-
Dalian Vanguard International Logistics Co., Ltd.	1,000,922.00	-	104,143.00	-
China Oil Dock Management (Dalian) Co., Ltd.	415,000.00	-	220,000.00	-
Dalian Automobile Terminal Co., Ltd.	244,676.43	-	763,458.13	-
Dalian Port Group Financial Co., Ltd.	172,913.60	-	21,300.00	-
Dalian Singamas International Container Co., Ltd.	156,223.50	-	115,297.50	-
Dalian Changxing Island Port Investment and Development Co., Ltd.	147,000.00	-	-	-
Dalian United International Shipping Agency Co., Ltd.	132,283.69	-	726,523.68	-
Dalian Jilong Logistics Co., Ltd.	83,720.00	-	46,460.00	-
Dalian Dagang China Shipping Container Terminal Co., Ltd.	42,774.33	-	38,430.81	-
Dalian Port Xiangyu Grain Logistics Co., Ltd.	8,049.60	-	-	-
China United International Rail Containers (Dalian) Co., Ltd.	3,983.00	-	-	-
China United Tally (Dalian) Co., Ltd.	3,900.00	-	-	-
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	3,794.00	-	601,249.10	-
Dalian Port Container Terminal Co., Ltd.	-	-	2,615,627.31	-
Liaoning Con-Rail International Logistics Co., Ltd.	-	-	2,352,753.00	-
Dalian International Container Terminal Co., Ltd.	-	-	1,039,758.17	-
Dalian North Oil Petroleum Logistics Co., Ltd.	-	-	241,680.00	-
Sino Rail Bohai Train Ferry Co., Ltd.	-	-	2,695.00	-
	12,128,724.80	-	15,121,142.89	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Receivables from related parties: (continued)

Accounts receivable (continued)	31 December 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amounts due from other related parties				
Dalian Creative Industry Project Development Co., Ltd.	1,915,113.36	-	485.00	-
Dalian Port Wantong Logistics Co., Ltd.	1,363,527.00	-	445,262.00	-
Dalian Port Machinery and Electric Co., Ltd.	1,269,508.89	-	471,000.00	-
Dalian Harbour Engineering Co., Ltd.	439,481.94	-	299,309.44	-
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	269,173.00	-	-	-
Dalian Port Design & Research Institute Co., Ltd.	194,759.00	-	262,156.00	-
Dalian Port Petroleum & Chemical Co., Ltd.	193,230.00	-	-	-
Dalian Port Machinery Co., Ltd.	78,176.00	-	78,176.00	-
Dalian Taiping Bay Investment & Development Co., Ltd.	65,600.00	-	727,197.50	-
Liaogang Commodity Trading Co., Ltd.	7,940.00	-	-	-
Dalian CITIC Harbour Investment Co., Ltd.	3,494.50	-	61,940.01	-
Changhai County Guanglu Wharf Construction Management Co., Ltd.	-	-	89,756.00	-
	5,800,003.69	-	2,435,281.95	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Receivables from related parties: (continued)

Other receivables (continued)	31 December 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amounts due from other related parties				
Dalian Taiping Bay Port Company Limited	10,640,190.53	-	2,443,607.60	-
Dalian Harbour Engineering Co., Ltd.	5,805,519.64	-	9,006,629.84	-
Dalian Port Machinery and Electric Co., Ltd.	3,577,012.21	-	4,691,699.10	-
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	1,919,798.46	-	5,426.70	-
Dalian Port Industrial Co., Ltd.	1,309,539.24	-	1,465,429.24	-
Dalian Port North Shore Automobile Terminal Co., Ltd.	1,120,770.00	-	118,000.00	-
Dalian Port Machinery Co., Ltd.	865,510.00	-	250,100.00	-
Jinzhou Western Liaoning Dalian Port Real Estate Co., Ltd.	360,500.00	-	360,500.00	-
Dalian Port Petroleum & Chemical Co., Ltd.	352,683.36	-	248,100.77	-
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	209,483.55	-	288,000.00	-
Dalian Port Design & Research Institute Co., Ltd.	85,548.00	-	175,268.00	-
Dalian Taiping Bay Investment & Development Co., Ltd.	70,137.95	-	146,309.95	-
Dalian Port North Shore Investment and Development Co., Ltd.	60,000.00	-	60,000.00	-
Dalian Gangtai Insurance Brokers Co., Ltd.	20,000.00	-	-	-
Changhai County Guanglu Wharf Construction Management Co., Ltd.	13,000.00	-	658,000.00	-
Dalian Port Xingang Construction Engineering Co., Ltd.	9,300.00	-	247,734.18	-
Dalian International Cruise City Development Co., Ltd.	2,812.67	-	-	-
Dalian Port Security Services Co., Ltd.	2,000.00	-	400.00	-
Dalian Wanfeng Properties Co., Ltd.	-	-	304,001.00	-
Dalian CITIC Harbour Investment Co., Ltd.	-	-	96,908.50	-
Dalian Harbour Building Co., Ltd.	-	-	46,454.80	-
Dalian Hongyu Building Co., Ltd.	-	-	15,387.00	-
	26,423,805.61	-	20,627,956.68	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Receivables from related parties: (continued)

Advances to suppliers	31 December 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Advances to joint ventures and associates				
China United International Rail Containers (Dalian) Co., Ltd.	1,117,254.05	-	1,673,376.90	-
Dalian Vanguard International Logistics Co., Ltd.	12,170.00	-	-	-
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	-	-	910,000.00	-
	1,129,424.05	-	2,583,376.90	-

Advances to other related parties	31 December 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	1,339,053.81	-	1,260,588.09	-
Dalian Port Machinery Co., Ltd.	107,692.31	-	-	-
Dalian Port Landscape Engineering Co., Ltd.	-	-	3,579.25	-
Dalian Port Industrial Co., Ltd.	-	-	2,850.00	-
	1,446,746.12	-	1,267,017.34	-

Interest receivable	31 December 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amounts due from joint ventures and associates				
Dalian Port Group Financial Co., Ltd.	5,533,010.96	-	4,391,163.57	-
Dalian Changxing Island Port Co., Ltd.	533,533.55	-	-	-
Dalian Vanguard International Logistics Co., Ltd.	3,262.50	-	-	-
Dalian Port Yidu Cold Chain Co., Ltd.	-	-	39,476.25	-
Liaoning Con-Rail International Logistics Co., Ltd.	-	-	26,406.99	-
Dalian Puji Storage Facility Co., Ltd.	-	-	21,266.67	-
	6,069,807.01	-	4,478,313.48	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Receivables from related parties: (continued)

Long-term receivables	31 December 2017		31 December 2016	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Amounts due from joint ventures and associates				
Liaoning Con-Rail International Logistics Co., Ltd.	-	-	11,500,000.00	-

Payables to related parties:

Accounts payable	31 December 2017	31 December 2016
Amounts due to joint ventures and associates		
Ha'ou International Logistics Co., Ltd.	40,324,886.38	1,200.00
China United International Rail Containers (Dalian) Co., Ltd.	1,024,009.30	-
Dalian Jilong Logistics Co., Ltd.	254,613.00	788.00
Dalian Vanguard International Logistics Co., Ltd.	111,955.60	700.00
Dalian Singamas International Container Co., Ltd.	93,824.63	82,345.91
Dalian Port New Silk Road International Logistics Co., Ltd.	47,346.82	-
Dalian Puji Storage Facility Co., Ltd.	37,338.40	-
Dalian United International Shipping Agency Co., Ltd.	1,220.00	-
Dalian Port Container Terminal Co., Ltd.	-	25,134.00
Weifang Senda Container Service Co., Ltd.	-	19,600.00
	41,895,194.13	129,767.91

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

Accounts payable (continued)	31 December 2017	31 December 2016
Amounts due to other related parties		
Dalian Port Machinery and Electric Co., Ltd.	8,418,160.85	2,748,304.51
Dalian Harbour Engineering Co., Ltd.	754,938.09	268,631.00
Dalian Port Machinery Co., Ltd.	432,642.12	316,980.00
Dalian Port Design & Research Institute Co., Ltd.	260,000.00	–
Dalian Port Industrial Co., Ltd.	219,786.00	209,706.00
Dalian Taiping Bay Construction Engineering Co., Ltd.	147,920.00	370,540.00
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	34,148.03	19,950.53
Jinzhou Port Co., Ltd.	6,800.00	–
Dalian Port Xingang Construction Engineering Co., Ltd.	–	13,785.86
	10,274,395.09	3,947,897.90
Other payables		
Amounts due to the parent		
PDA Group	1,157,793.67	1,737,959.96

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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[English translation for reference only]

8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

Other payables (continued)	31 December 2017	31 December 2016
Amounts due to joint ventures and associates		
Dalian United International Shipping Agency Co., Ltd.	600,500.00	300,500.00
Dalian Port Yidu Cold Chain Co., Ltd.	328,900.00	1,544,890.48
Dalian Singamas International Container Co., Ltd.	37,860.00	20,700.00
Dalian Dagang China Shipping Container Terminal Co., Ltd.	20,000.00	20,000.00
Dalian Jilong Logistics Co., Ltd.	15,000.00	–
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	9,205.12	338,073.63
China United Tally (Dalian) Co., Ltd.	6,000.00	180,000.00
Liaoning Con-Rail International Logistics Co., Ltd.	–	5,000,000.00
Dalian Port Container Terminal Co., Ltd.	–	376,343.90
Dalian International Container Terminal Co., Ltd.	–	234,630.26
Dalian Vanguard International Logistics Co., Ltd.	–	2,000.00
China United International Rail Containers (Dalian) Co., Ltd.	–	2,000.00
	1,017,465.12	8,019,138.27
	31 December 2017	31 December 2016
Amounts due to other related parties		
Dalian Harbour Engineering Co., Ltd.	42,391,858.95	59,771,314.45
Shenyang Kaiming Industrial Co., Ltd.	28,000,000.00	30,000,000.00
Shenyang Mingshuo Industrial Development Co., Ltd.	20,000,000.00	20,000,000.00
Dalian Port Machinery and Electric Co., Ltd.	13,157,558.53	20,790,523.75
Dalian Port Rixing Boiler Installation Co., Ltd.	6,647,323.54	3,122,647.21
Dalian Port Xingang Construction Engineering Co., Ltd.	1,812,007.35	2,741,301.02
Dalian Port Machinery Co., Ltd.	1,626,970.09	931,671.35
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	1,313,637.42	633,643.78
Dalian Port Industrial Co., Ltd.	1,003,100.00	30,000.00
Dalian Wanpeng Foundation Engineering Co., Ltd.	696,116.43	736,116.43
Dalian Port Landscape Engineering Co., Ltd.	486,956.02	–
Dalian Port Design & Research Institute Co., Ltd.	359,365.00	395,800.00
Dalian Port Wantong Logistics Co., Ltd.	60,000.00	63,315.80
Dalian Wantong Ronghai Shipping Co., Ltd.	30,000.00	–
Dalian ETDZ Harbour Freight Co., Ltd.	–	316,741.35
Jinzhou Port Co., Ltd.	–	3,000.00
	117,584,893.33	139,536,075.14

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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[English translation for reference only]

8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

	31 December 2017	31 December 2016
Advances from customers		
Advances from the parent		
PDA Group	17,687.69	436,926.14
	31 December 2017	31 December 2016
Advances from joint ventures and associates		
PetroChina Dalian LNG Co., Ltd.	325,997.17	320,847.31
Dalian Jilong Logistics Co., Ltd.	218,466.99	145,332.88
Dalian Wanpeng Port Engineering Testing Co., Ltd.	5,815.36	5,712.43
Dalian United International Shipping Agency Co., Ltd.	2,940.00	–
Dalian Port Yidu Cold Chain Co., Ltd.	2,107.66	13,064,526.05
Ha'ou International Logistics Co., Ltd.	200.00	–
Dalian Port Container Terminal Co., Ltd.	–	1,859,233.61
Dalian Singamas International Container Co., Ltd.	–	49,410.09
Liaoning Con-Rail International Logistics Co., Ltd.	–	9,852.00
China United International Rail Containers (Dalian) Co., Ltd.	–	6,900.00
Dalian Puji Storage Facility Co., Ltd.	–	3,525.07
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	–	710.00
Dalian Port Tongli Shipping Agency Co., Ltd.	–	525.00
	555,527.18	15,466,574.44

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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 [English translation for reference only]

8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

Advances from customers (continued)	31 December 2017	31 December 2016
Advances from other related parties		
Dalian Harbour Engineering Co., Ltd.	89,705.23	88,117.53
Dalian Port Property Management Co., Ltd.	20,641.53	–
Dalian Port Landscape Engineering Co., Ltd.	19,102.70	18,764.60
Dalian Port Rixing Boiler Installation Co., Ltd.	16,254.99	16,488.52
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	6,367.52	2,084.96
Dalian Port Xingang Construction Engineering Co., Ltd.	4,245.04	4,169.91
Dalian Port Wantong Logistics Co., Ltd.	1,869.50	1,651.50
Dalian Port Industrial Co., Ltd.	–	194,649.63
Liaogang Commodity Trading Co., Ltd.	–	72,229.00
Dalian Wanpeng Foundation Engineering Co., Ltd.	–	13,720.22
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	–	3,917.98
Jinzhou Port Co., Ltd.	–	350.00
Dalian Port Petroleum & Chemical Co., Ltd.	–	120.00
	158,186.51	416,263.85

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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[English translation for reference only]

8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

	31 December 2017	31 December 2016
Short-term borrowings		
Amounts due to joint ventures and associates		
Dalian Port Yidu Cold Chain Co., Ltd.	225,000,000.00	–
Dalian Port Group Financial Co., Ltd.	113,150,000.00	116,655,000.00
	338,150,000.00	116,655,000.00
	31 December 2017	31 December 2016
Interest payable		
Amounts due to joint ventures and associates		
Dalian Port Group Financial Co., Ltd.	1,505,053.46	600,582.23
Dalian Port Yidu Cold Chain Co., Ltd.	295,437.50	–
Dalian Harbour ECL Logistics Co., Ltd.	27,056.94	27,056.94
	1,827,547.90	627,639.17
	31 December 2017	31 December 2016
Amounts due to other related parties		
Dalian Equipment Finance Lease Co., Ltd.	–	28,843,779.71
	31 December 2017	31 December 2016
Long-term borrowings		
Amounts due to joint ventures and associates		
Dalian Port Group Financial Co., Ltd.	784,000,000.00	140,000,000.00

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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 [English translation for reference only]

8 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties (continued)

Payables to related parties: (continued)

	31 December 2017	31 December 2016
Long-term payables		
Amounts due to other related parties		
Ocean Harvest Container Co. Ltd.	-	40,854,220.41
Dalian Equipment Finance Lease Co., Ltd.	-	2,283,861.07
	-	43,138,081.48
Current portion of non-current liabilities		
Amounts due to joint ventures and associates		
Dalian Harbour ECL Logistics Co., Ltd.	14,000,000.00	14,000,000.00
Amounts due to other related parties		
Ocean Harvest Container Co. Ltd.	54,493,042.89	14,798,302.32
Dalian Equipment Finance Lease Co., Ltd.	2,283,861.03	1,003,705,219.10
	56,776,903.92	1,018,503,521.42

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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8 Related parties and related party transactions (continued)

(7) Commitments in relation to related parties

The commitments in relation to related parties contracted for by the Group but not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

Leases

Lessee –	31 December 2017	31 December 2016
PDA Group	344,903,245.91	139,006,152.49
Dalian FTZ Yongdexin Real Estate Development Co., Ltd.	1,247,346.42	1,279,225.21
Dalian Puji Storage Facility Co., Ltd.	748,482.11	986,842.01
Dalian International Container Terminal Co., Ltd.	–	1,273,000.48
Dalian Port Container Terminal Co., Ltd.	–	2,186,699.00
Dalian Hongyu Building Co., Ltd.	–	704,446.40
	346,899,074.44	145,436,365.59
Lessor –	31 December 2017	31 December 2016
Dalian Port Industrial Co., Ltd.	1,831,079.63	1,417,028.43
Dalian Port Wantong Logistics Co., Ltd.	1,516,887.67	1,169,784.68
Dalian North Oil Petroleum Logistics Co., Ltd.	211,904.76	222,500.00
Dalian Port Yidu Cold Chain Co., Ltd.	146,174.40	1,052,455.77
Dalian Port Container Terminal Co., Ltd.	–	247,170,000.00
China Oil Dock Management (Dalian) Co., Ltd.	–	14,260,000.00
Liaoning Con-Rail International Logistics Co., Ltd.	–	308,395.92
	3,706,046.46	265,600,164.80
Transferred in –	31 December 2017	31 December 2016
Dalian Port Machinery and Electric Co., Ltd.	4,848,254.48	–
Dalian Harbour Engineering Co., Ltd.	245,566.48	11,233,600.90
	5,093,820.96	11,233,600.90

Guarantee

For the details of guarantee provided as at 31 December 2017, refer to Note 8(5)(c).

