



# 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)



2018  
Annual Report  
年報



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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) bulk and general cargo terminal and related logistics and trading services; 5) bulk grain terminal and related logistics and trading services; 6) passenger and roll-on, roll-off terminal and related logistics services; and 7) 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, and an 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 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 bulk and 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, provide a 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 China, 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, a sophisticated 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	Xu Song
3.	Contact person	Mr. Lee, Kin Yu Arthur
	Company Secretary/Qualified Accountant	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: <a href="mailto:lijr@dlport.cn">lijr@dlport.cn</a>
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	31st Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
	Company website	<a href="http://www.dlport.cn">www.dlport.cn</a>
	Company e-mail	<a href="mailto:ir@dlport.cn">ir@dlport.cn</a>

# General Information on the Company

5.	Designated newspapers for information disclosure of the Company Website designated by the China Securities Regulatory Commission for publishing the A share annual report Website for publishing the H share annual report Place for collection of annual report	China Securities Daily, Shanghai Securities Daily, Securities Times, and Securities Daily <a href="http://www.sse.com.cn">www.sse.com.cn</a>  <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> Room 2601, Xingang Commercial Building, Jingang Road, Dalian International Logistics Park Zone, Liaoning Province, the PRC
6.	Places of listing  Stock abbreviations Stock codes	Shanghai Stock Exchange      The Stock Exchange of Hong Kong Limited  Dalian Port                      Dalian Port 601880 (Shanghai)              2880 (Hong Kong)
7.	A share registrar and transfer office  H share registrar and transfer office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Computershare Hong Kong Investor Services Limited
8.	Auditors	Ernst & Young Hua Ming LLP Address: No. 1 Chang An Avenue, Dong Cheng District, Beijing, PRC
9.	Other information	Legal counsel (as to Hong Kong law) Paul Hastings 21-22/F, Bank of China Tower, 1 Garden Road, Hong Kong  Legal counsel (as to PRC law) Liaoning Huaxia Law Firm 5th floor, Liyuan Mansion, 16 Mingze Street, Zhongshan District, Dalian City, Liaoning Province, the PRC  Major bankers Industrial and Commercial Bank of China Agricultural Bank of China China Construction Bank Bank of China Bank of Communications

# General Information on the Company

## 3) Business Milestones in the Past 12 Months

### February

- The Group's automobile terminal started a liner ship line between Dalian and Ningbo, further expanding the service coverage of its shipping lines and boosting its capacity to draw goods from the catchment area.

### March

- The Company announced the annual results for the year 2017.

### April

- The Group's berths No.10 and No. 11 in Dagang Harbor completed registration for the pilot run of ports under Dalian Port of Dalian Authority, and therefore, the passenger and roll-on, roll-off terminal has been satisfactory for a pilot run for 150,000-ton cruises to berth.

### May

- All of the yards of the Group's general bulk terminal completed upgrading and reconstruction, and came into service. The efficiency of ore mixing business was greatly improved.

### June

- The Company convened the annual general meeting for the year 2017.
- The northeast shipping line for Gac-Toyota in the Group's automobile terminal was officially put into operation.

### July

- The Group's oil terminal entered into cooperation agreements on bonded warehousing for 3,950,000 cubic meters of crude oil with international clients.

### September

- The Group officially launched a reform to reduce the rate and enhance the efficiency of its container business and promoted transparent one-stop charge, which played an active role to build a competitive market with openness, transparency, efficiency and convenience for Dalian city and practically strengthen the port's comprehensive competitiveness.
- The matching and standard warehouse receipt for the first bonded delivery of iron ore futures in China were conducted in Dalian Commodity Exchange, which activated the trading of commodity and spot goods for the port and had long-term positive effects on the turnover of the port.

# General Information on the Company

## October

- The phase II of the Group's Changxing Island Harbor, a bonded storage tank for 2,350,000 cubic meters of crude oil, was accepted by the customs authority and came into service.
- The passenger transportation station of the Group's Dalian Bay integrated transportation infrastructure was put into pilot operation. It is the first marine passenger transportation station operated with boarding lounge among the ports in Dalian.
- In automobile segment, the Group's automobile terminal and FTMS launched the pilot operation of the shipping line in Southern China, by means of which the shipping line connecting the northern and southern regions for Toyota automobiles came into shape, thus promoting a further increase in the domestic trade transshipment volume of related businesses.

## November

- The Group's automobile terminal completed a transshipment volume of 87,000 in November, a record high for single-month handling since the beginning of its operation. It once handled 6,041 vehicles a single day in this month, which achieved a new record for single-day handling.

## December

- The company held the first extraordinary general meeting in 2018.
- The Group's container segment successively opened one route for China-Europe Special Train enters the inland port in Muling city under Dalian Port and another route in Tongliao city, developed 6 new railway routes for imported panel and paper pulp from Ulan-Ude, Irkutsk and other cities in Russia, which realized a complete railway network for China Railway Express in Dalian.
- The Group handled 826,000 wheeled commercial vehicles throughout the year, hitting another historical high. 431,000 commercial vehicles were handled by combined transport of marine and railway transportation, ranking the terminal number one among the roll-on, roll-off terminals in China.
- Dalian Jifa South Coast International Logistics Co., Ltd., a subsidiary of the Group, established unique digitalized models regarding front-end security management and control as well as customer service for the ports in Dalian, further professionalized "prevention and emergency response", and increased its market share by leveraging its advantages in security, thus improving the turnover of the ports in Dalian and achieving the joint growth of the Company's benefits and social value.
- The Group's general cargo terminal handled 47 batches or 12,860,000 tons of ore mixing throughout the year on a cumulative basis and its transshipment volume of ore mixing amounted to 7,750,000 tons, more than previous year. The efficiency of ore mixing handling kept breaking records and served a constant growth driver of the ore distribution hub and ore blending bases in Northeast Asia.



# 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 2018.

In 2018, 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 continuously advanced in the direction of active adaption and comprehensive reform. The annual gross domestic product (GDP) reached RMB90.03 trillion, with a year-on-year growth of 6.6%.

## 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 alternating growth 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 2018, the Group's net profit attributable to shareholders of the parent amounted to RMB523,315,600.09. To better reward the Shareholders, the Board has recommended the payment of cash dividends of RMB0.19 (tax included) for every 10 shares for the year 2018.

## 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 and trading services (Oil Segment), container terminal and related logistics services (Container Segment), automobile terminal and related logistics and trading services (Automobile Terminal Segment), bulk and 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 developing special logistics, 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 and all-out efforts to expand the business of river and ocean combined transportation, the Group has successfully maintained a 100% market share for the sixth consecutive year in the commercial vehicles roll-on, roll-off industry in the northeast. For the General Cargo 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. Moreover, 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 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, reduced charges of full logistical services for customers and won the recognition of the market by upgrading the service level. For the Passenger Segment, while stepping up the effort in market exploration, 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 broaden its customers base, which has created a favourable prospect for the more diversified business development.

## Prospects

2019 saw a gradual recovery of world economy with a continuous rise of global market demands. In 2019, 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 the Group revenue 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**

**Xu Song**

*Acting Chairman*

26 March 2019

# Financial Highlights

	<b>2018</b>	2017	Changes (%)
	<b>RMB'000</b>	RMB'000	
<b>Highlights of Income Statement</b>			
Revenue	<b>6,754,445</b>	9,031,643	-25.2
Gross profit	<b>1,612,710</b>	1,463,441	10.2
Operating profit	<b>859,396</b>	711,284	20.8
Net profit attributable to shareholders of the parent company	<b>523,316</b>	500,780	4.5
Basic earnings per share (RMB)	<b>0.041</b>	0.039	4.5
<b>Highlights of Balance Sheet</b>			
Cash and bank balances	<b>5,729,286</b>	7,507,917	-23.7
Net current assets	<b>3,857,490</b>	1,245,904	209.6
Total assets	<b>35,315,583</b>	36,585,276	-3.5
Borrowings	<b>12,124,862</b>	13,415,605	-9.6
Gearing ratio (%)	<b>22.0</b>	28.4	-22.5
Net assets value per share (RMB)	<b>1.42</b>	1.40	1.4
Return on net assets (%)	<b>2.86</b>	2.79	2.5
<b>Highlights of Cash Flow Statement</b>			
Net cash flow from operating activities	<b>1,885,626</b>	1,299,012	45.2
Net cash flow from investing activities	<b>-1,444,655</b>	690	-209,525.5
Net cash flow from financing activities	<b>-2,004,075</b>	-520,054	-285.4
Net increase in cash and cash equivalents	<b>-1,371,253</b>	549,710	-349.5

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. MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, 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 RMB30.51 trillion, representing an increase of 9.7% as compared with 2017. The gross domestic product (GDP) for the year reached RMB90.03 trillion, up 6.6% 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 cooperation with its customers, strengthened its systems and infrastructure, extended service capabilities, 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. MAJOR OPERATIONS DURING THE REPORTING PERIOD

### 1. Overall Analysis of Results

In 2018, the Group's net profit attributable to shareholders of the parent company amounted to RMB523,315,600.09, representing an increase of RMB22,535,655.80 or 4.5% as compared with RMB500,779,944.29 in 2017.

In 2018, the Group's gross profit increased significantly year-on-year, mainly due to the increase of revenue as a result of the consolidation of container terminals and the growth of ore mixing business which have driven the increase of gross profit, partially offset by the decline of sales in the oil product business and bulk grain business. In this year, the Group's currency exchange gains increased as a result of the exchange rate fluctuation in the capital market, expected credit loss was provided due to the adoption of the New Financial Instruments Standard, government grants decreased as a result of policy factors, and staff costs increased as well. In light of the above, the Group's net profit attributable to the parent reported a year-on-year increase of 4.5%.

In 2018, the Group's basic earnings per share amounted to RMB4.06 cents, representing a year-on-year increase of RMB0.18 cent or 4.5% from RMB3.88 cents in 2017.

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

Item	2018 (RMB)	2017 (RMB)	Change (%)
Net profit attributable to shareholders of the parent company	<b>523,315,600.09</b>	500,779,944.29	4.5
Including:			
Revenue	<b>6,754,444,902.38</b>	9,031,643,350.22	-25.2
Cost of sales	<b>5,141,735,182.50</b>	7,568,202,507.68	-32.1
Gross profit (Note 1)	<b>1,612,709,719.88</b>	1,463,440,842.54	10.2
Gross profit margin (Note 2)	<b>23.9%</b>	16.2%	Up by 7.7 percentage points
Administrative expenses	<b>690,284,666.90</b>	653,830,593.45	5.6
Financial expenses	<b>288,306,943.32</b>	639,853,262.11	-54.9
Credit impairment loss (Note 3)	<b>77,901,590.39</b>	-	100.0
Other revenue	<b>85,358,984.79</b>	103,431,845.50	-17.5
Investment income	<b>280,500,274.39</b>	542,552,490.64	-48.3
Net non-operating income (Note 4)	<b>16,084,042.48</b>	15,873,870.45	1.3
Income tax expense	<b>193,498,370.29</b>	152,866,274.32	26.6

# Management Discussion and Analysis

*Note 1:* Gross profit = Revenue – Cost of sales

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

*Note 3:* Credit impairment loss: the impact of credit impairment on the profit or loss for the current period calculated using “expected credit loss” impairment model as required by the new accounting standards

*Note 4:* Net non-operating income = Non-operating income – Non-operating expenses

In 2018, the Group's revenue decreased by RMB2,277,198,447.84 or 25.2% year-on-year, primarily attributable to the year-on-year decrease of 78.4% in the revenue from trading business, which was mainly due to the structural adjustments actively undertaken by the Group in relation to controlling risks and boosting trading business' quality and profitability. Excluding the effect of the trading business, revenue increased by 10.3% year-on-year, mainly due to the increase of revenue as a result of the consolidation of container terminals, the expansion of ore mixing business and the increase of container freight volume, partially offset by the decline of sales in the oil product business and bulk grain vehicle rental business.

In 2018, the Group's cost of sales decreased by RMB2,426,467,325.18 or 32.1% year-on-year, mainly due to the year-on-year decrease of 78.8% in costs of the trading business. Excluding the effect of the trading business, cost of sales increased by 10.2% year-on-year, mainly due to the increase of costs of sales which was in line with the increase of revenue arising from the consolidation of container terminals, operating cost increase due to fuel price rises and business expansion, and staff cost increase caused by remuneration adjustment. The increase of cost of sales was partially offset by the reduction of electricity costs resulting from the electricity tariff drop, and the decrease of costs in the oil product business due to a decrease of sales.

In 2018, the gross profit of the Group increased by RMB149,268,877.34 or 10.2% year-on-year, with the gross profit margin up by 7.7 percentage points, mainly attributable to the decrease in the trading business which has a low gross profit margin and the consolidation of container terminals and improvement of our ore mixing business which have high gross profit margins, thus driving up the gross profit margin.

In 2018, the Group's sales expenses increased by RMB264,829.34 or 64.2% year-on-year, mainly due to the increase in labour costs of sales staff.

In 2018, the Group's administrative expenses increased by RMB36,454,073.45 or 5.6% year-on-year, mainly due to the consolidation of container terminals leading to the increase in administrative expenses in line with the revenue increase, the increase in labour expenses such as salaries, service fees and social insurances caused by the effect of remuneration adjustments, and the increase in legal fees and consultancy fees for business purposes.

In 2018, the Group's finance costs decreased by RMB351,546,318.79 or 54.9% year-on-year, mainly due to currency exchange gains of RMB181,313,131.35 in the current year as compared to a currency exchange loss of RMB220,557,546.32 last year. The interest expense increased by RMB72,012,033.11 due to the increased amount of debts resulting from the consolidation of container terminals.

# Management Discussion and Analysis

In 2018, the credit impairment losses of the Group increased by RMB77,901,590.39 or 100% year-on-year. The increase was mainly because the Group replaced the “incurred loss” model under the original accounting standard with the “expected credit loss” impairment model under the New Financial Instruments Standard, according to which our provision for credit loss increased, while no retrospective adjustment was required for the information of comparative periods.

In 2018, the Group’s other income decreased by RMB18,072,860.71 or 17.5% year-on-year, mainly due to the absence of container subsidies and foreign trade development subsidies received during the year.

In 2018, the Group’s investment income decreased by RMB262,052,216.25 or 48.3% year-on-year, mainly because investment income of RMB154,247,744.00 was generated from the consolidation of container terminals last year. Upon the consolidation of container terminals, accounting of the revenue from DPCM and DICT has been transferred from investment income to revenue. This resulted in a decrease in investment income of RMB104,418,940.73. The commencement of operations of Dalian Changxing Island Port Investment and Development Co., Ltd. (a joint venture) caused a decrease in investment income of RMB23,398,927.33, and our associate and joint venture businesses also received government grants last year. Such reductions are partially compensated by the improved results of liquefied natural gas and other business of the Group.

In 2018, the Group’s net non-operating income was basically unchanged compared with last year.

In 2018, the Group’s income tax expenses increased by RMB40,632,095.97 or 26.6% year-on-year, mainly due to the increase of taxable profit resulting from increased exchange gain and gross profit, partially offset by the expected credit loss recognised and the increase of administrative expenses.

## 2. Assets and Liabilities

As at 31 December 2018, the Group’s total assets and net assets amounted to RMB35,315,583,172.89 and RMB20,860,315,944.17, respectively. Net asset value per share was RMB1.42, basically unchanged compared with the net asset value per share as at 31 December 2017.

As at 31 December 2018, the Group’s total liabilities amounted to RMB14,455,267,228.72, of which total outstanding borrowings amounted to RMB12,124,862,311.97 which were fixed interest rate loans. The debt to asset ratio was 40.93% (total liabilities 14,455,267,228.72/total assets 35,315,583,172.89), representing a decrease of 2.71 percentage points as compared with 43.64% as at 31 December 2017, which was mainly due to the effect of the reduced debt scale resulting from repaying RMB foreign debt and the disposal of a subsidiary during the year.

## 3. Financial Resources and Liquidity

As at 31 December 2018, the Group had a balance of cash and cash equivalents of RMB5,554,545,244.33, representing a decrease of RMB1,371,252,730.26 as compared to that of 31 December 2017.

In 2018, the Group’s net cash inflows generated from operating activities amounted to RMB1,885,625,733.33, net cash outflows for investment activities amounted to RMB1,444,655,179.27, and net cash outflows for financing activities amounted to RMB2,004,074,929.60.

# Management Discussion and Analysis

Benefiting from an abundant operating cash inflow resulting from excellent business performance, our ability to raise capital through multiple financing channels such as bond issuance in the capital market and bank borrowings, as well as prudent decision making in assets and equity investments, the Group has maintained a solid financial position and capital structure.

As at 31 December 2018, the Group's outstanding borrowings amounted to RMB12,124,862,311.97, in which RMB4,199,612,935.46 were borrowings repayable within one year, and RMB7,925,249,376.51 were borrowings repayable after one year.

The Group's net debt-equity ratio was 22.0% as at 31 December 2018 (28.4% as at 31 December 2017), mainly due to the decrease in net liabilities as a result of repayment of mature debts and disposing of subsidiary shareholding. The Group has protected itself against insolvency risk and maintained an overall healthy financial structure.

As of 31 December 2018, the Group's unutilised bank line of credit amounted to RMB13.5 billion.

As an A-share and H-share dual-listed company, the Group enjoys 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 composite rating of AAA and a stable credit rating outlook on the Group, indicating the Group's sound capital market financing ability.

The Group continued to closely monitor its interest rate risk and exchange rate risk. As at 31 December 2018, the Group had not entered into any foreign exchange hedging contracts. Please refer to the audit report for further details about the interest rate and foreign exchange risks.

## 4. Contingent liabilities

The Company's associate, Dalian North Oil Petroleum Logistics Co., Ltd. ("DNPL"), financed RMB116 million by means of finance leasing from Zhongbing Financial Leasing Co., Ltd. ("Lessor") for a term 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 to be paid by DNPL.

Pursuant to the resolutions approved 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, non-cancellable and with joint liability 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. fulfils its guarantee obligation to the lessor according to the guarantee contract more than once, the counter guarantee period provided by the Company will have to be calculated separately. As of 31 December 2018, DNPL had made rental payments of RMB51 million.

# Management Discussion and Analysis

## 5. Use of Proceeds

### Use of Proceeds for A Shares

Net proceeds obtained by the Company from the public offering of 762 million A Shares in 2010 amounted to approximately RMB2,772,091,519.47. As at 31 December 2018, the Company had used approximately RMB2,413,585,500.00 of the proceeds and RMB358,506,000.00 of the proceeds remained unused. In March 2018, we made use of idle cash in the amount of RMB400,000,000.00 (including an earned interest income of RMB81,000,000.00) out of the proceeds to temporarily replenish the Company's working capital. The remaining account balance of proceeds was RMB43,178,300.00 (including an earned interest income of RMB3,672,300.00).

Unit: Yuan Currency: RMB

Projects	Total proceeds	Use of proceeds as at 31 December 2018	Balance
Construction of oil storage tanks with a capacity of 1,000,000 m <sup>3</sup> in Xingang	760,000,000.00	524,984,100.00	235,015,900.00
Construction of oil storage tanks with a capacity of 600,000 m <sup>3</sup> in the Xingang resort area	550,000,000.00	550,000,000.00	0.00
Phase II of the Xingang Shatuozi oil storage tanks project	29,600,000.00	29,600,000.00	0.00
LNG Project	320,000,000.00	320,000,000.00	0.00
No.4 stacking yard for ore terminal	520,000,000.00	414,507,600.00	105,492,400.00
Purchase of ship unloader for ore terminal	37,200,000.00	37,200,000.00	0.00
Purchase of 300 bulk grain carriages	150,000,000.00	150,000,000.00	0.00
Ro-ro ships for carrying cars	230,000,000.00	212,002,300.00	17,997,700.00
Construction of special railway line in Muling	41,250,000.00	41,250,000.00	0.00
Construction of information systems	50,000,000.00	50,000,000.00	0.00
Investment in phase III of Dayao Bay Terminal	84,041,500.00	84,041,500.00	0.00
Total	2,772,091,500.00	2,413,585,500.00	358,506,000.00

*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 in 2018 of the fifth session of the Company's board of directors passed a resolution regarding the temporary use of idle cash from the IPO proceeds to improve the Company's working capital, whereby it was resolved that the Company may continue to use idle cash of RMB400,000,000.00 out of the proceeds (including an earned interest income of RMB81,000,000.00) to temporarily replenish the Company's working capital. Such an authorisation is valid for a period of not more than twelve months from the date the Board resolution was passed. The Company's independent directors, supervisory committee and sponsors expressed their respective opinions on the Board resolution, and the Company issued a relevant announcement on 26 March 2018.



# Management Discussion and Analysis

## *Use of Proceeds for H Shares*

The Company completed a targeted, additional H-share issuance of 1,180,320,000 shares at HKD3.67 per share on 1 February 2016. As of 31 December 2018, details of the use of proceeds were as follows:

(All amounts in HKD unless otherwise stated)

<b>Projects</b>	<b>Total proceeds</b>	<b>Use of proceeds as of 31 December 2018</b>	<b>Balance</b>
Development of oil business	1,070,817,689.65	–	1,070,817,689.65
Investment in or optimization and integration of domestic and foreign ports	1,499,144,765.52	–	1,499,144,765.52
Establishment of “Internet + Port”	428,327,075.87	–	428,327,075.87
Construction of the logistics facilities for other professional ports	856,654,151.74	–	856,654,151.74
Replenishing the working capital	428,327,075.87	428,327,075.87 <sup>Note 2</sup>	–
<b>Total</b>	<b>4,283,270,758.65<sup>Note 1</sup></b>	<b>428,327,075.87<sup>Note 2</sup></b>	<b>3,854,943,682.78<sup>Note 3</sup></b>

*Note 1:* In February 2016, all net proceeds of approximately HK\$4,283 million from a placement of an additional 1,180,320,000 H Shares were remitted to Mainland China, and was exchanged into US\$550 million and deposited in the H shares' proceeds account of the Company in Mainland China.

*Note 2:* As of 31 December 2018, part of the proceeds (approximately RMB378 million) has been exchanged into RMB to replenish the working capital of the Company, representing approximately 10% of the proceeds.

*Note 3:* Approximately 90% of the proceeds are still deposited in the H shares' proceeds account of the Company in Mainland China. After taking into account of the interests from the proceeds, the balance as at 31 December 2018 was RMB1,581 million and US\$292 million.

Given the conditions of the economy and project, approximately 90% of the proceeds are still deposited in the bank account of the Company apart from that for replenishing the working capital. The Board of Directors of the Company will pay a close attention to the local, domestic and international economic environments, and properly use the balance of the proceeds.

# Management Discussion and Analysis

## 6. Capital Expenditure

In 2018, the Group's capital expenditure amounted to RMB686,067,951.75, which was mainly an accumulation of surplus cash generated from operating activities, the proceeds from the public offering of A Shares and other external financing.

## 7. An analysis of the performance of each business segment of the Group in 2018 is as follows:

### Oil Segment

The following table sets out the oil/liquefied chemicals throughput in 2018 as compared to the 2017 figures:

	2018 (‘0,000 tonnes)	2017 (‘0,000 tonnes)	Increase/ (Decrease)
Crude oil	<b>3,834.0</b>	4,432.8	(13.5%)
– Foreign imported crude oil	<b>2,468.0</b>	2,960.0	(16.6%)
Refined oil	<b>1,107.7</b>	1,014.1	9.2%
Liquefied chemicals	<b>155.7</b>	141.3	10.2%
Others (including LNG)	<b>708.8</b>	463.1	53.1%
Total	<b>5,806.2</b>	6,051.5	(4.1%)

In 2018, the Group handled a total of 58.062 million tonnes of oil/liquefied chemicals, representing a year-on-year decrease of 4.1%.

In 2018, the Group's crude oil throughput was 38.34 million tonnes, representing a year-on-year decrease of 13.5%, of which imported crude oil throughput was 24.68 million tonnes, representing a year-on-year decrease of 16.6%. 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 2018, the Group's refined oil throughput amounted to 11.077 million tonnes, representing a year-on-year increase of 9.2%. Due to the combined effect of the increase in exports from refineries in the hinterland and the increase in import demand of ship fuel supply enterprises based at ports, the Group's refined oil throughput increased.

In 2018, the Group's liquefied chemicals throughput amounted to 1.557 million tonnes, representing a year-on-year increase of 10.2%. The increase in the Group's liquefied chemicals throughput was due to such causes as huge market demand and increased production in refineries.

# Management Discussion and Analysis

In 2018, liquefied natural gas (LNG) throughput handled by the Group amounted to 7.088 million tonnes, representing a year-on-year increase of 53.1%. This year, the country continued to implement the new energy policy. In addition, most parts of northern China and parts of north-eastern China, winter heating was changed from coal to gas, hence the demand for LNG gradually increased. As a result, the Group's LNG throughput increased significantly.

In 2018, the total imported crude oil volume handled by the Group's port accounted for 100% (100% in 2017) of the total amount of crude oil imported into Dalian and 54% (64.2% in 2017) of the total amount of crude oil imported into the Northeast China's ports. The decrease in the market share of imported crude oil was mainly due to the continuous construction and commissioning of terminals, pipelines, storage tanks and other storage and transportation facilities in the Bohai Rim area impacting, the trans-shipment volume of crude oil from our port to the Bohai Rim was affected. This resulted in a declined proportion of the imported crude oil handled by the Group's Liaoning ports.

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

Project	2018 (RMB)	2017 (RMB)	Change (%)
Revenue	<b>1,195,109,934.31</b>	2,568,149,091.77	-53.5
Share of the Group's revenue	<b>17.7%</b>	28.4%	Down by 10.7 percentage points
Gross profit	<b>307,389,435.11</b>	502,997,115.75	-38.9
Share of the Group's gross profit	<b>19.1%</b>	34.4%	Down by 15.3 percentage points
Gross profit margin	<b>25.7%</b>	19.6%	Up by 6.1 percentage points

In 2018, revenue from the Oil Segment decreased year-on-year by 53.5%, mainly due to the combination of the contraction of the oil trading services business and the decrease in the oil business. Excluding the effect of trading services business, the revenue decreased year-on-year by 11.5%, mainly due to the drop in the revenue from loading services and the tank rental income, resulting from the operation of the Sino-Russian crude oil pipelines and the commissioning of wharfs and storage and transportation facilities in the Bohai Rim region which diverted business away from the Group's ports.