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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[English translation for reference only]

8 Related parties and related party transactions (continued)

(8) Benefits and interests of directors

(a) Emoluments of directors and chief executives

Emoluments of directors, supervisors and chief executives for the year ended 31 December 2017 are as follows:

Position	Name	Emoluments paid or payable in respect of a person's services as a director				Other allowances and benefits	Emoluments paid or receivable in respect of director's other services in connection with the management of the Company or subsidiaries	Total
		Salary and allowance	Pension plan contribution	Bonus				
Chairman of the board/ Executive director	Zhang Yiming	-	-	-	-	-	-	
General manager/Executive director	Wei Minghui	-	-	-	-	1,096,087.96	1,096,087.96	
Vice chairman of the board/ Non-executive director	Xu Song	-	-	-	-	-	-	
Vice chairman of the board/ Non-executive director	Bai Jingtao	-	-	-	-	-	-	
Non-executive director	Zheng Shaoping	-	-	-	-	-	-	
Non-executive director	Yin Shihui	-	-	-	-	-	-	
Independent non-executive director	Wang Zhifeng	200,000.00	-	-	-	-	200,000.00	
Independent non-executive director	Sun Xiyun	200,000.00	-	-	-	-	200,000.00	
Independent non-executive director	Luo Wenda	125,000.00	-	-	-	-	125,000.00	
Independent non-executive director	Yin Jintao	125,000.00	-	-	-	-	125,000.00	
Chairman of supervisory board/ Supervisor on behalf of the shareholders	Jia Wenjun	-	-	-	-	-	-	
Supervisor on behalf of the shareholders	Qi Yue	-	-	-	-	-	-	
Independent supervisor	Kong xianjing	100,000.00	-	-	-	-	100,000.00	
Supervisor on behalf of employees	Jiao Yingguang	-	-	-	-	608,087.96	608,087.96	
Supervisor on behalf of employees	Lu Yongkui	-	-	-	-	282,117.98	282,117.98	
Supervisor on behalf of employees	Zhao Rong	-	-	-	-	91,265.66	91,265.66	

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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8 Related parties and related party transactions (continued)

(8) Benefits and interests of directors (continued)

(a) Emoluments of directors and chief executives (continued)

Emoluments of directors, supervisors and chief executives for the year ended 31 December 2016 are as follows:

Position	Name	Emoluments paid or payable in respect of a person's services as a director				Other termination benefits	Emoluments paid or receivable in respect of director's other services in connection with the management of the Company or subsidiaries	Total
		Salary and allowance	Pension plan contribution	Bonus				
Chairman of the board/ Executive director	Zhang Yiming	-	-	-	-	-	-	
Chairman of the board/ Executive director	Hui Kai	-	-	-	-	-	-	
Vice chairman of the board/ Non-executive director	Xu Song	-	-	-	-	-	-	
General manager/Executive director	Wei Minghui	-	-	-	-	707,943.68	707,943.68	
Vice general manager/ Executive director	Sun Benye	-	-	-	-	613,537.68	613,537.68	
Vice chairman of the board/ Non-executive director	Bai Jingtao	-	-	-	-	-	-	
Non-executive director	Zheng Shaoping	-	-	-	-	-	-	
Non-executive director	Yin Shihui	-	-	-	-	-	-	
Independent non-executive director	Yin Jintao	250,000.00	-	-	-	-	250,000.00	
Independent non-executive director	Wang Zhifeng	200,000.00	-	-	-	-	200,000.00	
Independent non-executive director	Sun Xiyun	200,000.00	-	-	-	-	200,000.00	
Independent non-executive director	Xu Jian	-	-	-	-	-	-	
Chairman of supervisory board/ Supervisor on behalf of the shareholders	Jia Wenjun	-	-	-	-	-	-	
Chairman of supervisory board	Zhang Zuogang	-	-	-	-	-	-	
Supervisor on behalf of the shareholders	Qi Yue	-	-	-	-	-	-	
Independent supervisor	Kong Xianjing	100,000.00	-	-	-	-	100,000.00	
Supervisor on behalf of employees	Jiao Yingguang	-	-	-	-	591,843.68	591,843.68	
Supervisor on behalf of employees	Zhao Rong	-	-	-	-	554,651.68	554,651.68	

Notes to the Financial Statements (continued)

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8 Related parties and related party transactions (continued)

(8) Benefits and interests of directors (continued)

(a) Emoluments of directors and chief executives (continued)

The term of expiration for independent non-executive director Yin Jintao fell on 27 June 2017; Luo Wenda was appointed as an independent non-executive director on 28 June 2017.

The term of expiration for supervisor Zhao Rong fell on 27 June 2017; Lu Yongkui was appointed as supervisor on 28 June 2017.

(b) Consideration paid to third parties in return for director services

In 2017, the Company paid no consideration to any third parties in return for director services.

(c) Loans, quasi-loans and other transactions provided to the directors, the legal person controlled by the directors, and associated person of the directors

In the current year, the Company provided no loans, quasi-loans and other transactions to the directors, the legal person controlled by the directors, or associated person of the directors.

(d) Substantial interests of directors in transactions, arrangements or contracts

In the current year, the Company did not sign any important transactions, arrangements or contracts related to the Company's business within which the directors of the Company directly or indirectly have substantial interests.

(9) The five individuals whose emoluments are the highest

The five individuals whose emoluments were the highest in the Group for the year include 1(2016: 0) director whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining 4 (2016: 5) individuals during the year are as follows:

	2017	2016
Salary and allowance	3,838,509.38	5,118,385.18
Social security contributions	312,149.88	396,635.78
	4,150,659.26	5,515,020.96

	Number of individuals	
	2017	2016
Emolument bands:		
RMB0 to RMB1,000,000	3	—
RMB1,000,000 to RMB1,500,000	1	5
RMB1,500,000 to RMB2,000,000	—	—

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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9 Contingencies

Guarantee

- (1) The Company's associate, Dalian North Oil Petroleum Logistics Co., Ltd. ("DNPL"), financed RMB116 million by means of financial leasing from Zhongbing Financial Leasing Co., Ltd. ("Lessor") for a period of 5 years starting from 25 July 2016. As the substantial shareholder (29% equity interests) of DNPL, China ZhenHua Oil Co., Ltd. provided full guarantee with joint and several liability for the rental paid by DNPL.

Pursuant to the resolutions passed at the fifth meeting of the fourth session of the Board of Directors in 2016, the Company provided a counter guarantee for 20% of the guarantee liability and other necessary expenses and losses actually assumed by China Zhenhua Oil Co., Ltd. to the lessor for DNPL. The counter guarantee was unconditional and non-cancellable and the relevant counter guarantee contract was signed on 11 November 2016. The counter guarantee period shall be two years since the date when China Zhenhua Oil Co., Ltd. has the guarantee responsibility to the lessor according to the guarantee contract. If China Zhenhua Oil Co., Ltd. fulfilled its guarantee obligation to the lessor according to the guarantee contract more than once, the counter guarantee period provided by the Company would have to be calculated separately. As at 31 December 2017, DNPL had made a repayment of the principal of the financial lease amounting to RMB30 million.

- (2) China Development Fund Co., Ltd. ("China Development Fund") injected RMB35 million to Dalian Port Yidu Cold Chain Co., Ltd. ("Dalian Port Yidu"), the joint venture of the Group. The investment is mainly for the second phase of cold storage project of Dalian Port Yidu. After the injection, China Development Fund accounts for 6.7% of shareholding. When the investment term expires, China Development Fund is entitled to require Dalian Port Jifa Logistics Co., Ltd. ("Jifa Logistics"), the wholly-owned subsidiary of the Group, to repurchase the equity of the increased capital, or require Dalian Port Yidu to decrease the registered capital so as to enable China Development Fund recover its investment in Dalian Port Yidu, or require Jifa Logistics and Dalian Port Yidu to take market-oriented approaches to withdraw their investments in Dalian Port Yidu, and require Dalian Port Container Development Co., Ltd. ("DPCD"), the parent company of Jifa Logistics, to provide joint liability for the repurchase. DPCD is a wholly-owned subsidiary of the Company.

Pursuant to the directors' resolution at the first meeting in 2016 of the fourth board of directors, the Company agreed that Dalian Port Container provided joint liability for the repurchase between Jifa Logistics and China Development Fund with amount of guarantee not exceeding RMB42.14 million, including repurchase fund, investment income of China Development Fund, other insufficient fund obligations and compensation, penalty, damage awards and realisation of creditor rights. The guarantee term is two years from the expiration date of debt performance under the master contract. The guarantee contract was entered on 25 February 2016.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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9 Contingencies (continued)

Lawsuits

- (1) On 7 November 2017, Dalian Bohui filed a suit against Dalian United King Port Auto Trade Co., Ltd. (“King Port Auto”), a subsidiary of the Company, and the Company in the Intermediate People’s Court of Dalian, Liaoning Province. Dalian Bohui requested the court to rule that its overpayment of RMB240,000,000 to King Port Auto incurred in the period from 1 June 2013 and 31 December 2016 (lawsuit period) should be returned, and the Company should assume a supplementary liability. According to legal opinion from external legal adviser, Dalian Bohui’s request is likely to be denied as there is no explicit evidence. Therefore, the Group believes the chance of repaying RMB240,000,000 to Dalian Bohui is slim, and no provision is provided for the lawsuit.

On the other hand, according to the Group’s financial record, as at 31 December 2017, accounts receivable of RMB40,440,207.80 and other receivables of RMB157,920,105.67 were due from Dalian Bohui (Note 4(6)(c) and Note 4(7)(c)). Considered the legal opinion from external legal adviser, the Group expects the recoverability of the receivables from Dalian Bohui was not affected, and the Group reserves the right to recover the receivables by taking suitable legal actions. As the lawsuit with Dalian Bohui is still underway, the Group has not received any repayments related to the receivables in lawsuit period since December 2016. The Group expects there is uncertainty on the recoverability of the receivables.

10 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2017	31 December 2016
Buildings, machinery and equipment	74,408,037.70	110,218,766.89

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2017	31 December 2016
Within 1 year	83,190,426.83	90,484,803.57
1 to 2 years	14,521,744.29	72,170,264.20
2 to 3 years	38,428,457.96	28,032,540.85
Over 3 years	227,293,273.45	102,543,883.24
	363,433,902.53	293,231,491.86

Notes to the Financial Statements (continued)

*For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]*

10 Commitments (continued)

(3) Investment commitments

Pursuant to the equity transfer agreement signed with Dalian Xizhong Island Petrochemical Industrial Park Development Co., Ltd. and Odfjell (China) Tank Terminals Co., Ltd. on 1 September 2013 and 31 August 2016, the Company committed to investing RMB20 million for 40% equity interests of Odfjell Changxing Terminals (Dalian) Co., Ltd. As at 31 December 2017, the Company had made an aggregate investment of RMB14.60 million, of which RMB4 million was paid in 2017. Therefore, there is still RMB5.40 million to be paid.

Pursuant to the agreement signed between the Company's subsidiaries, Dalian FTZ Jinxin Petro-chemical Co., Ltd. and Asia Pacific Ports (Dalian) Co., Ltd., and Northeast Asia Spot Commodity Exchange Limited and Dalian Port Petroleum & Chemical Co., Ltd. on 17 April 2014, Dalian FTZ Jinxin Petrochemical Co., Ltd. and Asia Pacific Ports (Dalian) Co., Ltd. committed to investing RMB12.5 million and RMB10 million for 25% and 20% equity interests of Northeast Asia Petrochemical Trading Centre Co., Ltd., respectively. As Northeast Asia Petrochemical Trading Center Co., Ltd. takes subscribed registration system, it suffices to pay the amount within the operation period of 30 years. As at 31 December 2017, the registered capital had not been paid yet, and it would be paid according to the company needs and business development in the future.

Pursuant to the resolutions passed at the eighth meeting of the fourth session of the Board of Directors in 2016, the Company agreed with the capital increase of RMB30 million which was made in cascade to its wholly-owned subsidiary Dalian Port Container Development Co., Ltd., then Dalian Port Jifa Logistics Co., Ltd. (the wholly-owned subsidiary of Dalian Port Container Development Co., Ltd.) and finally Dalian Port Yidu Cold Chain Co., Ltd. (in which Dalian Port Jifa Logistics Co., Ltd. is a shareholder). The capital increase is mainly used for investment of Dalian Port Jifa Logistics Co., Ltd. in the project of Central China fresh and refrigeration port in Zhengzhou. As at 31 December 2017, the capital increase had not been paid yet.

Pursuant to the resolutions passed at the fourth meeting of the fifth session of the Board of Directors in 2017, the Company agreed with the capital increase of RMB86 million to Dalian Changxing Island Port Co., Ltd., of which the Company is a shareholder. The final capital increase is subject to assessment results. After capital increase, the Company would hold 51% (40% originally) equity of Dalian Changxing Island Port Co., Ltd. As at 31 December 2017, the capital increase had not been paid yet.

Dalian Dilangsirui Caravan Co., Ltd., subsidiary of the Company, established Dalian Dilangsirui Automobile Leasing Co., Ltd. as its wholly-owned subsidiary with a registered capital of RMB500,000 on 30 July 2015. As at 31 December 2017, the registered capital had not been paid by Dalian Dilangsirui Caravan Co., Ltd.

Dalian Dilangsirui Caravan Co., Ltd., subsidiary of the Company, established Dalian Dilangsirui Tourism Development Co., Ltd. as its wholly-owned subsidiary with a registered capital of RMB30 million on 15 December 2015. As at 31 December 2017, Dalian Dilangsirui Automobile Leasing Co., Ltd. had made an aggregate investment of RMB10 million, of which RMB10 million was made in 2017. Therefore, there is still RMB20 million to be paid.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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11 Events after the balance sheet date

(1) Description of profit distribution after the balance sheet date

	Amount
Proposed dividends (i)	296,574,327.98
Reviewed and approved dividends declared to be issued	To be approved by the shareholders' meeting
<p>(i) In accordance with the resolution at the Board of Directors' meeting dated on 26 March 2018, the profit distribution scheme has been calculated based on the issued 12,894,535,999 shares. The Board of Directors proposed to distribute cash dividends of RMB0.23 (including tax) per each 10 shares, and dividends with total amount of RMB296,574,327.98 will be distributed to the shareholders. The resolution is pending for approval from the shareholders' meeting.</p>	

12 Leases

The future lease payments of fixed assets held under finance leases (Note 4(15)(a)) are as follows:

	31 December 2017	31 December 2016
Within 1 year	58,620,930.22	21,005,116.72
1 to 2 years	-	45,092,426.00
	58,620,930.22	66,097,542.72

As at 31 December 2017, the balance of unrecognised financing expenses amounted to RMB1,844,026.30 (31 December 2016: RMB4,455,939.82).

13 Business combinations

Refer to Note 5.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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14 Financial instrument and risk

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. During 2017 and 2016, the Group did not enter into any forward exchange contracts or currency swap contracts.

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the subsidiaries of the companies, whose recording currencies are RMB, are expressed in RMB as at 31 December 2017 and 31 December 2016 as follows:

	31 December 2017			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency –				
Cash at bank and on hand	3,727,876,558.60	141,891.33	757,949.16	3,728,776,399.09
Receivables	53,959,085.72	–	17,299.19	53,976,384.91
	3,781,835,644.32	141,891.33	775,248.35	3,782,752,784.00
Financial liabilities denominated in foreign currency –				
Short-term borrowings	257,631,495.55	–	145,458,780.19	403,090,275.74
Payables	95,457,004.12	23,471.82	–	95,480,475.94
Others	54,493,042.90	–	–	54,493,042.90
	407,581,542.57	23,471.82	145,458,780.19	553,063,794.58

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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14 Financial instrument and risk (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

	31 December 2016			Total
	USD	HKD	Others	
Financial assets denominated in foreign currency –				
Cash at bank and on hand	3,875,475,088.22	188,419.64	1,266,129.30	3,876,929,637.16
Receivables	18,136,139.28	–	19,745.60	18,155,884.88
	3,893,611,227.50	188,419.64	1,285,874.90	3,895,085,522.04
Financial liabilities denominated in foreign currency –				
Short-term borrowings	149,232,004.39	–	162,710,794.40	311,942,798.79
Payables	13,619,937.92	32,140.31	–	13,652,078.23
Long-term payables	40,854,220.41	–	–	40,854,220.41
Others	14,798,302.32	–	–	14,798,302.32
	218,504,465.04	32,140.31	162,710,794.40	381,247,399.75

As at 31 December 2017 and 31 December 2016, the financial assets and the financial liabilities denominated in foreign currencies, which are held by the intra-group companies, whose recording currencies are HKD, are expressed in RMB as follows:

	31 December 2017		Total
	RMB	USD	
Financial assets denominated in foreign currency –			
Cash at bank and on hand	522,635,889.99	314,964,039.94	837,599,929.93
Financial liabilities denominated in foreign currency –			
Payables	10,000.00	–	10,000.00

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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14 Financial instrument and risk (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

	31 December 2016		
	RMB	USD	Total
Financial assets denominated in foreign currency –			
Cash at bank and on hand	238,702,713.53	332,216,260.94	570,918,974.47
Financial liabilities denominated in foreign currency –			
Payables	15,000.00	–	15,000.00

As at 31 December 2017, if the RMB had strengthened/weakened by 10% against the USD while all other variables had been held constant, the Group's net profit for the year would have been RMB253,069,057.63 (31 December 2016: RMB275,633,007.18) lower/higher for various financial assets and liabilities denominated in USD.

As at 31 December 2017, if the RMB had strengthened/weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been RMB43,630,429.48 (31 December 2016: RMB19,918,677.89) higher/lower for various financial assets and liabilities denominated in HKD.

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing debts including long-term bank borrowings and debentures payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2017, the Group's long-term interest bearing borrowings were mainly RMB-denominated contracts with floating rates, amounting to RMB3,089,549,842.10 (including long-term borrowings due within one year of RMB638,005,906.51) (31 December 2016: RMB17,010,023.77 (including long-term borrowings of RMB10,000,000.00 due within one year)) (Note 4(35)).

The Group's finance department at its headquarters continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial performance. The Group makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. In 2017 and 2016, the Group did not enter into any interest rate swap agreements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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14 Financial instrument and risk (continued)

(1) Market risk (continued)

(b) Interest rate risk (continued)

As at 31 December 2017, if interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by RMB11,585,811.91 (31 December 2016: RMB63,787.59).

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables, notes receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks, Dalian Port Group Financial Co., Ltd. and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

Notes to the Financial Statements (continued)

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14 Financial instrument and risk (continued)

(3) Liquidity risk (continued)

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	3,307,789,131.89	-	-	-	3,307,789,131.89
Accounts payable	380,389,360.83	-	-	-	380,389,360.83
Interest payable	182,382,996.32	-	-	-	182,382,996.32
Dividends payable	93,770,654.70	-	-	-	93,770,654.70
Other payables	533,050,100.81	-	-	-	533,050,100.81
Current portion of non-current liabilities	4,297,593,947.54	-	-	-	4,297,593,947.54
Long-term borrowings	106,162,969.63	846,344,841.50	1,390,026,238.67	669,136,973.82	3,011,671,023.62
Bonds payable	65,741,589.04	176,391,945.21	3,824,766,547.95	-	4,066,900,082.20
	8,966,880,750.76	1,022,736,786.71	5,214,792,786.62	669,136,973.82	15,873,547,297.91

The financial liabilities of the Group as at 31 December 2016 are analysed by their maturity dates below at their undiscounted contractual cash flows:

	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	505,758,552.70	-	-	-	505,758,552.70
Notes payable	1,250,000.00	-	-	-	1,250,000.00
Accounts payable	235,701,773.17	-	-	-	235,701,773.17
Interest payable	164,961,241.06	-	-	-	164,961,241.06
Dividends payable	76,661,039.64	-	-	-	76,661,039.64
Other payables	516,421,553.09	-	-	-	516,421,553.09
Current portion of non-current liabilities	1,082,344,236.29	-	-	-	1,082,344,236.29
Other non-current liabilities	3,061,693,150.68	-	-	-	3,061,693,150.68
Long-term borrowings	6,883,029.35	23,669,635.81	134,330,020.83	-	164,882,685.99
Bonds payable	190,566,986.30	3,770,875,000.00	2,723,650,000.00	-	6,685,091,986.30
Long-term payables	-	45,092,426.00	-	-	45,092,426.00
	5,842,241,562.28	3,839,637,061.81	2,857,980,020.83	-	12,539,858,644.92

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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14 Financial instrument and risk (continued)

(3) Liquidity risk (continued)

The Group's financial guarantees provided to external parties at the balance sheet date are analysed below based on the maximum amounts and the earliest periods in which the guarantees could be called:

	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Guarantee	-	-	18,682,593.75	41,300,000.00	59,982,593.75

	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Guarantee	-	-	23,558,018.75	41,720,000.00	65,278,018.75

Bank and other borrowings are analysed by repayment terms as follows:

	31 December 2017		31 December 2016	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	3,909,239,909.25	3,522,620,930.22	509,427,798.80	4,035,005,116.72
1 to 2 years	604,399,134.29	-	17,010,023.77	3,495,092,426.00
2 to 5 years	1,105,269,581.30	3,420,000,000.00	130,000,000.00	2,350,000,000.00
Over 5 years	871,875,220.00	-	-	-
	6,490,783,844.84	6,942,620,930.22	656,437,822.57	9,880,097,542.72

15 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Notes to the Financial Statements (continued)

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15 Fair value estimates (continued)

(1) Assets measured at fair value on a recurring basis

As at 31 December 2017, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss –				
Investments in equity instrument held for trading	5,050,497.50	-	-	5,050,497.50
Others	-	-	-	-
Available-for-sale financial assets –				
Available-for-sale equity instruments	15,861,099.68	-	-	15,861,099.68
Wealth management products	-	-	150,000,000.00	150,000,000.00
Total assets	20,911,597.18	-	150,000,000.00	170,911,597.18

As at 31 December 2016, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss –				
Investments in equity instrument held for trading	5,425,002.50	-	-	5,425,002.50
Others	-	1,879,405.00	-	1,879,405.00
Available-for-sale financial assets –				
Available-for-sale equity instruments	12,281,980.10	-	-	12,281,980.10
Wealth management products	-	-	450,000,000.00	450,000,000.00
Total assets	17,706,982.60	1,879,405.00	450,000,000.00	469,586,387.60

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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15 Fair value estimates (continued)

(1) Assets measured at fair value on a recurring basis (continued)

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier, liquidity discount etc.

The changes in Level 3 financial assets are analysed below:

	Available-for-sale financial assets – Wealth management products	
1 January 2017	450,000,000.00	
Purchases	3,100,000,000.00	
Sales	(3,400,000,000.00)	
31 December 2017	150,000,000.00	
	Available-for-sale financial assets	
	Wealth management products	Entrusted investments
1 January 2016	–	65,820,000.00
Purchases	2,250,000,000.00	–
Sales	(1,800,000,000.00)	(65,820,000.00)
31 December 2016	450,000,000.00	–

Gains or losses recognised in profit or loss are included in the income statement under the items of gains on changes in fair value, investment income and asset impairment losses respectively.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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15 Fair value estimates (continued)

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include receivables, short-term borrowings, payables, long-term borrowings, bonds payable and long-term payables.

Except for financial assets and liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities –				
Long-term borrowings	2,581,543,935.59	2,570,853,492.82	147,010,023.77	147,390,719.43
Bonds payable	3,404,498,647.79	3,566,520,394.87	5,779,081,112.06	6,140,891,346.01
	5,986,042,583.38	6,137,373,887.69	5,926,091,135.83	6,288,282,065.44

The fair value of bonds payable that are traded in an active market is determined at quoted prices in the active market, categorised within Level 1 of the fair value hierarchy. The fair value of long-term borrowings, long-term payables and bonds payable not quoted in an active market is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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16 Capital management

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

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

The Group's total capital is calculated as "shareholders' equity" as shown in the consolidated balance sheets. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of net debt-to-equity ratio. Net debt-to-equity ratio is the ratio of net debt and equity.

As at 31 December 2017 and 31 December 2016, the Group's net debt-to-equity ratio was set out below:

	31 December 2017	31 December 2016
Net debt-to-equity ratio	28%	20%

17 Notes to the Company's financial statements

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

	31 December 2017	31 December 2016
Investments in equity instrument held for trading	5,050,497.50	5,425,002.50

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(2) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	328,485,233.13	449,565,633.45
Less: Provision for bad debts	-	-
	328,485,233.13	449,565,633.45

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

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

	31 December 2017	31 December 2016
Within 1 year	263,092,696.66	389,916,561.13
1 to 2 years	6,269,920.37	797,660.00
2 to 3 years	475,118.00	203,914.22
Over 3 years	58,647,498.10	58,647,498.10
	328,485,233.13	449,565,633.45

As at 31 December 2017, accounts receivable of RMB70,343,531.80 (31 December 2016: RMB65,156,935.17) were past due, but based on the analysis of the customers' financial status and credit record, the Company expected that the overdue amounts can be recovered, and the accounts receivable are not impaired, thus no provisions for bad debts are individually provided. The ageing of these accounts receivable is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	5,711,769.92	6,028,420.06
1 to 2 years	5,961,960.99	794,604.00
2 to 3 years	475,118.00	139,228.22
Over 3 years	58,194,682.89	58,194,682.89
	70,343,531.80	65,156,935.17

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(2) Accounts receivable (continued)

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

	31 December 2017				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total	Amount	Percentage	Amount	% of total	Amount	Percentage
		balance				balance		
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
With amounts that the related provision for bad debts is provided on the grouping basis	328,485,233.13	100.00%	-	-	449,565,633.45	100.00%	-	-
Including: Group 1	-	-	-	-	-	-	-	-
Group 2	328,485,233.13	100.00%	-	-	449,565,633.45	100.00%	-	-
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
	328,485,233.13	100.00%	-	-	449,565,633.45	100.00%	-	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(2) Accounts receivable (continued)

- (c) Provision for bad debts recovered after written-off in the current year was RMB10,000.00. The Company made no provision for bad debts or write-off of such provision for bad.
- (d) As at 31 December 2017, accounts receivable from the top five debtors in respect of outstanding balance are analysed as follows:

	Balance	Amount of provision for bad debts	% of total balance
Total balances of top five accounts receivable	166,277,872.12	–	50.62%

(3) Other receivables

	31 December 2017	31 December 2016
Entrusted loans	450,000,000.00	150,000,000.00
Entrusted management service income receivable	80,656,608.41	13,254,591.31
Receivables for asset transfer	49,549,600.00	–
Berth rental receivable	–	1,294,354.84
Others	33,451,365.27	26,335,287.45
	613,657,573.68	190,884,233.60
Less: Provision for bad debts	(16,098.47)	(16,098.47)
	613,641,475.21	190,868,135.13

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(3) Other receivables (continued)

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

	31 December 2017	31 December 2016
Within 1 year	587,206,067.16	177,805,910.13
1 to 2 years	14,476,538.06	4,652,269.77
2 to 3 years	3,836,233.60	4,642,060.04
Over 3 years	8,138,734.86	3,783,993.66
	613,657,573.68	190,884,233.60

As at 31 December 2017, other receivables of RMB9,122,621.94 (31 December 2016: RMB13,437,260.30) were past due. However, based on the analysis of financial status and credit record of the debtors, the Company expected that the overdue amounts could be recovered, and the accounts receivable were not impaired, thus no provisions for bad debts are individually provided. The ageing of these other receivables is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	2,234,914.00	3,123,865.55
1 to 2 years	2,246,277.75	4,013,036.70
2 to 3 years	1,823,771.00	4,440,162.86
Over 3 years	2,817,659.19	1,860,195.19
	9,122,621.94	13,437,260.30

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(3) Other receivables (continued)

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

	31 December 2017				31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total	Amount	Percentage	Amount	% of total	Amount	Percentage
		balance				balance		
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
With amounts that the related provision for bad debts is provided on the grouping basis	613,641,475.21	100.00%	-	-	190,868,135.13	99.99%	-	-
Including: Group 1	-	-	-	-	-	-	-	-
Group 2	613,641,475.21	100.00%	-	-	190,868,135.13	99.99%	-	-
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	16,098.47	0.00%	16,098.47	100.00%	16,098.47	0.01%	16,098.47	100.00%
	613,657,573.68	100.00%	16,098.47	0.00%	190,884,233.60	100.00%	16,098.47	0.01%

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(3) Other receivables (continued)

- (c) During the year, the Company made no provision for bad debts or reversal/write-off of such provision for bad debts of other receivables.
- (d) As at 31 December 2017, other receivables from top five debtors in respect of outstanding balance are analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Asia Pacific Ports Company Limited	Entrusted loans	300,000,000.00	Within 1 year	48.89%	-
	Entrusted loans	150,000,000.00	1 to 2 years	24.44%	-
Dalian Changxing Island Port Investment and Development Co., Ltd.	Entrusted management service income receivable	64,077,000.00	Within 1 year	10.44%	-
Dalian Port Xiangyu Grain Logistics Co., Ltd.	Receivables for asset transfer	49,549,600.00	Within 1 year	8.07%	-
Dalian Port Logistic Network Co., Ltd.	Equity transfer from Portsoft	10,156,230.00	1 to 2 years	1.66%	-
Dalian Steel Logistics Park Co., Ltd.	Entrusted management service income and rental receivable	3,305,055.20	Within 1 year	0.54%	-
	Entrusted management service income and rental receivable	2,013,830.31	1 to 2 years	0.33%	-
	Entrusted management service income and rental receivable	2,007,165.70	2 to 3 years	0.33%	-
	Entrusted management service income and rental receivable	1,786,877.20	Over 3 years	0.29%	-
		<u>582,895,758.41</u>		<u>94.99%</u>	<u>-</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

17 Notes to the Company's financial statements (continued)

(4) Available-for-sale financial assets

	31 December 2017	31 December 2016
Measured at fair value		
– Wealth management products (i)	150,000,000.00	450,000,000.00
Measured at cost		
– Available-for-sale equity instruments – unlisted enterprises (ii)	14,667,057.50	14,667,057.50
Less: Provision for impairment	–	–
	164,667,057.50	464,667,057.50
Less: Available-for-sale financial assets included in other current assets (i)	(150,000,000.00)	(450,000,000.00)
	14,667,057.50	14,667,057.50

Related information of available-for-sale financial assets is analysed as follows:

(i) Wealth management products:

As at 31 December 2017, the wealth management products included:

Wealth management products purchased by the Company amounted to RMB100,000,000.00 (31 December 2016: RMB200,000,000.00, the estimated annual return was 3.65% with the maturity date on 6 April 2017) from Harbin Bank. The capital is mainly used for investment in money market instruments. The estimated annual return for wealth management products of RMB50,000,000.00 was 4.40% with the maturity date on 4 January 2018; 4.30% for wealth management products of RMB50,000,000.00 with the maturity date on 1 February 2018.

Structural deposits purchased by the Company amounted to RMB50,000,000.00 (31 December 2016: Nil) from China CITIC Bank. The capital was mainly used for investment in money market instruments. The estimated annual return was 4.30% with the maturity date on 2 February 2018.

Wealth management products purchased by the Company amounted to RMB0.00 (31 December 2016: 250,000,000.00. The estimated annual return for wealth management products of RMB100,000,000.00 was 3.20% with the maturity date on 3 February 2017; 3.60% for wealth management products of RMB150,000,000.00 with the maturity date on 15 March 2017) from Industrial Bank.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

17 Notes to the Company's financial statements (continued)

(4) Available-for-sale financial assets (continued)

(ii) Available-for-sale financial assets measured at cost – unlisted enterprises:

The available-for-sale financial assets measured at cost mainly include the unlisted equity investments held by the Company which are not quoted in an active market and whose fair value cannot be reliably measured as the variability in the range of reasonable fair value measurements is significant and the probabilities of the various estimates used to determine the fair value cannot be reasonably determined. The Company has no plan to dispose these investments.