The gross profit margin increased by 6.1 percentage points year-on-year, mainly due to the decrease in trading business which has a low gross profit margin. Excluding the impact of the trading business, gross profit margin decreased by 12.4 percentage points, mainly attributable to the decreased throughput and storage volume.

# Management Discussion and Analysis

In 2018, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

Deepened cooperation with customers in north Shandong, Hebei and Liaoning to meet their storage and transshipment needs so as to further expand our port's scale of transshipment of crude oil.

Proactively participated in the domestic crude oil futures business. The Group became a back-up delivery point for the settlement of crude oil futures on 26 March and became the first port in China to handle crude oil futures by accommodating a vessel carrying crude oil futures on 19 June.

## Container Segment

The following table sets out the container segment's throughput in 2018 as compared to the 2017 figures:

		2018 (‘0,000 TEUs)	2017 (‘0,000 TEUs)	Increase/ (Decrease)
Foreign trade	Dalian port	540.1	534.9	1.0%
	Other ports (Note 1)	11.9	25.2	(52.8%)
	Sub-total	552.0	560.1	(1.5%)
Domestic trade	Dalian port	425.2	423.2	0.5%
	Other ports	133.5	91.8	45.4%
	Sub-total	558.7	515.0	8.5%
Aggregate	Dalian port	965.3	958.1	0.8%
	Other ports (Note 1)	145.4	117.0	24.3%
	Total	1,110.7	1,075.1	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), 15% of which is owned 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), 15% of which is owned by the Group.

In 2018, in terms of container throughput, the Group handled a total of 11.107 million TEUs, representing a year-on-year increase of 3.3%. At Dalian port, container throughput was 9.653 million TEUs, representing a year-on-year increase of 0.8%. In 2018, the Group adhered to the market-oriented and innovation-driven philosophies, actively aligned itself with national strategies, spared no effort in promoting structural reforms on the supply side and in fulfilling the conditions for the development as a shipping center, thereby achieving interim success in comprehensively enhancing the service functions as an international shipping center in Northeastern Asia.

# Management Discussion and Analysis

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

Project	2018 (RMB)	2017 (RMB)	Change (%)
Revenue	<b>2,765,234,588.22</b>	2,324,693,840.07	19.0
Share of the Group's revenue	<b>40.9%</b>	25.7%	Up by 15.2 percentage points
Gross profit	<b>705,095,842.40</b>	441,135,364.44	59.8
Share of the Group's gross profit	<b>43.7%</b>	30.1%	Up by 13.6 percentage points
Gross profit margin	<b>25.5%</b>	19.0%	Up by 6.5 percentage points

In 2018, revenue from the Container Segment increased year-on-year by 19.0%, mainly attributable to the combined effect of the expansion of scale of income resulting from the consolidation of container terminals and the increase in income from transportation services business, partially offset by the decrease in revenue from trading services business.

The gross profit margin of the segment increased year-on-year by 6.5 percentage points, mainly due to the expansion of business scale after the consolidation of container terminals which has a high gross profit margin.

In 2018, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

We improved the layout of shipping routes and comprehensively increased the level and standards of opening up. In the year, a new Southeast Asian route was added, and the vessel model operating the European route at our port was upgraded to 20,000 TEUs. International transshipments and empty container allocation both enjoyed stable operation.

We expanded shipping cooperation by consolidating resources, and continuously enhanced the infrastructure of the service network system of Bohai Rim feeder route. The logistics corridor connecting Bohai Rim to Japan and South Korea operated stably, which fully met the transshipment needs of customers in the Bohai Rim region who traded with Japan and South Korea.



# Management Discussion and Analysis

We further accelerated the construction of the Northeast economic belt along the New Silk Road and expanded the opening-up of the hinterland. As for the sea-to-rail business, we deepened strategic cooperation with the railway bureau, continued to develop inland supply of goods, opened the new stations such as Xinzhao, Shuangyashan and Weixing, and actively solicited key supplies such as flavour enhancers and automobiles. As for the cross-border train business, the operation of the “Dalian – Vorsino in Russia” public line remained stable; the “Dalian-Shenyang/Changchun-Manzhouli” two-transit cross-border train lines achieved normal operation; and the China-Europe railway line starting from Muling inland port at Dalian Port, the China-Europe railway line starting from Tongliao inland port and certain return railway lines for importing timber and paper pulp successively opened, and new breakthroughs were achieved in the international transshipment business between Japan and South Korea.

We continued to accelerate the development of specialised logistics in an effort to achieve transformation and upgrading of the port. Warehouse I of Yidu Cold Chain Project (Phase II) commenced operation, and the construction of Zhengzhou Airport Cold Chain Base and Guangzhou Port Cold Chain Cooperation Project achieved staged results, all of which enabled us to steadily push forward the construction of a cold chain layout which is “based in Dalian, covering Northeast China and radiating towards the whole country”. Through cooperating with the railway bureau and operating the integrated automotive logistics project for internationally renowned automobile enterprises using the asset-light model, we achieved rapid development. The timber logistics project is completely ready for operation and we are actively applying for approval from the relevant national authorities for trial operations at the port.

## **Automobile Terminal Segment**

The following table sets out the throughput handled by the Group’s automobile terminal in 2018 as compared to the 2017 figures:

		2018	2017	Increase/ (Decrease)
Vehicles (units)	Foreign trade	<b>11,898</b>	11,579	2.8%
	Domestic trade	<b>814,421</b>	699,461	16.4%
Total		<b>826,319</b>	711,040	16.2%
Equipment (tonnes)		<b>23,142</b>	18,218	27.0%

In 2018, the Group handled a total of 826,319 vehicles, representing a year-on-year increase of 16.2%, mainly due to the large increase in domestic trade transshipment volume, driving up the total transshipment volume.

In 2018, the Group’s vehicle throughput continued to account for 100% of the total market share in the ports of Northeast China.

# Management Discussion and Analysis

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

<b>Project</b>	<b>2018 (RMB)</b>	<b>2017 (RMB)</b>	<b>Change (%)</b>
Revenue	<b>234,269,367.27</b>	1,728,744,110.94	-86.4
Share of the Group's revenue	<b>3.5%</b>	19.1%	Down by 15.6 percentage points
Gross profit	<b>9,175,447.96</b>	36,797,745.27	-75.1
Share of the Group's gross profit	<b>0.6%</b>	2.5%	Down by 1.9 percentage points
Gross profit margin	<b>3.9%</b>	2.1%	Up by 1.8 percentage points

In 2018, revenue from the Automobile Terminal Segment decreased year-on-year by 86.4%, which was mainly due to the fact that, being affected by an economic dispute, King Port Auto conducted comprehensive internal control reforms from a risk control perspective and did not start its trading business, and since the completion of its equity transfer in June 2018, has ceased to be consolidated into the Company.

Gross profit margin of the segment increased year-on-year by 1.8 percentage points, mainly driven by the contraction of the trading business which has a lower gross profit margin.

In 2018, major measures taken by the Group and the progress of key projects related to the Group are as follows:

Results from the cooperation between the Group and FAW are impressive, and the transport volume of FAW commercial vehicles increased significantly. The Group seized the opportunities arising from managing the transport of passenger and goods vehicles, to push for the development of sea-to-rail intermodal transportation projects, resulting in the continual expansion of the scale of sea-to-rail intermodal transportation. The Group worked hard in expanding its river-to-sea intermodal transportation business, with the customer coverage of this business continuously expanding.

# Management Discussion and Analysis

## Bulk and General Cargo Segment

The following table sets out the throughput handled by the Group's General Cargo Segment in 2018 as compared with the 2017 figures:

	2018 ( <i>'0,000 tonnes</i> )	2017 ( <i>'0,000 tonnes</i> )	Increase/ (Decrease)
Steel	659.7	650.1	1.5%
Ore	3,400.0	2,778.3	22.4%
Coal	1,183.4	1,194.0	(0.9%)
Equipment	118.6	254.4	(53.4%)
Others	1,477.3	1,105.0	33.7%
Total	6,839.0	5,981.8	14.3%

In 2018, the throughput handled by the Group's General Cargo Segment amounted to 68.39 million tonnes, representing a year-on-year increase of 14.3%.

In 2018, the Group's ore throughput was 34 million tonnes, representing a year-on-year increase of 22.4%. Such increase was mainly because the Group made full use of its "big ship + ore mix" advantage to expand the scope and customer base of its service, and further enhanced the capacity as a regional iron ore mixing center, resulting in a substantial year-on-year increase in the Group's ore import and transshipment throughput in 2018.

In 2018, the Group's steel throughput was 6.597 million tonnes, representing a year-on-year increase of 1.5%, mainly due to increased steel transshipment volume resulting from an improved logistics system and enhancing its collaboration with railway enterprises, thus raising the port's competitiveness.

In 2018, the Group's coal throughput was 11.834 million tonnes, representing a year-on-year decrease of 0.9%. Through an innovative logistics model, the Group built upon the demands for imported coal to attract urban coal-consuming enterprises to unload coal at out port, so the coal shipment volume still maintained at a high level despite a slight decline. This is normal fluctuation.

In 2018, the Group's equipment throughput was 1.186 million tonnes, representing a year-on-year decrease of 53.4%, mainly due to the significant year-on-year drop in transshipment volume of large equipment caused by a lack of orders received by equipment manufacturers.

In 2018, the Group's steel throughput accounted for 13.6% (15.5% in 2017) of the total throughput of the ports in Northeast China. In the same year, the Group's coal throughput accounted for 19.4% (21.1% in 2017) of the total throughput of the ports in Northeast China.

# Management Discussion and Analysis

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

Project	2018 (RMB)	2017 (RMB)	Change (%)
Revenue	<b>974,808,697.32</b>	701,192,810.96	39.0
Share of the Group's revenue	<b>14.4%</b>	7.8%	Up by 6.6 percentage points
Gross profit	<b>260,264,374.23</b>	82,386,072.97	215.9
Share of the Group's gross profit	<b>16.1%</b>	5.6%	Up by 10.5 percentage points
Gross profit margin	<b>26.7%</b>	11.7%	Up by 15.0 percentage points

In 2018, revenue from the General Cargo Segment increased year-on-year by 39.0%, which was mainly attributable to the growth in the imported iron ore and steel business and the full-fledged development of the mixed ore business.

The gross profit margin of the segment increased year-on-year by 15.0 percentage points, which was mainly due to the expansion of the mixed ore business which boosted the growth in imported iron ore business which has higher rates.

In 2018, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

Stimulated by the policies under the "One Belt One Road" initiative and the Liaoning Pilot Free Trade Zone, the Group focused on promoting the mixed ore business and worked hard in building a port-based iron ore processing industry in Northeast Asia.

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 infrastructures to boost the transshipment volume of large equipment.

We adopted a market-oriented approach to strengthen and expand the business for goods such as grains and mine construction materials, and ensured large scale transshipment operations.

# Management Discussion and Analysis

## Bulk Grain Segment

The following table sets out the throughput handled by the Group's Bulk Grain Segment in 2018 as compared to the 2017 figures:

	2018 ( <i>'0,000 tonnes</i> )	2017 ( <i>'0,000 tonnes</i> )	Increase/ (Decrease)
Corn	236.5	244.4	(3.2%)
Soybean	143.4	171.1	(16.2)
Barley	45.2	45.2	0%
Wheat	0.5	0.4	25%
Others	164.9	163.4	0.9%
Total	590.5	624.5	(5.4%)

In 2018, the throughput handled by the Group's Bulk Grain Segment was 5.905 million tonnes, representing a year-on-year decrease of 5.4%.

In 2018, the Group's corn throughput was 2.365 million tonnes, representing a year-on-year decrease of 3.2%. The decrease was mainly attributable to the improved processing capacity of the hinterland, and an increase in local corn consumption, such that the volume of corn shipped at Liaoning port decreased and so the Group recorded a substantial decrease in terms of throughput in the first half of the year.

In 2018, the Group's soybean throughput was 1.434 million tonnes, representing a year-on-year decrease of 16.2%. The substantial year-on-year decrease of the Group's soybean throughput was mainly a result of the international trade situation.

In 2018, the Group's barley throughput was 452,000 tonnes, which remained the same as that for the corresponding period of last year. By leveraging its 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 the Group being able to maintain a stable barley transshipment volume for the year.

# Management Discussion and Analysis

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

<b>Project</b>	<b>2018 (RMB)</b>	<b>2017 (RMB)</b>	<b>Change (%)</b>
Revenue	<b>389,256,179.86</b>	493,134,073.32	-21.1
Share of the Group's revenue	<b>5.8%</b>	5.5%	Up by 0.3 percentage point
Gross profit	<b>-11,966,733.06</b>	35,570,923.89	-133.6
Share of the Group's gross profit	<b>-0.7%</b>	2.4%	Down by 3.1 percentage points
Gross profit margin	<b>-3.1%</b>	7.2%	Down by 10.3 percentage points

In 2018, revenue from the Bulk Grain Segment decreased year-on-year by 21.1%. Excluding the effect of the trading business, the revenue decreased year-on-year by 29.4%, which was mainly due to the decrease of revenue from port operations caused by the decrease of the throughput of imported corn and soy bean, together with the corresponding decrease of leasing income from bulk grain vehicles.

The gross profit margin of the segment decreased year-on-year by 10.3 percentage points. Excluding the effect of the trading business, the gross profit margin of the segment decreased year-on-year by 26.2 percentage points, which was mainly due to the decrease of gross profit margin caused by the decrease of corn and soy bean throughputs.

In 2018, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

Deepened and extended joint venture collaboration and cooperation with major customers in terms of capital and business operations, with a focus on cultivating the corn transshipment market for domestic trade.

Stepped up efforts in attracting grain shipments for foreign trade to timely carry out the soy bean futures business.



# Management Discussion and Analysis

## Passenger and Ro-Ro Segment

The following table sets out the passenger and roll-on roll-off throughput handled by the Group in 2018 as compared to the 2017 figures:

	2018	2017	Increase/ (Decrease)
Passengers ('0,000 persons)	<b>392</b>	375.9	4.3%
Ro-Ro volume ('0,000 vehicles) (Note 2)	<b>97.9</b>	104.9	(6.7%)

Note 2: The ro-ro volume refers to the vehicle throughput at the passenger and roll-on, roll-off terminals of the Group and the entities it has invested in.

In 2018, the Group's passenger throughput was 3.92 million passengers, representing a year-on-year increase of 4.3%, and the ro-ro vehicle throughput was 979,000 units, representing a year-on-year decrease of 6.7%.

In 2018, the Company, joined by shipping companies, increased its efforts in market development and endeavoured to solicit passenger, coupled with the increase in the roll-on roll-off transport of passengers brought about by one ship added for the "Lushun-Longkou" route and domestic course deviation, the roll-on roll-off throughput decreased slightly compared with that in the previous year.

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

Project	2018 (RMB)	2017 (RMB)	Change (%)
Revenue	<b>177,260,260.61</b>	163,083,222.14	8.7
Share of the Group's revenue	<b>2.6%</b>	1.8%	Up by 0.8 percentage point
Gross profit	<b>53,705,758.13</b>	47,195,358.33	13.8
Share of the Group's gross profit	<b>3.3%</b>	3.2%	Up by 0.1 percentage point
Gross profit margin	<b>30.3%</b>	28.9%	Up by 1.4 percentage points

In 2018, the revenue from the Passenger and Ro-Ro Segment increased year-on-year by 8.7%, mainly due to increase in the unit price of outbound vehicles leaving the port.

Gross profit margin increased 1.4 percentage points year-on-year, mainly attributable to the increase in the unit price of outbound vehicles leaving the port.

# Management Discussion and Analysis

In 2018, major measures taken by the Group and the progress of key projects related to the Group are set out as follows:

In 2018, leveraging the continuously improved cruise ship hardware facilities and conditions, the 103,000-ton Lucky of Costa, an international luxury cruise ship successfully made its outbound voyage from Dalian Port, being its home port, and the 75,000-ton Superstar Virgo and the 24,000-ton Chinese Taishan of Bohai Cruise also successfully completed their outbound voyages from Dalian Port.

In 2018, the Group visited a number of port and shipping enterprises to promote the cargo roll-on and roll-off business with full efforts. Through analyzing and calculating the model design, operating model and operational efficiency of cargo roll-on and roll-off ships, the Group compiled the "Investment Report on Cargo Roll-on and Roll-off Business of Dalian Port".

## **Value-added Services Segment**

### *Tugging*

In 2018, the Group's tugging throughput increased by 2.6% 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 3.2%.

### *Railway*

In terms of the operation of railway transportation, the Group handled a total of 680,000 carriages, representing a year-on-year increase of 3%.

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

<b>Project</b>	<b>2018 (RMB)</b>	<b>2017 (RMB)</b>	<b>Change (%)</b>
Revenue	<b>931,171,459.21</b>	955,244,743.21	-2.5
Share of the Group's revenue	<b>13.8%</b>	10.6%	Up by 3.2 percentage points
Gross profit	<b>296,229,841.06</b>	297,071,760.63	-0.3
Share of the Group's gross profit	<b>18.4%</b>	20.3%	Down by 1.9 percentage points
Gross profit margin	<b>31.8%</b>	31.1%	Up by 0.7 percentage point

# Management Discussion and Analysis

In 2018, revenue from the Value-added Services Segment decreased year-on-year by 2.5%, mainly due to the decrease in the balance of pilotage income and the decrease in the revenue of supervision service, whereas the increased revenue in the tugging business was driven by the recovery of principal port business and the project income also increased due to the growth of communication engineering business.

The gross profit margin of the segment increased year-on-year by 0.7 percentage point, mainly attributable to the combined effect of the growth of tugging services as driven by the expansion of ore mixing business and the recovery of the principal port business, as well as the decreased cost of power purchase.

## **8. Effects of the Application of New Formats of Financial Statements for Presentation and the Effectiveness of New Accounting Standards in 2018**

**8.1** As required by Notice on Revising and Issuing the Format of Financial Statements of General Enterprises in 2018 promulgated by the Ministry of Finance, the Group has applied new formats of financial statements in preparing the interim report and annual report for 2018:

For the assets items, “notes receivable” and “accounts receivable” will be consolidated into the new item of “notes receivable and accounts receivable”; “dividends receivable” and “interest receivable” will be consolidated into the item of “other receivables”; “disposal of fixed assets” will be consolidated into the item of “fixed assets”; “construction materials” will be consolidated into the item of “construction in progress”;

For the liabilities items, “notes payable” and “accounts payable” will be consolidated into the new item of “notes payable and accounts payable”; “dividends payable” and “interest payable” will be consolidated into the item of “other payables”; “special payables” will be consolidated into the item of “long-term payables”;

In the statement of profit or loss, “research and development expenses” will be separated from the item of “construction materials”, and “interest expense” and “interest income” will be separated from the item of “financial expenses”;

In the statement of changes in equity, a new item of “Changes in defined benefit plans transferred to retained earnings” will be added.

The Group has restated the financial statements for the corresponding period retrospectively and application of the new formats of financial statements has no substantive impacts on the assets, profit and shareholders’ equity of the Group.

# Management Discussion and Analysis

**8.2** According to the Interpretation of Issues Relating to the Format of 2018 Financial Statements of General Enterprises issued by the Ministry of Finance, the Group has changed the item under which the “cash flows of government grants related to assets” was shown from the original “As investing activities” to “As operating activities” when preparing the cash flow statement. Accordingly, the Group has adjusted the comparative figures retroactively. This change in accounting policy reduces the net cash flows from investing activities in the consolidated and company cash flow statements and increases the net cash flows from operating activities by the same amount, but has no impact on the net increase in cash and cash equivalents.

**8.3** ***The Group has applied Accounting Standards for Business Enterprises No. 14 – Revenue (Revised) (the “New Revenue Standard”) since 1 January 2018***

The services provided by the Group include the performance obligations such as port loading and unloading and storage services and transportation services, from which the revenue was recognized at a single point in time, and now it turns to be recognized as performance obligations completed during a certain period based on the progress of performance, which was determined on basis of the input method. The requirements of the accounting policies of the Group are consistent with the New Revenue Standard in material aspects. The impacts of the application of the New Revenue Standard on the financial data of the Group are detailed in “Auditor’s Report”, apart from which, the application of the New Revenue Standard has no material impacts on the other aspects of the Group.

**8.4** ***The Group has applied Accounting Standards for Business Enterprises No. 22 – The Recognition and Measurement of Financial Instruments (Revised), Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 – Hedging and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (Revised) (the “New Financial Instruments Standard”) since 1 January 2018***

For the classification and measurement of financial instruments, the Group selects to irrevocably designate non-trade equity instrument investments, which was originally classified into “available-for-sale financial assets”, as “at fair value through other comprehensive income” (which cannot be carried forward to the current profit or loss in the future) and consolidate the purchase of wealth management products issued by financial institutions or structure deposits into “financial assets at fair value through profit or loss”. The measurement of each of remaining financial assets will not change after the application of New Financial Instruments Standard and the classification is in compliance with the new formats of financial statements.

For the impairment provision, New Financial Instruments Standard introduces a new “expected credit loss” model to replace the original “incurred loss” model. Upon the application of the new impairment model, the provision of the Group’s credit loss increased and the impacts on the financial data of the Group are detailed in “Auditor’s Report”, the presentation of which is in compliance with the new formats of financial statements.

# Management Discussion and Analysis

## 9. Analysis of main operations

### 9.1 Analysis on changes in items of the income statement and the cash flow statement

Unit: Yuan Currency: RMB

Items	Amount for the period	Amount for same period of the previous year	Changes (%)
Revenue	6,754,444,902.38	9,031,643,350.22	-25.2
Cost of sales	5,141,735,182.50	7,568,202,507.68	-32.1
Sales expenses	677,390.25	412,560.91	64.2
Administrative expenses	690,284,666.90	653,830,593.45	5.6
Financial expenses	288,306,943.32	639,853,262.11	-54.9
Credit impairment losses	77,901,590.39	–	100.0
Other income	85,358,984.79	103,431,845.50	-17.5
Investment income	280,500,274.39	542,552,490.64	-48.3
Net non-operating income	16,084,042.48	15,873,870.45	1.3
Income tax expenses	193,498,370.29	152,866,274.32	26.6
Net cash flow from operating activities	1,885,625,733.33	1,299,012,275.38	45.2
Net cash flow from investing activities	-1,444,655,179.27	689,818.16	-209,525.5
Net cash flow from financing activities	-2,004,074,929.60	-520,054,149.51	285.4

Explanation of change in revenue: please refer to the details described in “Overall Analysis of Results” of II. Major Operations During the Reporting Period.

Explanation of change in cost of sales: please refer to the details described in “Overall Analysis of Results” of II. Major Operations During the Reporting Period.

Explanation of change in sales expenses: please refer to the details described in “Overall Analysis of Results” of II. Major Operations During the Reporting Period.

Explanation of change in administrative expenses: please refer to the details described in “Overall Analysis of Results” of II. Major Operations During the Reporting Period.



# Management Discussion and Analysis

Explanation of change in financial expenses: please refer to the details described in “Overall Analysis of Results” of II. Major Operation During the Reporting Period.

Explanation of change in credit impairment losses: please refer to the details described in “Overall Analysis of Results” of II. Major Operation During the Reporting Period.

Explanation of change in other income: please refer to the details described in “Overall Analysis of Results” of II. Major Operation During the Reporting Period.

Explanation of change in investment income: please refer to the details described in “Overall Analysis of Results” of II. Major Operation During the Reporting Period.

Explanation of change in net non-operating income: please refer to the details described in “Overall Analysis of Results” of II. Major Operation During the Reporting Period.

Explanation of change in income tax expenses: please refer to the details described in “Overall Analysis of Results” of II. Major Operation During the Reporting Period.

Net cash inflow from operating activities increased by RMB586,613,457.95 or 45.2% as compared with last year, mainly due to the increase in net cash inflow resulted from the increased volume of operating business, and the decrease in advances to customers caused by the decline in automobile trading volume.

Net cash outflow from investing activities amounted to RMB1,444,655,179.27 compared with net cash inflow of RMB689,818.16 last year, which was mainly due to the decreases in net recovery of principal and interests from wealth management business as well as the decline in cash dividend.

Net cash outflow from financing activities increased by RMB1,484,020,780.09 or 285.4% as compared with last year. This was mainly due to the payment of due borrowings and interests by operating cash balance for the year and the increase of cash dividend declaration as a result of improved results of the parent company.

# Management Discussion and Analysis

## 9.2 Income and cost analysis

Please refer to the details described in “Overall Analysis of Results” by the Board on the operations of the Company during the reporting period for reasons of changes in revenue and cost of sales.

(1) *Main operations by industries, products and regions*

Unit: Yuan Currency: RMB

Analysis of main operations by industries						
By industries	Revenue	Cost of sales	Gross margin (%)	Changes in revenue (%)	Changes in cost of sales (%)	Changes in gross margin (%)
Oil products	1,195,109,934.31	887,720,499.20	25.7	-53.5	-57.0	Up by 6.1 percentage points
Containers	2,765,234,588.22	2,060,138,745.82	25.5	19.0	9.4	Up by 6.5 percentage points
Bulk and general cargo	974,808,697.32	714,544,323.09	26.7	39.0	15.5	Up by 14.9 percentage points
Bulk grain	389,256,179.86	401,222,912.92	-3.1	-21.1	-12.3	Down by 10.3 percentage points
Passenger	177,260,260.61	123,554,502.48	30.3	8.7	6.6	Up by 1.4 percentage points
Value-added product	931,171,459.21	634,941,618.15	31.8	-2.5	-3.5	Up by 0.7 percentage point
Automobiles	234,269,367.27	225,093,919.31	3.9	-86.4	-86.7	Up by 1.8 percentage points
Unallocated	87,334,415.58	94,518,661.53	-8.2	-10.3	22.6	Down by 29.1 percentage points

# Management Discussion and Analysis

## (2) Statement of cost analysis

Unit: RMB0'000

By industries	Cost components	Amount for the period	Segment information		Percentage of the total cost for the period of the previous year (%)	Changes in the amount for the period as compared with the same period of the previous year (%)	Explanation
			Percentage of the total cost for the period (%)	Amount for the same period of the previous year			
Oil products	Cost of sales	88,772.05	17.3	206,515.20	27.3	-57.0	
Oil products	Depreciation and amortisation	21,698.55	4.2	21,683.07	2.9	0.1	
Oil products	Labor cost	23,264.20	4.5	22,202.89	2.9	4.8	
Containers	Cost of sales	206,013.87	40.1	188,355.85	24.9	9.4	
Containers	Depreciation and amortisation	39,861.69	7.8	23,767.28	3.1	67.7	
Containers	Labor cost	24,989.90	4.9	16,023.37	2.1	56.0	
General cargoes	Cost of sales	71,454.43	13.9	61,880.67	8.2	15.5	
General cargoes	Depreciation and amortisation	17,890.90	3.5	18,263.90	2.4	-2.0	
General cargoes	Labor cost	23,072.54	4.5	22,277.01	2.9	3.6	
Bulk grain	Cost of sales	40,122.29	7.8	45,756.31	6.0	-12.3	
Bulk grain	Depreciation and amortisation	5,875.81	1.1	6,534.72	0.9	-10.1	
Bulk grain	Labor cost	5,368.01	1.0	5,485.10	0.7	-2.1	
Passenger	Cost of sales	12,355.45	2.4	11,588.79	1.5	6.6	
Passenger	Depreciation and amortisation	3,190.59	0.6	3,140.13	0.4	1.6	
Passenger	Labor cost	5,345.94	1.0	5,111.76	0.7	4.6	
Value-added products	Cost of sales	63,494.16	12.3	65,817.30	8.7	-3.5	
Value-added products	Depreciation and amortisation	6,126.16	1.2	6,867.33	0.9	-10.8	
Value-added products	Labor cost	34,190.99	6.6	32,824.63	4.3	4.2	
Automobiles	Cost of sales	22,509.39	4.4	169,194.64	22.4	-86.7	
Automobiles	Depreciation and amortisation	229.30	0.0	8.98	0.0	2,453.5	
Automobiles	Labor cost	72.30	0.0	168.09	0.0	-57.0	
Unallocated	Cost of sales	9,451.87	1.8	7,711.50	1.0	22.6	
Unallocated	Depreciation and amortisation	1,225.39	0.2	603.55	0.1	103.0	
Unallocated	Labor cost	1,874.88	0.4	1,758.31	0.2	6.6	

# Management Discussion and Analysis

Other explanation of cost analysis

Please refer to the details described in “Overall Analysis of Results” by the Board on the operations of the Company during the reporting period for reasons of changes in revenue and cost of sales.