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017	Shareholding (%)	Cash dividend in the current year
Available-for-sale equity instruments						
– Cost						
– Fujian Ninglian Port Co., Ltd.	12,000,000.00	–	–	12,000,000.00	12.00	–
– Da-In Ferry Co., Ltd.	1,900,057.50	–	–	1,900,057.50	7.50	–
– Liaoning Electronic Port Co., Ltd.	767,000.00	–	–	767,000.00	5.00	–
	14,667,057.50	–	–	14,667,057.50		–

(5) Long-term equity investments

	31 December 2017	31 December 2016
Subsidiaries (a)	4,539,258,940.45	4,294,297,950.90
Joint ventures (b)	1,249,718,666.54	1,161,203,254.60
Associates (c)	2,128,731,900.59	2,136,200,709.62
	7,917,709,507.58	7,591,701,915.12
Less: Provision for impairment of long-term equity investments	–	–
	7,917,709,507.58	7,591,701,915.12

There is no significant restriction on the realisation of long-term equity investments held by the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(a) Subsidiaries

	Movements for the current year						31 December 2017	Balance of provision for impairment at the end of the year	Cash dividends declared in the current year
	31 December 2016	Increase in investment	Decrease in investment	Provision for impairment	Classified as held for sale	Others			
Dalian Port Container Development Co., Ltd.	3,045,297,222.38	156,651,400.00	-	-	-	-	3,201,948,622.38	-	511,734,753.45
Asia Pacific Ports Company Limited	76,155,000.00	-	-	-	-	-	76,155,000.00	-	-
Dalian FTZ Jinxin Petrochemical Co., Ltd.	6,629,301.65	-	-	-	-	-	6,629,301.65	-	7,257,167.36
Dalian Jifa Ship Management Co., Ltd.	391,984,354.73	-	-	-	-	-	391,984,354.73	-	-
Dalian Ocean Shipping Tally Co., Ltd.	14,259,172.03	-	-	-	-	-	14,259,172.03	-	9,167,887.92
Dalian Port Construction Supervision & Consultation Co., Ltd.	18,278,125.97	-	-	-	-	-	18,278,125.97	-	-
Dalian Port Telecommunications Engineering Co., Ltd.	6,137,212.61	-	-	-	-	-	6,137,212.61	-	2,338,200.00
Dalian Golden Bay Grain Logistics Co., Ltd.	53,156,426.75	-	-	-	-	-	53,156,426.75	-	-
Dalian Port Power Supply Co., Ltd.	25,895,508.24	95,309,589.55	-	-	-	-	121,205,097.79	-	825,476.29
Dalian Port Lvshun Harbour Service Co., Ltd.	217,580,000.00	-	-	-	-	-	217,580,000.00	-	-
Dalian Port Group Zhuanghe Terminal Co., Ltd.	42,000,000.00	-	-	-	-	-	42,000,000.00	-	-
Dalian United King Port Auto Trade Co., Ltd.	6,000,000.00	-	-	-	-	-	6,000,000.00	-	-
Dalian Port Grain and Oil trading Co., Ltd.	25,000,000.00	-	-	-	-	-	25,000,000.00	-	-
Dalian Steel Logistics Park Co., Ltd.	8,000,000.00	-	-	-	-	-	8,000,000.00	-	-
Dalian Gangrun Gas Co., Ltd.	5,100,000.00	-	-	-	-	-	5,100,000.00	-	-
Dalian Haijia Automobile Terminal Co., Ltd.	200,000,000.00	-	-	-	-	-	200,000,000.00	-	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(a) Subsidiaries (continued)

	Movements for the current year						31 December 2017	Balance of provision for impairment at the end of the year	Cash dividends declared in the current year
	31 December 2016	Increase in investment	Decrease in investment	Provision for impairment	Classified as held for sale	Others			
Dalian Dilangsiui Caravan Co., Ltd.	51,000,000.00	-	-	-	-	-	51,000,000.00	-	-
Dalian Zhuanghe Gangxing Investment Co., Ltd.	80,000,000.00	-	-	-	-	-	80,000,000.00	-	-
Dalian Port Xinshengshi Trade Co., Ltd.	7,000,000.00	-	(7,000,000.00)	-	-	-	-	-	-
Dalian Port Haiheng Ship Management Co., Ltd. (vii)	4,825,626.54	-	-	-	-	-	4,825,626.54	-	-
Dalian Hongyang International Logistics Co., Ltd.	10,000,000.00	-	-	-	-	-	10,000,000.00	-	-
	4,294,297,950.90	251,960,989.55	(7,000,000.00)	-	-	-	4,539,258,940.45	-	531,323,485.02

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(b) Joint venture

	Movements for the current year									Balance of provision for impairment at the end of the year	
	31 December 2016	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends or profits declared	Provision for impairment	Others		31 December 2017
Dalian Port Tongji Shipping Agency Co., Ltd.	1,176,248.00	-	-	377,038.13	-	-	-	-	-	1,553,286.13	-
Dalian Harbour ECL Logistics Co., Ltd.	31,838,161.92	-	-	1,062,581.28	-	(10,627.92)	(1,247,784.25)	-	-	31,642,331.03	-
Odfjell Terminals (Dalian) Co., Ltd.	158,104,604.79	-	-	23,171,107.03	-	-	(20,000,000.00)	-	-	161,275,711.82	-
Dalian Port PetroChina International Terminal Co., Ltd.	189,034,388.78	-	-	27,153,227.08	-	795,803.57	(6,723,078.00)	-	-	210,260,341.43	-
China United Tally (Dalian) Co., Ltd.	3,300,321.72	-	-	288,220.06	-	-	(575,358.74)	-	-	3,013,183.04	-
China Oil Dock Management (Dalian) Co., Ltd.	1,318,777.63	-	-	853,105.47	-	-	-	-	-	2,171,883.10	-
Dalian Automobile Terminal Co., Ltd.	174,377,880.00	-	-	10,724,051.33	-	44,723.12	(18,600,165.76)	-	-	166,546,488.69	-
Dalian Changxing Island Port Co., Ltd.	118,902,145.96	-	-	24,410,287.92	-	22,848.78	-	-	-	143,335,282.66	-
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	9,553,987.26	-	-	9,064,933.05	-	(55,571.43)	(4,850,962.37)	-	-	13,712,386.51	-
Odfjell Dalian Port Consulting Co., Ltd.	1,689,695.12	-	-	(445,545.86)	-	-	-	-	-	1,244,149.26	-
Dalian Changxing Island Port Investment and Development Co., Ltd.	462,425,172.67	-	-	2,228,337.24	-	72,265.12	-	-	-	464,725,795.03	-
Odfjell Changxing Terminals (Dalian) Co., Ltd.	9,481,870.75	4,000,000.00	-	(2,518,496.04)	-	-	-	-	(568,999.67)	10,394,375.04	-
Dalian Port Xiangyu Grain Logistics Co., Ltd.	-	49,980,000.00	-	(10,136,547.20)	-	-	-	-	-	39,843,452.80	-
	1,161,203,254.60	53,980,000.00	-	86,232,299.49	-	869,461.24	(51,997,349.12)	-	(568,999.67)	1,249,718,666.54	-

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(5) Long-term equity investments (continued)

(c) Associate

	Movements for the current year								31 December 2017	Balance of provision for impairment at the end of the year	
	31 December 2016	Increase in investment	Decrease in investment	Share of net profit/(loss) under equity method	Share of other comprehensive income	Share of other changes in equity	Cash dividends or profits declared	Provision for impairment			Others
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	22,993,396.14	-	-	7,889,026.19	-	-	(1,850,000.00)	-	-	29,032,422.33	-
Taicang Xinggang Tug Co., Ltd.	7,264,712.42	-	-	4,767,331.62	-	-	(4,285,565.00)	-	-	7,746,479.04	-
PetroChina Dalian LNG Co., Ltd.	575,778,637.58	-	-	76,999,606.12	-	857,690.00	(37,358,825.56)	-	-	616,277,108.14	-
Dalian North Oil Petroleum Logistics Co., Ltd.	66,873,874.82	-	-	5,012,259.90	-	-	(2,000,000.00)	-	-	69,886,134.72	-
China Harbour United Shipping Co., Ltd.	78,296,448.99	-	-	6,005,071.39	-	-	-	-	-	84,301,520.38	-
Sino Rail Bohai Train Ferry Co., Ltd.	256,758,196.50	-	-	4,574,219.42	-	-	-	-	-	261,332,415.92	-
CDC International Logistics Co., Ltd.	116,946,629.82	-	-	12,624,343.22	-	-	-	-	-	129,570,973.04	-
Dalian Port Group Financial Co., Ltd.	1,011,288,813.35	-	-	64,701,872.12	-	-	(145,405,838.45)	-	-	930,584,847.02	-
	2,136,200,709.62	-	-	182,573,729.98	-	857,690.00	(190,900,229.01)	-	-	2,128,731,900.59	-

Notes to the Financial Statements (continued)

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17 Notes to the Company's financial statements (continued)

(6) Fixed assets

	Buildings	Port facilities	Oil tanks and pipelines	Handling equipment	Transportation equipment	Vessels	Storage facilities	Machinery and equipment	Other equipment	Total
Cost										
31 December 2016	1,299,288,366.67	4,677,316,999.61	2,385,514,605.67	1,965,598,897.73	755,289,166.49	1,119,220,960.57	2,365,739,654.27	984,161,080.63	504,226,311.59	16,056,356,042.23
Increase in the current year										
Increase from acquisition	868,112.68	-	1,107,505.46	3,969,789.42	131,435.90	-	97,914.08	2,096,186.59	12,992,717.52	21,263,661.65
Transfers from construction in progress	42,601,009.75	29,964,590.79	17,374,008.23	12,967,501.83	17,762,928.10	-	4,378,267.96	54,045,235.01	26,071,237.84	205,164,799.51
Others	-	-	-	-	-	-	(20,277.57)	20,277.57	-	-
Decrease in the current year										
Disposal and obsolescence	(138,000.00)	(23,879,592.09)	-	(20,806,790.30)	(185,939,626.10)	(3,211,122.78)	-	(219,535.38)	(57,401,661.17)	(291,596,327.82)
Others	-	-	(1,107,505.46)	-	-	-	-	-	-	(1,107,505.46)
31 December 2017	1,342,619,488.10	4,683,401,998.31	2,402,888,613.90	1,961,729,398.68	587,243,904.39	1,116,009,837.79	2,370,195,578.74	1,040,103,244.42	485,888,605.78	15,990,080,670.11
Accumulated depreciation										
31 December 2016	(304,637,628.92)	(868,415,017.18)	(806,678,105.76)	(1,236,165,989.29)	(323,068,726.64)	(359,883,664.54)	(410,975,244.24)	(541,390,929.10)	(238,948,674.24)	(5,090,163,979.91)
Increase in the current year										
Provision	(40,191,040.51)	(95,507,538.64)	(88,038,136.02)	(101,183,675.32)	(32,182,263.07)	(34,765,344.96)	(58,484,480.67)	(65,846,386.78)	(29,432,505.45)	(545,631,371.42)
Others	-	-	-	-	-	-	-	-	-	-
Decrease in the current year										
Disposal and obsolescence	75,170.60	5,752,941.09	-	19,984,473.42	108,738,050.52	3,050,566.64	-	194,162.42	27,061,849.86	164,857,214.55
31 December 2017	(344,753,498.83)	(958,169,614.73)	(894,716,241.78)	(1,317,365,191.19)	(246,512,939.19)	(391,598,442.86)	(469,459,724.91)	(607,043,153.46)	(241,319,329.83)	(5,470,938,136.78)
Carrying amount										
31 December 2017	997,865,989.27	3,725,232,383.58	1,508,172,372.12	644,364,207.49	340,730,965.20	724,411,394.93	1,900,735,853.83	433,060,090.96	244,569,275.95	10,519,142,533.33
31 December 2016	994,650,736.75	3,808,901,982.43	1,578,836,499.91	729,432,908.44	432,220,439.85	759,337,296.03	1,954,764,410.03	442,770,151.53	265,277,637.35	10,966,192,062.32

As at 31 December 2016, fixed assets at a carrying amount of RMB143,105,574.13 (a cost of RMB228,576,076.21) were pledged as collateral for long-term borrowings of RMB150,000,000.00 (Note 4(35)(a-iv)). As at 31 December 2017, no such transactions were made.

As at 31 December 2016, fixed assets at a carrying amount of RMB414,413,226.01 (a cost of RMB935,860,681.53) were pledged as collateral for long-term borrowings of RMB500,000,000.00 (Note 4(35)(a-v)). As at 31 December 2017, no such transactions were made.

As at 31 December 2016, fixed assets at a carrying amount of RMB43,882,684.51 (a cost of RMB68,391,732.00) were pledged as collateral for long-term borrowings of RMB50,000,000.00 (Note 4(35)(a-vi)). As at 31 December 2017, no such transactions were made.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (continued)

(6) Fixed assets (continued)

As at 31 December 2016, fixed assets at a carrying amount of RMB264,933,255.01 (a cost of RMB384,992,940.93) were pledged as collateral for long-term borrowings of RMB300,000,000.00 (Note 4(35)(a-vii)). As at 31 December 2017, no such transactions were made.

In 2017, depreciation charged to fixed assets amounted to RMB545,631,371.42 (2016: RMB551,763,721.68), of which RMB530,254,145.54, RMB15,327,737.63 and RMB49,488.25 were charged to cost of sales, general and administrative expense and special reserve (2016: RMB537,517,801.82, RMB14,191,062.96 and RMB54,856.90), respectively.

In 2017, the cost of fixed assets transferred from construction in progress amounted to RMB205,164,799.51 (2016: RMB317,949,266.76).

(7) Construction in progress

	31 December 2017			31 December 2016		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Dayao Bay No. 13-16 Berth in Phase II	703,835,137.41	-	703,835,137.41	664,044,358.04	-	664,044,358.04
New Port No.18-21 Berth	350,001,380.70	-	350,001,380.70	342,119,768.55	-	342,119,768.55
Dalian Bay Passenger Terminal	158,795,684.49	-	158,795,684.49	80,539,518.59	-	80,539,518.59
Dayao Bay North Shore Automotive Logistics Centre	148,898,592.13	-	148,898,592.13	148,898,592.13	-	148,898,592.13
Ore No.4 Storage Yard	39,683,512.02	-	39,683,512.02	37,884,468.02	-	37,884,468.02
Dalian Bay Groceries and Ro-ro Berth Project	20,067,344.81	-	20,067,344.81	19,981,858.61	-	19,981,858.61
Others	107,463,739.65	-	107,463,739.65	120,537,449.38	-	120,537,449.38
	1,528,745,391.21	-	1,528,745,391.21	1,414,006,013.32	-	1,414,006,013.32

The Company's management believes that no provision for impairment of construction in progress is required at the balance sheet date.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
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17 Notes to the Company's financial statements (continued)

(7) Construction in progress (continued)

(a) Movements of significant projects of construction in progress

Project name	Budgeted amount	31 December		Increase in the current year	Transfer to fixed assets, intangible assets and long-term prepaid expenses in the current year	Other decreases	31 December 2017	Proportion of expenditures incurred to budgeted amount (i)	Progress of construction	Accumulative amount of capitalised borrowing costs	Including borrowing costs capitalised in the current year	Capitalisation rate	Source of funds
		2016	2017										
Dayao Bay No. 13-16 Berth in Phase II	3,783,000,000.00	664,044,355.04	39,790,779.37	-	-	-	703,835,137.41	92%	92%	211,651,457.96	22,694,559.93	4.96%	Proprietary funds and loans from financial institutions and other sources
New Port No. 16-21 Berth	413,770,000.00	342,119,768.55	7,861,612.15	-	-	-	350,001,380.70	85%	85%	83,522,029.54	-	-	Loans from financial institutions and other sources
Dalian Bay Passenger Terminal	383,160,000.00	80,539,516.59	78,256,165.90	-	-	-	158,795,684.49	45%	45%	10,157,849.88	6,839,282.59	4.96%	Self-owned funds and loans from financial institutions
Dayao Bay North Shore Automotive Logistics Centre	450,000,000.00	148,898,592.13	-	-	-	-	148,898,592.13	33%	33%	8,054,440.28	-	-	Loans from financial institutions and other sources
One No.4 Storage Yard	570,600,000.00	37,884,466.02	2,799,310.70	-	(1,000,266.70)	-	39,683,512.02	99%	99%	-	-	-	Fund raising
Dalian Bay Groceries and Ro-o-Berth Project	700,000,000.00	19,981,856.61	85,486.20	-	-	-	20,067,344.81	99%	99%	-	-	-	Self-owned funds and loans from financial institutions
Others	625,557,484.84	120,537,449.38	209,220,509.99	(221,389,790.14)	(904,429.58)	-	107,463,739.65			3,733,203.72	2,024,528.13	4.96%	
		1,414,006,013.32	338,033,864.31	(221,389,790.14)	(1,904,636.28)	-	1,528,745,391.21			317,118,981.88	31,538,369.65		

(i) Proportion of expenditures incurred to budgeted amount is the proportion of the total expenditures incurred to budgeted amount.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (continued)

(8) Intangible assets

	Land use rights	Software	Total
Cost			
31 December 2016	439,460,682.78	97,639,305.22	537,099,988.00
Increase in the current year Increase from acquisition	–	308,490.56	308,490.56
Transfers from construction in progress	–	15,971,354.76	15,971,354.76
Others	–	3,691.69	3,691.69
Decrease in the current year Disposal	–	(845,600.00)	(845,600.00)
31 December 2017	439,460,682.78	113,077,242.23	552,537,925.01
Accumulated amortisation			
31 December 2016	(46,625,413.01)	(50,581,991.21)	(97,207,404.22)
Increase in the current year Provision	(8,759,950.80)	(9,422,749.21)	(18,182,700.01)
Others	–	(3,691.69)	(3,691.69)
Decrease in the current year Disposal	–	845,600.00	845,600.00
31 December 2017	(55,385,363.81)	(59,162,832.11)	(114,548,195.92)
Carrying amount			
31 December 2017	384,075,318.97	53,914,410.12	437,989,729.09
31 December 2016	392,835,269.77	47,057,314.01	439,892,583.78

In 2017, the amortisation of intangible assets amounted to RMB18,182,700.01 (2016: RMB17,181,973.33).

(9) Provision for asset impairment

	31 December 2016	Increase in the current year	Decrease in the current year		31 December 2017
			Reversal	Write-off	
Provision for bad debts	16,098.47	–	–	–	16,098.47
Including: Provision for bad debts of accounts receivable	–	–	–	–	–
Provision for bad debts of other receivables	16,098.47	–	–	–	16,098.47
Provision for decline in the value of inventories	–	–	–	–	–
	16,098.47	–	–	–	16,098.47

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

17 Notes to the Company's financial statements (continued)

(10) Capital surplus

	31 December 2016	Increase in the current year	Decrease in the current year	31 December 2017
Capital premium	3,019,702,296.53	–	–	3,019,702,296.53
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (a)	22,109,853.46	1,727,151.24	–	23,837,004.70
	3,041,812,149.99	1,727,151.24	–	3,043,539,301.23
	31 December 2015	Increase in the current year	Decrease in the current year	31 December 2016
Capital premium	6,212,549,598.67	2,413,472,697.86	(5,606,320,000.00)	3,019,702,296.53
Other capital surplus –				
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method (a)	18,346,870.92	3,762,982.54	–	22,109,853.46
	6,230,896,469.59	2,417,235,680.40	(5,606,320,000.00)	3,041,812,149.99

- (a) Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method mainly comprises special reserve appropriated by joint ventures and associates of the Company in the current year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

17 Notes to the Company's financial statements (continued)

(11) Undistributed profits

	2017	2016
Undistributed profits at the beginning of the year	907,456,179.01	2,535,370,918.16
Add: Net profit realised in the current year	820,722,937.64	527,172,510.95
Less: Appropriation to statutory surplus reserve	(82,072,293.76)	(52,717,251.10)
Ordinary share dividends payable (a)	(193,418,039.99)	(420,474,000.00)
Ordinary share dividends converted to share capital	-	(1,681,895,999.00)
Undistributed profits at the end of the year	1,452,688,782.90	907,456,179.01

- (a) In accordance with the resolution at the shareholders' meeting dated 28 June 2017, the Company proposed a cash dividend to the shareholders at RMB0.15 per 10 shares (including tax), amounting to RMB193,418,039.99 calculated by 12,894,535,999 issued shares.

In accordance with the resolution at the shareholders' meeting on 28 June 2016, the Company proposed a cash dividend to the shareholders at RMB0.75 per 10 shares (including tax), amounting to RMB420,474,000.00 calculated by 5,606,320,000 issued shares.

(12) Revenue and cost of sales

	2017	2016
Revenue from main operations	2,590,429,598.83	2,657,613,342.67
Revenue from other operations	466,058,499.64	336,049,382.11
	3,056,488,098.47	2,993,662,724.78
	2017	2016
Cost of sales from main operations	1,979,955,637.29	1,956,125,597.46
Cost of sales from other operations	220,493,049.66	213,076,781.27
	2,200,448,686.95	2,169,202,378.73

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (continued)

(12) Revenue and cost of sales (continued)

(a) Revenue and cost of sales

Analysis by industries is as follows:

	2017		2016	
	Revenue	Cost of sales	Revenue	Cost of sales
Oil and liquefied chemicals terminal and related logistics services	1,173,842,881.68	759,632,880.21	1,459,592,776.76	828,768,613.71
Container terminal and related logistics services	42,460,317.15	13,074,539.19	25,688,490.48	15,689,446.68
General cargo terminal and related logistics and trading services	355,586,774.69	364,320,203.09	319,213,996.45	361,517,735.34
Ore terminal and related logistics services	385,757,321.36	236,786,402.53	264,104,606.94	231,594,210.45
Grains terminal and related logistics and trading services	189,321,619.17	137,344,130.79	122,194,335.71	146,983,873.70
Passenger and roll-on, roll-off terminal and related logistics services	107,874,790.70	75,402,074.11	95,288,691.86	69,678,953.51
Port value-added and ancillary services	664,805,271.37	524,000,801.65	578,093,373.15	435,113,849.04
Others	136,839,122.35	89,887,655.38	129,486,453.43	79,855,696.30
	3,056,488,098.47	2,200,448,686.95	2,993,662,724.78	2,169,202,378.73

(b) The revenue is categorised as follows:

	2017	2016
Handling services	1,420,499,930.27	1,228,880,861.50
Storage services	461,239,761.84	772,539,174.16
Transportation services	429,367,405.25	385,697,440.64
Port management services	244,864,501.89	232,782,709.22
Electric supply services	111,638,832.26	106,943,459.41
Leasing income	122,623,318.00	70,998,391.13
Agency services	19,988,992.05	23,211,759.92
Others	246,265,356.91	172,608,928.80
	3,056,488,098.47	2,993,662,724.78

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
 (All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

17 Notes to the Company's financial statements (continued)

(13) Financial expenses

	2017	2016
Interest costs	454,210,985.31	477,700,693.63
Less: Amounts capitalised on qualifying assets (i)	(31,558,369.65)	(19,920,938.00)
Interest expenses	422,652,615.66	457,779,755.63
Less: Interest income	(78,909,157.35)	(44,345,528.27)
Exchange gains or losses	224,086,227.65	(222,395,465.25)
Others	5,374,239.94	5,178,613.01
	573,203,925.90	196,217,375.12

- (i) Borrowing costs capitalised have been included into construction in progress, and are carried forward to fixed assets upon the completion of construction in progress.

(14) Expenses by nature

The cost of sales and general and administrative expenses in the income statements are listed as follows by nature:

	2017	2016
Employee benefits	1,024,204,092.46	997,101,075.01
Depreciation and amortisation expenses	565,948,498.44	573,982,746.90
Leasing and warehousing expenses	156,215,603.64	230,734,798.01
Electric charges	124,789,921.23	119,066,911.49
Fuel expenses	100,093,546.23	80,929,895.46
Repair charges	82,474,372.94	73,253,511.59
Materials expenses	48,862,191.85	48,863,171.40
Audit fees	3,542,337.14	3,053,426.74
– Audit services	2,197,137.68	2,197,137.68
– Non-audit services	1,345,199.46	856,289.06
Others	464,196,697.31	424,029,562.40
	2,570,327,261.24	2,551,015,099.00

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
 (All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

17 Notes to the Company's financial statements (continued)

(15) Losses on changes in fair value

	2017	2016
Financial assets at fair value through profit or loss		
– Investments in equity instrument held for trading	256,620.00	1,109,570.03

(16) Investment income

	2017	2016
Income from long-term equity investments under cost method	531,323,485.02	169,750,917.39
Income from long-term equity investments under equity method	278,567,028.62	137,342,866.61
Income from disposal of long-term equity investment	7,920.10	(937,232.73)
Income earned during the holding period of financial assets at fair value through profit or loss	94,350.00	107,508.00
Income from disposal of financial assets at fair value through profit or loss	359,826.21	627,227.54
Income from wealth management products and entrusted investments	28,432,598.14	14,053,679.46
	838,785,208.09	320,944,966.27

There is no significant restriction on the recovery of investment income.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

17 Notes to the Company's financial statements (continued)

(17) Income tax expenses

	2017	2016
Current income tax calculated based on tax law and related regulations	(1,782,395.40)	69,454,179.99
Deferred income tax	(1,295,630.16)	(11,931,875.31)
	(3,078,025.56)	57,522,304.68

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the income statement to the income tax expenses is as follows:

	2017	2016
Total profit	817,644,912.08	584,694,815.63
Income tax expenses calculated at applicable tax rates	204,411,228.02	146,173,703.91
Adjustments for current income tax of prior periods	(1,782,395.40)	(6,084,558.61)
Income not subject to tax	(208,321,024.85)	(85,178,724.44)
Costs, expenses and losses not deductible for tax purposes	1,906,892.36	1,894,053.46
Utilisation of deductible temporary difference for which no deferred tax asset was recognised in previous period	-	(372,876.08)
Deductible temporary differences for which no deferred tax asset was recognised in the current period	707,274.31	1,090,706.44
Income tax expenses	(3,078,025.56)	57,522,304.68

Notes to the Financial Statements (continued)

For the year ended 31 December 2017
(All amounts in RMB Yuan unless otherwise stated)
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17 Notes to the Company's financial statements (continued)

(18) Supplementary information to the cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	2017	2016
Net profit	820,722,937.64	527,172,510.95
Add: Depreciation of fixed assets	545,631,371.42	551,763,721.68
Amortisation of intangible assets	18,182,700.01	17,181,973.33
Amortisation of long-term prepaid expenses	1,615,537.62	4,796,025.44
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(11,736,290.48)	(3,599,015.62)
Losses/(gains) on retirement of fixed assets	1,077,808.37	(648,740.16)
Financial expenses	626,885,717.35	197,807,171.89
Investment income	(838,785,208.09)	(320,944,966.27)
Losses on changes in fair value	256,620.00	1,109,570.03
Increase in deferred tax assets	(1,295,630.16)	(11,931,875.31)
Transfer from deferred income	(79,288,860.59)	(35,471,860.30)
(Increase)/decrease in inventories	(3,761,269.98)	2,419,957.54
Increase in special reserve	1,947,359.16	3,584,677.39
(Increase)/decrease in operating receivables	(48,627,617.34)	200,732,762.64
(Decrease)/increase in operating payables	(33,943,235.59)	109,720,238.81
Net cash flows from operating activities	998,881,939.34	1,243,692,152.04

(b) Net increase/(decrease) in cash and cash equivalents

	2017	2016
Cash and cash equivalents at the end of the year	4,904,728,295.61	4,489,574,119.31
Less: Cash and cash equivalents at the beginning of the year	(4,489,574,119.31)	(761,304,650.74)
Net increase in cash and cash equivalents	415,154,176.30	3,728,269,468.57

Supplementary Information to the Financial Statements

For the ended ended 31 December 2017
 (All amounts in RMB Yuan unless otherwise stated)
 [English translation for reference only]

1 Statement of non-recurring profit or loss

	2017	2016
Gains and losses on disposal and scrape of non current assets	13,972,854.10	11,160,607.81
Government grants recognised in profit or loss for the current period	15,888,145.62	1,608,300.00
Interest income from outward entrusted loans	1,426,322.24	4,995,470.65
Investment income from acquisition and merger of enterprises not under common control	154,247,744.00	–
Losses from disposal of long-term equity investments	(1,290,298.05)	–
Except for the effective hedging activities related to the Group's ordinary activities, profit or loss arising from changes in fair value of financial assets and financial liabilities held for trading, and investment income from disposal of financial assets and financial liabilities held for trading and available-for-sale financial assets.	197,556.21	1,504,570.51
Reversal of the provision on receivables assessed for impairment on an individual basis	10,000.00	–
Profit from entrusting others for investment or asset management	28,432,598.14	14,053,679.46
Non-operating income and expenses other than aforesaid items	1,760,472.05	7,750,436.87
	214,645,394.31	41,073,065.30
Effect of income tax	(52,198,174.67)	(9,988,137.07)
Effect of minority interests (after tax)	659,268.83	(4,529,411.98)
	163,106,488.47	26,555,516.25

Basis for preparation of statement of non-recurring profit or loss

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refers to that arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

Supplementary Information to the Financial Statements (continued)

For the ended ended 31 December 2017
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1 Statement of non-recurring profit or loss (continued)

Basis for preparation of statement of non-recurring profit or loss (continued)

Pursuant to national policies and regulations, the items which are recognised in government grants charged to profit or loss for the current year can be continuously obtained on a fixed quota or quantity for their close relation to ordinary activities. Thus the following items are not regarded as non-recurring profit or loss.

	Amount for the year 2017	Reasons for regarding as recurring profit or loss
Relocation compensation	33,146,664.79	Fixed quota on a continuous basis
Container subsidies	21,927,000.00	Fixed quantity on a continuous basis
Foreign trade and economic development special funds	21,094,366.00	Fixed quantity on a continuous basis
Operation subsidies	10,119,500.00	Fixed quota on a continuous basis
Stable position subsidies	8,707,548.06	Fixed quota on a continuous basis
Production safety fund	1,270,000.00	Fixed quota on a continuous basis
Vessel acquisition subsidies	791,217.56	Fixed quota on a continuous basis
Energy conservation and emission reduction special fund	873,073.68	Fixed quota on a continuous basis
Equipment reconstruction subsidies	272,255.68	Fixed quota on a continuous basis
Refund of turnover taxes	168,314.28	Fixed quota on a continuous basis
Others	5,061,905.45	Fixed quota on a continuous basis
	103,431,845.50	

2 Return on net assets and earnings per share

	Weighted average return on net assets (%)		Earnings per share Basic earnings per share	
	2017	2016	2017	2016
Net profit attributable to ordinary shareholders of the Company	2.79%	3.11%	0.04	0.04
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	1.88%	2.95%	0.03	0.04

No dilutive potential ordinary shares have been issued by the Company.

Financial Highlights for the Past Five Financial Years

RMB'000	2017	2016	2015	2014	2013	2012
Revenue and Profit						
Revenue	9,031,643	12,814,484	8,886,167	7,942,459	6,981,980	4,644,559
Gross profit	1,463,441	1,387,422	1,454,512	1,374,897	1,587,577	1,587,870
Operating profit	711,284	610,752	461,118	459,792	668,953	698,206
Total profit	727,158	778,013	729,745	796,014	1,025,922	906,482
Net profit	574,292	612,683	569,138	605,777	781,998	684,763
Net profit attributable to owners of the parent	500,780	531,013	484,333	52,077	682,608	600,090
Basic earnings per share (RMB)	0.039	0.042	0.048	0.051	0.067	0.059
Assets and Liabilities						
Cash and bank balances	7,507,917	6,741,279	2,933,298	2,446,016	2,344,392	2,507,327
Current assets	10,439,083	9,162,323	6,258,683	5,883,873	4,990,627	4,713,190
Non-current assets	26,146,192	22,739,742	22,871,206	21,965,335	2,224,051	23,115,591
Borrowings	13,415,605	10,549,202	11,303,901	10,316,436	9,973,296	11,535,906
Current liabilities	9,193,179	6,147,463	4,911,232	4,332,759	5,484,651	3,591,970
Non-current liabilities	6,772,298	6,648,287	8,849,372	8,532,443	7,080,181	10,261,819
Total assets	36,585,276	31,902,065	29,129,890	27,849,208	27,231,142	27,828,780
Net assets	20,619,798	19,106,315	15,369,286	14,984,007	14,666,310	13,974,992
Capital and Equity						
Share capital	12,894,536	12,894,536	4,426,000	4,426,000	4,426,000	4,426,000
Equity attributable to owners of the parent	18,059,929	17,773,317	14,038,472	13,710,496	13,449,769	12,964,562
Minority interests	2,559,869	1,332,998	1,330,814	1,273,511	1,216,541	1,010,430
Shareholders' equity	20,619,798	19,106,315	15,369,286	14,984,007	14,666,310	13,974,992
Net assets per share (RMB)	1.40	1.38	3.17	3.10	2.75	2.93

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About This Report

With a hundred years of history, Dalian Port (PDA) Company Limited (“the Dalian Port” or “the Company”) always takes “prospering the city through the port development, and serving the nation with industrial development” as our mission. The Dalian Port was successfully listed on the main board of the Stock Exchange of Hong Kong in 2006 and on the Shanghai Stock Exchange in 2010 respectively, becoming the first port company listed in the stock exchanges of both Hong Kong and Shanghai. The Port, with a hundred years’ history, sails in the capital market in the new century, and injects fresh energy to the development in the new period.

At present, China is in the crucial stage of building a well-off society in an all-round way during the 13th Five-Year Plan. The Dalian Port, acting upon development strategies proposed in the 19th National Congress of the Communist Party of China, resolutely fulfills its corporate responsibility to constantly optimise and innovate in environmental protection, social security, corporate governance, etc. Besides, the Company actively enhances the performance of assuming social responsibility, striving for a bright future where enterprises, society and nature develop in harmony.

Pursuant to the *Environmental, Social and Governance (ESG) Reporting Guide* (the “ESG Reporting Guide”) set out in Appendix 27 to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*, the Dalian Port released the *Dalian Port (PDA) Company Limited Environmental, Social and Governance Report 2017* (“the Report”). The Report covers ESG-related information of domestic operating activities of the Dalian Port and its main subsidiaries unless otherwise stated, and the reporting period is the same as that of the Company’s annual report.

Based on the analysis and assessment of the materiality of topics on environmental protection and social development in the *ESG Reporting Guide* to the Company and concerns of stakeholders, the Dalian Port aims to disclose to stakeholders in the Report our management measures and achievements in terms of environmental, social and governance practices in 2017, as well as our expectations for continued improvement in sustainability.

ESG Report

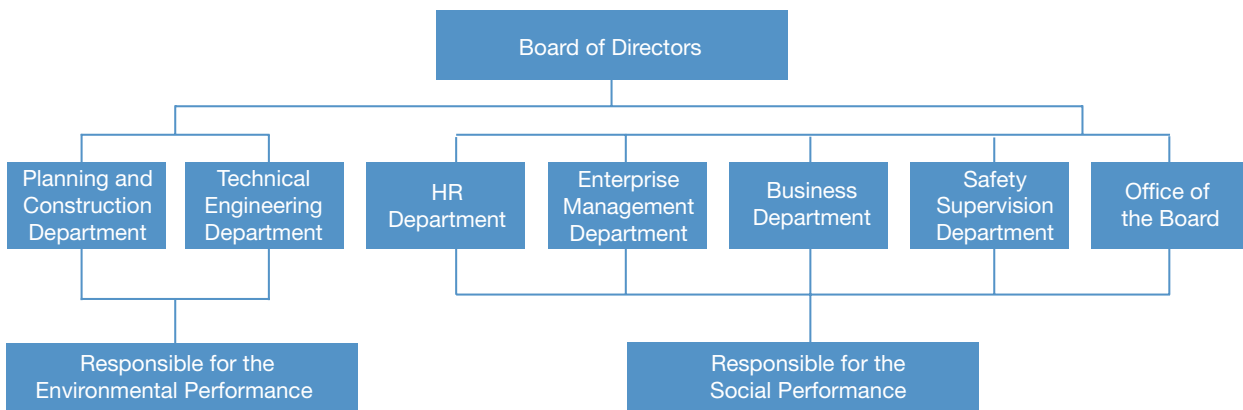
ESG System

ESG Concept and Goals

With a vision to build a multi-functional, all-round and modernised international port and also a happy, innovative, ecological, highly-efficient and smart enterprise, the Company adheres to the ESG concept of “green and sustainable development” and the goals of building a green port and promoting harmonious operation, and integrates environmental protection, energy conservation, caring for employees and benefiting the society into our business development. We have been proactively communicating with stakeholders and actively responding to their demands. While providing high-quality and professional services to customers, we have promoted the harmonious development of the company, society and environment.