(3) *Major sales customers and major suppliers*

The sales to the top five customers amounted to RMB640,770,783.78, representing 82% of the total annual sales. Of the sales to the top five customers, sales to related parties was zero, representing 0% of the total annual sales.

The purchases from the top five suppliers amounted to RMB246,456,176.94, representing 31% of the total annual purchases. Of the purchases from the top five suppliers, purchases from related parties amounted to zero, representing 0% of the total annual purchases.

Other explanation Nil.

## 9.3 Expenses

Please refer to the details described in “Overall Analysis of Results” by the Board on the operations of the Company during the reporting period.

## 9.4 Cash Flow

Please refer to the details described in “(I) Analysis of Main Operations” of page 32 of this annual report.

## 9.5 Research and development (R&D) investment

*Statement of R&D Investment*

Unit: RMB

Expensed R&D investment for the period	11,724,226.88
Capitalised R&D investment for the period	–
Total R&D investment	11,724,226.88
Percentage of total R&D investment in revenue (%)	0.17
Number of R&D personnel	66
Percentage of R&D personnel in total employees (%)	0.9%
Percentage of capitalized R&D investment (%)	–

# Management Discussion and Analysis

## 10. Explanation of significant changes in profit resulting from other operations

In 2018, due to the exchange rate fluctuations in the international currency market, the Company recorded unrealized exchange gains of RMB181,313,131.35 by holding its foreign currency assets.

## 11. Analysis of assets and liabilities

### 11.1 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 (%)	Explanation
Cash at bank and on hand	5,729,285,870.35	16.22	7,507,917,166.59	20.52	-23.69	It was mainly due to the payment of borrowings using own funds for the year.
Financial assets held for trading	1,892,520,046.14	5.36	-	-	100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Financial assets at fair value through profit or loss	-	-	5,050,497.50	0.01	-100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Notes and accounts receivable	947,433,479.68	2.68	1,201,883,882.80	3.29	-21.17	It was mainly due to the timely recovery of receivables.
Prepayments	34,835,097.24	0.10	159,435,191.83	0.44	-78.15	It was mainly due to a decrease in business resulting from equity disposal of subsidiaries.
Inventories	149,488,331.40	0.42	702,685,534.58	1.92	-78.73	It was mainly due to a decrease in inventories resulting from equity disposal of subsidiaries.
Contract assets	37,162,200.00	0.11	-	-	100.00	It was mainly due to an addition of items presented for contract assets upon the implementation of new revenue standard.
Other current assets	105,735,304.45	0.30	255,836,964.53	0.70	-58.67	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Available-for-sale financial assets	-	-	159,423,791.18	0.44	-100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Other equity instruments investment	179,146,371.30	0.51	-	-	100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Investment properties	202,719,406.14	0.57	710,512,216.76	1.94	-71.47	It was mainly due to the reclassification of certain investment properties to fixed assets.
Long-term prepaid expenses	76,195,345.33	0.22	106,783,619.90	0.29	-28.65	It was mainly due to the matured long-term leased assets and the finished amortization of expenses.



# 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 (%)	Explanation
Deferred income tax assets	81,148,594.18	0.23	66,000,514.39	0.18	22.95	It was mainly due to an increase in deferred income tax assets arising from allowances for expected credit losses in accordance with new standard for financial instrument.
Other non-current assets	36,299,731.85	0.10	142,923,200.38	0.39	-74.60	It was mainly due to bidding deposits for land paid in the previous year being transferred to intangible assets upon obtaining land use rights.
Financial liabilities at fair value through profit or loss	-	-	3,810,902.00	0.01	-100.00	It was mainly due to the zero business volume resulted from equity disposal of subsidiaries.
Notes and accounts payable	224,442,511.34	0.64	380,389,360.83	1.04	-41.00	It was mainly due to the combined effects of decrease in business resulted from equity disposal of subsidiaries and repayment of payables when they become due.
Advances from customers	6,153,114.57	0.02	192,230,201.10	0.53	-96.80	It was mainly due to the combined effects of decrease in business resulted from equity disposal of subsidiaries and transfer of certain items to contract liabilities upon the implementation of new revenue standard.
Contract liabilities	45,783,239.08	0.13	-	-	100.00	It was mainly due to the changes in accounting items arising from the implementation of the new standard for financial instrument.
Taxes payable	54,113,243.93	0.15	127,314,759.93	0.35	-57.50	It was mainly due to the decrease in business resulted from equity disposal of subsidiaries and no taxes payable such as import duties and consumption tax.
Current portion of long-term liabilities	800,076,181.57	2.27	4,158,328,072.94	11.37	-80.76	It was mainly due to the repayment of RMB foreign debt of corporate bonds.
Long-term borrowings	2,052,026,017.12	5.81	2,581,543,935.59	7.06	-20.51	It was mainly due to the transfer of certain current portion of long-term liabilities to current liabilities.
Bonds payable	5,873,223,359.39	16.63	3,404,498,647.79	9.31	72.51	It was mainly due to the additional issuance of medium-term notes for the year.
Long-term payables	40,000,000.00	0.11	-	-	100.00	It was mainly due to the underwriting fee to be paid arising from the issuance of medium-term notes, and capital injection installments to joint ventures and associates.
Other comprehensive incomes	5,924,000.77	0.02	29,398,184.15	0.08	-79.85	It was mainly due to the implementation of the new standard for financial instrument and the change in fair value of stock investment.

Other explanation Nil.

## 11.2 Major restricted assets as at the end of the reporting period

Please refer to the details described in Note V (59) Assets with restricted ownership or use right to the financial statements.

# Management Discussion and Analysis

## 12. Analysis of business operation in the industry

### *Explanation of the main business, business model and industry situation of the Company during the reporting period*

#### **12.1 Core business and related business models**

The Group is the most convenient maritime gateway to the Pacific Ocean and facing the world in Northeast Asia. It is equipped with a comprehensive transportation network and is one of the major sea-rail combined transport and maritime transit ports in China. During the reporting period, the Group's core businesses and business models include: oil/liquefied chemicals terminal and related logistics and trading services (oil segment), container terminal and related logistics services (container segment), automobile terminal and related logistics and trading services (automobile terminal segment), bulk and general cargo terminal and related logistics and trading services (bulk and 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).

#### **12.2. Business model**

At present, the Group is at a critical stage of transformation and development and puts emphasis on strengthening product innovation, expanding service functions, establishing professional brands, promoting platform construction, deepening customer cooperation, and creating an integrated logistics service system that serves the country, the industry and customers. In addition, in accordance with the overall thinking of supply chain integration, the Group has comprehensively improved its service, intensification and intelligence, promoting the integration of logistics and finance, commerce, and information industries.

#### **12.3 Industry development**

In 2018, the world economy has ushered in a gradual improvement. The growth of developed economies gained a good momentum, and the growth rate of emerging markets and developing economies has stabilized and rebounded. The BDI index reflecting the shipping rate situation has increased from last year. From the perspective of the domestic environment, the Chinese economy has actively adapted to the new normal, adhered to the general tone of steady progress, and focused on promoting supply-side structural reforms. The transformation and upgrading of the port industry has continued to deepen. From the hinterland economy, the growth rate of trade import and export in Liaoning, Jilin and Heilongjiang provinces in 2018 was 16.1%, 5.9%, and 38.6%, respectively. The economic growth rate and the import and export of foreign trade in the hinterland gradually improved.

At present, the Group's development level is in the leading position among its peers. In 2018, the members of the Group ranked eighth in the national coastal port cargo throughput. (Data source "the website of Chinese Port").

# Management Discussion and Analysis

## 13. Analysis of investments

### 13.1 Overall analysis of external equity investments

Details as below:

#### (1) Major equity investments

##### 1. Securities investment

No.	Categories of securities	Stock Code	Abbreviated name of securities	Initial investment (RMB)	Number of shares held (shares)	Carrying value as at the end of the period (RMB)	Percentage of total securities investment	Profit or loss during the reporting period
							as at the end of the period (%)	(RMB)
1	Stock	601558	Sinovel	3,780,000.00	252,000.00	279,720.00	6.03	-133,560.00
2	Stock	601616	SGEG	1,045,000.00	99,000.00	313,830.00	6.77	-61,638.00
3	Stock	601799	Xingyu Co., Ltd	1,168,200.00	55,000.00	2,612,500.00	56.35	-28,200.00
4	Stock	300185	Tongyu Heavy	812,500.00	243,750.00	392,437.50	8.46	-160,875.00
5	Stock	002563	SEMIR	1,943,000.00	116,000.00	1,034,720.00	22.32	122,960.00
6	Stock	002916	SCC	9,650.00				-33,965.00
7	Stock	603477	Zhenjing Corporation Limited	5,580.00				-13,360.00
8	Stock	601860	ZJB		1000.00	3,140.00	0.07	
Profit or loss from disposal of securities investment during the reporting period								144,185.59
Total				8,763,930.00	766,750.00	4,636,347.50	100.00	-164,452.41

# Management Discussion and Analysis

## 2. Shareholding in other listed company

Stock code	Abbreviated name of securities	Initial investment cost	Percentage of shares of that company	Carrying value as at the end of the period	Profit or loss during the reporting period	Changes in interests of owners during the reporting period		Source of shares
						Accounting items		
			(%)	(RMB)	(RMB)	(RMB)		
00368.HK	SINOTRANS SHIP	HKD77,996,300.00	0.24	22,473,785.23	240,879.35	6,612,685.55	Other equity instruments investment	Purchased from primary market
Total		HKD77,996,300.00	/	22,473,785.23	240,879.35	6,612,685.55	/	/

## 3. Equity interests in financial company

Name	Initial investment	Percentage of shares of that company	Carrying value as at the end of the period	Profit or loss during the reporting period	Changes in interests of owners during the reporting period		Source of shares
					Accounting items		
	(RMB)	(%)	(RMB)	(RMB)	(RMB)		
Dalian Port Group Financial Co., Ltd.	200,000,000.00	40	975,897,542.10	45,312,695.08	45,312,695.08	Long-term equity investments	Shareholding of a newly established company

# 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 (shares)	Shares purchased during the reporting period (shares)	Fund utilised (RMB)	Shares sold during the reporting period (shares)	Shares held as at the end of the period (shares)	Investment gains generated (RMB)
1	Sinovel	252,000				252,000	
2	SGEG	99,000				99,000	11,622.00
3	Xingyu Co., Ltd	55,000				55,000	81,800.00
4	Tongyu Heavy	254,750				254,750	
5	SEMIR	105,000				105,000	
6	SCC	500			500		32,218.50
7	Sichuan Zhenjing Corporation Limited	1,000			1,000		13,141.20
8	Huaxi Securities		500	4,730.00	500		3,144.23
9	TCB 712		1,000	4,550.00	1,000		20,652.74
10	FII		1,000	13,770.00	1,000		9,315.40
11	Jiangsu New Energy		1,000	9,000.00	1,000		24,176.80
12	Bank of Zhengzhou		500	2,295.00	500		1,386.50
13	Great River Smarter		500	4,265.00	500		10,034.50
14	Mindray		500	24,400.00	500		12,368.52
15	PICC		1,000	3,340.00	1,000		3,788.20
16	ZJB		1,000	3,140.00		1,000	
17	Hunan Light Industry & Salt Industry		1,000	3,710.00	1,000		13,959.00
Total		767,250	8,000	73,200.00	8,500	766,750	237,607.59

# Management Discussion and Analysis

## (2) Major non-equity investments

Unit: RMB0'000 Currency: RMB

Investment project	Source of funding	Total proposed investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Gains realised for the year	Reasons for failure to achieve the expected gain
Construction of crude oil storage tanks with a capacity of 1,000,000 m <sup>3</sup> in Xingang	Financing through issuance of A shares	76,000	43.07	52,498.41	69%	Income of approximately RMB93.35 million; profit of approximately RMB51.82 million	Please refer to the note headed "Reasons for failure to achieve the expected gain (1)"
Construction of crude oil storage tanks with a capacity of 600,000 m <sup>3</sup> in Xingang resort	Financing through issuance of A shares	55,000	0	55,000	100%	Income of approximately RMB52.44 million; profit of approximately RMB21.89 million	Please refer to the note headed "Reasons for failure to achieve the expected gain (1)"
Construction of phase II of the crude oil storage tanks project in Shatuozi, Xingang	Financing through issuance of A shares	2,960	0	2,960	100%	Project investment gain of RMB4.9 million	N/A
LNG project	Financing through issuance of A shares	32,000	0	32,000	100%	Project investment gain of RMB132.8 million	N/A
No. 4 stacking yard for ore terminal	Financing through issuance of A shares	52,000	1,080.37	41,450.76	80%	Income of approximately RMB19.38 million; profit of approximately RMB-3.37 million	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%	Income of approximately RMB19.92 million; profit of approximately RMB11.83 million	N/A
Purchase of 300 bulk grain carriers	Financing through issuance of A shares	15,000	0	15,000	100%	Income of approximately RMB7.1758 million; profit of approximately RMB1.1217 million	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	0.06	21,200.23	92%	Income of approximately RMB27.0029 million; profit of approximately RMB45,900	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 RMB-6.62 million	Please refer to the note headed "Reasons for failure to achieve the expected gain (5)"



# Management Discussion and Analysis

Investment project	Source of funding	Total proposed investments	Investment for the year	Accumulated investments as at the end of the year	Project progress	Gains realised for the year	Reasons for failure to achieve the expected gain
Information construction	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%	Income of approximately RMB368.15 million; profit of approximately RMB57.1 million	N/A
Dayao Bay No. 13-16 berths in Phase II	Own funds, loans from financial institutions and other sources	378,300.00	3,388.22	233,287.68	93%	No.13 and No.14 berths were transferred to a joint venture and a value-added gain of RMB200 million was realised; the annual rental income of No. 15 berth was RMB53.5 million; the construction of the main body of No. 16 berth has been completed and has not yet been leased out.	
Xingang No. 18-21 berths	Loans from financial institutions and other sources	41,377.00	439.86	34,886.48	86%	N/A	The project is under construction and has not yet been put into operation so no gain is generated.
Total		696,886.15	4,951.58	510,000.69		N/A	

# Management Discussion and Analysis

- Reasons for failure to achieve the expected gain (1) Of the crude oil storage tanks with a capacity of 1 million cubic meters in Xingang, 600,000 cubic meters of crude oil storage tanks were put into use in January 2011, while 400,000 cubic meters of crude oil storage tanks were put into use in September 2012. The crude oil storage tanks with a capacity of 600,000 cubic meters in Xingang resort were put into use in April 2014. International crude oil price has been in a reverse market structure since mid-2017, inhibiting the warehousing needs of oil traders. In addition, the coming into use of new-established large crude oil terminals in the Bohai Rim region and the continuous improvement of storage and transportation facilities caused significant changes to the logistics of import crude oil throughout the region. There is no advantage in the transfer and dispatch of oil terminals to the Bohai Rim area. The crude oil imported by refineries is gradually returning to the terminal docks, reducing the number of tanks rented in the ports. This is the main reason for the decrease in storage revenue. In the future, the oil terminal company will continue to foster its cooperation with transit customers by leveraging on the advantages of port consolidation, and build a complete transit logistics system for crude oil, continue to deepen cooperation with domestic and foreign oil traders and build a well-established crude oil transfer platform for traders to drive crude oil transfer logistics through trade flows, balance the use of storage tank resources and manage to meet the tank demand of traders such as UNIPPEC through a combination of interim charter and time charter, continue to implement the combination of lightering and tanking to speed up cargo turnover, upgrade the crude oil railcar loading system to meet the demand of more customers for shipment of crude oil by rail, accelerate the application for the delivery of crude oil futures to strive to become the designated delivery warehouse as soon as possible, further improve the port functions, gather the supply of goods, and extend the logistics channels to provide support and guarantee for achieving the transformation from traditional terminal operation mode to the modern operation mode. With the above-mentioned model, taking the advantages of terminals and storage tank clusters, the utilization efficiency of storage tanks will be improved. Combined with the gradual increase of tank charter fees and other means, the project revenue will steadily resume its upward trend.

# Management Discussion and Analysis

- (2) No. 4 stacking yard for ore terminal: The project was put into use in December 2014. Affected by the downward pressure of domestic economy in 2015, steel companies put more efforts in cost control, and they chose the near-port operation, which reduced the competitive edge of large berthing capacity of the Company. Since March 2016, the Company 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. Exerting the role 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 has increased significantly, and the volume of foreign imports from the VALE doubled as compared with that of last year. In 2018, the Company continued to deepen its cooperation with VALE, and developed ore-mixing business in quality and strength. It fully promoted and realized the target of “normalizing night service” of 400,000-ton super-large-scale carriers, and completed the upgrading of the ore-mixing skills in No. 4 stacking yard for ore terminal. Therefore, the comprehensive ore-mixing capacity of the terminal has been greatly improved. Going forward, we will give full play to the terminal’s bonded, mixed mining and distribution capabilities, consolidate the Company’s market share in steel mills, deepen cooperation with the railway bureaus, and enhance the efficiency of the yard.

# Management Discussion and Analysis

- (3) Purchase of 300 bulk grain carriers: The 300 bulk grain carriers of the project were put into use in 2011. During the initial construction stage of the project, the bulk grain carriers fell short of demand in the three northeastern provinces of China, and there was a temporarily critical shortage of bulk grain carriers. After the reform of the Ministry of Railways in 2013, the restriction on approving purchase of bulk grain carriers has been lifted. As a result, there was a serious oversupply of bulk grain carriers in Northeast China, with a mass number of bulk grain carriers being idle and carriage rental decreasing significantly. The operation of bulk grain carriers 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 long-established grain companies to jointly engage in grain logistics joint ventures and cooperation, the Company has not only improved the operational efficiency of bulk grain carriers, but also revitalized assets and reduced operating risks. In 2018, the operating environment of bulk grain carriers showed a significant decline compared with that of 2017. Since April 2018, the railway bureaus in Shenyang and Harbin successively implemented unified management and deployment policy for bulk grain carriers under their jurisdiction. The Company basically lost control on the deployment of its own bulk grain carriers. The number of carriers in ports and those used for inefficient deployment soared, and the number of carriers in ports has fallen sharply. This had a serious impact on the Company's domestic grain transportation and rental incomes. Therefore, the overall operation of the bulk grain carriers is lower than that of the same period.

# Management Discussion and Analysis

- (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 gradually experienced a downturn with a surplus of ro-ro capacity. Thus the operation efficiency of the ro-ro ship project fell. 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.
- (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 its operation, the Company has maintained a balance of revenues against the backdrop of the economic downturn in the hinterland of Northeast China. In 2018, due to the expiration of government subsidies and the shortage of supply in the surrounding areas, income from the project declined. In the future, the Company will grasp the opportunity that local government’s action to introduce Russian coal and Russian timber enterprises to settle in, strive to become a distribution center for Russian coal and Russian timber, so that the project profits will be steadily improved.

*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.

# Management Discussion and Analysis

## (3) Financial assets at fair value

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Current change	Effect on the current profit
Financial assets held for trading	-	1,892,520,046.14	1,892,520,046.14	20,183,440.41
Financial assets at fair value through profit or loss	5,050,497.50	-	-5,050,497.50	-
Available-for-sale financial assets	159,423,791.18	-	-159,423,791.18	-
Other equity instrument investments	-	179,146,371.30	179,146,371.30	8,291,129.78
Financial liabilities at fair value through profit or loss	3,810,902.00	-	-3,810,902.00	4,837,128.00
<b>Total</b>	<b>168,285,190.68</b>	<b>2,071,666,417.44</b>	<b>1,903,381,226.76</b>	<b>33,311,698.19</b>



# Management Discussion and Analysis

## 14. Major sales of assets and equity

The 5th (extraordinary) meeting of the 5th session of the Board of Directors of the Company in 2018 considered and approved the Proposal on the Transfer of Equity of the King Port Auto, a controlled subsidiary of the Company.

To meet the development needs, and promote the healthy development of its subsidiary, Dalian United King Port Auto Trade Co., Ltd. (hereinafter referred to as “King Port Auto”), and at the consideration of the beneficial adjustment of the trade business planning, the Group transferred 60% of its equity in King Port Auto to Dalian Port Corporation Limited (hereinafter referred to as “PDA”). According to the terms of the equity transfer agreement, as of 30 June 2018, the equity transfer had been completed.

## 15. Analysis of Major Subsidiaries 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 businesses include the provision of terminal facilities to vessels, provision of container loading, storage and arrangement of containers in the port area, leasing of port facilities, equipment and port machines, maintenance services, property leasing, corporate management services, consulting services etc. As of the end of 2018, the total assets of the company amounted to RMB5,308,583,613.34 with net assets of RMB3,438,050,333.64. In 2018, it achieved operating income of RMB138,901,600.80 and net profit of RMB232,038,301.12.

Dalian Container Terminals Co., Ltd. (“DCT”) was jointly funded and established by Dalian Port Container Development Co., Ltd. (“Dalian Port Container”), a wholly-owned subsidiary of the Company, COSCO Terminal (Dalian) Company Limited, China Shipping Terminal Development Co., Ltd., China Shipping Ports Development Co., Ltd., Singapore Dalian Port Investment Pte. Ltd. (“SDPIP”), and Nippon Yusen Kabushiki Kaisha, each with a shareholding of 48.15%, 4.35%, 10.99%, 3.66%, 26.00% and 6.85%. The registered capital of DCT is RMB3,480,000,000.00. Its principal businesses include the development, construction, management and operation of container terminals and its auxiliary facilities, provision of container loading and provision of bonded storage. Dalian Port Container entered into a Concerted Action Agreement on Dalian Container Terminals Co., Ltd., on which they agreed to act in concert on voting in relation to DCT’s operating decision-making. As of the end of 2018, DCT recorded a total asset of RMB6,267,876,600.00, net asset of RMB3,732,601,506.67, revenue of RMB1,429,530,016.86 and net profit of RMB305,872,158.98.

Dalian Jifa Bohai Rim Container Lines Co., Ltd. (“DBR”) was jointly funded and established by Dalian Port Container Development Co., Ltd. (“Dalian Port Container”), a wholly-owned subsidiary of the Company, Hebei Port Group Port Engineering Co., Ltd. (河北港口集團港口工程有限公司), China Qinhuangdao Ocean Shipping Agency Co., Ltd. (中國秦皇島外輪代理有限公司) and Jinzhou Port Co., Ltd., each with a shareholding of 97.36%, 1.02%, 1.02% and 0.60%. The registered capital of DBR is RMB49,230,000. Its principal businesses include domestic coastal container inland feeder transport, domestic coastal conventional ship transport, international vessel container transport, container leasing services, etc. As of the end of 2018, DBR recorded a total asset of RMB259,299,501.09, net asset of RMB-39,748,113.44, revenue of RMB328,527,763.79 and net profit of RMB-66,953,477.65.

# Management Discussion and Analysis

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., each with a shareholding of 20%, 75% and 5%,. The registered capital of LNG is RMB2,600,000,000. Its principal businesses include storage and operation of compressed gas and liquefied gas and natural gas, provision of terminal facilities for vessels and LNG unloading services in the port area. As of the end of 2018, LNG recorded a total asset of RMB3,534,512,886.08, net asset of RMB3,398,718,058.09. In 2018, it realized an operating income of RMB1,285,956,300 and a net profit of RMB664,024,400. It contributed revenue of RMB132,804,873.31 to the Company, representing 18.98% of the Company’s net profit.

## III. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

### 1. Competitive landscape and development trend in the industry

Global economic growth is expected to continue its recovery in 2019. According to the forecast in IMF’s “World Economic Outlook” dated 23 January 2019, the global economy is expected to grow by 3.5% in 2019. In particular, the growth of developed economies is rebounding, while the economic growth in emerging markets and developing countries suggests an accelerating trend.

In 2019, 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.

### 2. Company’s development strategy

Moving towards the direction of enhancing its services to integrate into China’s “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 2019, the Group's major initiatives for market development in its business segments are set out as follows:

## **Oil Segment**

We will analyze the domestic crude oil market to understand customer needs and further expand the crude oil transshipment business by rationally utilizing the storage tank resources.

We will closely monitor the international market dynamics and actively develop cooperation with international customers by leveraging the advantages in terms of bonded storage, so as to further expand the Group's influence.

We will promote the cooperation with the Shanghai International Energy Exchange, and accelerate the application for the construction of delivery point for the settlement of crude oil futures with an effort to become its delivery point for the settlement of crude oil futures.