ESG Management Structure

In 2017, the ESG management system of the Dalian Port continued to function well, and further answer the principal responsibilities on the basis of compliance in operation. With the overall leadership of the Board of Directors, active cooperation of various functional departments and the firm implementation by all affiliated enterprises, the ESG management concept has been thoroughly implemented and the work has been carried out effectively.



Stakeholder Engagement

The Company is grateful for the support and help from stakeholders from all walks of life. With a deep understanding about the significance of stakeholders’ expectations on the corporate development, the Company always attaches great importance to their expectations and demands on our ESG performance. In order to effectively identify major stakeholders’ key concerns, the Company has established diversified and targeted communication channels to maintain long-term and effective communication with stakeholders.

ESG Report

Through the identification and communication mechanism, major stakeholders identified include government and regulators, shareholders and investors, employees, customers, suppliers, media and community, whose top concerns covering compliance in operation, use of resources, emissions, caring for employees, product quality, and occupational health and safety.

Stakeholders	Communication Channels	Topics Concerned
Government & regulators	Important conferences, policy advisory, case reports, inspections, documents exchange, information disclosure, etc.	<ul style="list-style-type: none"> • Compliance in operation • Corporate governance • Energy conservation
Shareholder & investors	Shareholders' meeting, annual reports	<ul style="list-style-type: none"> • Profitability • Operating strategy • Transparent disclosure
Employees	Employee satisfaction survey, employee activities, workers' congress, employee trainings, staff handbook, internal publications	<ul style="list-style-type: none"> • Salary and welfare • Development and trainings • Occupational health and safety
Media	Interviews on business operation, promotion of company culture, featured special events, media conferences	<ul style="list-style-type: none"> • Compliance in operation • Social influence • Performance of social responsibility
Suppliers	Supplier evaluation, bidding meetings, negotiations on strategic cooperation, exchanges and visits	<ul style="list-style-type: none"> • Fair cooperation • Honest and promise keeping • Coordinated development
Customers	Customer satisfaction survey, customer complaint hotline	<ul style="list-style-type: none"> • Service quality • Information security
Community	Charitable activities, community activities, campus talks, internship	<ul style="list-style-type: none"> • Community welfare • Community relationship • Employment promotion

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Green Operation

The logo of the Dalian Port starts with the colour of Chinese green, representing the importance that the Company attaches to ecological civilisation, environmental protection and health and safety. Guided by the concept of “innovation, harmony, green, openness and sharing”, the Dalian Port further perfected the responsibility system for environmental protection in 2017, including strengthening daily supervision, troubleshooting potential sources of pollutant and adjusting pollution prevention and control measures. Taking the combination of energy conservation technology application with the innovation in energy conservation management as the starting point, the Company accelerates the transformation of development mode and promotes the construction of “a green low-carbon port”.



Compliance in Operation

Acting upon the basic national policy of environmental protection and resources conservation, and in order to strengthen environmental protection management to adapt to current trends of corporate environmental protection, the Company, pursuant to series of policies and regulations issued by the General Office of the State Council, the State Oceanic Administration and the Ministry of Environmental Protection (the *Coastal Waters Pollution Prevention and Control Plans*, the *Regulations for Environmental Protection in Construction Projects*, the *Water Pollution Prevention and Control Law*, etc.), developed and issued the *Dalian Port Environmental Protection Responsibility System* and other systems successively. In addition, guided by the *Environmental Protection Management Essentials of 2017*, we further strengthened and standardised environmental protection responsibilities at different levels of leadership and functional departments, and implemented the principle of comprehensive governance, full participation and balanced power and responsibility. In response to issues in implementation of pollution prevention and control measures during the special inspection of environmental protection and the “three-simultaneity” policy of environmental protection in construction projects, the Company requested relevant units to fulfil their supervisory responsibilities and improve measures for rectification, and the overall operation of the Dalian Port in 2017 was legal compliance.

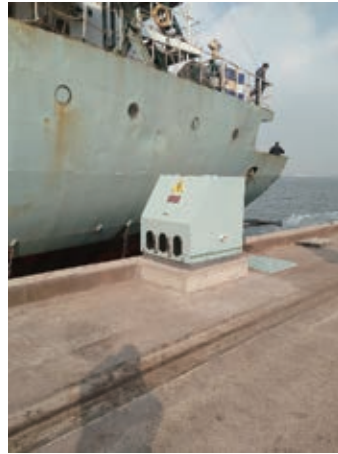
Reduction in Emissions

With a view to building a green and low-carbon port, the Dalian Port strictly practise the green development concept of being resources-saving and environment-friendly. The compliance and reduction in emissions lies at the core of realising environment-friendly, and has always been the top priority of the Dalian Port’s environmental protection commitment.

Application and Extension of Shore-to-ship Power Supply System

In order to reduce pollutants discharged by vessels in ports, the Dalian Port advocates the application of shore-to-ship power supply technology. Along with making a special plan for shore-to-ship power development during the 13th Five-Year Period, the Dalian Port has deepened the cooperation with the State Grid on the construction and operation of shore-to-ship power supply system and carried out the construction in an orderly manner. In 2017, a 3 MVA high voltage variable frequency shore-to-ship power system at Berth 15# of Dayao Bay Container Terminal was successfully connected to two container ships, namely COSCO Netherlands and COSCO France, for power connection and supply. This move marked that the Dalian Port’s container terminals had possessed the capability of high-voltage frequency conversion shore-based power supply. On top of that, the Dalian Port invested over RMB20 million to build 4 sets of high-voltage shore-to-ship power facilities, 2 sets of low-voltage dual-frequency shore-to-ship power facilities and 2 sets of mobile low-voltage shore-to-ship power facilities. By the end of 2017, all berths for ore, bulk grain, roll-on roll-off passenger ships and work boats as well as more than 50% of specialised container berths in the Dalian Bay had been equipped with shore-based power supply facilities; besides, 2 sets of mobile shore-to-ship power systems had been available for several berths in the general cargo terminal of the Dalian Bay.

ESG Report



Shore-to-ship power supply system

Special Researches on Sewage and implementation of prevention and control measures in the port area

Acting upon the *Water Pollution Prevention and Control Law* and the *Action Plan for Prevention and Control of Water Pollution* (or the “Ten Rules for Water Pollution”), and in order to improve prevention and control of water pollution, the Dalian Port strictly checks pollution collection and disposal systems for hazards detecting, collect and dispose sewage generated in the port area and investigate operation status and existing issues of facilities. In addition, feasible solutions have been developed based on the present situation, and special rectifications have been conducted for prevention and control of water pollution.

In 2017, the Dalian Port invested nearly RMB100 million to build a 100,000-cubic-metre accident buffer pool and its supporting collection system in the new port, which realised the objective of preventing petroleum pollution through the accidental water emergency treatment of “three longitudinal and three horizontal lines” and by means of “pollution containing terminal, interoperability, regional collection, three-level prevention and control”. Furthermore, 10 sewage treatment facilities and 8 units of buried sewage treatment equipment operate efficiently, enabling full coverage of sewage treatment compliance within the port.



The 100,000-cubic-metre accident buffer pool and its supporting collection system

ESG Report

Special Inspections on Environmental Protection and Responsibility Allocation in Hazards Identification

In order to urge subsidiaries to fulfil their integral responsibility for environmental protection, and therefore discover and eliminate existing hazards in time to mitigate risks of environmental management, the Dalian Port commenced special inspections on environmental protection in September 2017. The inspections mainly covered ten parts, including compliance with laws and regulations for environmental protection, implementation of prevention and control measures against air, water and solid waste pollution, the “three-simultaneity” policy for environmental protection in construction projects, etc. The results showed that the subsidiaries had established sound environmental management systems and risk prevention and control systems, and that pollution prevention and control measures and the “three simultaneity” policy, in general, had been put in place.

Rectification of VOCs and Research on Oil and Gas Recovery

By actively identifying environmental risks in the course of operation, the Dalian Port carried out special rectification and reform on the management of volatile organic compounds (VOCs) during the year. In strict compliance with the *Air Pollution Prevention and Control Law*, the *Pilot Scheme for VOC Discharge Billing* and the *Ten Rules for Air Pollution*, the Company conducted preliminary investigation and surveys in main areas where VOCs were discharged, as well as research and implementation of follow-up rectification and reform programs against major risks.

We fitted oil and gas recycling facilities at gas stations; installed “uptake + absorption” oil and gas recycling systems at refined oil product berths to reduce emissions arising from oil and gas volatilisation; and deployed the “condensing + absorption” scheme at vehicle gasoline distribution stations to recycle VOCs produced in the course of loading gasoline. In 2017, the oil and gas recycling facilities, in which the Dalian Port invested more than RMB13 million, made the oil and gas treatment rate up to 95%. This significantly reduced discharge of VOCs, and annually saved up to 1,800 tonnes of standard coal.



Oil and gas recycling facilities

Enhancement of Emergency Management in the Port and Special Inspections on Materials

Subsidiaries of the Dalian Port organise specialised training courses on the *Water Pollution Prevention and Control Law* and the *Environmental Protection Tax Law* so that the management and responsible persons can adapt environmental protection plans to the latest laws and regulations. In 2017, the environmental publicity and education commitment of the Dalian Port has been highly recognised by the Municipal CPC Committee of Dalian and the Municipal People’s Government of Dalian and other authorities concerned. Dalian Port (PDA) Company Limited and Dalian Port Oil Terminal Company were awarded the *Environmental Publicity and Education Outstanding Companies for 2016-2017*.

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Energy Efficiency Improvement

Pursuant to the *Dalian Port's Project Themed Green, Recycling and Low-Carbon*, the Dalian Port carried out the construction of green, recycling and low-carbon thematic project in terms of infrastructure, reconstruction of loading and unloading transport equipment and process, application of intelligent information system technology, clean energy and resources recycling, environmental protection. In November 2017, the Dalian Port's Project Themed Green, Recycling and Low-Carbon assessed and accepted by the Transportation Department of Liaoning Province and the Ministry of Transport. Experts' assessment showed that main projects were accomplished by 98.2%, and critical supporting projects 100% done, with saved standard coal over 13,000 tonnes, equivalent to 2,700 tonnes of standard oil when it came to alternative fuels.

With concerted efforts of all staff, comprehensive energy consumption per unit production of the Dalian Port decreased by 3.10% in 2017 and coal consumption by 25.22% year on year, resulting the amount of saved energy far beyond the national standards. In the resting period of the 13th Five-Year Plan, the Dalian Port will continue to implement the "four development principles", and strive to fully accomplish the tasks of building a green port through introducing new energy-saving technologies, utilising clean energy sources and applying information technologies to gradually refine energy conservation management.

Optimisation of Energy Management System

In order to achieve the objectives of green, low carbon, recycling and smart development, intensive utilisation of resources, reduction of energy consumption and emission and improvement of port environmental quality, the Dalian Port upholds four development principles: The first is the combination of energy conservation and emission reduction with our development; the second is the combination of reality with gradual and orderly progress; the third is the combination of scientific and technological innovation with institutional innovation; and the fourth is the combination of potential tapping with control of sources.

Developing Energy Management Plans

- Preparing and distributing annual energy work plans, defining objectives, tasks and focuses of energy management, instituting monthly energy consumption analysis system and giving full play to the role of supervision and decision-making consulting of statistical data analysis;

Establishing Energy Management Systems

- Establishing and improving energy management systems, thereby gradually forming four long-term mechanisms - compliance with energy conservation regulations and standards, full-process control management, energy conservation technological progress and energy conservation culture advocating;

Upgrading Energy Statistics Information System

- Upgrading energy statistics information system, completing the Dalian Port Technical Equipment Information Management System, which, by means of its function of energy statistics, standardises energy consumption statistics scale and sources of data so as to ensure authenticity of energy management fundamental data and raise efficiency of energy statistics;

Pioneering Technological Innovation

- Encouraging scientific and technological innovation among employees, building up technological power, sharing management experience and emerging technologies in energy conservation and emission reduction in the form of technical forums and others, as well as vigorously publicising the effectiveness of the Company's green port scheme through the internal corporate journal to create a favourable atmosphere for innovation in energy conservation and emission reduction.

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Promotion of Innovative Energy Conservation Technology

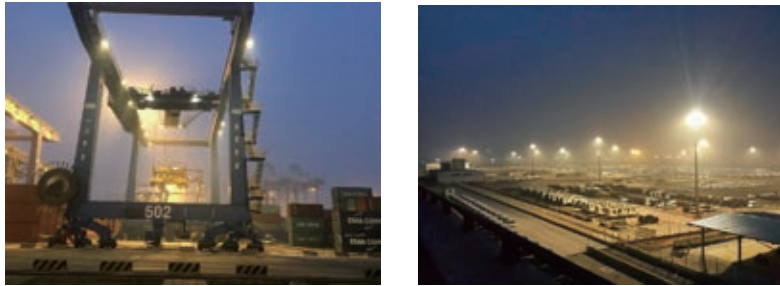
In response to the construction an innovative enterprise, the Dalian Port issued the *Management Measures of Dalian Port (PDA) Company Limited on Scientific and Technological Innovation Projects* and the *Management Measures of Dalian Port (PDA) Company Limited on Rewarding Scientific and Technological Innovation*, giving priorities to green development, quality and efficiency improvement and other innovative projects when allocating scientific and technological investment budget. Scientific and technological achievements in energy conservation and emission reduction, green development and so on apply to the scientific and technological innovation rewarding system, where the Scientific Progress Award and the Rationalisation Proposal and Technological Improvement Result Award were set up to encourage employees to innovate and put forward creative suggestions and opinions, thereby facilitating energy conservation and yielding favourable economic and social benefits.

In preliminary evaluation conference of China Ports & Harbours Association Science and Technology Award of 2017, several technologies of the Dalian Port won the Innovative Achievement Awards. Among them, the National Container Sea-Rail Combined Transport Internet of Things (Dalian Port) Demonstration Project won the first prize of Scientific and Technological Progress Award, and the IoT-based Port Logistics and Security Emergency Command Platform Building and Application, the All-lithium Battery Field Bridge Technology Application, the Dalian Port Oil Terminal Security and Emergency Management Information Platform won the third prize of Scientific and Technological Progress Award.

Over the year, the Dalian Port further promoted green lighting in the port, advocating the use of LED lamps, vanadium arc lamps, efficient reflector lamps, HEV ceramic metal halide lamps and so on under the management mode of energy contract.

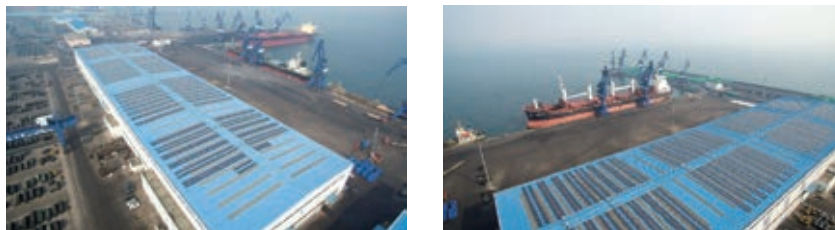
Bulk Grocers Company	<ul style="list-style-type: none">• Invested 540 thousand RMB• Completion of the yard 2 high pole lamp 18 LED energy-saving lamps and lanterns transformation• Annual savings of 15 tons of standard coal
Bulk Grain Company	<ul style="list-style-type: none">• Invested 1.75 million RMB• Completion of B1-B39, B43, B44, B57, CB20, 23, 26 belt conveyors, DT4, 5 bucket elevators, and renovation of green lighting along the first and second phases• Annual savings of 30 tons of standard coal
Container Company	<ul style="list-style-type: none">• Invested 270 million RMB• Completion of the yard 6 high pole lamp 72 LED energy-saving lamps and lanterns transformation• Annual savings of 12 tons of standard coal
Passenger Transportation Company	<ul style="list-style-type: none">• Invested 400 thousand RMB• Completion of the yard 2 high pole lamp 18 LED energy-saving lamps and lanterns transformation• Annual savings of 15 tons of standard coal
Railway Company	<ul style="list-style-type: none">• Invested 400 thousand RMB, completed 2 high pole lamp 18 LED energy-saving lamps and lanterns transformation in Dayao Bay parking lot, Annual savings of 12 tons of standard coal• Invested 100 thousand, completed 30 LED energy-saving lamps and lanterns transformation in Dayaowan 1# tunnel, annual savings of 11 tons of standard coal

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Green Lighting

Based on electricity demand of the port in Dalian Bay, the Dalian Port carried out distributed photovoltaic power generation programmes using grocery wharf roof space (about 40,000 square metres). As of 20 December 2017, the Dalian Bay Photovoltaic Power Plant had a total annual generating capacity of 2,450,000 kWh, of which 2,240,000 kWh was for the internal use, and the remaining 210,000 kWh for distribution over power grid. The saved energy amounted to about 810 tonnes of standard coal annually.