## **Container Segment**

We will pay close attention to the information on international trade, foreign policy, shipping routes and changes in cargo supply market, strengthen market analysis, and actively develop foreign trade routes in emerging markets such as Southeast Asia and South America, with an aim to improve the route network layout and enhance port competitiveness.

We will improve the feeder network construction in Bohai Rim, attach more emphasis on the development of foreign trade transshipment and self-collected cargo shipment for domestic trade in Bohai Rim to increase the proportion of foreign trade cargo supply and optimize the cargo source structure, so that provide cargo supply support for the main line operation of the ports in Dalian and increase the foreign trade cargo transshipment in Dalian Port.

We will deepen the cooperation with railway bureau and continue to improve the inland network layout and service capabilities. We will strengthen the brand of the channel connecting China, South Korea and Russia, and further enhance the brand awareness of Dalian-Vorsino line. We will actively carry out inter-regional linkage with the companies operating cross-border train line platforms in Northeast China to promote the development of China-Europe train lines business in Dalian.

We will deepen structural reforms on the supply side, continue to promote the development of special logistics businesses such as cold chain, automobiles and timber, and strive to build an important carrier for the integrative development of modern high-end service functions in an effort to achieve high quality development of the ports in the new era.

## **Automobile Terminal Segment**

We will promote the route construction in the Bohai Rim jointly with shipping companies and nearby ports.

We will strengthen cooperation with shipping and port companies, leverage the system-based and price advantages in the river-sea and sea-railway intermodal transportation, and deepen the expansion of the cargo source along the Yangtze River with focus in Wuhan to further scale up the river-sea intermodal transportation business.

We will strengthen the expansion of the foreign trade market with an effort to promote the foreign trade business to achieve new breakthroughs.

# Management Discussion and Analysis

## **General Cargo Segment**

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 of transshipment volume and revenue.

We will reinforce the integrated multimodal transportation system by carefully performing the pick-up and transshipment of other large-scale goods such as grain, ore and construction materials.

We will improve the regional iron ore distribution service system, expand the ore mixing and blending scale, optimize the market strategy, so as to increase our market share in Northeast China in terms of ore mixing and further expand the ore mixing scale, as well as normalize the international transshipment in Japan and South Korea.

## **Bulk Grain Segment**

We will reinforce capital cooperation with customers to further expand the scope of cooperation.

We will spare no effort in gaining patronage of grains by keeping abreast of changes in national policy and market news, and further improving the whole logistics service system.

We will exploit the potential for cooperation with barley customers under the support of the model gain port platform to further increase the barley transshipment volume.

## **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.

We will strengthen communication with customers, and carry out the model designing of cargo roll-on and roll-off ships for the purpose to lay a firm foundation for the transformation of roll-roll shipment business in the near future.

## **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 adjust 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

## 3. Business plans

In 2019, with a focus on customers' demands, the Group will, by leveraging our 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 the ports. 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, business flow, capital flow and information flow, with a view to becoming the first-class integrated service provider in supply chain in China.

## 4. Possible risk exposures

In 2019, 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.

# Management Discussion and Analysis

## Human resources management

### 1. Overview of employees

Taking into consideration of the Company's development strategies and priorities, 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 2018, the Company had a total of 4,299 full-time employees. The Company and its invested businesses together had a total of 6,819 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.

### 2. Compensation policy

The Company introduced employee performance assessment of all employees based on the principles that focus on value and performance and "those who work hard" and aim to realize people's value. Compensation and performance management is to adjust and improve compensation level and standard and performance ratio of management, technical and operating positions, link the employee's compensation with improvement of individual performance and realization of value, and make the compensation system value-oriented while ensuring competitiveness and fairness and make compensation distribution more reasonable and show the role of motivation.

### 3. Training plan

The Company prepared and issued "2018 Company and All Employee Training Plan" and conducted education and training for all talent teams through centralized training and separate training that were organized by the financial department and focused on corporate culture, safety production and professional skills. During work, the Company stepped up supervision of normalization employee training, reasonability in design of training course, compliance in use of training funds, improvement of the management system and the realization of training organization and plan so as to ensure the training work is practical and effective. The Company organized and held over 1,100 training sessions in 2018, which were attended by over 24,000 people.



# Management Discussion and Analysis

## Investor relations management

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 concerned 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 feedback 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 establish of a good relationship with existing and potential investors.

In 2018, 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

## 2018 Corporate Social Responsibility Report

### I. Summary on Fulfilment of Social Responsibilities

In 2018, 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 value 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

### 1. Promoting regional trade development

In 2018, 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.

### 2. Promoting regional logistic development

In 2018, 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, by taking the advantages of "big ship + ore blending", we deepened customer cooperation, expanded the Japanese-Korean transit market for ore blending and created a regional iron ore distribution center, which further scaled up the ore blending business. Secondly, we strengthened the cooperation among the ports around the Bohai Sea and improved the layout of the circum-Bohai-Sea network, due to which the supply of the transit shipment business involving containers in foreign trade significantly increased. Third, we continued to promote cooperation with the water transport project of the North-South main engine plant, promote the construction of the north-south convection route of commodity vehicles, and achieve the rapid growth of business volume such as river-ocean combined transportation and sea-railway combined transportation. Fourth, we worked closely with the port regulatory authorities and implemented a variety of initiatives to promote the development of foreign trade through ports.

# Management Discussion and Analysis

## III. *Caring for customers*

### 1. Product quality and customer service

In 2018, 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, expanded into new services, and promoted the continuous improvement in port environment and business environment through the application of various information platforms such as the Dalian Public Information Platform, service hotline, mobile APP and Micro Port System.

### 2. Production safety

The Company earnestly implemented the national, provincial and municipal safe production work deployments surrounding the key target of “suppressing serious and major accidents and eliminating minor accidents”, changed its management measures and innovated the inspection methods, focusing on such key areas as “labor outsourcing team, high-risk operations, old equipment and facilities, and safety responsibility area management”. It has constantly improved the overall safety management capacity and realized sustained and reliable performance in safe production through prevention at source, systematic management and comprehensive implementation. No production accident or incident with adverse impact on the Company occurred all over the year.

In 2018, Dalian Port mainly implemented the safe production work in 6 fields, in order to ensure the occupational health and safety of the employees and provide safe production environment to the employees. First, to earnestly carry out the national, provincial and municipal work deployments, comprehensively implement the spirits of the superiors. The Company made full use of the monthly safe production work video conferences, quarterly and semi-annual plenary meetings of safe production committee as well as ad hoc emergency meetings to implement the directives and work deployment requirements of the superiors. The main leaders actively attended the safe production work meetings organized by the provincial and municipal agencies, and arranged in person the implementation of the superior meeting spirits, consciously practiced the requirements of the higher authorities. Each quarter, they would personally lead a team to make inspection and research at the production front line and promptly solved the difficulties in safe production. The Company quickly communicated and implemented the important instructions of the central leaders as well as the instructions of the provincial and municipal leaders through various channels, such as themed meeting, pre-shift/pre-boarding meeting, safe production We-chat group, Intranet email and Dalian Port Newspaper, in order to ensure that the messages are properly communicated and all the employees are informed. Second, to enhance the construction of “Four Mechanisms” and ensure the implementation of the relevant work deployments. The Company completed the review and revision of the safe production responsibility system for all employees, issued the relevant official document, established the evaluation system, and carried out the relevant promotion, communication and learning of the system through meeting, announcement and training, in order to ensure that all the employees master the safe production responsibility system for their positions. In addition, the Company enhanced the supervision and inspection, regularly

# Management Discussion and Analysis

reported the inspection results, and strengthened evaluation management, in order to ensure the proper performance of safety responsibility. By further understanding the relevant requirements of the municipal safety committee on promoting safety commitment announcement system, the Company refined and optimized the daily level-by-level judgment and evaluation mechanism, and made commitment announcement to the public through the LED Bulletin board installed in the conspicuous position of the Company, the Group information platform and the website of the municipal bureau, in order to show its determination that no announcement will be made in case there exists any unsafe condition, and no production will be carried out without announcement, and enhance the level-by-level responsibility implementation. The Company continued to improve the dangerous chemical enterprise safety risk prevention and control reliability report system, fully identified the existing risks, made a scientific assessment and classification, optimized the control measures, completed the drawing of the “safety risk four-color chart”, and constantly improved the safety risk anticipation and prevention capacity. Through such measures as “pre-shift meeting/pre-boarding meeting before operation”, “enhancing operation process supervision and announcement and posting of key inspection points”, “conformation of end-of-jog message”, “organization of special safety education and training”, “report-based safety verification” and “co-signing of repair and maintenance work order”, the Company strengthened risk prevention and control, and ensured the hierarchical control of safety risks are properly implemented based on the relevant standards and measures. In addition, the Company strictly implemented the daily inspection, weekly report, monthly scheduling and quarterly announcement system in a unique pattern of combining professional division and regional management, in order to ensure that each inch of land of the port has a responsible person, each device has a manager, and great achievement is made in improving the regional safety and security. Third, to enhance safe production supervision and inspection, and promote the safe production grid construction. The Company developed and completed all the annual safety inspection plans according to the key points of the relevant provincial and municipal authorities on annual safe production work deployment as well as its actual situations. The Company carried out special rectification actions according to the unified safety production deployment of the province and city, for which the Company developed implementation schemes, carried out corresponding special inspections and made summary and report as required. The Company rectified the hidden dangers strictly according to the requirements of the “five implementations”, implemented strict approval process and onsite control measures for all the high-risk operations, and enhanced the implementation of the safe production measures in special periods. Leaders and cadres at each level strictly implemented the rules for leaders to take personal charge of shifts, the rules for the security supervision department member to be on duty and make patrol and the rules for shifting of duty, and enhanced the supervision, inspection and guidance on the gate sentry, fire-fighting and security protection monitoring office, fire-fighting maintenance and post patrol. Based on the coordinated and unified principle of target orientation and problem orientation, the Company developed the Safe Production Target Management and Evaluation Standards for 2018, and formulated 118 specific indicators in 5 fields with clear target orientation, ensuring one liability warrant for one enterprise, and one evaluation standard for one unit. The Company organized the signing of annual safe production target management liability warrants by its subordinate units and departments, refined and specified the safety responsibility area division requirements, divided the responsibility areas level by level and prepared the Schematic Diagram for Safety Responsibility Area Management according to the principle of “local management and graded responsibility”. Through the management methods of “designating area, designating person and designating responsibility”, the Company further improved the safety responsibility area management system. Fourth, to carry out special rectification and violation suppression works and ensure the sustainability and stability of the safe productions of the port Guided by the spirit of safe production work meeting for 2018 and focusing on the “six inspections”, the Company extensively carried

# Management Discussion and Analysis

out special rectification and violation suppression works. By inspecting human factors, inspecting the strictness, scientificity and operability of rules and regulations, inspecting the technical status of the production process equipment and fire-fighting equipment, inspecting the sufficiency of training and study, inspecting the implementation of information equivalence, and inspecting the management of construction teams and contractors, the Company highlighted the inspection on dangerous chemical industry, and carried out special inspections on major hazard sources, dangerous goods operation and gas station, focusing on the special inspection of the compliance procedures, basic management documents and rectification of the problems identified in safety evaluation by the units dealing with major hazard sources and dangerous goods. With the focus on the special inspection of project construction, the Company carried out hidden danger screening on the project construction and reworks, and had all the identified hidden dangers rectified. Focusing on high-rise buildings and assembly occupancies, the Company developed and issued special rectification work schemes for fight-fighting of high-rise buildings and assembly occupancies to specify the division of responsibilities, rectification focus, work steps and work requirements. By highlighting the verification and inspection of special equipment, the safety technology management for all the lifting devices in the port was implemented according to the relevant requirements as well as the applicable laws, regulations, standards and management rules of the Company. In addition, the Company employed qualified third-party technical institution or expert to provide interruptible diagnosis and troubleshooting, carried out a variety of promotions and educations and precise trainings. The Company actively carried out rationalization proposal activities, and organized all the employees to participate in post safety management. It has collected more than 1000 rationalization proposals concerning the intrinsic safety modification of equipment and facilities, simplification of production process, function improvement of fire-fighting and emergency system, and safety information construction. Fifth, to enhance dual-mechanism construction, orderly promote the implementation of graded risk control and hidden danger identification and rectification The Company implemented graded risk control strictly according to the requirements of the occupational health and safety management system, and key process risk control and hazardous operation approval system. With regard to post risk control, the Company re-identified the danger sources of the posts, improved the control measures, timely revised and optimized the post risk manuals or cards and properly performed the post risk notification and training obligations. With regard to the implementation of process risk control, the Company, based on the requirements of the implementation opinions and focusing on accident prevention, further enhanced the identification and assessment of key risk in the production operation process to determine the risk grade, implement control measures, establish and improve the key risk control conformation records of the managers, and provide production risk notification for the key areas and positions. With regard to the establishment and improvement of change risk management, the Company, based on the hazardous operation permit and confirmation requirements, strictly implemented the hazardous operation approval management, implemented proper control measures before, during and after hazardous operations, and implemented confirmation system. The Company established a 4-level hidden danger screening and rectification system, constantly improved the hidden danger screening and rectification mechanism, and realized the effective connection and close-loop management for self-examination, self-inspection and self-correction of all units of the Company. The Company normalized the management of “4 lists” (list of screening tasks, list of hidden dangers, list of rectification works and list of review and acceptance), specified the standards for the 4 lists, broke down the hidden danger screen tasks and realized the effective and full coverage of hidden danger screen. The Company strictly implemented the accident and hidden danger statistics and report system, continued to implement reward system for reporting accident and hidden danger, carried out accident and hidden danger “snapshot” activities to encourage all the employees to participate in accident and hidden danger screening and provide monetary reward to the employees for



# Management Discussion and Analysis

reporting accident and hidden danger. The Company deployed and implemented typhoon and flood prevention, timely released the relevant emergency and pre-warning information, and carried out emergency drill according to the requirements of the superiors. It maintained safe and stable production during the flood season. Sixth, to enhance safety management innovation and constantly improve safety management level. Surrounding the key target of “suppressing serious and major accidents and eliminating minor accidents”, and focusing on such key areas as “labor outsourcing team, high-risk operations, old equipment and facilities, and safety responsibility area management”, the Company achieved great results in safety management, providing a strong support for the safe and stable development of the port. With regard to enhancing labor outsourcing team management, the Company took various measures to improve the safe production guarantee capability and ensured the effective implementation of the access thresholds by enhancing the review and filing management of labor outsourcing team and adopting strict review criteria. The Company carried out special guidance and inspection on the safety management of the labor outsourcing team, precisely implemented strategies to deal with the weak links, and employed experts to carry out targeted instruction and inspection by properly dividing up the work and assigning a part to each individual. The Company strengthened the training of the labor outsourcing team members, focusing on such problem that the labor outsourcing team members lacked safety awareness, safety knowledge and safety skills. Based on the requirements of “the one who introduces the labor outsourcing team shall be responsible” and “the one who uses the labor outsourcing team shall be responsible”, the Company further specified and implemented the safety management responsibilities. The Company carried out star rating management on the labor outsourcing team, which, together with the red and yellow card system, is designed to assign different star rankings to labor outsourcing teams with different management levels, and provide appropriate incentives to the outstanding players. With regard to the strengthening of high risk operation safety control, each unit of the Company has established hazardous operation permit and approval system and strictly implemented the work order system. Permit and approval procedures were performed for all the hazardous operations, and no accident occurred in this year. Through such measures as strengthening the onsite supervision and inspection, and constructing “three zeros” team (zero violation for individual, zero hidden danger for post, and zero accident for shift), the front line employees can strictly execute the operation procedures and the relevant operation management requirements. The onsite violations were significantly reduced, and operations against rules were eliminated. With regard to focusing on the safe production responsibility area management, by combining professional division and regional management, the Company developed and issued the Notice on Deeply Implementing Safety Responsibility Area Management Works and Model Enterprise Creation Activity, promoted the organization of safety responsibility area evaluation and rating activity, and created an autonomous safety management system where “each site is under management, everything has standards, each person has responsibility and each rule is implemented”, so as to constantly deepen the safety responsibility area management. With regard to safety supervision team and system construction, the Company issued the Notice on Carrying out Exchange (Training) and Exercise of Safety Management Personnel and commenced the exchange (training) and exercise of the safety management personnel of two levels according to the Opinions on Enhancing Construction of Safety Supervision Team.

# Management Discussion and Analysis

## IV. *Caring for Employees*

### 1. Protection of employees' rights and interests

The Company highlighted the dominant position of employees with a focus on employees' rights and interests. It gave full play to the advantages of staff representative congress and corporate affairs disclosure systems to build the staff representative congress into a "propaganda group" to publicize the principles and policies of the Party and government, an "observation group" to strengthen democratic supervision, a "review group" to review the implementation of various tasks and a "think tank" to gather the collective wisdom of employees, in order to enable the employees to fully appreciate the sense of gain and sense of achievement. The seventh session of the second staff (or Trade Union Membership) representative congress was held to complete the evaluation of Group leadership, member "home" evaluation and labor safety and health work. The Group Enterprise Annuity Plan was considered and passed by voting.

The Company actively performed the duties of supervision over labor protection and production safety. It rearranged the assessment rules and relevant responsible departments of "Good Health" Cup competition; improved the incentive standard; and added typical case recommendation and selection activities to summarize and promote the advanced experience with significant results.

### 2. Supporting and caring for the employees

The Company adhered to the pragmatic and innovative working mechanism with a focus on precision and inclusive services. It improved the targeted poverty alleviation mechanisms such as basic living allowances for employees, school subsidies for their children, visits during festivals, temporary assistance, and assistance for employees in need, as well as inclusive service mechanisms such as medical mutual assistance fund, charity assistance fund for major emergencies, employee relief fund, warm heart care and psychological assistance. It insisted on carrying out "heart-warming" activities to purchase warm supplies of value for part of frontline staff at the hard posts; and carrying out "extending cool to frontline" to deliver sympathy supplies to the frontline staff. It constantly improved the impoverished employee relief mechanism and expanded the coverage of employee relief fund. The Company insisted on sending outstanding employees to university, and sent 37 outstanding contract employees to Dalian Worker University to learn professional knowledge in the year.

### 3. Improving employment mechanism

The Company stimulated the work enthusiasm of staff with model worker spirit and craftsman spirit. The Company adhered to the typical group multi-channel selection and echelon training mode to publicize advanced deeds, promote advanced practices, publicize the work innovation of trade unions, and all levels of trade unions effectively created a good brand of Dalian Port Model Worker and developed a new coordinate for the cultural spirit of port workers.

The Company made solid progress in the establishment of "model worker (employee) innovation studio", organized the on-site experience exchange meeting of model worker (employee) innovation studios at the port, and gave financial support to the studios named by the province, city and Group.

# Management Discussion and Analysis

The Company adhered to and constantly improved the post training competition mechanism, and held the eighth staff skills competition within the year, which promoted the continuous improvement of the professional skills of the staff. In the national finals of the 2018 China Skills Competition – the 10th National Transportation Industry Vocational Skills Competition Waterway Dangerous Goods Transporter Program (2018年中國技能大賽—第十屆全國交通運輸行業職業技能大賽水路危險貨物運輸員項目競賽), the Dalian Port team won the third place as a group, and Li Yunlong from Dalian Port Oil Terminal Company won the first place in the individual program and the title of “National Technical Expert”.

## V. Ecological development

### 1. Environmental protection

In recent years, the development of port industry has been coincidentally transforming towards a “green” development. In 2018, Dalian Port (PDA) Company Limited also opened up an ecological model. Under the guidance of General Secretary Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, Dalian Port (PDA) Company Limited followed General Secretary Xi Jinping’s ecological civilization thought, and continuously raised awareness of environmental protection to actively implement various ecological environmental protection measures, solidly promote environmental management, and keep making progress, which has achieved results in ecological development.

In 2018, the Company continued to strengthen the environmental protection responsibilities of leaders at all levels, and implement the work principle of “party and governmental officials sharing the same responsibilities, and integration of power and responsibility”. The implementation rate of “three-simultaneity” policy for environmental protection of newly started construction projects reached 100%. The Company strengthened pollution prevention and control and improved the construction of emergency response system. During the year, no environmental violations occurred, and no major environmental pollution accidents occurred. The ISO-14000 environmental management system established and operated by the Company was in fully normal state of operation.

In the Company’s production and operation, we continued to control pollution sources. In order to implement the Group’s environmental protection management work and provide scientific and reliable environmental monitoring data, we formulated and issued the 2018 Environmental Monitoring Work Plan for the Company to monitor port environment pollution source and plant environment status and ensure that discharge of various pollutants can meet the relevant standards. At the same time, the Company has done a good job in environment protection facility monitoring and inspection. Normal operations were also seen in environment protection facilities completed by each subsidiary including waste water treatment facilities, boiler desulfurization and dust removal facilities, bulk cargo storage yard dust suppression facilities.

# Management Discussion and Analysis

In 2018, in response to the increasingly severe water environment supervision situation, the Company further promoted the optimization and implementation of waste water collection and treatment system in Dayao Bay Area on the basis of the special research of waste water collection and treatment system in Dayao Bay Port Area in 2017. The waste water treatment plant in Dayao Bay has been upgraded and transformed, adopted A/O treatment technology, added insulation sheds, and updated the ultraviolet disinfection lamps and aging equipment facilities, which effectively improved the effluent quality of wastewater treatment plant in Dayao Bay. At the same time, the Company actively promoted the transformation of the waste water pipe network in the Dayao Bay Area, and has completed the preliminary preparations. The Company's key handling and production units carried out clean production review, completed the preparation of clean production reports which passed expert review, and obtained approval from the Municipal Environmental Protection Bureau. The Company actively promoted the oil and gas recovery construction, entrusted China Waterborne Transport Research Institute to carry out a special study on oil and gas recovery of the Company's oil business, and proposed the feasibility and constraints of oil and gas recovery construction, laying the foundation for the subsequent oil and gas recovery construction.

In 2018, the Central Environmental Protection Supervision Committee launched a special supervision of the "Looking Back" in Liaoning Province. In order to effectively implement the supervision work, and further urge the Company's units to fulfill their integral responsibility for environmental protection, and therefore discover and eliminate existing hazards in time to mitigate risks of environmental management, the Company's units were inspected for environmental protection in 2018. 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 Company has put forward rectification requirements for the imperfect environmental protection of all units, and urged them to implement supervision responsibilities and improve rectification measures as soon as possible. During the Central Environmental Protection Supervision, the Company actively cooperated with the Supervision Group to carry out various tasks.

The Company continued to attach importance to the special management of hazardous wastes, and signed technical service contracts with qualified hazardous waste disposal units to regulate the storage and disposal management of hazardous wastes. All the hazardous solid wastes generated by the subordinate units were entrusted to qualified professional units for handling and the Hazardous Wastes Manifests were obtained in accordance with the procedures prescribed by the State.

In developing an environment pollution accident prevention and emergency system, the Company continued to carry out 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 emergency system and complete the deployment of oil spilling emergency equipment, to ensure sound management and utilization of emergency facilities. The Company did not have any environment pollution accident in 2018.

To effectively promote and educate on environment protection, the Company organized the June Fifth World Environment Day promotion activity and special training courses on "environmental protection tax" and "environmental management" to provide training and test for a total of 116 unit leaders, department principals and environment protection part-time employees.

# Management Discussion and Analysis

## 2. 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.

According to the Ministry of Transport’s Guidelines for the Application of Project Incentive Funds in Relation to the Use of Shore Power by Vessels in Ports for 2016-2018, the Company organized terminal shore power projects of grocery, ore, passenger transport and bulk grain to apply for construction subsidy funds of the Ministry of Transport. All the projects have passed the assessment and acceptance organized by the Ministry of Transport. In the same year, a total of RMB8.15 million of incentive funds in relation to the use of shore power by vessels in ports was received.

The Company actively promoted the application of shore power technology and promoted the successful connection of the world’s largest ore ship to shore power for the first time. On 20 October, the world’s largest 400,000-ton ore ship “Minghui” successfully connected the shore power at the special berth for 400,000-ton ship at ore terminal in Dayao Bay to achieve continuous and stable power supply for 2 hours and electricity consumption of nearly 3,000 kWh, which marked the ore terminal of Dalian Port possessed the high-voltage frequency conversion shore power supply capacity.

The Company accelerated the application of clean energy and implemented the distributed photovoltaic power project in Dayao Bay Port Area. The Company built a photovoltaic power generation project with a roof space of approximately 38,800 square meters in the warehouses of No. 1, No. 2 and No. 3 of Dayao Bay Port Area Container Terminal Logistics Co., Ltd., with a power supply capacity of 3.3 MW and an estimated annual average power generation of 4 million kWh.

The Company continued to promote the application of green lighting technology and transformed more than 800 green lighting lamps and lanterns. In particular, the Company completed the installation and commissioning of 325 green lighting lamps and lanterns in the new port area for oil in Changxing Island. The Company also completed the transformation and application of more than 480 green lighting lamps and lanterns for terminals of container, oil, ore, etc. in Dayao Bay Port Area.

The Company deeply implemented “oil to electricity” for field bridge of container. On the basis of “oil to electricity” for field bridge of container, the Company implemented lithium battery transformation for 8 field bridges used for transition between fields. The Company added lithium battery system to replace diesel unit, in order to power the transition between fields with field bridge. The transformed field bridge completely abandoned the diesel unit and realized “zero” emissions in the operation of field bridge.

# Management Discussion and Analysis

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 worked on a statistical analysis on energy consumption and pushed forward sound energy conservation management, while moving on with the construction of energy management system and carried out pilot operation of the relevant systems. The Company 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.

In 2018, the Company's unit consumption of comprehensive energy for production was 2.38 tons of standard coal per 10,000 tons of throughput.