Power Generation

Energy Conservation Publicity

The Dalian Port issued notices on conducting activities of water-saving awareness week, energy-conservation awareness week and low-carbon awareness day, in response to which energy conservation was publicised, and lessons and experience in energy conservation and emission reduction were shared among different units. Subordinate units were organised to carry out “A Suggestion for Energy Conservation and Emission Reduction” activities. The Dalian Port vigorously promoted the concept of ecological civilisation and popularised energy conservation and low carbon awareness so as to improve quality and efficiency and enhance sustainability.

Key Performances

The Dalian Port’s environmental key performance indicators (KPI) statistics of 2017 covered major domestic operations and the subsidiaries (the Bulk Grain Company, the Railway Company, the Bulk Grocers Company, the Container Company, the Oil Company, the Wheel Barges Company and the Passenger Transport Company), unless otherwise stated. Due to their negligible impact on the environment, operations of offices had not yet been included in the statistical scope, which would be disclosed as the case may be.

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KPI

1. Emissions⁽¹⁾

Total greenhouse gas emissions (Scope 1 and 2) ⁽²⁾ (tonnes)	317,504.0889
Greenhouse gas emissions per 10,000 tonne throughput (Scope 1 and 2) (tonnes/10,000 tonne throughput)	9.5032
Total SO ₂ emissions (tonnes)	21.50115
Total NO _x emissions (tonnes)	61.159
Dust (including coal) (tonnes)	6,801.953812
Production wastewater discharge (tonnes)	29,619.2
Comprehensive use of production wastewater (tonnes)	75,481.6
COD discharge (tonnes)	0.26012
Total hazardous waste (tonnes)	1,177.61225
Hazardous waste per 10,000 tonne throughput (tonnes/10,000 tonne throughput)	0.35247
Compliance rate of hazardous waste disposal (%)	100
Total non-hazardous waste (tonnes)	101.09
Non-hazardous waste per 10,000 tonne throughput (tonnes/10,000 tonne throughput)	0.003

2. Energy Consumption⁽⁴⁾

Total comprehensive energy consumption (MWh)	691,119.6979
Comprehensive energy consumption per 10,000 tonne throughput (MWh/10,000 tonne throughput)	20.685951

3. Water Consumption⁽⁵⁾

Total water consumption (m ³)	908,934
Comprehensive water consumption per 10,000 tonne throughput (m ³ /10,000 tonne throughput)	27.205366

- (1) Owing to the nature of business, the Dalian Port's major gas emissions are greenhouse gases, sulphur dioxide and dust arising from the use of electricity and fuels converted from fossil fuels.
- (2) What is calculated for greenhouse gas emissions mainly includes carbon dioxide, methane and nitrous oxide. Greenhouse gas emissions are calculated in accordance with the 2015 China Regional Grid Baseline Emission Factors published by the National Development and Reform Commission and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories published by the Intergovernmental Panel on Climate Change (IPCC).
- (3) Category 1 greenhouse gas emissions refer to those from operations of the Company, while Category 2 are those arising from internal consumption of indirect energy (purchased or acquired) – electricity, thermal energy and steam.
- (4) The comprehensive energy consumption figures are based on the direct and indirect energy consumption as well as the conversion factors in the General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2008) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Standardisation Administration of the People's Republic of China.
- (5) In view of the nature of operations, the Dalian Port's major water consumption results from production and office operations.

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Health and Safety Protection

Acting upon annual national, provincial and municipal regulations for safety in production, the Dalian Port instituted detailed annual assessment rules on management of safety in production, and, in accordance with the *Production Safety Law* and the *Municipal Regulations for Safety in Production of Dalian*, sorted out a responsibility system where every post carried its own part of accountability for safety. Everyone, from top to bottom, took an oath of responsibility and signed a letter of commitment for the purpose of strengthening assessment on objective management. Besides, a long-term troubleshooting mechanism, namely Four Lists Rules, where inspections were carried out on a daily, weekly, monthly and quarterly basis by teams, stations, companies and the Dalian Port respectively. This, to a certain extent, raised safety in production and work environment. In 2017, the incidence of minor injuries, serious injuries, deaths and occupational diseases of the Dalian Port were all zero.

Production Safety Management

Safety Inspections

In order to constantly strengthen the inspection on the production site and duly prevent violation behaviors and eliminate various safety hazards, the Company organized various inspections in 2017, including 4 quarterly comprehensive inspections, 12 special inspections and night inspections and more than 20 fire prevention inspections in winter. After that, follow-up and rectifications were made for the 16 problems detected, resulting a 100% of hazard rectification rate in 2017.



Daily inspections

Dalian Port Railway Company has made rectifications as required by the Dalian Port for hazards detected in inspections. In addition, it took measures like issuing circulars and punishing employees involved to implement the operating standard of “No Hazards Allowed” in accordance with the *Provisions on Production Safety and Hazards Identification and Rectification of Dalian Port Railway Company* and the *Incentives of Dalian Port Railway Company for Reporting Production Safety Hazards and Violations*. Besides, the “hypothetical” check lists are prepared based on duties of different posts, and the implementation of operating standards is checked accordingly under the premise that safety is assured.

In addition to routine and night inspections for subordinate enterprises, the Safety Supervision Department of Dalian Port Container Company launched the video surveillance system to expand the scope of monitoring and strengthen on-site supervision, which enhanced the management and supervision of daily production safety issues and allowed real-time monitoring and spot-checks afterwards, providing convenience for further promoting the safety management of the company.

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The Month of Production Safety

In response to the *Notice on Conducting the Month of Production Safety and Work Safety Circuit* issued at national, provincial and municipal levels, the Company developed and issued the *Notice of the Dalian Port on Conducting the Month of Production Safety in 2017*. In addition to publishing the *Opinions of the CPC Central Committee and the State Council on Promoting Reform and Development in the Field of Safety Production* (“Opinion”) on our *Port of Dalian* newspaper and purchasing books and CDs for the learning of leaders and employees at relevant departments and safety inspection department, the Company also made vigorous efforts to publicize the *Opinions* among subordinated units through production safety briefings, bulletin boards and wall charts and arranged 4 safety instructors to conduct safety trainings in 8 major units to reflect on typical accident cases and make the staff learn from the cases. On 16 June, the Company conducted one-day activities for advocating and consulting the principal responsibilities for production safety in the enterprise, which was attended by the management, i.e. Zhang Yiming, the President, the Safety Director to encourage the staff to take an active part in production safety. Three on-site advocacy and consultation points were set up, and over 1,600 employees from 30 units in the Dalian Port were attracted to participate in the activities by arranging information desks, hanging banners, displaying bulletin boards and playing educational videos.



Activities in the Month of Production Safety

In the course of production safety, the Dalian Port Bulk Cargo Logistics Company aims to strengthen the safety management in production through strict implementation of “Four Safety Standardisations” – standardising personal behaviours, minimizing on-site supervision, targeted education and trainings, balancing incentives and restraints.

Production Safety Drills

Based on the plan of annual emergency drills and the principle of “Being Practical and Effective”, units and departments conducted 223 emergency drills in total and invested a total of RMB42,000, which helped to enhance the accident rescue and emergency response capability of the Company and its units. In July 2017, the Dalian Port Oil Terminal Company undertook the emergency response drill of “Fire and Explosion of Hazardous Chemicals in Dalian”, and accomplished the script planning, on-site arrangement, video recording and editing of the drill and so on. Hundreds of people from the Fire Protection and Security Centre and relevant departments took part in the drill, and the organisation and process of the drill was fully affirmed by the leaders of the port authorities and the Company.



The Emergency Response Drill of “Fire and Explosion of Hazardous Chemicals in Dalian”

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In addition, the Dalian Port Oil Terminal Company focused its efforts on organising “double-blind” comprehensive emergency drills while carrying out targeted emergency rescue drills on fire and oil spills. Through such exercises, we focused on testing the adaptability and actual status of emergency rescue equipment, as well as the responders’ understanding of and practical skills for the emergency plan and its implementation procedures, to accumulate the experience for handling emergencies.

During the flood season, Davos Forum, 19th CPC National Congress and the end of the year, the Company put forward the requirement of “Three Non-occurrences” to increase patrol inspections on key locations, key places and key positions, reinforced the dynamic workplace inspections by the leaders on duty and continue to make “Daily Report” on production safety. At the same time, we also kept the channels of information open to facilitate the reporting and handling of emergency information. As a result, the Dalian Port continued to operate stably with the concerted efforts conducted on all aspects. In addition, the Company took the production safety approve system as the priority in 2017, and identified 4,521 post risks, 73 key processes and 1,866 risk factors. In order to remind the new and old staff of production risks and preventing them in time, the Company hung the safety risk disclosures on walls.



Safety risk disclosures on walls

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Hazardous Chemical Management

Acting upon the *General Office of the Municipal People's Government of Dalian Circular on Issuing Comprehensive Safety Management Scheme for Hazardous Chemical* and the *Circular on Issuing Management Scheme for Hazardous Chemicals in the Port of Dalian*, and with the intention of improving safety management standards and technology levels for hazardous chemical, especially in critical areas, the Dalian Port entrusted several third-party organisations to detect and assess major hazard sources, based on which the *Roll-on Roll-off Passenger Ship Port Operation Safety Standards* was instituted and advocated within the port. Furthermore, two monographic studies, – the *Classified Storage of Dangerous Cargo Containers* and the *Technical Measures of Lightning Protection for Oil Storage Tank* -, were accomplished through overall inspection and hierarchical control of safety risks. So far, the Company has identified 4,377 cases of post danger sources, 391 cases of orange risks, 831 cases of yellow risks, 3,155 cases of blue risks, 56 cases of key processes and 654 cases of risk points, and therefore requires immediate rectification (or within a definite period if impossible) of them, improvement of management and control of high-risk chemicals, major hazard sources, hazardous chemical tank area risks and hazardous chemical storage and transportation safety, close monitoring and maintenance of storage tanks, and information reporting; units dealing with hazardous chemicals, as required, carry out pre-loading inspection, strict assurance for loading and unloading and control of port planning and employee qualifications, and ensure effective function of the Dalian Port Safety Integrated Information Platform, the Emergency Command Platform and the Dalian Port Dangerous Operation Supervision Information Platform. In order to minimise risks of hazardous chemicals, units dealing with hazardous chemicals regularly review and keep disposal plans on file, thereby regulating command and dispatch, outfit equipment and training and evaluation of rescue teams and optimising rescue process for hazardous chemicals emergency.

Safety Promotion

In response to the arrangement on safety production by Dalian municipal government, and in accordance with the *Plan of Creating Hazard-free Environment for Workers*, we encouraged employees to learn safety and health knowledge by means of activities themed “Safety and Health Cup”, “Hazard-free for Employees” and ‘Three-Non’ Team Competition, organised more than 2,400 employees to participate in the online knowledge contest of production safety held province-wide, and mobilised and rewarded employees to detect and report production safety hazards or occupational health risks.



Safety and Health Cup



Hazard-free for Employees and ‘Three-Non’ Team Competition

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Occupational Health Protection

The Company attaches great importance to the occupational health and safety of our employees. On the basis that all employees are covered by physical examinations, all 87 major units of the Company that have contact with hazardous materials have all accomplished the OHSMS certification, set up occupational hazards warning signs, bulletin boards, warning instructions in Chinese and prepared the occupational health operating procedures for all posts.



Occupational hazards warning signs, bulletin boards and warning instructions in Chinese

In January 2017, the Dalian Port Oil Terminal Company invited experts from the Dalian Occupational Disease Prevention and Treatment Hospital to lecture on occupational health knowledge, aiming to guarantee employees' safety in a practical way.



Lectures by experts from Dalian Occupational Disease Prevention and Treatment Hospital

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Operation Responsibility Management

Product Liability

At the Dalian Port, we always uphold that it is our responsibility to increase value for customers and our bottom line to provide high-quality services, and operate in an honest, value-added, safe and environment-friendly fashion. Specifically, we offer tailor-made replicable standard services to meet needs of different customers, and, focusing on expansion of supply chain service features and innovation of customised services, gather resources elements to provide high-quality services and build up soft brand power. The Dalian Port, by organising the brand display activity of Quality & Innovation, required that all units tap into existing services and management brands, building brands one by one. The *Dalian Port Journal* would have a special column for superior brands, which, in the meantime, would be promoted over the internal website, WeChat or other platforms. This would drive our employees to do their bit for branding, thereby improving our brand value and social reputation on a continuous basis.



The Dalian Port set up series of management regulations for service quality, information publicity, data protection, etc., which is a strong evidence that the Company attaches great importance to normativeness and safety when rendering services. This facilitates the effective integration of corporate culture building with production and operation management. In addition to that, subsidiaries are stimulated to apply for "three-system certification" and refine service quality, and are required to reject false publicity and brand information plagiarism, so as to keep a positive brand image.

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The Dalian Port owns the largest domestic crude oil, refined oil and liquid chemicals tank group, super storage capacity and annual throughput capacity that provide a strong support for the normal operation of the port, thereby making the oil shipping brand of the Dalian Port more influential in the coastal region of the Bohai Sea and becoming the backbone of building an international shipping centre in North-east Asia. The Dalian Port makes full use of the advantages of deep water wharfs, entering Big Ship Era without breaking strides. The Company sticks to the commitment to provide corresponding wharfs for every ship, irrespective of sizes; Berth 22# with a water depth of 27 metres, built in 2010, is the first and the only one for 450,000-tonne crude oil tankers in China, which is so far a record holder in terms of design water depth, engineering equipment modernisation, national key scientific and technological project, etc. In March 2017, IT Europe, the biggest oil tanker of the world, was berthed at the northern port of China for the first time.



IT Europe

In terms of compliance management, the Company strives to identify risks and follow relevant laws and regulations for product liability, in an attempt to set the pace in legal compliance. In 2017, the Dalian Port did not violate any laws or regulations for product liability.

The laws and regulations that Dalian Port (PDA) Company Limited complies with for service quality management

Internal Systems

- ✓ Dalian Port (PDA) Company Limited Regulations for Special Materials Transportation Management
- ✓ Dalian Port (PDA) Company Limited Regulations for Freight Service Quality
- ✓ Dalian Port (PDA) Company Limited Regulations for Customer Satisfaction Evaluation Management
- ✓ Dalian Port (PDA) Company Limited Regulations for Informationalised Safety Management
- ✓ ISO9001 Management System
- ✓ ISO14001 Management System
- ✓ OHSAS18001 Management System
- ✓

External Laws and Regulations

- ✓ Law of the People's Republic of China on the Protection of Consumer Rights and Interests
- ✓ Advertisement Law of the People's Republic of China
- ✓ Railway Law of the People's Republic of China
- ✓ Road Transport Regulations of the People's Republic of China
- ✓

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Considering that feedback from customers is essential to the healthy development of a company, the Dalian Port, in the course of rendering service, communicates efficiently with customers and carries out customer satisfaction surveys with the help of customer call service system, mobile apps, micro port service, and other information service platforms. The Company, facing up to customers' feedback, keeps improving services and management based on deliberate analysis of their opinions and suggestions.

Supply Chain Management

The Company is committed to establishing standardised and effective supplier management system, which aims to take the interests of suppliers into consideration while ensuring our own interests and achieve coordinative development together.

In combination with our actual situation, the Company revised the *Guidelines of the Dalian Port on the Authorization and Approval of Financial Activities*, in a view to establish a scientific and effective supplier management system, standardise supplier management, and bring the advantages of centralised purchasing into full play, thus improving procurement quality, reducing procurement costs and preventing procurement risks. The guidelines cover both product suppliers and service providers contracted with the Company. In accordance with the guidelines, we strictly implement the supplier review and approval process, give full consideration of access conditions of different types of suppliers, and carefully review their qualifications. At the beginning of each month, the material supply centre publishes the list of newly-introduced suppliers. Meanwhile, complaint hotline was set up to promote transparent and effective competition among the suppliers.

At the same time, the Company actively publicises and enhances the concept of environmental and risk management among suppliers and pays close attention to their performance in the field of environmental and social risk management, expecting to join hands with suppliers in improving the CSR performance of the industrial chain.

Anti-corruption

The Dalian Port has a policy of zero tolerance for corruption. With the corporate culture featuring self-improvement, virtue and honesty, the Dalian Port has formulated the *Views on Strengthening Pre-Control Management of Integrity risk*. It details that all units should take a bottom-up and top-down combined approach to identify integrity risks in key posts and processes under the leadership of the integrity risk pre-control management leadership group, as well as give ratings of integrity risks to different posts, on which the Discipline Inspection Commission and Supervision Department of the Company is given a debriefing. Furthermore, the Company keeps improving pre-control measures based on the principle of "supplementing what is needed", resolving discovered issues, standardising duties of different posts, working procedures, management systems and operation mechanisms, summarising innovation in a timely manner, and raising pre-control concept of integrity risks in order to achieve scientific pre-control and effective prevention of integrity risks and prevent the occurrence of intentional fabrication, disclosure of trade secrets, graft, misappropriation, embezzlement and dinners or presents in exchange for favour.