### 3. Emergency Response

In 2018, the Company continuously consolidated the foundation of emergency management and improved the emergency response capacity and management level from four aspects. Firstly, deepen the construction of emergency response system. According to the requirements of the superior, the Company completed the plan revision, and organized the subordinate units to complete the field disposal plan revision; formulated its emergency management regulations, clarified the daily emergency management requirements, and incorporated the implementation into accountability assessment; set up emergency management professionals at all levels, and established an emergency management professional team to further deepen the construction of emergency response system. Secondly, strengthen emergency training and improve emergency awareness. The Company carried out intensive training on emergency plans in a centralized manner. Leaders at all levels respectively educated and trained leaders at the middle level and above, managers at the monitor level and above, and employees at all posts on three-level emergency plans, so that they are familiar with their respective emergency responsibilities, information reporting procedures, emergency measures of their posts and other key elements. The Company conducted intensive training for specialized personnel and invited municipal emergency experts to give lectures and explain emergency work requirements and emergency handling skills. The Company widely carried out publicity and education of emergency plans. The new version of emergency plans has been fully publicized through port news, OA system, safety production briefing, morning meeting and shift safety activities to further improve the awareness of emergency response of employees. Thirdly, standardize the drill evaluation and carry out various forms of drills to improve the disposal capability. In order to improve the level of emergency drill, the Company formulated drill evaluation content and standard template of field disposal plan, and comprehensively implemented the standardization of drill summary and evaluation. The Company organized and carried out various emergency drills as required, with a focus on emergency drills for hazardous chemicals, and carried out several large-scale drills. The emergency response capabilities in internal and external coordination, on-site disposal, railway rescue capability and efficiency, personnel poisoning prevention, secondary disasters prevention, environmental pollution prevention and other aspects have been effectively improved. Fourthly, highlight key areas, and strengthen supervision, inspection and risk prevention. The Company clarified the key areas, key parts and key equipment for emergency management and control, perfected the seven items of emergency supervision and inspection, organized and completed the establishment of system, emergency rescue team management, preparation and update of emergency plans, emergency education and training, emergency drill, emergency supplies and equipment management and inspection of various special emergency works.

# Management Discussion and Analysis

## VI. *Community Welfare*

### 1. Community Welfare

The Company actively participated in public welfare activities such as the Hope Project, assistance for difficulties, voluntary medical treatment, etc., and completed the tasks assigned by the provincial and municipal governments, including family planning, blood donation and targeted poverty alleviation at Lejia town, Pulandian City, Guangsheng Village, Lijia Town, Heishan County, Jinzhou City and poor villages in Liupanshui City.

## VII. *Prospect*

1. 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.

## Investment plan

In 2019, the Company will prudently carry out investment and supporting financing based on the development strategy of making progress while maintaining stability. Up to now, the Company has no significant relevant information that needs to be disclosed and brought to the attention of the investing public. In case of any related matters, the Company will make timely compliance disclosure according to the information disclosure requirements of Hong Kong and the PRC.



# Directors' Report

The board of directors hereby presents its report and the audited consolidated auditor's report of the Group (the "Auditor's Report") for the year ended 31 December 2018.

## 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) bulk and general cargo terminal and related logistics and trading services; (v) bulk grain terminal and related logistics and trading services; (vi) passenger and roll-on, roll-off terminal and related logistics services and (vii) port value-added services.

The principal activities of the Company's subsidiaries are set out in Note VII to the Auditor's Report.

Details of the analysis of the Group's operating results by business segments for the year ended 31 December 2018 are set out in Note XIII (1) to the Auditor's Report.

## Results and appropriations

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement of the Auditor's Report.

In 2018, the Group's net profit attributable to owners of the parent amounted to RMB523,315,600.09, representing a year-on-year increase of 4.5%. To provide better returns for the Shareholders, the Board recommended the payment of cash dividend of RMB0.19 (tax included) for every 10 shares for 2018.

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 2018.

## 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 Auditor's Report.

## Distributable reserves

As at 31 December 2018, the Company's reserves available for distribution were RMB1,716,884,576.97, which was calculated in accordance with the generally accepted accounting principles of the People's Republic of China.

# Directors' Report

## Bank loans and other borrowings

As at 31 December 2018, the total amount of outstanding bank loans and other borrowings of the Group was RMB12,124,862,311.97. Details of the relevant loans are set out in Note V (22) Short-term borrowings, Note V (29) Current portion of non-current liabilities, Note V (30) Long-term borrowings, and Note V (31) Bonds payable to the Auditor's Report.

## Group assets pledged

As at 31 December 2018, the Group used part of the monetary funds as the security deposit for the project payment guarantee as the project performance bond and as the security fund for the purchase of electricity, and some fixed assets and intangible assets as collateral to obtain long-term loans. Specific details are set out in Note V (59) to the Auditor's Report.

## Capitalisation of interest

The total amount of capitalised interest of the Group was approximately RMB44,678,726.96 for 2018.

## 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 V (14) Fixed assets and Note V (15) Construction in progress to the Auditor's Report.

## Investment properties

Details of the properties held for investment purpose of the Group during the year are set out in Note V (13) Investment properties to the Auditor's Report.

## Significant acquisition and disposal of subsidiaries, associates and joint ventures

The Group and Dalian Port Group Co., Ltd. signed an equity transfer agreement on 26 June 2018, and transferred 60% of the shares in Dalian United King Port Trade Co., Ltd. (大連金港聯合汽車國際貿易有限公司) (hereinafter referred to as "King Port Auto") of RMB937,200.00. At the same time, according to the equity transfer agreement, the above-mentioned reference date for equity evaluation from 31 December 2017 to the delivery date of 30 June 2018, the transfer or equity of the Company's transfer of equity is owned or borne by the Company, and the loss-bearing commitment is subject to the equity transfer price. As a result of a net loss of RMB5,096,256.83 from the reference date to the delivery date, the final equity transfer price was zero, and the disposal date was 30 June 2018. Therefore, from 30 June 2018 onward, the Group will no longer include King Port Auto in the scope of consolidation.

# Directors' Report

## Share capital

The share capital structure of the Company as at 31 December 2018 is set out in the table below:

<b>Class of shares</b>	<b>Number of shares (shares)</b>	<b>Percentage (%)</b>
A Shares	7,735,820,000	59.99
H Shares	5,158,715,999	40.01
Total	12,894,535,999	100

Details of the movements in share capital of the Company during the year are set out in Note V (35) to the Auditor's Report.

## 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 Securities

For the year ended 31 December 2018, except for the following transactions relating to the securities of the Company or its subsidiaries, the Company has not redeemed any of the listed securities of the Company, nor has the Company or any of its subsidiaries purchased or sold the listed securities of the Company.

### 1. Full redemption of bonds due in 2018

The Company and its subsidiaries have redeemed the bonds due in 2018. The details of the bonds are as follows:

- 1) On 17 February 2015, Asia Pacific Ports Development Co., Ltd. (亞太港口發展有限公司), an indirect wholly-owned subsidiary of the Company, issued a 3-year corporate bond with a total principal amount of RMB800 million, with a fixed coupon of 4.50% and paid with the principal upon maturity. The related issue cost is RMB116,363,100; and
- 2) On 26 September 2011, the Company issued a 7-year corporate bond with a total principal amount of RMB2,650 million with a fixed coupon of 6.05% and paid with the principal upon maturity. The related issue cost is RMB1,149,690,700.

### 2. Issue of medium-term corporate bonds

On 1 August 2018, the Company issued medium-term corporate bonds with a total amount of RMB2.5 billion for a five-year period with a fixed annual interest rate of 4.89%. China Merchants Bank Co., Ltd. and China Construction Bank Co., Ltd. acted as joint lead underwriters.

# Directors' Report

## Directors and supervisors

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

### Executive Directors

Mr. Wei Minghui (*appointed on 28 June 2017*)  
Mr. Zhang Yiming (*resigned on 22 March 2019*)

### Non-executive Directors

Mr. Xu Song (*appointed on 28 June 2017*)  
Mr. Bai Jingtao (*resigned on 22 March 2019*)  
Mr. Zheng Shaoping (*resigned on 22 March 2019*)  
Mr. Yin Shihui (*resigned on 22 March 2019*)

### Independent Non-executive Directors

Mr. Wang Zhifeng (*appointed on 28 June 2017*)  
Mr. Sun Xiyun (*appointed on 28 June 2017*)  
Mr. Law Man Tat (*appointed 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*)

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 2018, 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 XIII (3) to the Auditor's Report.

## Five highest paid individuals

As of 31 December 2018, information in respect of the five highest paid individuals of the Group is set out in Note XIII (3) to Auditor's Report.

## 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

#### (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 2018

Connected transactions	Connected persons	Exemption threshold (RMB'000)	Actual amount for 2018 (RMB'000)	
A Construction management and supervision services	PDA	60,000	12,845	
B Leasing business	PDA	73,500	69,120	
C Supply of goods and services	PDA	90,000	81,523	
D Purchase of goods and services	PDA	172,000	133,158	
E Terminal facilities design and construction services	PDA	126,240	18,224	
F Finance lease	PDA	222,300	4,146	
		Deposit	4,000,000	3,665,619
		Loan	5,000,000	949,117
G Financial services	PDA	Factoring	1,500,000	26,372
		Settlement and others	30,000	103

# Directors' Report

## A. 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 2018 were RMB60,000,000.00 and RMB12,845,000.00 respectively. The agreement governing the above continuing connected transactions expired on 31 December 2018. To continue to provide construction management and supervision services, Dalian Port Construction Supervision and Consultation Co. Ltd., a subsidiary of the Group, entered into the Construction Management and Supervision Services Agreement with Dalian Port Corporation Limited on 9 November 2018 with a term of three years effective from 1 January 2019 until 31 December 2021. The key terms and conditions of the Construction Management and Supervision Services Agreement which is effective from 1 January 2016 until 31 December 2018 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

### 1) Leasing from

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 2018 were RMB73,500,000.00 and RMB69,120,000.00 respectively. The agreement governing the above continuing connected transactions expired on 31 December 2018. To continue the asset and equipment leasing between the Company and its associates or subsidiary (ies) (as the case may be) and PDA and its associates or subsidiary (ies) (as the case maybe), the Company entered into the Lease Agreement with PDA on 9 November 2018 with a term of three years effective from 1 January 2019 until 31 December 2021.

The key terms and conditions of the Lease Agreement which is effective from 1 January 2016 until 31 December 2018 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. The market price will be determined by obtaining at least two quotations from independent third parties in relation to the leasing of the same or comparable types of equipment or properties within the vicinity;
- 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.

### 2) Leasing to

According to the Lease Agreement entered into on 9 November 2018, the Company and its associates or subsidiary (ies) (as the case maybe) shall lease related assets and equipment to PDA and its associates or subsidiary (ies) (as the case maybe) on normal commercial terms or better terms.

The key terms and conditions of the Lease Agreement concerning leasing are as follows:

- ① Under the Lease Agreement, the rental shall be determined based on the market price. The market price will be (i) provided by the Company and its associates or subsidiaries (as the case may be) to an independent third party, or (ii) provided by the independent third party to PDA and its associates or subsidiaries (as the case may be), which is determined by obtaining at least two quotations from independent third parties in relation to the leasing of the same or comparable types of equipment or properties within the vicinity.

# Directors' Report

- ② The term of the Lease Agreement shall be of three years effective from 1 January 2019 until 31 December 2021. PDA and its associates 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 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 good and services

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 2018 were RMB90,000,000.00 and RMB81,523,000.00 respectively. The agreement governing the above continuing connected transactions expired on 31 December 2018. To continue to supply goods and services to PDA and its associates or subsidiary (ies) (as the case maybe), the Company entered into the Sales of Goods and Provision of Services Agreement with PDA on 9 November 2018 with a term of three years effective from 1 January 2019 until 31 December 2021. The key terms and conditions of the Sales of Goods and Provision of Services Agreement which is effective from 1 January 2016 until 31 December 2018 concerning provision of goods and services are as follows:

- 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.

# Directors' Report

- 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; and
  - (c) Where there is neither a government-prescribed price nor a market price, the price is to be set out in relevant contract.

## D. Purchase of goods and services

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 2018 were RMB172,000,000.00 and RMB133,158,000.00, respectively. The agreement governing the above continuing connected transactions expired on 31 December 2018. To continue to purchase goods and receive services from PDA and its associates or subsidiary (ies) (as the case maybe), the Company entered into the Purchase of Goods and Receipt of Services Agreement with PDA on 9 November 2018 with a term of three years effective on 1 January 2019 until 31 December 2021. The key terms and conditions of the Purchase of Goods and Receipt of Services Agreement which is effective from 1 January 2016 until 31 December 2018 concerning purchase of goods and receipt of services are as follows:

- 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.

# Directors' Report

- 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; and
  - (c) Where there is neither a government-prescribed price nor a market price, the price is to be set out in relevant contract.

## E. Terminal facilities design and construction services

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 2018 were RMB126,240,000.00 and RMB18,224,000.00, respectively. The agreement governing the above continuing connected transactions expired on 31 December 2018. In order to continue to receive terminal facilities design and construction services from PDA and its associates or subsidiary (ies) (as the case maybe), on 9 November 2018, the Company entered into the Terminal Facilities Design and Construction Services Agreement with PDA for a term of three years from 1 January 2019 until 31 December 2021. The key terms and conditions of the Terminal Facilities Design and Construction Services Agreement which is effective from 1 January 2016 until 31 December 2018 concerning supply of goods and services are as follows:

- 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.

# Directors' Report

- 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 2018 were RMB222,300,000.00 and RMB4,146,000.00, respectively. In order to obtain finance lease services from PDA and its associates or subsidiary (ies) (as the case maybe), on 9 November 2018, the Company entered into the Finance Lease Agreement with PDA, pursuant to which, PDA and its associates or subsidiary (ies) (as the case maybe) shall provide finance lease services to the Group in accordance with their requirements for the lease of tangible assets (such as machinery, equipment and containers), provided that the terms provided by them are no less favourable to the Company than those available from independent third parties. The term of the agreement is three years from 1 January 2019 until 31 December 2021. With respect to each separate finance lease, the relevant member of the Group shall enter into separate written agreements with PDA and its associates or subsidiary (ies) (as the case maybe), 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.

The major terms and conditions of the Finance Lease Agreement which is effective from 30 October 2013 until 31 December 2018 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;
- 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.

# Directors' Report

## 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 2018 amounted to RMB4,000,000,000.00 and RMB3,665,619,000.00, respectively; the maximum daily closing balance of loan and the actual daily closing balance of loan amounted to RMB5,000,000,000.00 and RMB949,117,000.00, respectively; the annual caps for factoring service and the actual amount amounted to RMB1,500,000,000.00 and RMB26,372,000.00, respectively; and the annual caps for other financial services and actual amount amounted to RMB30,000,000.00 and RMB103,000.00. The agreement governing the above continuing connected transactions expired on 31 December 2018. In order to be provided deposit services, loan services, factoring services, settlement services and other financial services by PDA and its associates or subsidiary (ies) (as the case maybe) (including the Financial Company), on 9 November 2018, the Company entered into a Financial Services Agreement with PDA for a term of three years commencing from 1 January 2019 to 31 December 2021. The main terms and conditions of the Financial Services Agreement which is effective from 1 January 2016 until 31 December 2018 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;
  - (b) Loan services: including loan, bill, guarantee and finance lease services;
  - (c) Settlement services: including payment and receivable settlement services and some ancillary services for settlement;
  - (d) Other financial services (including international services);
  - (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;

# Directors' Report

- 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
- 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.

The aforesaid continuing connected transaction agreements signed on 9 November 2018 have been voted for by the shareholders on 28 December 2018.

Pursuant to Rule 14A.37 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; and
- (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.



# Directors' Report

Pursuant to Rule 14A.38 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 2018. 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.38 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 connected transactions and continuing connected transactions, it has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

## Related party transactions

As of 31 December 2018, 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 Auditor's Report. Certain of these non-exempt connected transactions and non-exempt continuing connected transactions are also included in the note to the above-mentioned Auditor's Report 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	17.6%
The top five suppliers as a percentage of the Group's total purchases	31.0%
The largest sales customer as a percentage of the Group's sales	26.5%
The top five sales customers as a percentage of the Group's total sales	81.9%

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 V(26) to the Auditor's Report.

## Permitted indemnity provision

The Company maintained directors' liability insurance to protect them from any loss to which they might be liable arising from their factual or claimed misconduct.

# Directors' Report

## Substantial shareholders' interests

As at 31 December 2018, 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 <sup>1</sup>	As % of total share capital <sup>2</sup>
Dalian Port Corporation Limited <sup>3</sup>	A shares	5,310,255,162 (long position)	Beneficial owner	68.65	41.18
China Merchants Securities (HK) Co., Ltd.	H shares	2,721,417,600 (long position)	Interest of controlled corporations	52.75	21.11
China Securities Depository and Clearing Company Limited	H shares	1,273,961,600 (long position)	Beneficial owner	24.69	9.87
Dalian Port Corporation Limited <sup>3</sup>	H shares	722,166,000 (long position)	Beneficial owner	14.00	5.60
BNP PARIBAS SECURITIES SERVICES	H shares	267,359,959 (long position)	Beneficial owner	5.18	2.07

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
3. As at 31 December 2018, each of the former Director Mr. Zhang Yiming (resigned on 22 March 2019), Director Mr. Wei Minghui, Director Mr. Xu Song and former Director Mr. Yin Shihui (resigned on 22 March 2019) still serves as managerial or directorship positions in the Group.

Save as disclosed above, as at 31 December 2018, 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.

# Directors' Report

## Auditors

The financial statements of the Company for the year 2018 have been audited by Ernst & Young Hua Ming LLP as the Company's auditor, who was appointed at the annual general meeting for the year 2017.

## 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 has completed 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 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 2018 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

**Xu Song**

*Acting Chairman*

Dalian, PRC  
26 March 2019

# 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 striving 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, the Company has made enquiries to the directors and 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. Wei Minghui (appointed on 28 June 2017)  
Mr. Zhang Yiming (resigned on 22 March 2019)\*

#### *Non-executive Directors*

Mr. Xu Song (appointed on 28 June 2017)  
Mr. Bai Jingtao (resigned on 22 March 2019)  
Mr. Zheng Shaoping (resigned on 22 March 2019)  
Mr. Yin Shihui (resigned on 22 March 2019)

#### *Independent non-executive Directors*

Mr. Wang Zhifeng (appointed on 28 June 2017)  
Mr. Sun Xiyun (appointed on 28 June 2017)  
Mr. Law Man Tat (appointed on 28 June 2017)

\* Pursuant to the Articles of Association of the Company, after Mr. Zhang Yiming resigned as the chairman of the board of directors of the Company on March 22, 2019, the vice chairman of the board of directors and non-executive director of the company, Mr. Xu Song, will serve as the acting chairman of the board of directors after Mr. Zhang's resignation, temporarily acting as the chairman until a new chairman is elected.

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 that 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:

<b>Member of the Board</b>	<b>Number of meetings in his/her incumbency</b>	<b>Number of attendance in person</b>	<b>Number of attendance by his/her proxy</b>	<b>Attendance rate</b>
Zhang Yiming	8	8	0	100%
Bai Jingtao	8	4	4	100%
Xu Song	8	8	0	100%
Zheng Shaoping	8	4	4	100%
Yin Shihui	8	8	0	100%
Wei Minghui	8	7	1	100%
Wang Zhifeng	8	8	0	100%
Sun Xiyun	8	8	0	100%
Law Man Tat	8	5	3	100%

During the reporting period, the Chairman met with the independent non-executive directors and other non-executive directors without the presence of the executive directors and the management.

# Corporate Governance Report

During the reporting period, the Company convened 2 general meetings. The attendance of directors at those general meetings is as follows:

<b>Member of the Board</b>	<b>Number of meetings in his/her incumbency</b>	<b>Number of attendance</b>	<b>Attendance rate</b>
Zhang Yiming	2	2	100%
Bai Jingtao	2	0	0%
Xu Song	2	2	100%
Zheng Shaoping	2	0	0%
Yin Shihui	2	2	100%
Wei Minghui	2	2	100%
Wang Zhifeng	2	2	100%
Sun Xiyun	2	2	100%
Law Man Tat	2	1	50%

### 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 2018, 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

The Board is responsible for the following corporate governance functions:

- (a) to develop and review the Company's corporate governance policy and practices and make recommendations;
- (b) to review and monitor the training and sustainable professional development of the Directors, Supervisors and senior management members on an ongoing basis;
- (c) to review and monitor the Company's policies and practices on compliance with laws and regulations;
- (d) to review the Company's compliance with the Code and the disclosure in the corporate governance report; and
- (e) to review the effectiveness of the risk management and internal control systems.

The Board has reviewed the policies and practices in accordance with the Code and its own Company CG Code.

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 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 a 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.

# Corporate Governance Report

## 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
Guidelines on Disclosure of Inside Information	Self-learning of the full text of the Guidelines	All directors
Trainings on compliance of directors and supervisors of listed companies in 2018	Training courses	All directors

On 26 March 2019, the Board adopted the board diversity policy (the "Board Diversity Policy") with a view to achieving a sustainable and balanced development of the Company. The Company views the increasing board diversity as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In determining the composition of the Board, a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account in respect of the diversity of the Board. All Board appointments will be based on meritocracy and candidates will be selected based on objective criteria, having due regard for the benefits of diversity of the Board. The Nomination and Remuneration Committee has adopted a board diversity policy setting out the approach to diversity of members of the Board, which is summarised below: review the Board diversity policy of the Company, as appropriate, recommend any revisions of the policy to the Board; review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and disclose the Board Diversity Policy or a summary of such policy, in particular, the measurable objectives that it has set for implementing the Board Diversity Policy and the progress on achieving these objectives and its review results in the Company's corporate governance report annually.

## 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 (after Mr. Zhang Yiming resigned as chairman on 22 March 2019, Mr. Xu Song is the acting chairman) 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, an executive director) 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 Financial Management Committee, the Nomination and Remuneration Committee and the Strategy Development Committee in accordance with the requirements of the Listing Rules.

### Audit Committee

The Audit Committee is a specialised committee subordinated and accountable to the board of directors (the “Board”). Its main responsibilities are to monitor the Company’s internal and external audits and financial reporting procedures, and internal control and risk management, and to maintain sound communications between internal and external audits.

During the reporting period, 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. Law Man Tat (independent non-executive director, elected as a member of the Audit Committee on 28 June 2017)

Mr. Yin Shihui (resigned as a member of the Audit Committee on 22 March 2019)

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 7 meetings to review the Company’s periodic reports, internal control, risk management and internal control, the placement and utilisation of proceeds and other matters, and made proposals to the Board. The terms of reference of the Audit Committee have been disclosed on the websites of the Company and the Stock Exchange.

As disclosed in the announcement dated 16 March 2018, King Port Auto is involved in a legal dispute (the “Dispute”) with Dalian Bohui International Trade Co., Ltd.\* (大連博輝國際貿易有限公司), and the Dispute has negatively impacted the Group. This resulted in the auditors of the Company to issue a qualified opinion on the financial statements of the Group for the year ended 31 December 2017. On 26 June 2018, the Group and PDA entered into the Equity Transfer Agreement to transfer the Company’s 60% equity interest in King Port Auto for a consideration of RMB937,200.00. Pursuant to the agreement, from the equity evaluation benchmark date of 31 December 2017 to the delivery date of 30 June 2018, the gain or loss arising from the equity transfer of the Company is owned or borne by the Company, and the loss is up to the equity transfer price (“Disposal”). As a result of a net loss of RMB5,096,256.83 by King Port Auto from the benchmark date to the delivery date, the final equity transfer price was zero, and the disposal date was 30 June 2018. Therefore, from 30 June 2018 onward, the Group will no longer include King Port Auto in the scope of consolidation. The Directors believe that the Disposal provides an exit opportunity to the Group to cease the immediate financial burden impacted on the Group by King Port Auto and remove the underlying reason for the qualified opinion made by the auditors of the Company. Furthermore, the Disposal may help lower the Company’s operation risk in respect of trade, finance and business, enhance the Company’s operation advantages in part logistics sector and allow the Company to achieve steady development.

# Corporate Governance Report

During the reporting period, the attendance of the members is set out as follows:

<b>Members of the Audit Committee</b>	<b>Number of meetings in his/her incumbency</b>	<b>Number of attendance in person</b>	<b>Attendance rate</b>
Mr. Wang Zhifeng	7	7	100%
Mr. Law Man Tat	7	7	100%
Mr. Yin Shihui*	7	7	100%

\* Following the resignation of Mr. Yin Shihui as a member of the Audit Committee on 22 March 2019, the number of the Audit Committee has reduced from three to two members, which falls below the minimum number required under Rule 3.21 of the Listing Rules. The Company is using its best endeavour to identify suitable candidate to fill up the vacancy of the member of the Audit Committee in order to comply with the requirements set out under Rule 3.21 of the Listing Rules as soon as practicable (and in any event not later than the three month period stipulated by Rule 3.23 of the Listing Rules), and will make further announcement as and when appropriate.

The Audit Committee has, together with the management of the Company and the external auditors, audited the interim and annual results of the Group for 2018 and has recommended the adoption to the Board. They have also discussed the key risks and the internal control and risk management issues, and reviewed the audit plan, internal control performance and the effectiveness of the internal control system.

## Financial Management Committee

The Financial Management Committee, a special committee under the Board, is accountable to the Board and mainly responsible for the supervision, review of the Company's financial operation, investment and financing decisions and business management, providing basis and safeguarding the right decision-making of the Company.

Financial Management Committee consists of two non-executive directors and one independent non-executive director, namely:

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

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

Mr. Yin Shihui (resigned as a member of the Financial Management Committee on 22 March 2019)

# Corporate Governance Report

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.

During the reporting period, the attendance of the members is set out as follows:

<b>Members of the Financial Management Committee</b>	<b>Number of meetings in his/her incumbency</b>	<b>Number of attendance in person</b>	<b>Attendance rate</b>
Mr. Xu Song	6	6	100%
Mr. Law Man Tat	6	6	100%
Mr. Yin Shihui*	6	6	100%

\* Following the resignation of Mr. Yin Shihui as a member of the Financial Management Committee on 22 March 2019, the number of the Financial Management Committee has reduced from three to two members, which falls below the number under the terms of reference of the Committee. The Board will nominate suitable candidate to fill up the vacancy of the member of the Financial Management Committee as soon as practicable, and will make further announcement as and when appropriate.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee, a special committee under the Board, is accountable to the Board and its main responsibilities are to examine the selection criterion and procedures of directors and managers; investigate and propose the candidates of directors and managers; and study the assessment criterion and remuneration policy for directors and managers, etc.

Nomination and Remuneration Committee consists of two independent non-executive directors and one executive director, namely:

Mr. Sun Xiyun (independent non-executive director, elected as the chairman of 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)

Mr. Zhang Yiming (resigned as a member of the Nomination and Remuneration Committee on 22 March 2019)\*

# Corporate Governance Report

During the reporting period, because there was no change to the members of the Board, the Nomination and Remuneration Committee did not convene any meeting.

The terms of reference of the Nomination and Remuneration Committee have been disclosed on the websites of the Company and the Stock Exchange.

\* Following the resignation of Mr. Zhang Yiming as a member of the Remuneration Committee on 22 March 2019, the number of the Remuneration Committee has reduced from three to two members, which falls below the number under the terms of reference of the Committee. The Board will nominate suitable candidate to fill up the vacancy of the member of the Remuneration Committee as soon as practicable, and will make further announcement as and when appropriate.