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The Company standardises decision-making processes, and operate in compliance with the laws and regulations. Critical decision-making, appointment of key personnel, arrangement of big projects and capital operation of huge sum must be carried out in accordance with the *Critical Decision-Making System Regulations of the Dalian Port*, which contributes to anti-corruption and spurs integrity among leadership levels. In addition, the Company has great expectations that management with party membership, especially senior executives, should act on the *Anti-corruption Guidelines for Leaders with CPC Membership* and the *Anti-corruption Regulations for Leaders of State-owned Enterprise*. Cadres should never directly or indirectly invite personnel in related units to dinners in exchange for favour; banquets must be reported according to relevant procedures under supervision; and taking bribes in the form of wedding, funeral and birthday gifts in return for help is prohibited. As stipulated in the *Supervision and Management Regulations for Business-related Consumption of Responsible Persons of State-owned Enterprises*, all units have formulated their own detailed management rules and reported them to the Discipline Inspection Commission and Supervision Department; as required by the Dalian Port, each unit should conduct self-inspection of responsible persons' consumption management and then form a report thereon, and set a ledger for business-related consumption expenditure by responsible persons, with related documents submitted to the Discipline Inspection Commission and Supervision Department, in an effort to curb extravagance on public funds.

Acting upon the *2013-2017 Plans for Establishing and Improving Corruption Punishment and Prevention System*, the Dalian Port provides channels and guidelines for reporting misconducts, and improper or illegal acts within the Company. Employees who find improper acts should report them through leadership mailbox, party member mailbox, auditor mailbox, tender complaint mailbox, customer service hotline and other reporting channels. Also, the Dalian Port joins forces with disciplinary inspection, risk control, public security, audit and other departments to investigate cases, checks complaint letters from the public carefully, aimed at not wronging an innocent person and letting go of a guilty one. These efforts get to the root of the problem, and help to prevent the occurrence of corruption and bribery in depth and protect the interests of employees.

Community Investment

The Company faithfully follows the spirit of the 19th CPC National Congress and General Secretary Xi Jinping's strategic thinking on poverty alleviation and earnestly implements the poverty alleviation arrangements of the CPC Central Committee, the CPC Liaoning Provincial Committee and the CPC Dalian Municipal Committee as a significant political task and an incumbent social responsibility. With the care and support of the CPC Dalian Municipal Committee and Dalian Municipal Government, we adhere to the principle of being realistic and pragmatic as well as pioneering and innovative, and take "Four Highlights" as the guide to make full use of our own advantages to carefully organise and coordinate the work of targeted assistance. We visit from door to door in the poor villages and conduct thorough investigations to understand their economic development status, the channels to increase peasants' income, their advantages in resources and potentials for development, and make joint efforts with cadres of poor villages on developing countermeasures, to figure out the right way to achieve prosperity and ensure those really suffering from poverty are lifted out in a practical and permanent way.

In response to the *Notice on Further Strengthening Targeted Poverty Alleviation Province-wide Jointly Issued by the General Office of CPC Liaoning Provincial Committee and the General Office of the People's Government Liaoning Province*, the Company has been responsible for the poverty alleviation work at Guangsheng Village, Lijia Town, Heishan County, Jinzhou City since the beginning of 2016. In order to improve village-level infrastructure construction to change the backwardness and enrich the amateur cultural life of poor households, the Company invested RMB460,000 in 2017 to build two sets of rural cultural squares (Guangsunntun Culture Square and Yanjiatun Culture Square) integrated with functions of landscaping, beatifying, afforestation, physical fitness, cultural entertainment and services in science popularisation. These squares have become the place for village assemblies, group activities and entertainments of villagers in slack seasons, which greatly improved their cultural life.

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Pursuant to the notice on adjusting targeted poverty alleviation at rural villages in Dalian city in 2017, the Company's targeted villages for assistance were adjusted to five villages at Lejia Town in Pulandian District, namely, Shahe Village, Lejia Village, Miaoling Village, Duifeng Village and Lufeng Village. In a view to deliver a good assistance for these five villages, the Company implemented the work for targeted poverty alleviation in a proactive way through efforts like specially setting up a leading group for poverty alleviation, communicating with relevant leaders of Pulandian District for many times and conducting field study in the five poor villages in Lejia Town.

Focus on Targeted Poverty Alleviation

In order to better implement the targeted poverty alleviation and bring the resources into full to deliver reasonable assistance, the Company cancelled our assistance for marginal poor households and focused our efforts on helping 470 low-income families and five-guarantee families in the five villages. Our targeted work fell into two aspects, namely, improving living conditions and enhancing the ability to get rich.

Improving living conditions

- We made visits to the poor households to learn about their difficulties in production and life, helped them improve the basic living conditions and sent necessities worth more than RMB 160,000 of rice, flour, oil and etc.
- We paid visits to some poor households and delivered special grants during festivals.

Enhancing the ability to get rich

- We gave priority to employing qualified labour from poor households based on their own willingness to increase their income.
- For poor families lack of funds and technologies, we mobilised them to take the opportunity of vigorous development of greenhouses in the town and supported their projects.

Poverty Alleviation through Strengthening Industrial Development

In 2017, the Company increased investments in the construction of agricultural facilities and new projects and helped to build more than 60 vegetable greenhouses, 3 small bridges and 12 village roads with a total extension of more than 30 kilometres, which greatly facilitated the travel of villagers and sales of agricultural products. In addition, the Company has invested RMB1 million to solve the problems of power supply for sunlight greenhouse construction in Lejia Town due to funds shortage, including measures like newly setting up 3 sets of 100 kV transformers, increasing the capacity of 9 transformers, erecting 130 new poles and suspending 4 km of low-voltage and high-voltage overhead insulated power line, which strongly supported the development of income-increasing industry in Lejia Town.



Greenhouses for vegetable

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Poverty Alleviation through Improving Employment

In combination with our actual development, the Company puts forward the guiding principles for targeted poverty alleviation of giving priority to and providing special assistance for the labour service export industry in Lejia Town, and strives to build the town into a labour supply base together with villagers there. The Company provided more than 100 jobs for villagers, which brought them income of more than RMB5. At the same time, we strengthened the efforts on the education and training of workers from Lejia Town on the knowledge, skills, concepts, management and other aspects, which provided a strong intellectual support and quality assurance for the development of the town. Meanwhile, the Company fully supported the development of Lejia Town Labour Service Company and gave strong support for introducing advanced management concepts and accessing the loading and unloading market, to help the Labour Service Company develop into a specialised stevedoring service provider with satisfied strength and size.

Protection of Employees' Rights and Interests

Driven by the corporate values of being people, customer and responsibility-oriented, the Dalian Port views employees as the most valuable assets to push forward. We treat internal employees and dispatch external labour force equally, protect the legitimate rights and interests of employees, promote competence building, care about employees' work and life and create fair and broad development channels for employees, with a view to inspiring employees' initiative and creativity, enhancing their sense of belonging and happiness and securing a co-development with employees.

Employment and Rights and Interests of Employees

The Dalian Port respects and protects rights and interests of employees, striving for harmonious labour relations. In 2017, in compliance with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and the *Social Insurance Law of the People's Republic of China* and other laws and regulations, the Company abided by and kept improving corporate employment management system, optimised supervision and management system of employee rights and interests, as well as established an effective employee security system to protect the legitimate rights and interests of employees.

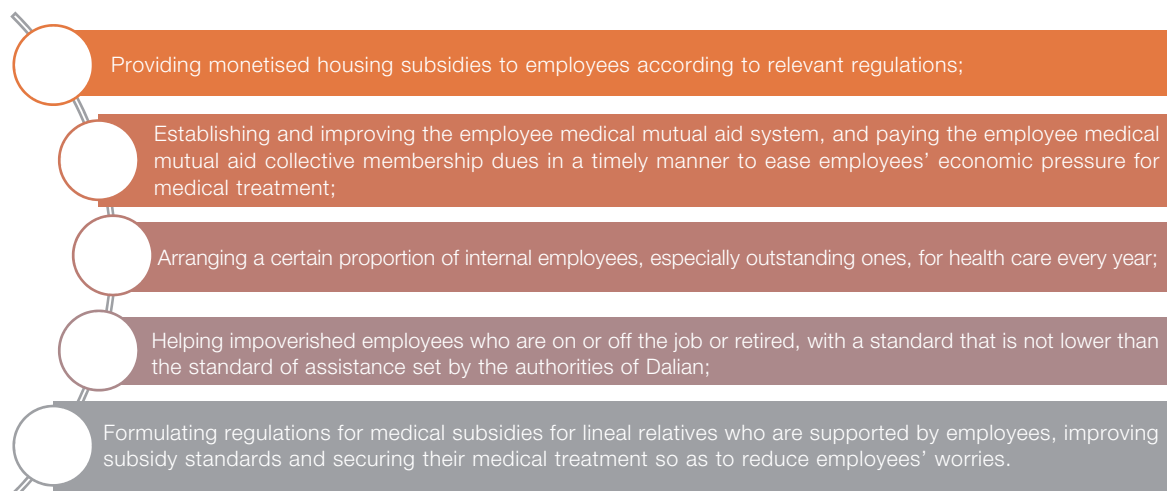
In accordance with the provisions of the *Dalian Port (PDA) Company Limited Labour Contract Management Regulations* and the *Dalian Port (PDA) Company Limited Collective Contract*, the Dalian Port signs labour contracts with all employees, following the principle of legality, fairness, equality and voluntarism, consensus, honesty and credibility. The Company complies with national policies for labour contract, fulfilling relevant obligations in earnest.

In the light of the *Dalian Port (PDA) Company Limited Detailed Regulations for Remuneration Management*, remuneration is composed of three parts, – basic salaries, performance pay and allowances. The Dalian Port set up a remuneration management system that integrated position, performance and competence to stimulate employees to learn conscientiously and work hard, and therefore to sharpen occupational skills and overall quality.

The Dalian Port strictly implements the national work hour system, and has formulated the *Dalian Port (PDA) Company Limited Attendance and Leave Management Regulations* and the *Dalian Port (PDA) Company Limited Paid Annual Leave Regulations*, which stipulate that employees enjoy rights of legal holidays, annual leave, marriage leave, home leave, bereavement leave, maternity leave, sick leave, work injury leave and so on.

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In accordance with the Social Insurance Law of the People's Republic of China, the Dalian Port pays adequate contributions to social insurances for employees in a timely fashion, including pension scheme, basic medical insurance, work injury insurance, maternity insurance, unemployment insurance, housing fund, etc.

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- Providing monetised housing subsidies to employees according to relevant regulations;
 - Establishing and improving the employee medical mutual aid system, and paying the employee medical mutual aid collective membership dues in a timely manner to ease employees' economic pressure for medical treatment;
 - Arranging a certain proportion of internal employees, especially outstanding ones, for health care every year;
 - Helping impoverished employees who are on or off the job or retired, with a standard that is not lower than the standard of assistance set by the authorities of Dalian;
 - Formulating regulations for medical subsidies for lineal relatives who are supported by employees, improving subsidy standards and securing their medical treatment so as to reduce employees' worries.

In addition, the Dalian Port puts a premium on interests of employees and employee care, providing favourable supplementary benefits for them, such as supplementary medical insurance, birthday allowance, wedding allowance, holiday benefits, rental subsidy as well as infant rooms.

The Dalian Port provides fair and reasonable job opportunities. Recruitment, remuneration, training opportunities, promotion, demotion, retirement and other workforce affairs are based on occupational competence and job demands, with no discrimination on the grounds of race, social status, nationality, religion, physical disability, sexual orientation, trade union membership and governmental connections.

The Dalian Port never falls foul of the laws and regulations. Acting upon the *Child Labour Recruitment Prohibitions* of the People's Republic of China, the Company had no involvement in child labour recruitment in 2017.

Upholding the principle of equality and voluntarism, the Dalian Port fully understands employees' choices, supports employee development, and coordinates necessary procedures, e.g. personnel files and social security transfer for employees who voluntarily terminate labour contracts. In accordance with relevant laws and regulations, labour contracts can be terminated if employees fail to fulfil the contractual obligations or pass qualification assessment upon expiry of contract.

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Trainings and Development

The Company always upholds the idea of “People Oriented and Talents Foremost. We attach importance to exploring the value of talents, deepen the implementation of talent-oriented cultivation concept, and provide training opportunities for employees to facilitate their growth and development and bring their potential into full play.

Internal trainings

The Company provides trainings for the employees by internal lecturers or professional trainers.

External trainings

Based on the needs of work or mandatory requirements of the superior departments, we delegate employees to attend trainings organised by training agencies or the superior departments.

Amateur learning

According to job requirements, we encourage employees to take their spare time in attending courses for academic degrees.

On-boarding trainings	We conduct a series of trainings for our new recruits, covering company overview, corporate culture, safety regulations, code of conduct, and provide planning and guidance for their career development.
Job adaptive trainings	Based on requirements for the job, we provide professional trainings on the knowledge and skills that employees need to master in their career development.
Job qualification trainings	According to the requirements of job qualifications, employees who have to be certified must be qualified in job qualification trainings.
Job-transfer trainings	When there are adjustments in positions, we conducted job-transfer trainings for employees to better fit in the new job.
Promotion trainings	When employees are promoted, we carry out trainings to enhance their knowledge and skills, so that they can meet requirements of higher positions.

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The Company strictly implements the *Administrative Measures of the Dalian Port on Employee Trainings* and continuously strengthens the development of staff training system. We prepare and issue staff training plan each year and all units regularly organise training activities accordingly. The HR departments then make statistics on course plans, training summaries, attendance sheets, evaluation forms and staff training hours and other information.

Taking the opportunity of selecting and making good examples, the Company initiated activities to establish the “Employee Innovation Studio” for the first time in the Port, which became another platform for developing the innovative potential of employees and improving the innovation capability of the enterprise. At the same time, we actively promoted the development of model workers innovation studio with thematic series published in the Port of Dalian magazine, arousing enthusiasm for innovation and learning.

In addition to complying with the *Provisions of Dalian Port on Staff Safety Training Management*, the Dalian Port Railway Company has developed the Staff Safety Training Requirements Matrix to further promote the implementation of safety trainings for all staff. All 17 safety education and training programs were delivered in 2017. In addition, the Dalian Port Railway Company creatively applied and transformed the WeChat platform to establish the “Railway Guardians” group chat and the “Safe Dalian Port Railway” official account to release various safety information, which enabled all e units to collect and understand the information on production operation in a timely manner and conduct self-examination accordingly.

Caring for Employees

The Company cares for employees and enhances the sense of belonging and happiness through organising rich spiritual and cultural activities and solving practical difficulties for employees.

The Company carried out service activities themed “serving the grassroots, caring for employees and front-line workers” at 29 units in Changxing Island, Zhuanghe, Taiping Bay, Lushun and Dayao Bay, and delivered heatstroke prevention and cooling supplies for front-line workers, including 800 boxes of drinks, 940 watermelons, 1760 towels, 670 bags of ginger candy.

In 2017, the Company organised the labour union to visit more than 5,200 employees throughout the year, distributed special grants of over RMB1.7 million and offered goods and materials worth RMB210,000. We provided caring funds for a number of employees suffering temporary difficulties, which effectively guaranteed their basic livelihood.

The Company actively promotes culture construction and inherits fine traditions and excellent culture. With the theme of “carrying forward the spirit of an old wharf and demonstrating the style of our staff”, we organised the Seventh Employee Culture and Arts Festival and received 1,549 pieces of original works of photography, calligraphy, paintings, couplets, poetry, proses and micro-films. Additionally, employees of units created and played various entertainment programs themed “celebrating the successful convocation of the 19th National Congress and jointly building the dream of strong harbour”, and presented those elected out for the grassroots staff. Colourful cultural activities enrich the amateur life of employees, help to cultivate their temperament, and ease the pressure of work, thus enhancing their cohesion and solidarity, as well as the sense of belonging and honour.



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Appendix: ESG Reporting Guide

Description of Issues		Corresponded Chapter
Subject A. Environmental		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Operation P310
KPI A1.1	The types of emissions and respective emission data.	Key Performances P315
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Green Operation P310, P311, P312
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
A2: Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operation P321
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Key Performances P315
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Green Operation P313/P314/P315
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable
Aspect A3: The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Green Operation P310/P311/P312
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

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Description of Issues		Corresponded Chapter
Subject B. Social		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Protection of Employees' Rights and Interests P327
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	–
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	–
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety Protection P317/318/319
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety Protection P317
KPI B2.2	Lost days due to work injury.	–
KPI B2.3	Description of occupational health and safety measures adopted how they are implemented and monitored.	Health and Safety Protection P320,P321
B3: Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Protection of Employees' Rights and Interests P329
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	–
KPI B3.2	The average training hours completed per employee by gender and employee category.	–

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Description of Issues		Corresponded Chapter
B4: Labour Standards		
General disclosure	Information on: (a) the policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Protection of Employees' Rights and Interests P327, P328
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	–
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	–
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operation Responsibility Management P324
KPI B5.1	Number of suppliers by geographical region.	–
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	–
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operation Responsibility Management P322
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	–
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	–
KPI B6.4	Description of quality assurance process and recall procedures.	–
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	–

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Description of Issues		Corresponded Chapter
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operation Responsibility Management P324
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	–
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	–
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Operation Responsibility Management
P325,P326		
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	–
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	–



大連港股份

DALIAN PORT (PDA) COMPANY LIMITED
大連港股份有限公司

(A sino-foreign joint stock limited company incorporated in the People's Republic of China)
(於中華人民共和國註冊成立之外商投資股份有限公司)

(Stock Code 股份代號 : 2880)