## Strategy Development Committee

The Strategy Development Committee, a special committee under the Board, is accountable to the Board and its main responsibilities are to conduct research and make recommendations on the Company's long-term strategic development and major investment decision-making; to review and formulate the strategic directions and development plans; to study material market developments and operation strategies; and to review major investments, financing options, capital operation and asset restructuring projects, etc.

Strategy Development Committee consists of two non-executive directors and one executive director, namely:

Mr. Xu Song (vice chairman, non-executive director, appointed as the member of 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. Bai Jingtao (resigned as the chairman of Strategy Development Committee on 22 March 2019)\*

During the reporting period, the Company did not have any material investment projects for consideration. Therefore, the Strategy Development Committee did not convene any meeting.

\* Following the resignation of Mr. Bai Jingtao as a member of the Strategy Development Committee on 22 March 2019, the number of the Strategy Development Committee has reduced from three to two members, which falls below the number under the terms of reference of the Committee. The Board will nominate suitable candidate to fill up the vacancy of the member of the Strategy Development Committee as soon as practicable, and will make further announcement as and when appropriate.

## F. Auditors

During the reporting period, Ernst & Young Hua Ming LLP was appointed as the PRC auditor of the Company for the year 2018 by the shareholders at the 2017 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. Ernst & Young Hua Ming LLP was also appointed as the auditor of internal control of the Company for the year 2018 to audit the internal control of the financial statements of the Company and issue an audit report.

# Corporate Governance 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 RMB3,380,000 and the fees paid and payable for internal control audit were RMB800,000. This remuneration is different from the "Audit fee" under "General and administrative expenses" of Note V (43) to Auditor's Report, due to the fact that item "Audit fee" under "General and administrative expenses" also included fees payable to audit service providers other than Ernst & Young Hua Ming LLP for annual audit and other audit management services. During the reporting period, the auditors of the Group (including 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 2018 are as follows.

Name	Position	Pre-tax remuneration paid by the Company during the reporting period (RMB)
Wei Minghui	Executive director and general manager	269,900
Zhao Qiang	Vice general manager	348,300
Wang Ping	Deputy chief accountant	434,000
Wang Jilu*	Vice general manager, secretary to the board and company secretary	494,500
Lee Kin Yu, Arthur	Qualified accountant and company secretary	1,314,300

\* Resigned on 28 February 2019

## H. Company Secretary

During the reporting year, the joint company secretaries of the Company, Mr. Wang Jilu (resigned on 28 February 2019) 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 (resigned on 28 February 2019) 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.

## 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 at least once annually. 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.



# Corporate Governance Report

## Risk Management

The Company has established a risk control department to implement different risk management procedures and guidelines and to assign authorities and responsibilities. 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, the internal control system of the Company was effective. The Board also requested the management of the Company to further improve the internal control system to enhance the Company's corporate governance standard.

### 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 internal control department under the Board of the Company has conducted an internal audit of the Company and its subsidiaries according to its annual work plan for the reporting year.

# Corporate Governance Report

## 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.

To comply with the requirements of the code provisions on risk management and internal control under the Listing Rules, the Board has reviewed the effectiveness of the risk management and internal control system of the Group for the year ended 31 December 2018 through the Audit Committee and with the assistance of the Risk Control Department and internal audit. In addition, the directors have reviewed the work scope and quality of the continuous supervision by the management over the risk management and internal control system. The directors also reviewed the extent and frequency of communication of monitoring results made by the management to the special committee of the Board to facilitate the relevant committee to review the risk management and internal control system of the Group.

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 and internal control systems for the year ended 31 December 2018 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:

Company Secretary/qualified accountant: Mr. Lee Kin Yu, Arthur (Tel: 852-53774873)  
(Fax: 86-411-87599854)

Company website: [www.dlport.cn](http://www.dlport.cn)  
E-Mail: [ir@dlport.cn](mailto:ir@dlport.cn)

### Dividend Policy

The Company attaches importance to the investment returns of the investors, and thus the profit distribution policy is maintained at a certain degree of continuity and stability. Provided that the Company's profit and cash flows are sufficient to meet its normal operations and long-term development, the profit distribution for each financial year shall not be less than 40% of the Company's distributable profit of the year, and the profit distribution in form of cash accumulated over the recent three years shall not be less than 30% of the average annual distributable profit achieved over the recent three years.

The Company's distributable profit of the year is calculated based on the net profit of the parent company of the year. The Company's profit over the recent three years, the distributed profit and the pre-distributed profit were all not be less than 40% of the distributable profit of the year. The pay-out ratios in 2016, 2017 and 2018 were 40.8%, 40.2% and 41.7% respectively.

# Corporate Governance Report

## K. Investor Relations

### 1. Amendments to the articles of association of the Company

The Company's annual general meeting of 2017 was held on 28 June 2018 to consider and approve the amendments to the Articles of Association of the Company as follows:

Article 106 of the Article of Association to be amended as follows:

In the case of voting at general meetings, shareholders (including their proxies) may exercise their voting rights in accordance with the number of their voting shares. Save and except for Article 110 hereof, each share shall have one vote. Shares of the Company are without voting rights and such shares shall not be taken in the total number of voting shares represented at the meeting.

Where material issues affecting the interests of small and medium investors are being considered at the general meeting, the votes by small and medium investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner.

The review and consideration of the connected transactions or continuing connected transactions at the general meeting shall be subject to laws, administrative regulations and regulatory requirements of the place(s) where the Company's shares are listed, including the Listing Rules of the Hong Kong Stock Exchange amended from time to time. If required by the listing rules of the stock exchange on which the Company's shares are listed, the shareholders associated with such transactions should abstain from voting and the number of voting shares represented by them shall not be taken in the total number of valid voting. The announcement on the resolutions at the general meeting should contain a complete disclosure of the voting details of non-associated shareholders.

The Board, independent directors and shareholders who meet the relevant requirements may solicit the voting rights from other shareholders. For such solicitation, information such as the specific voting intention shall be fully disclosed to the shareholders to be solicited. No payment or other form of de facto payment shall be made to the shareholders for such solicitation. The Company shall not impose any limitation related to minimum shareholding on the collection of voting rights.

Paragraph 2 of Article 122 of the Article of Association to be amended as follows:

When a voting is made on the election of directors or supervisors at a general meeting, the cumulative voting system may be adopted in accordance with the provisions of the Articles of Association or the resolutions of the general meeting. A cumulative voting system shall be implemented for the election of directors or supervisors when the controlling shareholder of the Company holds more than 30% of the shares of the Company.

# Corporate Governance Report

Paragraph 1 of Article 123 of the Article of Association to be amended as follows:

- (1) Shareholder(s) severally or jointly holding more than 3% of the total outstanding issued voting shares of the Company may, by way of a written proposal, put forward to the general meeting about the candidates for directors and supervisors (not being staff representatives). However, the number of candidates proposed shall comply with the provisions of the Articles of Association, and shall not be more than the number to be elected. The aforesaid proposal put forward by shareholders to the Company should be served to the Company at least 10 days before the convening of the general meeting.

Article 241 of the Article of Association to be amended as follows:

According to the provisions of the Articles of Association of the Company, the Board may, after fully considering the actual conditions together with the requests of shareholders (especially minority shareholders), and the opinions of independent directors, supervisors, propose the annual or interim profit distribution proposal for the Board's consideration and approval.

The profit distribution proposal shall be approved by a majority vote of all directors of the Board at the board meeting. The profit distribution proposal shall be approved by more than half of the voting rights held by shareholders attending the general meeting. Where a resolution regarding the issue of new shares by way of conversion of capital reserve is considered at the general meeting, it shall be approved by more than two-thirds of the voting rights held by shareholders attending the general meeting. Unless otherwise resolved by shareholders, the Board may be authorised to distribute an interim dividend at a general meeting.

Article 242 of the Article of Association to be amended as follows:

The Company may distribute a dividend in the following forms:

- (1) cash;
- (2) shares.

In the above profit distribution method, the Company should first consider to pay the dividend in cash. The Company may make interim cash dividend.

Upon passing a profit distribution resolution at a general meeting, the Board of the Company shall complete the dividend (or shares) distribution within 2 months after the general meeting is convened.

The Company shall make a cash dividend distribution for at least once for every 3 consecutive years, and the concrete allocation ratio shall be determined by the Board according to the Company's operational conditions and the relevant provisions of the CSRC, and shall be reviewed and decided at a general meeting. Provided that no cash profit distribution has been made by the Company in the recent three years, no public issuance of new shares, issuance of convertible bonds or placement of shares to the existing shareholders shall be carried out.

# Corporate Governance Report

The Company's profit allocation is aimed at rewarding our investors with a reasonable investment return. The Company's profit distribution policy shall be maintained at a certain degree of continuity and stability. Provided that the Company's profit and cash flows are sufficient to meet its normal operations and long-term development, the profit distribution for each financial year shall not be less than 40% of the Company's distributable profit of the year, and the profit distribution in form of cash accumulated over the recent three years shall not be less than 30% of the average annual distributable profit achieved over the recent three years.

Where there are major changes in the external environment or the Company's own operating conditions, which require the adjustment of the profit distribution policy, the Company should fully consider and protect the interests of the minority shareholders. The amended profit distribution policy must not violate the relevant laws and regulations and the relevant provisions of regulatory documents. The resolution regarding the amendment to the profit distribution policy shall be submitted to the Board and the general meetings for consideration and approval. The resolution regarding the amendment to the profit distribution policy shall be approved by more than half of the Board at the board meeting, and independent directors should provide independent opinions. The resolution regarding the amendment to the profit distribution policy shall be approved by more than two-thirds of the voting rights held by shareholders attending the general meeting.

The Board should fully consider the opinions of shareholders (especially minority shareholders), independent directors and supervisors when considering and approving the amendment of profit distribution policy especially the distribution of cash dividends.

## **2. Convening of General Meetings**

During the reporting year, one extraordinary general meeting held on 28 December 2018 and one annual general meeting held on 28 June 2018 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. Xu Song (徐頌先生)**, born in 1972, Chinese. Mr. Xu held various positions including the deputy general manager of Dalian Portnet 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 the deputy general manager of Liaoning Port Group Limited (遼寧港口集團有限公司), director, a director and the general manager 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.

**Mr. Wei Minghui (魏明暉先生)**, born in 1969, Chinese. Mr. Wei held various positions including 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 the general manager of Liaoning Port Group's Ro-ro Division, 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.

**Mr. Wang Zhifeng (王志峰先生)**, born in 1955, Chinese. Mr. Wang held various positions including the head and the secretary of the Communist Party Committee of Dalian Branch of Agricultural Bank of China, and the chief 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, an independent non-executive Director of Dalian Port (PDA) Company Limited as well as an independent non-executive director of Sino-Ocean Group Holding 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. 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), 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. He is currently an independent non-executive Director of Dalian Port (PDA) Company Limited. 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. Law Man Tat (羅文達先生)**, born in 1967 with Chinese (Hong Kong) nationality. 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 Shandong Hi-Speed Financial 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 as well as an independent non-executive Director of Dalian Port (PDA) Company Limited. Mr. Law obtained a bachelor's degree in management accounting from Hong Kong Polytechnic University and 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).

## 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 and chief accountant of Dalian Port Corporation Limited. He is currently the deputy chief economist and the head of capital operation department of Liaoning Port Group Limited, the chairman of the supervisory committee of Dalian Port (PDA) Company Limited as well as a director of Jinzhou Port Co., Ltd.. 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, Chinese. 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 Group Co., Ltd. (招商局港口集團股份有限公司), the general manager of the Investment and Development Department of China Merchants Port Holdings Co., Ltd. and a 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.

**Mr. Kong Xianjing (孔憲京先生)**, born in 1952, Chinese. Mr. Kong served as a vice president of Dalian University of Technology and the chairman of Dalian University of Technology Industrial Investment Co., Ltd. (大連理工大學產業投資有限公司) concurrently, and the executive deputy secretary of the CPC committee of Dalian University of Technology. He was promoted to professor in 1992 and has enjoyed the government special allowance since 1998. Mr. Kong is currently a professor of 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 as well as an independent supervisor of Dalian Port (PDA) Company Limited. 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.

# Profiles of Directors, Supervisors and Senior Management

**Mr. Jiao Yingguang (焦迎光先生)**, born in 1967, Chinese. Mr. Jiao held various positions including 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., the 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 director of the production department of Liaoning Port Group Limited as well as the staff supervisor and director of production planning centre 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 as well as the director of the audit management centre of PDA. Mr. Lu currently serves as the director of the human resources shared services centre of Liaoning Port Group Limited and the staff supervisor of Dalian Port (PDA) Company Limited. Mr. Lu obtained a bachelor degree and a master degree in Psychology from Northeast Normal University.

## Senior Management

**Mr. Zhao Qiang (趙強先生)**, born in 1962 with Chinese (Hong Kong) nationality. Mr. Zhao held various positions including an 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), the 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), a 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.

**Ms. Wang Ping (王萍女士)**, born in 1969, Chinese. Ms. Wang held various positions including the 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 Corporation 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 the deputy chief accountant and the 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 with Chinese (Hong Kong) nationality, a qualified accountant and a company secretary of Dalian Port (PDA) Company Limited. 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.

# Auditor's Report

Ernst & Young HM Shen Zi (2019) No. 60777447\_E01

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

## I. Opinion

We have audited the accompanying financial statements of Dalian Port (PDA) Company Limited, which comprise the consolidated and company balance sheets as at 31 December 2018, the consolidated and company income statements for the year then ended, the consolidated and company statements of changes in shareholders' equity for the year then ended, the consolidated and company cash flow statements for the year then ended and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

## II. Basis for Opinion

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

## III. 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. Our description of how each of the following matters is handled in the audit is also based on this.

We have fulfilled our responsibilities as set out in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, including those related to these key audit matters. Accordingly, our audit work includes the implementation of audit procedures designed to address the risk of material misstatement of the financial statements of the assessment. The results of our audit procedures, including the procedures followed in the implementation of the key audit matters below, provide the basis for the overall audit opinion of the financial statements.

# Auditor's Report (continued)

Ernst & Young HM Shen Zi (2019) No. 60777447\_E01

## III. Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Impairment of accounts receivable</b>	
<p>As of 31 December 2018, the book balance of the receivables in the consolidated financial statements was RMB1,251,646,722.53, and the provision for bad debts was RMB107,176,589.60. The management assesses the expected credit losses of the receivables based on the aging combination and on the individual and grouping basis and considering the credit risk of different customers. When assessing expected credit losses, the management needs to make significant judgments and estimates, taking into account all reasonable and evidence-based information, including customer historical repayments, credit status, industry conditions and forward-looking information. Therefore, we identified it as a key audit matter.</p> <p>For the disclosure of the receivables and the provision for bad debts, please refer to Note V.4 Notes Receivable and Accounts Receivable and Note V.6 Other Receivables to the financial statements.</p>	<p>The audit procedures we performed include:</p> <ul style="list-style-type: none"> <li>• For receivables to assess expected credit losses on the individual basis, we examined the basis for the management's calculation of expected credit losses, including the management's expected recoverability and the judgment and estimation of the recoverable amount, and the impact of the estimated recovery time of the receivables on the time value of the money, and the Company's external legal counsel's written opinion on lawsuit about the receivables in combination with advice of the Company's external legal counsel, the historical and the subsequent settlement from the customers;</li> <li>• For the receivables to assess the expected credit losses based on the aging combination, we assessed the management's credit risk portfolio for the receivables, sampled the aging of the receivables, and reviewed the basis for the calculation of expected credit losses., including the management's estimation and calculation of expected credit losses in combination with historical credit loss rates and forward-looking considerations;</li> <li>• The disclosure of the corresponding receivables and the provision for bad debts in the financial reports was reviewed.</li> </ul>

# Auditor's Report (continued)

Ernst & Young HM Shen Zi (2019) No. 60777447\_E01

## III. Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p data-bbox="229 418 858 461">Impairment of long-term equity investments</p> <p data-bbox="229 461 858 1052">As of 31 December 2018, the book value of long-term equity investments in the consolidated financial statements was RMB4,196,535,238.90. The management has assessed whether these long-term equity investments have indicators of impairment. For the identified indicators of impairment, the management performs impairment testing by calculating the recoverable amount of long-term equity investments. The forecast of the recoverable amount relates to the forecast of the present value of future cash flows of long-term equity investments, as the management needs to make significant judgments and assumptions in the forecast, especially for the future business volume and gross profit margin of the investee. Therefore, we identified it as a key audit matter.</p> <p data-bbox="229 1052 858 1233">For the disclosure of long-term equity investments, please refer to Note V.11 Long-term Equity Investments to the financial reports.</p>	<p data-bbox="858 418 1479 461">The audit procedures we performed include:</p> <ul data-bbox="858 461 1479 1233" style="list-style-type: none"><li data-bbox="858 461 1479 944">• Evaluated the rationality of the management's judgment on the indicators of impairment and reviewed the important assumptions made by the management when determining the recoverable amount of long-term equity investments, especially the rationality of key data and assumptions about the future business volume, gross profit margin and discount rate of the investee in the management's profit forecast;</li><li data-bbox="858 944 1479 1095">• Used the work of internal valuation experts, reviewed the rationality of the management's impairment test methods, models and key parameters;</li><li data-bbox="858 1095 1479 1233">• The disclosure of long-term equity investments and long-term equity impairments in financial reports was reviewed.</li></ul>

# Auditor's Report (continued)

Ernst & Young HM Shen Zi (2019) No. 60777447\_E01

## IV. Other Information

The management of Dalian Port (PDA) Company Limited is responsible for the other information. The other information comprises all of the information included in the annual report 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 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.

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. We have nothing to report in this regard.

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

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as the 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## VI. 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 skepticism throughout the audit. We also:

- (1) 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)

Ernst & Young HM Shen Zi (2019) No. 60777447\_E01

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

- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of the 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 the Company'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 the Company to cease to continue as a going concern.
- (5) 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.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

Ernst & Young Hua Ming LLP

Beijing, the People's Republic of China  
26 March 2019

*Certified Public Accountant:*

**Wang Tianqing**  
(Project partner)

*Certified Public Accountant:*

**Xue Wei**



# Consolidated Balance Sheet

As at 31 December 2018  
In RMB

	Note V	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank and on hand	1	5,729,285,870.35	7,507,917,166.59
Tradable financial assets	2	1,892,520,046.14	–
Financial assets at fair value through profit or loss	3	–	5,050,497.50
Notes receivable and accounts receivable	4	947,433,479.68	1,201,883,882.80
Advances to suppliers	5	34,835,097.24	159,435,191.83
Other receivables	6	663,019,375.41	606,274,255.10
Inventories	7	149,488,331.40	702,685,534.58
Contract assets	8	37,162,200.00	–
Other current assets	9	105,735,304.45	255,836,964.53
<b>Total current assets</b>		<b>9,559,479,704.67</b>	10,439,083,492.93
<b>Non-current assets</b>			
Available-for-sale financial assets	10	–	159,423,791.18
Long-term equity investments	11	4,196,535,238.90	4,181,438,137.97
Other investments in equity instruments	12	179,146,371.30	–
Investment properties	13	202,719,406.14	710,512,216.76
Fixed assets	14	17,208,306,962.50	16,860,925,657.87
Construction in progress	15	2,030,344,333.55	2,260,609,738.57
Intangible assets	16	1,724,973,793.88	1,637,141,745.38
Goodwill	17	20,433,690.59	20,433,690.59
Long-term prepaid expenses	18	76,195,345.33	106,783,619.90
Deferred tax assets	19	81,148,594.18	66,000,514.39
Other non-current assets	20	36,299,731.85	142,923,200.38
<b>Total non-current assets</b>		<b>25,756,103,468.22</b>	26,146,192,312.99
<b>TOTAL ASSETS</b>		<b>35,315,583,172.89</b>	36,585,275,805.92

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

# Consolidated Balance Sheet (continued)

As at 31 December 2018  
In RMB

	Note V	31 December 2018	31 December 2017
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings	22	<b>3,399,536,753.89</b>	3,271,234,002.74
Financial liabilities at fair value through profit or loss		-	3,810,902.00
Notes payable and accounts payable	23	<b>224,442,511.34</b>	380,389,360.83
Advances from customers	24	<b>6,153,114.57</b>	192,230,201.10
Contractual liabilities	25	<b>45,783,239.08</b>	-
Employee benefits payable	26	<b>260,854,026.38</b>	250,668,300.78
Taxes payable	27	<b>54,113,243.93</b>	127,314,759.93
Other payables	28	<b>911,030,967.62</b>	809,203,751.83
Current portion of non-current liabilities	29	<b>800,076,181.57</b>	4,158,328,072.94
<b>Total current liabilities</b>		<b>5,701,990,038.38</b>	9,193,179,352.15
<b>Non-current liabilities</b>			
Long-term borrowings	30	<b>2,052,026,017.12</b>	2,581,543,935.59
Bonds payable	31	<b>5,873,223,359.39</b>	3,404,498,647.79
Long-term payables	32	<b>40,000,000.00</b>	-
Deferred income	33	<b>587,760,573.96</b>	570,082,092.47
Deferred tax liabilities	19	<b>111,725,442.87</b>	117,258,611.27
Other non-current liabilities	34	<b>88,541,797.00</b>	98,915,093.00
<b>Total non-current liabilities</b>		<b>8,753,277,190.34</b>	6,772,298,380.12
<b>Total liabilities</b>		<b>14,455,267,228.72</b>	15,965,477,732.27
<b>Shareholders' equity</b>			
Share capital	35	<b>12,894,535,999.00</b>	12,894,535,999.00
Capital surplus	36	<b>2,935,193,506.32</b>	2,928,604,715.37
Other comprehensive income	37	<b>5,924,000.77</b>	29,398,184.15
Specific reserve	38	<b>32,179,588.47</b>	32,603,491.61
Surplus reserve	39	<b>823,997,607.17</b>	758,715,434.54
Undistributed profits	40	<b>1,584,535,562.22</b>	1,416,071,539.76
<b>Total equity attributable to shareholders of the Company</b>		<b>18,276,366,263.95</b>	18,059,929,364.43
<b>Minority interests</b>		<b>2,583,949,680.22</b>	2,559,868,709.22
<b>Total shareholders' equity</b>		<b>20,860,315,944.17</b>	20,619,798,073.65
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>35,315,583,172.89</b>	36,585,275,805.92

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

The financial statements are signed by:

Legal representative:

Principal in charge of accounting:

Head of accounting department:

# Consolidated Income Statement

2018  
In RMB

	Note V	2018	2017
<b>Revenue</b>	41	<b>6,754,444,902.38</b>	9,031,643,350.22
Less: Cost of sales	41	<b>5,141,735,182.50</b>	7,568,202,507.68
Taxes and surcharges	42	<b>55,163,579.61</b>	45,412,616.54
Selling and distribution expenses		<b>677,390.25</b>	412,560.91
General and administrative expenses	43	<b>690,284,666.90</b>	653,830,593.45
Research and development expenses	44	<b>11,724,226.88</b>	8,514,793.05
Financial expenses	45	<b>288,306,943.32</b>	639,853,262.11
Including: Interest expenses		<b>596,102,239.30</b>	527,888,001.02
Interest income		<b>128,417,485.76</b>	118,268,304.97
Asset impairment losses	46	<b>-</b>	59,917,712.73
Credit impairment losses	47	<b>77,901,590.39</b>	-
Add: Other income	48	<b>85,358,984.79</b>	103,431,845.50
Investment income	49	<b>280,500,274.39</b>	542,552,490.64
Including: Share of profit of associates and joint ventures		<b>250,423,644.20</b>	360,116,642.88
(Losses)/profits from changes in fair value	50	<b>4,435,068.00</b>	(5,946,927.00)
Gains on disposals of assets	51	<b>450,029.12</b>	15,747,601.32
<b>Operating profit</b>		<b>859,395,678.83</b>	711,284,314.21
Add: Non-operating income	52	<b>21,494,785.64</b>	22,260,846.11
Less: Non-operating expenses	53	<b>5,410,743.16</b>	6,386,975.66
<b>Total profit</b>		<b>875,479,721.31</b>	727,158,184.66
Less: Income tax expenses	54	<b>193,498,370.29</b>	152,866,274.32
<b>Net profit</b>		<b>681,981,351.02</b>	574,291,910.34
Classified by continuity of operations			
Net profit from continuing operations		<b>681,981,351.02</b>	574,291,910.34
Classified by ownership of the equity			
Attributable to shareholders of the Company		<b>523,315,600.09</b>	500,779,944.29
Minority interests		<b>158,665,750.93</b>	73,511,966.05

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

# Consolidated Income Statement (continued)

2018  
In RMB

	Note V	2018	2017
<b>Other comprehensive income, net of tax</b>		<b>(1,106,775.80)</b>	(17,977,382.84)
Attributable to shareholders of the Company, net of tax	37	<b>(874,034.80)</b>	(17,977,382.84)
Other comprehensive income that will not be subsequently reclassified to profit or loss		<b>(10,409,767.71)</b>	–
Changes in fair value of other investments in equity instruments		<b>(10,409,767.71)</b>	–
Other comprehensive income that will be subsequently reclassified to profit or loss		<b>9,535,732.91</b>	(17,977,382.84)
Other comprehensive income convertible to profit or loss under equity method		–	755,666.78
Changes in fair value of available-for-sale financial assets		–	4,679,843.22
Translation differences on translation of foreign currency financial statements		<b>9,535,732.91</b>	(23,412,892.84)
Attributable to minority interests	37	<b>(232,741.00)</b>	–
Total comprehensive income		<b>680,874,575.22</b>	556,314,527.50
Including			
Attributable to shareholders of the Company		<b>522,441,565.29</b>	482,802,561.45
Attributable to minority interests		<b>158,433,009.93</b>	73,511,966.05
Earnings per share			
Basic and diluted earnings per share	56	<b>0.04</b>	0.04

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Changes in Shareholders' Equity

2018  
In RMB

	Attributable to shareholders of the Company							Minority interests	Total shareholder's equity
	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Subtotal		
I. Balance as at 31 December 2017	12,894,535,999.00	2,928,604,715.37	29,398,184.15	32,603,491.61	758,715,434.54	1,416,071,539.76	18,059,929,364.43	2,559,868,709.22	20,619,798,073.65
Add: Changes of accounting policies (Note III, 34)	-	-	(22,600,148.58)	-	-	12,944,295.94	(9,655,852.64)	(3,372,355.99)	(13,028,208.63)
II. Balance as at 1 January 2018	12,894,535,999.00	2,928,604,715.37	6,798,035.57	32,603,491.61	758,715,434.54	1,429,015,835.70	18,050,273,511.79	2,556,496,353.23	20,606,769,865.02
III. Changes for the period									
(I) Total comprehensive income									
1. Net profit	-	-	-	-	-	523,315,600.09	523,315,600.09	158,665,750.93	681,981,351.02
2. Other comprehensive income	-	-	(874,034.80)	-	-	-	(874,034.80)	(232,741.00)	(1,106,775.80)
(II) Capital contribution and withdrawal by shareholders									
1. Acquisition of Minority Equity	-	(32,235,925.50)	-	-	-	-	(32,235,925.50)	16,446,670.78	(15,789,254.72)
2. Disposal of subsidiaries	-	37,470,903.15	-	-	-	-	37,470,903.15	25,338,987.32	62,809,890.47
(III) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	65,282,172.63	(65,282,172.63)	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	(296,574,327.98)	(296,574,327.98)	(165,077,390.78)	(461,651,718.76)
3. Appropriation to employee bonus and welfare fund	-	-	-	-	-	(5,939,372.96)	(5,939,372.96)	(6,373,352.89)	(12,312,725.85)
(IV) Special reserve									
1. Accrued in the current year	-	-	-	33,545,882.09	-	-	33,545,882.09	4,261,476.25	37,807,358.34
2. Utilised in the current year	-	-	-	(33,969,785.23)	-	-	(33,969,785.23)	(5,576,073.62)	(39,545,858.85)
(V) Others	-	1,353,813.30	-	-	-	-	1,353,813.30	-	1,353,813.30
IV. Balance at 31 December 2018	12,894,535,999.00	2,935,193,506.32	5,924,000.77	32,179,588.47	823,997,607.17	1,584,535,562.22	18,276,366,263.95	2,583,949,680.22	20,860,315,944.17

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Changes in Shareholders' Equity (continued)

2018  
In RMB

2017

	Attributable to shareholders of the Company							Minority interests	Total shareholder's equity
	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Subtotal		
I. Balance as at 1 January	12,894,535,999.00	2,930,944,685.96	47,375,566.99	29,604,575.28	676,643,140.78	1,194,212,957.96	17,773,316,925.97	1,332,998,027.28	19,106,314,953.25
II. Changes for the period									
(I) Total comprehensive income									
1. Net profit	-	-	-	-	-	500,779,944.29	500,779,944.29	73,511,966.05	574,291,910.34
2. Other comprehensive income	-	-	(17,977,382.84)	-	-	-	(17,977,382.84)	-	(17,977,382.84)
(II) Capital contribution and withdrawal by shareholders									
1. Disposal of minority interests	-	-	-	-	-	2,812.78	2,812.78	(1,402,812.78)	(1,400,000.00)
2. Subscribed capital contribution by minority equity owners	-	-	-	-	-	-	-	1,255,580,185.19	1,255,580,185.19
(III) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	82,072,293.76	(82,072,293.76)	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	(193,418,039.99)	(193,418,039.99)	(98,717,309.24)	(292,135,349.23)
3. Appropriation to employee bonus and welfare fund	-	-	-	-	-	(3,433,841.52)	(3,433,841.52)	(3,675,862.76)	(7,109,704.28)
(IV) Specific reserve									
1. Accrued in the current year	-	-	-	28,630,104.05	-	-	28,630,104.05	2,816,093.46	31,446,197.51
2. Utilised in the current year	-	-	-	(25,631,187.72)	-	-	(25,631,187.72)	(1,257,081.07)	(26,888,268.79)
Others	-	(2,339,970.59)	-	-	-	-	(2,339,970.59)	15,503.09	(2,324,467.50)
III. Balance at 31 December	12,894,535,999.00	2,928,604,715.37	29,398,184.15	32,603,491.61	758,715,434.54	1,416,071,539.76	18,059,929,364.43	2,559,868,709.22	20,619,798,073.65

The accompanying notes form an integral part of these financial statements

# Consolidated Cash Flow Statement

2018  
In RMB

	Note V	2018	2017
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		7,168,829,801.83	9,495,666,771.64
Refund of taxes and surcharges		–	3,920.77
Cash received relating to other operating activities	57	245,229,988.93	324,599,520.09
<b>Sub-total of cash inflows</b>		<b>7,414,059,790.76</b>	9,820,270,212.50
Cash paid for goods and services		3,275,616,232.49	6,475,892,853.16
Cash paid to and on behalf of employees		1,695,188,339.10	1,523,657,589.05
Payments of taxes and surcharges		380,387,808.54	293,555,570.97
Cash paid relating to other operating activities	57	177,241,677.30	228,151,923.94
<b>Sub-total of cash outflows</b>		<b>5,528,434,057.43</b>	8,521,257,937.12
<b>Net cash flows from operating activities</b>	58	<b>1,885,625,733.33</b>	1,299,012,275.38
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		2,011,260,364.48	3,454,258,411.21
Cash received from returns on investments		239,692,696.60	305,896,488.84
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		132,170.77	57,694,131.96
Cash received relating to other investing activities	57	827,116,673.92	606,801,156.19
<b>Sub-total of cash inflows</b>		<b>3,078,201,905.77</b>	4,424,650,188.20
Cash paid to acquire fixed assets, intangible assets and other long-term assets		489,326,459.21	415,324,550.84
Cash paid to acquire investments		3,600,073,200.00	3,206,560,700.00
Net cash paid to acquire subsidiaries and other business units		–	48,962,355.19
Net cash paid from disposal of subsidiaries and other business units	58	42,203,857.88	–
Cash paid relating to other investing activities	57	391,253,567.95	753,112,764.01
<b>Sub-total of cash outflows</b>		<b>4,522,857,085.04</b>	4,423,960,370.04
<b>Net cash flows from investing activities</b>		<b>(1,444,655,179.27)</b>	689,818.16

The accompanying notes form an integral part of these financial statement



# Consolidated Cash Flow Statement (continued)

2018  
In RMB

	Note V	2018	2017
<b>III. Cash flows from financing activities</b>			
Cash received from capital contributions		-	5,000,000.00
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	5,000,000.00
Cash received from borrowings		<b>6,070,615,292.33</b>	7,523,935,419.25
Cash received from issuance of bonds		<b>2,500,000,000.00</b>	1,070,000,000.00
<b>Sub-total of cash inflows</b>		<b>8,570,615,292.33</b>	8,598,935,419.25
Cash repayments of borrowings		<b>9,591,969,318.54</b>	8,228,730,749.15
Cash payments for interest expenses and distribution of dividends or profits		<b>956,591,787.64</b>	871,414,432.08
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		<b>170,179,702.52</b>	81,607,694.18
Cash paid relating to other financing activities	57	<b>26,129,115.75</b>	18,844,387.53
<b>Sub-total of cash outflows</b>		<b>10,574,690,221.93</b>	9,118,989,568.76
Net cash flows from financing activities		<b>(2,004,074,929.60)</b>	(520,054,149.51)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		<b>191,851,645.28</b>	(229,938,057.10)
<b>V. Net increase(decrease) in cash and cash equivalents</b>			
Add: Cash and cash equivalents at the beginning of the year		<b>6,925,797,974.59</b>	6,376,088,087.66
<b>VI. Cash and cash equivalents at the end of the year</b>	58	<b>5,554,545,244.33</b>	6,925,797,974.59

The accompanying notes form an integral part of these financial statements

# Balance Sheet

2018  
In RMB

Note XIV **31 December 2018** 31 December 2017

## ASSETS

### Current assets

Cash at bank and on hand		<b>3,802,241,768.50</b>	4,911,349,055.26
Financial assets at fair value through profit or loss		–	5,050,497.50
Tradable financial assets		<b>1,892,520,046.14</b>	–
Notes receivable and accounts receivable	1	<b>582,555,700.60</b>	480,521,172.18
Advances to suppliers		<b>5,272,763.37</b>	6,478,252.08
Other receivables	2	<b>1,634,086,098.47</b>	1,675,521,195.51
Inventories		<b>45,926,997.25</b>	49,952,826.37
Contractual assets		<b>37,162,200.00</b>	–
Other current assets		<b>28,078,751.88</b>	167,926,559.56

### Total current assets

**8,027,844,326.21** 7,296,799,558.46

### Non-current assets

Available-for-sale financial assets		–	14,667,057.50
Long-term receivables		<b>310,000,000.00</b>	110,000,000.00
Long-term equity investments	3	<b>8,044,257,892.34</b>	7,917,709,507.58
Other investments in equity instruments		<b>19,317,452.40</b>	–
Fixed assets		<b>10,527,133,194.06</b>	10,521,746,539.37
Construction in progress		<b>1,373,780,735.02</b>	1,528,745,391.21
Intangible assets		<b>549,672,036.07</b>	437,989,729.09
Long-term prepaid expenses		<b>22,884,711.91</b>	26,745,475.09
Deferred tax assets		<b>27,809,850.08</b>	15,828,401.18
Other non-current assets		<b>3,901,000.00</b>	119,897,000.00

### Total non-current assets

**20,878,756,871.88** 20,693,329,101.02

### TOTAL ASSETS

**28,906,601,198.09** 27,990,128,659.48

The accompanying notes form an integral part of these financial statements

# Balance Sheet (continued)

2018  
In RMB

	31 December 2018	31 December 2017
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Short-term borrowings	3,160,000,000.00	2,500,000,000.00
Notes payable and accounts payable	52,373,570.78	54,388,862.28
Advances from customers	3,353,050.80	30,210,243.99
Contractual liabilities	28,435,826.37	-
Employee benefits payable	142,766,940.38	125,625,951.15
Taxes payable	4,626,007.40	4,156,937.13
Other payables	497,399,692.64	441,326,253.22
Current portion of non-current liabilities	7,500,000.00	2,650,000,000.00
<b>Total current liabilities</b>	<b>3,896,455,088.37</b>	<b>5,805,708,247.77</b>
<b>Non-current liabilities</b>		
Bonds payable	5,873,223,359.39	3,404,498,647.79
Long-term payables	22,500,000.00	-
Deferred income	563,012,261.85	553,038,864.82
Deferred tax liabilities	1,162,598.73	-
Other non-current liabilities	88,541,797.00	98,915,093.00
<b>Total non-current liabilities</b>	<b>6,548,440,016.97</b>	<b>4,056,452,605.61</b>
<b>Total liabilities</b>	<b>10,444,895,105.34</b>	<b>9,862,160,853.38</b>
<b>Shareholders' equity</b>		
Share capital	12,894,535,999.00	12,894,535,999.00
Capital surplus	3,044,416,520.66	3,043,539,301.23
Other comprehensive income	3,487,796.18	-
Specific reserve	23,263,855.52	23,368,551.18
Surplus reserve	779,117,344.42	713,835,171.79
Undistributed profits	1,716,884,576.97	1,452,688,782.90
<b>Total shareholders' equity</b>	<b>18,461,706,092.75</b>	<b>18,127,967,806.10</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>28,906,601,198.09</b>	<b>27,990,128,659.48</b>

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

# Income Statement

2018  
In RMB

	Note XIV	2018	2017
<b>Revenue</b>	4	<b>3,105,530,729.01</b>	3,056,488,098.47
Less: Cost of sales	4	<b>2,269,535,833.58</b>	2,200,448,686.95
Taxes and surcharges		<b>30,416,988.81</b>	24,064,828.23
General and administrative expenses		<b>401,524,330.66</b>	369,855,034.05
Research and development expenses		<b>186,082.09</b>	23,540.24
Financial expenses		<b>161,676,316.50</b>	573,203,925.90
Including: Interest expenses		<b>444,996,688.81</b>	422,652,615.66
Interest income		<b>103,452,240.54</b>	78,909,157.35
Asset impairment losses		<b>–</b>	(10,000.00)
Credit impairment losses		<b>55,206,356.55</b>	–
Add: Other income		<b>46,942,377.53</b>	64,212,781.36
Investment income	5	<b>473,959,451.45</b>	838,785,208.09
Including: Share of profit of associates and joint ventures		<b>228,091,077.59</b>	278,567,028.62
Losses on changes in fair value		<b>(402,060.00)</b>	(256,620.00)
Gains on disposals of assets		<b>427,855.35</b>	11,736,290.48
<b>Operating profit</b>		<b>707,912,445.15</b>	803,379,743.03
Add: Non-operating income		<b>10,668,314.88</b>	16,255,145.49
Less: Non-operating expenses		<b>4,882,763.63</b>	1,989,976.44
<b>Total profit</b>		<b>713,697,996.40</b>	817,644,912.08
Less: Income tax expenses		<b>60,876,270.13</b>	(3,078,025.56)
<b>Net profit</b>		<b>652,821,726.27</b>	820,722,937.64
Including: Net profit from continuing operations		<b>652,821,726.27</b>	820,722,937.64
Other comprehensive income, net of tax		<b>(2,064,769.86)</b>	–
Other comprehensive income that will not be reclassified into profit or loss		<b>(2,064,769.86)</b>	–
Changes in fair value of other investments in equity instruments		<b>(2,064,769.86)</b>	–
<b>Total comprehensive income</b>		<b>650,756,956.41</b>	820,722,937.64

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

# Statement of Changes in Shareholders' Equity

2018  
In RMB

2018

	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total shareholder's equity
I. Balance as at 31 December 2017	12,894,535,999.00	3,043,539,301.23	-	23,368,551.18	713,835,171.79	1,452,688,782.90	18,127,967,806.10
Add: Changes of accounting policies	-	-	5,552,566.04	-	-	(26,769,431.59)	(21,216,865.55)
II. Balance as at 1 January 2018	12,894,535,999.00	3,043,539,301.23	5,552,566.04	23,368,551.18	713,835,171.79	1,425,919,351.31	18,106,750,940.55
III. Changes for the period							
(I) Total comprehensive income							
1. Net profit	-	-	-	-	-	652,821,726.27	652,821,726.27
2. Other comprehensive income	-	-	(2,064,769.86)	-	-	(2,064,769.86)	-
(II) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	65,282,172.63	(65,282,172.63)	-
2. Profit distribution to shareholders	-	-	-	-	-	(296,574,327.98)	(296,574,327.98)
(III) Special reserve							
1. Accrued in the current year	-	-	-	23,710,523.48	-	-	23,710,523.48
2. Utilised in the current year	-	-	-	(23,815,219.14)	-	-	(23,815,219.14)
(IV) Others	-	877,219.43	-	-	-	-	877,219.43
IV. Balance at 31 December	12,894,535,999.00	3,044,416,520.66	3,487,796.18	23,263,855.52	779,117,344.42	1,716,884,576.97	18,461,706,092.75

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

# Statement of Changes in Shareholders' Equity (continued)

2018  
In RMB

2017

	Share capital	Capital surplus	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance as at 1 January	12,894,535,999.00	3,041,812,149.99	-	21,421,192.02	631,762,878.03	907,456,179.01	17,496,988,398.05
II. Changes for the period							
(I) Total comprehensive income							
1. Net profit	-	-	-	-	-	820,722,937.64	820,722,937.64
(II) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	82,072,293.76	(82,072,293.76)	-
2. Profit distribution to shareholders	-	-	-	-	-	(193,418,039.99)	(193,418,039.99)
(III) Specific reserve							
1. Accrued in the current year	-	-	-	21,047,723.80	-	-	21,047,723.80
2. Utilised in the current year	-	-	-	(19,100,364.64)	-	-	(19,100,364.64)
(IV) Others	-	1,727,151.24	-	-	-	-	1,727,151.24
III. Balance at 31 December	12,894,535,999.00	3,043,539,301.23	-	23,368,551.18	713,835,171.79	1,452,688,782.90	18,127,967,806.10

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

# Cash Flow Statement

2018  
In RMB

	Note XIV	2018	2017
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		<b>3,128,367,647.43</b>	3,153,248,319.77
Refund of taxes and surcharges		-	3,920.77
Cash received relating to other operating activities		<b>171,036,329.98</b>	181,035,234.02
<b>Sub-total of cash inflows</b>		<b>3,299,403,977.41</b>	3,334,287,474.56
Cash paid for goods and services		<b>1,007,607,302.77</b>	980,214,905.26
Cash paid to and on behalf of employees		<b>1,052,768,196.54</b>	1,032,367,970.13
Payments of taxes and surcharges		<b>159,744,121.78</b>	144,488,203.68
Cash paid relating to other operating activities		<b>108,222,492.79</b>	86,414,456.15
<b>Sub-total of cash outflows</b>		<b>2,328,342,113.88</b>	2,243,485,535.22
<b>Net cash flows from operating activities</b>	6	<b>971,061,863.53</b>	1,090,801,939.34
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		<b>2,020,085,290.00</b>	4,020,298,585.00
Cash received from returns on investments		<b>187,898,609.87</b>	523,235,601.83
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>1,644.00</b>	49,526,857.46
Net cash received from disposal of subsidiaries and other business units		-	7,007,920.10
Cash received relating to other investing activities		<b>6,721,655.01</b>	125,000.00
<b>Sub-total of cash inflows</b>		<b>2,214,707,198.88</b>	4,600,193,964.39
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>382,494,337.52</b>	290,462,834.97
Cash paid to acquire investments		<b>3,827,100,400.00</b>	3,646,459,805.63
Cash paid relating to other investing activities		<b>122,121.38</b>	431,110.92
<b>Sub-total of cash outflows</b>		<b>4,209,716,858.90</b>	3,937,353,751.52
<b>Net cash flows from investing activities</b>		<b>(1,995,009,660.02)</b>	662,840,212.87

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



# Cash Flow Statement (continued)

2018  
In RMB

	Note XIV	2018	2017
<b>III. Cash flows from financing activities</b>			
Cash received from borrowings		5,099,000,000.00	3,000,000,000.00
Cash received from issuance of bonds		2,500,000,000.00	1,070,000,000.00
<b>Sub-total of cash inflows</b>		<b>7,599,000,000.00</b>	4,070,000,000.00
Cash repayments of borrowings		7,089,000,000.00	4,500,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		760,649,394.52	673,021,335.01
Cash paid relating to other financing activities		8,367,907.70	11,380,413.25
<b>Sub-total of cash outflows</b>		<b>7,858,017,302.22</b>	5,184,401,748.26
Net cash flows from financing activities		(259,017,302.22)	(1,114,401,748.26)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>180,457,345.58</b>	(224,086,227.65)
<b>V. Net increase(decrease) in cash and cash equivalents</b>		<b>(1,102,507,753.13)</b>	415,154,176.30
Add: Cash and cash equivalents at the beginning of the year		4,904,728,295.61	4,489,574,119.31
<b>VI. Cash and cash equivalents at the end of the year</b>		<b>3,802,220,542.48</b>	4,904,728,295.61

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

# Notes to the Financial Statements

For the Year of 2018  
In RMB

## I. General information

Dalian Port (PDA) Co., Ltd. (hereinafter referred to as the “Company”) is a limited liability company incorporated in Liaoning Province of the People’s Republic of China. It was approved by Dazheng [2005] No. 153 of the People’s Government of Dalian City, Liaoning Province, and was jointly established by Dalian Port Corporation Limited. (“PDA Group”), Dalian Rongda Investment Co., Ltd., Dalian Haitai Holdings Co., Ltd., Dalian Detai Holdings Co., Ltd. and Dalian Bonded Zhengtong Co., Ltd. on 16 November 2005. The Company has been approved by the Dalian Administration for Industry and Commerce of Liaoning Province, and the enterprise unified social credit code: 91210200782451606Q. The H shares issued by the Company and the ordinary shares of RMB common stock were listed on The Stock Exchange of Hong Kong and the Shanghai Stock Exchange on 28 April 2006 and 6 December 2011, respectively. The Company is headquartered in Xingang Commercial Building, Dayao Bay, Dalian Free Trade Zone, Liaoning Province.

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). (The proportion of foreign investment is less than 25%)

The parent company of the Group is Dalian Port Group Co., Ltd. established in the PRC.

These financial statements were approved and authorised for issue by the Company’s Board of Directors on 26 March 2019.

The scope of consolidation of the consolidated financial statements is determined on the basis of control. For the changes in the current year, see Note VI. Changes in the scope of consolidation.

## II. Basis for the preparation of financial statements

The financial statements are prepared in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” and the specific accounting standards, application guidelines, explanations and other relevant regulations issued by the Ministry of Finance and revised thereafter (hereinafter collectively referred to as the “Accounting Standards for Business Enterprises” or “CAS”).

These financial statements are presented on a going concern basis.

When preparing these financial statements, except for certain financial instruments, the historical cost is used as the pricing principle. If the asset is impaired, the corresponding impairment provision is made in accordance with relevant regulations.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## III. 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, depreciation of fixed assets and amortisation of intangible assets, recognition and measurement of revenue.

### 1. Statement of compliance with the Accounting Standard for Business Enterprises

The financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company and the Group as at 31 December 2018 and their financial performance, cash flows for the year of 2018.

### 2. Accounting period

The Group adopts the Gregorian calendar year as its accounting year, commencing from 1 January to 31 December each year.

### 3. Recording currency

The recording currency of and the currency adopted for the preparation of these financial statements by the Group is Renminbi ("RMB"). Unless otherwise stated, all financial statements are denominated in RMB.

The recording currency of the overseas subsidiaries of the Company is determined based on its main economic environment, and is converted into RMB when preparing financial statements.

### 4. Business combinations

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

#### ***Business combinations involving entities under common control***

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. The combination date is the date on which the acquirer effectively obtains control of the acquiree.

Assets and liabilities that are obtained by the acquirer in a business combination involving entities under common control, including goodwill arising from the acquisition of the acquiree by the ultimate controller, shall be accounted for on the basis of the carrying amounts on the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) by the acquirer shall be adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## III. Summary of significant accounting policies and accounting estimates (continued)

### 4. Business combinations (continued)

#### *Business combinations not involving entities under common control*

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination not involving entities under common control at their fair values on the acquisition date.

The excess of the sum of the consideration paid (or equities securities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the fair value of the sum of the consideration paid (or equities securities issued) and equity interests in the acquiree held prior to the date of acquisition is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination (or equities securities issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid (or equities securities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognized in current profit or loss.

### 5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company.

In the preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as those of the Company. All intra-group assets, liabilities, equity, income, expenses and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of losses of a subsidiary attributable to the minority shareholders in the current period exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against minority interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the day on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## III. Summary of significant accounting policies and accounting estimates (continued)

### 5. Consolidated financial statements (continued)

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

The Group's control over an investee is re-assessed if change in relevant facts and situations causes changes in one or more of the control substances.

Where there is no loss of control, the change in minority interests is accounted for as equity transaction.

### 6. Joint arrangement classification and joint operation

Joint arrangement is classified as joint operation and joint venture. A joint operation is a joint arrangement whereby the parties concerned have rights to the assets, and obligations for the liabilities relating to the arrangement. A joint venture is a type of joint arrangement whereby the parties concerned have rights to the net assets of the arrangement.

The party concerned recognises following items in relation to its interest in a joint operation: its solely-held assets, including its share of any assets held jointly; its solely-assumed liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its solely-incurred expenses, including its share of any expenses incurred jointly.

### 7. Cash and cash equivalents

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

### 8. Foreign currency transactions and foreign currency translation

The Group translates the amounts of foreign currency transactions occurred into its recording currency.

During the initial recognition of a foreign currency transaction, the foreign currency is translated into the recording currency by applying the spot exchange rate on the date of the transaction. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The exchange difference thus resulted are recognised in profit or loss or as other comprehensive income of the current period.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## III. Summary of significant accounting policies and accounting estimates (continued)

### 8. Foreign currency transactions and foreign currency translation (continued)

For foreign operations, the Group translates their recording currency amounts into RMB in preparing the financial statements as follows: asset and liability items in the statement of financial position are translated using the spot exchange rates at the balance sheet date, and equity items other than “retained earnings” are translated using the spot exchange rates at the dates of transactions; revenue and expense items in the statement of profit or loss are translated using the average exchange rate for the period during which the transactions occur. The resulted exchange differences are recognised in other comprehensive income and separately presented in the balance sheet as shareholders’ equity. On disposal of a foreign operation, other comprehensive income relating to that particular foreign operation is transferred to the current profit and loss for disposal. If the disposal only involves a portion of a particular foreign operation, it shall be calculated on a pro-rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

### 9. Financial instruments (Applicable from 1 January 2018)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Recognition and derecognition of financial instruments*

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognises a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to be written off from the accounts and the balance sheet when the following criteria are met:

- (1) the rights to receive cash flows from the financial asset have expired, or
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has an obligation to pay them in full to a third party in time under a “pass-through” arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset

If the underlying obligation of a financial liability has been fulfilled, cancelled or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulted difference is recognised in profit or loss of the current period.

Regular way purchase or sale of financial assets are recognised and derecognised using trade date accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date that an asset is delivered to or by the Group.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## III. Summary of significant accounting policies and accounting estimates (continued)

### 9. Financial instruments (Applicable from 1 January 2018) (continued)

#### *Classification and measurement of financial assets*

The Group's financial assets are, on initial recognition, classified into the following categories based on the business model under which the financial asset is managed and its contractual cash flow characteristics: financial assets at fair value through profit or loss, financial assets at amortised cost, financial assets at fair value through other comprehensive income. A financial asset is initially recognised at fair value. However, if the accounts receivable or notes receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not consider financing components less than one year, the initial measurement is based on the transaction price.

In the case of financial assets at fair value through profit or loss, the related transaction costs are directly recognised in profit or loss for the current period. For other financial assets, the transaction costs are included in their initially recognised amounts.

Subsequent measurement of a financial asset is determined by its category

#### *Debt instrument investments at amortised cost*

A financial asset is classified as a financial asset at amortised cost if both of the following conditions are satisfied: (1) The Group's business model for managing the financial assets is aimed at collecting contractual cash flows; (2) The contractual terms of the financial assets provide that the cash flows generated on specified dates shall solely be used in payments of principal and interest on the outstanding principal amount. Such financial assets are recognized for interest income using the effective interest method. The gains or losses arising from the derecognition, modification or impairment are recognised in profit or loss for the current period. Such financial assets mainly include monetary funds, accounts receivable and notes receivable, other receivables, debt investment and long-term receivables. The Group will present the debt investment and long-term receivables due within one year from the balance sheet date as non-current assets due within one year, and the debt investment with the original maturity within one year as other current assets.

#### *Debt instrument investments at fair value through other comprehensive income*

If a financial asset meets both of the following conditions, the Group classifies it as a financial asset at fair value through other comprehensive income: (1) The Group's business model for managing the financial assets is aimed at collecting contractual cash flows and also aimed at selling the financial assets; (2) The contractual terms of the financial assets provide that the cash flow generated on specified dates shall solely be used in payments of principal and interest on the outstanding principal amount. Such financial assets are recognized for interest income using the effective interest method. Except for interest income, impairment losses and exchange differences, which are recognised in profit or loss for the period, other changes in fair value are included in other comprehensive income. When the financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income is transferred from other comprehensive income and recognised in profit or loss. Such financial assets are reported as other debt investments. Other debt investments due within one year from the balance sheet date are presented as non-current assets due within one year, and other debt investments with original maturities within one year as other current assets.



# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## III. Summary of significant accounting policies and accounting estimates (continued)

### 9. Financial instruments (Applicable from 1 January 2018) (continued)

#### **Classification and measurement of financial assets (continued)**

##### *Equity instrument investment at fair value through other comprehensive income*

The Group irrevocably chooses to designate certain non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income, except including related dividend income (except for dividend income recovered as part of investment cost) in the profit or loss for the current period. Subsequent changes in fair value are included in other comprehensive income, and no impairment provision is required. When the financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income and recognised in retained earnings. Such financial assets are presented as other equity investments.

A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of selling and repurchase it in the short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract.

##### *Financial assets at fair value through profit or loss*

The financial assets other than the aforesaid financial assets classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income are classified as the financial assets at fair value through profit or loss. Such kind of financial assets are subsequently measured at fair value, and all changes in fair value are recognised in profit or loss of the current period. Such financial assets are presented as financial assets held for trading, and financial assets that are due more than one year from the balance sheet date and are expected to be held for more than one year are presented as other non-current financial assets.

All affected financial assets are reclassified only when the Group changes its business model for managing financial assets.

#### **Classification and measurement of financial liabilities**

The Group's financial liabilities are, on initial recognition, classified into: financial liabilities at fair value through profit or loss, other financial liabilities. The Group determines the classification of financial liabilities upon initial recognition. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss of the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## III. Summary of significant accounting policies and accounting estimates (continued)

### 9. Financial instruments (Applicable from 1 January 2018) (continued)

#### *Classification and measurement of financial liabilities (continued)*

The subsequent measurement of a financial liability is determined by its category:

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives classified as financial liability) and those designated upon initial recognition as financial liabilities at fair value through profit or loss

A financial liability held for trading is the financial liability that meets one of the following criteria: 1) the financial liability is assumed for the purpose of repurchasing it in the short term; 2) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial liability is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract. The financial liabilities held for trading (including derivatives classified as financial liability) are subsequently measured at fair value, and all changes in fair value, except those related to hedging accounting, are recognised in profit or loss of the current period.

#### *Other financial liabilities*

Such kind of financial liabilities are measured at amortised costs by using the effective interest method.

#### *Impairment of financial instruments*

Based on the expected credit losses, the Group conducts impairment treatment on financial assets measured at amortised costs and contractual assets, and recognises loss provision.

Credit loss refers to the difference between all contractual cash flows receivable from the contract, discounted at the original effective interest rate and all cash flows expected to be received by the Group, that is, the present value of all cash shortages. Among them, credit-impaired financial assets purchased or owned by the Group shall be discounted according to the actual interest rate of financial assets subject to credit adjustment.

For receivables that do not contain significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provision equivalent to the amount of expected credit losses throughout the duration period.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## III. Summary of significant accounting policies and accounting estimates (continued)

### 9. Financial instruments (Applicable from 1 January 2018) (continued)

#### *Impairment of financial instruments (continued)*

For financial assets other than those applying simplified measurement methods, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition, representing the first phrase, the Group measures loss provision equivalent to the amount of expected credit losses over the next 12 months. If the credit risk has increased significantly since the initial recognition, representing the second phrase, the Group measures loss provision equivalent to the amount of expected credit losses throughout the duration period, and calculates interest income based on book balance and effective interest rate. If the credit impairment has occurred since the initial recognition, representing the third phrase, the Group measures loss provision equivalent to the amount of expected credit losses throughout the duration period, and calculates interest income based on book balance and effective interest rate. For financial instruments with only low credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

The Group assesses the expected credit losses of financial instruments based on individual items and groups. The Group considered the credit risk characteristics of different customers and assessed the expected credit losses of receivables and contract assets based on the aging combination.

The Group considers all reasonable and evidence-based information, including past events, current conditions and future economic forecasts, when assessing expected credit losses

For the disclosure of the Group's criteria on the significant increase in credit risk, the definition of credit impaired assets, and the assumption of measurement on expected credit loss, please refer to Note VIII.3.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on the net basis, or to realise the assets and settle the liabilities simultaneously.

#### *Transfer of financial assets*

The financial asset is derecognised if the Group transfers substantially all the risks and rewards of ownership of the financial asset; the financial asset is not derecognised if the Group retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the transaction is accounted for as follows: if the Group has not retained control, the financial asset is derecognised and any resulting assets or liabilities are recognised; or if the Group has retained control, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and an associated liability is recognised.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 9. Financial instruments (Applicable from 1 January 2018) (continued)

#### *Transfer of financial assets (continued)*

Continuing involvement that takes the form of a financial guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset. The amount of a financial guarantee is the maximum amount of consideration that the Group could be required to repay.

### 10. Financial instruments (Applicable in 2017)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Recognition and derecognition of financial instruments*

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognises a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to be written off from the accounts and the balance sheet when the following criteria are met:

- (1) the rights to receive cash flows from the financial asset have expired, or
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has an obligation to pay them in full to a third party in time under a “pass-through” arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

If the underlying obligation of a financial liability has been fulfilled, cancelled or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulted difference is recognised in profit or loss of the current period.

Regular way purchase or sale of financial assets are recognised and derecognised using trade date accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date on which the Group commits to purchase or sell the financial asset.

#### *Classification and measurement of financial assets*

The Group's financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial asset and derivatives designated as effective hedging instruments. A financial asset is initially recognised at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss of the current period; transaction costs relating to financial assets of other categories are included in the value initially recognized.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 10. Financial instruments (Applicable in 2017) (continued)

#### *Classification and measurement of financial assets (continued)*

Subsequent measurement of a financial asset is determined by its category:

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as financial assets at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of selling it in the short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss of the current period. Dividend income or interest income relating to financial assets at fair value through profit or loss is charged to profit or loss of the current period.

An equity instrument that is not quoted in an active market and whose fair value cannot be reliably measured is not designated as a financial asset at fair value through profit or loss.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment are recognised in the profit or loss of the current period.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets of above categories. Such financial assets are subsequently measured at fair value. The premium/discount is amortised using the effective interest method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets which are recognised in profit or loss, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss is transferred to profit or loss of the current period. Interest and dividends relating to an available-for-sale financial asset are recognised in profit or loss of the current period.

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 10. Financial instruments (Applicable in 2017) (continued)

#### *Classification and measurement of financial liabilities*

The Group's financial liabilities are, on initial recognition, classified into: financial liabilities at fair value through profit or loss, other financial liabilities and derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss of the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of a financial liability is determined by its category:

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition as financial liabilities at fair value through profit or loss.

A financial liability held for trading is the financial liability that meets one of the following criteria: 1) the financial liability is assumed for the purpose of repurchasing it in the short term; 2) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial liability is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss in the current period.

#### *Other financial liabilities*

Such kind of financial liabilities are measured at amortised costs by using the effective interest method.

#### *Impairment of financial assets*

The Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence indicating that a financial asset may be impaired, a provision is provided for the impairment. Objective evidence indicating impairment of financial assets refers to the matter that actually occurs after the initial recognition of the asset and has an impact (which can be reliably estimated) on the expected future cash flows of the financial asset. Evidence of impairment may include indications that an insurer or a debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 10. Financial instruments (Applicable in 2017) (continued)

#### *Impairment of financial assets (continued)*

##### *Financial assets carried at amortised cost*

If an impairment loss on a financial asset has been incurred, the carrying amount of the asset is reduced to the present value of expected future cash flows through the use of allowance account (excluding future credit losses that have not been incurred). The amount reduced is recognised in profit or loss. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. For loans and receivables, if no collectable future cash flows are expected, and all related collateral is sold or transferred into the Group, loans and receivables and related allowances are written off.

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognised in profit or loss if there is objective evidence of impairment. For a financial asset that is not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Assets for which an impairment loss is individually recognised is not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery is related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

##### *Available-for-sale financial asset*

If there is objective evidence that an available-for-sale financial asset is impaired, the accumulated loss arising from decline in fair value previously recognised in other comprehensive income is transferred out and recognised in profit or loss. The accumulated loss that transferred out from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 10. Financial instruments (Applicable in 2017) (continued)

#### *Impairment of financial assets (continued)*

##### *Available-for-sale financial asset (continued)*

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the extent or duration to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, if there is a rise of fair value and the rise is objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss.

##### *Financial assets carried at cost*

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of expected future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss. Once an impairment loss is recognised, it cannot be reversed.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on the net basis, or to realise the assets and settle the liabilities simultaneously.

#### **Transfer of financial assets**

The financial asset is derecognised if the Group transfers substantially all the risks and rewards of ownership of the financial asset; the financial asset is not derecognised if the Group retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the transaction is accounted for as follows: (i) if the Group has not retained control, the financial asset is derecognised and any resulting assets or liabilities are recognised; or (ii) if the Group has retained control, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and an associated liability is recognised.



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 10. Financial instruments (Applicable in 2017) (continued)

#### *Transfer of financial assets (continued)*

Continuing involvement that takes the form of a financial guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset. The amount of financial guarantee is the maximum amount of consideration that the Group could be required to repay.

### 11. Receivables

Determination basis and policies for bad debt provision of accounts receivables of the Group for the year of 2017 are as follows:

#### *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.

#### *Receivables for which bad debt are provided based on credit risk characteristics portfolio*

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

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

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

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 11. Receivables (continued)

#### *Receivables for which bad debt are provided based on credit risk characteristics portfolio (continued)*

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%

#### *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.

Please refer to Note III. 9 for details of determination basis and policies for bad debt provision of accounts receivables of the Group since 1 January 2018.

### 12. Inventories

Inventories include raw materials, finished goods and turnover materials, etc.

Inventories are initially measured at cost. Cost of inventories comprises costs of purchase and other expenditures. The actual cost of inventories transferred out is determined by using the weighted average method. Turnover materials include low value consumables and packing materials, which are amortised by using the separate amortization method/immediate write-off method.

The Group adopts a perpetual inventory system.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the provision for the decline in value of inventories, and is recognised in profit or loss of the current period.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 12. Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The provision for decline in values of inventories is made on an individual basis. For items of inventories in large quantity and with lower price, provision for decline in value of inventories can be determined by categories of inventory.

### 13. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

A long-term equity investment is recorded at its initial investment cost on acquisition. For a long-term equity investment acquired through a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the acquirer's share of the carrying amount of acquiree's equity at the combination date in the consolidated financial statements of ultimate holding party; the difference between the initial investment cost and the carrying amount of the consideration paid for the combination shall be adjusted to share premium under capital surplus (if the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). The other comprehensive income before combination date is accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income, and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. For a long-term equity investment through a business combination not involving entities under common control, the initial investment cost of the long-term equity investment is the cost of combination (for a business combination not involving entities under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date). The cost of combination is the aggregate of the fair values of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer. Other comprehensive income recognised using equity method before the date of acquisition should be accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income, and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 13. Long-term equity investments (continued)

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's financial statements. 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.

Under the cost method, the long-term equity investment is measured at its initial investment cost. The cost of long-term equity investment is adjusted if capital is contributed or withdrawn. The cash dividend or profit distribution declared by the investee is recognised as investment income for the current period.

The equity method is adopted when the Group has joint control, or exercises significant influence on the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over the formulation of those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values 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 investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss of the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its joint ventures and associates, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognised in full), except for the disposal of assets that consist of operations. The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) and includes the corresponding adjustments in the shareholders' equity of the Group.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 13. Long-term equity investments (continued)

On disposal of a long-term equity investment, the difference between the carrying amount and the proceeds actually received is recognised in profit or loss of the current period; for a long-term equity investment ceased to be accounted for using the equity method, the other comprehensive income relevant to equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. Changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) should be recognised as profit or loss of the current period; for a long-term equity investment remains to be accounted for using the equity method, the other comprehensive income originally accounted for using the equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities, and is transferred to profit or loss of the current period according to the proportion disposed of. Any changes in the shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) included in the shareholders' equity of the Group is transferred to profit or loss of the current period on a pro-rata basis according to the proportion disposed of.

### 14. Investment properties

Investment properties, defined as property held for earning rent or capital appreciation, or both of them, include land use rights that have already been leased out and held for transfer after appreciation, as well as buildings that have already been leased out.

Investment properties 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, and such assets are depreciated or amortised using the same policies as buildings and land use rights.

### 15. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in the profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost while taking into account the effect of estimated costs of abandoning the asset. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and other expenditure that directly attributable to the asset and incurred before bringing the asset to working condition for intended use.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 15. Fixed assets (continued)

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual value rates and annual depreciation rates of each category of fixed asset are presented as follows:

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

Where each component of a fixed asset has different estimated useful life or provides economic benefits to the enterprise in different ways, different depreciation rates shall apply.

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.

The Group reviews the estimated useful life, estimated net residual value of a fixed asset, and the depreciation method applied at least at each financial year-end, and makes adjustments if necessary.

### 16. Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that shall be capitalised before the construction gets ready for its intended use and other relevant expenses.

Construction in progress is transferred to fixed assets or intangible assets when the asset is ready for its intended use.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 17. Borrowing costs

Borrowing costs are interests and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs include interests, amortisation of discounts or premiums related to borrowings, ancillary costs, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset are being incurred;
- (2) borrowing costs are being incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as an expense in the period in which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) Where funds are borrowed for a specific purpose, the amount of interest to be capitalised is the actual interest expense less temporary deposit interest income or investment income.
- (2) Where funds are borrowed for a general purpose, the amount of interest to be capitalised on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted for a continuous period of more than 3 months by activities other than those necessary to prepare the asset for its intended use or sale. Borrowing costs incurred during these periods are recognised as an expense of the current period and included into the profit or loss for the current period until the acquisition, construction or production is resumed.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 18. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination not involving entities not under common control with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

	<b>Estimated useful life</b>
Land use rights	50 years
Port information platform	10 years
Customer relationships	10 years
Container flat vehicle use rights	10 years
Software	2 – 10 years
Golf membership	10 – 46 years
Sea area use rights	10 – 50 years
Port facility use rights	50 years

Land use rights that are purchased by the Group are accounted for as intangible assets. For buildings such as plants that are developed and constructed by the Group, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if the payments cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

An intangible asset with a limited useful life is amortised using the straight-line method over its useful life. For an intangible asset with a limited useful life, the Group reviews the useful life and the amortisation method at least at each financial year-end and makes adjustment if necessary.



# Notes to the Financial Statements (continued)

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## III. Summary of significant accounting policies and accounting estimates (continued)

### 18. Intangible assets (continued)

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss for the period in which it is incurred. Expenditure on the development phase is capitalised when the Group can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Expenditure on the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

### 19. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred income taxes, financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year-end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is recognised in profit or loss of the current period. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 19. Impairment of assets (continued)

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, calculating the recoverable amount to recognise impairment loss accordingly. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, comparing the recoverable amount with the carrying amount. If the carrying amount is higher than its recoverable amount, the amount of the impairment loss firstly reduces the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduces the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in the subsequent accounting periods.

### 20. Long-term prepaid expenses

Long-term prepaid expenses were amortized using straight-line method, with the amortization period shown below:

	<b>Amortization period</b>
Public facilities in bonded port	20 years
Environmental reconstruction expenses	20 years
Site development expenses	10 years
Decoration	5 years
Others	2 – 5 years

### 21. 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. The benefits provided by the Group to the spouse, children, dependents of the employees and the dependents of the deceased employees and other beneficiaries also belong to the employee benefits.

#### **Short-term employee benefits**

The short-term employee benefits are recognized as liabilities 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.

#### **Post-employment benefits (defined contribution plan)**

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. The relevant expenses will be charged to the profit or loss for the current period or the cost of relevant assets when incurred.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 21. Employee benefits (continued)

#### *Termination benefits*

If the Group provides termination benefits to the employees, the Group will recognize 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 recognizes costs or expenses for a restructuring that involves the payment of termination benefits.

#### *Other long-term employee benefits*

For the other long-term employee benefits provided to the employees, the net liabilities or net assets for the other long-term employee benefits are recognized and measured according to the relevant provisions on post-employment benefits, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

### 22. Provisions

Apart from the contingent considerations and contingent liabilities arising from the merger of enterprises not under common control, when the obligation related to the contingency meets all the following conditions, the Group will recognize it as a provision:

- (1) the obligation is the present obligation of the Group;
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (3) the amount of the obligation can be reliably measured.

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. The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate. If there is conclusive evidence to prove that the carrying amount cannot reflect the current best estimate, the carrying amount shall be adjusted based on the current best estimate.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 23. Revenue (applicable from 1 January 2018)

The Group recognized revenue when it has performed the obligations under the contract, that is, when the customer has obtained the control over the relevant product or service. “having obtained the control over the relevant product or service” refers to being able to direct the use of the product or the provision of the service and obtain sustainably all the economic benefits therefrom.

#### **Contract on sales of goods**

The contract on sales of goods between the Group and the customer generally contains the obligation of transferring the relevant goods only. The Group generally recognizes the revenue when the relevant goods are delivered and confirmed as accepted by the customer, on the basis of taking full consideration of the following factors: the right to collect the goods payment, the transfer of the key risk and return in the goods ownership, the transfer of the goods ownership, the transfer of the physical asset of the goods, and the acceptance of the goods by the customer.

#### **Contract on rendering of services**

The contract on rendering of services between the Group and the customer generally contains the obligations of port operation services and transportation services. Because the customer will obtain and consume the economic benefits generated by the performance of the Group when the Group performs its obligations, the Group will recognize revenue according to the performance progress by treating the rendering of services as the obligations within certain period, except that the performance progress cannot be reliably determined. The Group performs its obligations when rendering services, and determines the performance progress for rendering of services based on the investment method. When the performance progress cannot be reliably determined, but the cost incurred by the Group is expected to be compensated, the revenue will be recognized according to the amount of the incurred cost, until the performance progress can be reliably determined.

#### **Significant financing component**

If the contract contains significant financing component, the Group will determine the transaction price based on the amount payable by the customer in cash when it obtains the port operation services provided by the Group, and amortize the difference between the transaction price and the consideration amount under the contract determined by using the discount rate for converting the nominal amount of the contract consideration into the cash sale price of the services within the contract period based on the effective interest rate method.

#### **Main responsible person/agent**

With respect to trading business, if the Group obtains the control over the trading goods from the third party and then transfers the goods to the customer, the Group has the right to determine at its discretion the price of the relevant goods, that is, the Group is able to control the goods before transferring it to the customer. With respect to freight forwarding business, if the Group can direct the transportation services provided by the third party on behalf of the Group to the customer and bears the primary responsibility for providing transportation services for the customer, the Group has the right to determine at its discretion the price of service provision. Therefore, the Group is the main responsible person and recognizes the revenue based on the total considerations collected or payable. Otherwise, the Group should be the agent and recognize the revenue based on the amount of the commission or handling fee that it is expected to charge, which shall be the net amount of the total considerations collected or payable net of payments due to other relevant parties, or determined based on the established commission amount or proportion.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 23. Revenue (applicable from 1 January 2018) (continued)

Apart from the above revenue, the interest income of the Group is recognized according to the following principles:

#### *Interest income*

Calculated based on the time when the other party uses the monetary capital of the Group and the effective interest rate.

### 24. Revenue (applicable to 2017)

Revenue is recognized when it's probable that the economic benefits will flow to the Group, the related revenue can be reliably measured, and the following criteria of revenue recognition have been met:

#### *Revenue from sales of goods*

Revenue is recognized 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.

#### *Revenue from 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 recognized using the percentage of completion method, otherwise, the revenue is recognized 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.

#### *Interest income*

Calculated based on the time when the other party uses the monetary capital of the Group and the effective interest rate.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 24. Revenue (applicable to 2017) (continued)

#### *Lease revenue*

Rental income from an operating lease is recognized on a straight-line basis over the period of the lease, with the contingent rental charged into current profit and loss when incurred.

### 25. Contractual assets and contractual liabilities (applicable from 1 January 2018)

The Group presents the contractual assets or contractual liabilities in the balance sheet according to the relation between the obligations and the customer payments.

#### *Contractual assets*

The Group presents the right that it owns unconditionally (i.e., depending on the time lapse) to collect consideration from the customer as receivables, and the right to collect reconsideration which arises from the transfer of goods to the customer and depends on factors other than time lapse as contractual assets.

For details of the determination methods and accounting treatments for the expected credit loss of contractual assets, please refer to Note III(9).

#### *Contractual liabilities*

The Group presents its obligation to transfer goods to the customer for the consideration received or receivable from the customer as contractual liabilities, such as the payment that the enterprise has collected before transferring the promised goods.

The Group will present the net amount after offsetting the contractual assets with the contractual liabilities under the same contract.

### 26. Assets related to contractual cost (applicable from 1 January 2018)

The assets related to contractual cost of the Group include the contract acquisition cost and contract performance cost, which are respectively presented under inventory, other current assets and other non-current assets based on the liquidity.

If the incremental cost incurred for contract acquisition is expected to be recovered, it will be recognized as a contract acquisition cost under asset

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 26. Assets related to contractual cost (applicable from 1 January 2018) (continued)

If the cost incurred for contract performance falls outside of the application scope of the relevant standards for inventory, fixed asset or intangible asset, and meets all the following conditions, it will be recognized as a contract performance cost under asset:

- (1) The cost is directly related to a contract currently obtained or expected to be obtained, including direct labor cost, direct material cost and manufacturing expense (or similar expense). The cost assumed by the customer and other costs incurred only due to the contract are specified;
- (2) The cost increases the resources of the enterprise for further performance of obligations;
- (3) The cost is expected to be recovered.

The Group amortizes the asset related to contractual cost on the same basis as those used for recognition of the revenue related to the asset, and charge it into current profit and loss.

If the carrying amount of the asset related to contractual cost is higher than the difference of the following two items, the Group will make impairment provision for the excess part and recognize it as asset impairment loss:

- (1) the remaining consideration that the enterprise expects to obtain from the transfer of the goods related to the asset;
- (2) the cost estimated to incur for transferring the relevant goods.

If there is any change to the factors causing the impairment in the previous periods, and as a result, the difference between (1) and (2) is higher than the carrying amount of the asset, the asset impairment provision shall be reversed and charged into current profit and loss, provided that the reversed carrying amount of the asset shall not exceed the carrying amount of the asset on the date of reversal under the assumption that the asset impairment provision had not been made.

### 27. Government grants

Government grants are recognized 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.

If it is specified in the governmental document that the government grant is used for purchasing, constructing or otherwise generating long-term asset, it shall be treated as the government grant related to asset. If there is no specific provision in the governmental document, it shall be judged based on the basic conditions for obtaining the grant. If the basic condition is that the government grant shall be used for purchasing, constructing or otherwise generating long-term asset, it shall be treated as the government grant related to asset, otherwise, it shall be treated as the government grant related to income.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 27. Government grants (continued)

Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognized in profit or loss in the period when the relevant costs, expenses or losses are recognized; government grants related to income that compensate the incurred costs, expenses or losses are recognized in profit or loss directly in current period.

Government grants related to assets are recorded as deferred income and recognized in profit or loss on a reasonable and systematic basis over the useful lives of the assets (provided that the government grants measured at nominal amount are directly recognized in current profit and loss). If the relevant assets are sold, transferred, abandoned or destroyed before the end of the useful life, the relevant undistributed deferred income balance shall be recognized under current profit and loss as asset disposal.

### 28. Income tax

Income tax includes current income tax and deferred income tax. Except for the goodwill adjustment resulting from enterprise merger or the income tax related to the transaction or matter directly recognized in shareholder's equity, which shall be recognized in shareholder's equity, all the income taxes shall be recognized under current profit and loss as income tax expense or revenue.

The Group measures the current income tax liability or asset generated in the current period or previous periods based on the income tax amount payable or refundable according to the tax law.

The Group recognizes deferred income tax with balance sheet liability approach for the temporary difference between the carrying value of the asset and liability as of the balance sheet date and the tax base, or the temporary difference between the carrying value of the item which is not recognized as asset and liability but its tax base can be determined according to the tax law and its tax base.

Deferred income tax liability shall be recognized for all the taxable temporary differences, unless:

- (1) The taxable temporary differences arises from the following transaction: initial goodwill recognition, or the initial recognition of the asset or liability resulting from the following transaction: the transaction is not an enterprise merger, and does not affect the accounting profit or the taxable income or the deductible loss.
- (2) For the taxable temporary differences arising from the investment in subsidiaries, joint ventures and affiliates, the reversal time of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.



# Notes to the Financial Statements (continued)

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## III. Summary of significant accounting policies and accounting estimates (continued)

### 28. Income tax (continued)

For the deductible temporary difference, the deductible loss and tax credit which can be carried forward to the subsequent years, the Group recognizes the resulting deferred income tax asset within the limit of the future taxable income against which the deductible temporary difference, the deductible loss and tax credit can be used, unless:

- (1) The deductible temporary differences arises from the following transaction: the transaction is not an enterprise merger, and does not affect the accounting profit or the taxable income or the deductible loss.
- (2) For the deductible temporary differences arising from the investment in subsidiaries, joint ventures and affiliates, the corresponding deferred income tax asset will be recognized if the following conditions are met: it is probable that the deductible temporary differences will be reversed in the foreseeable future and that the taxable income will be available in the future against which the deductible temporary differences can be utilized.

The Group will measure on the balance sheet date the deferred income tax asset and deferred income tax liability based on the tax rate applicable to the period in which the asset is expected to be recovered or the liability is expected to be settled according to the tax law, and reflect the influence of the estimated asset recovery or liability settlement as of the balance sheet date on the income tax.

The Group will review the carrying amount of the deferred income tax asset on the balance sheet date. If it is probable that it is unable to obtain enough taxable income to achieve the benefits brought by the deferred income tax asset, the carrying amount of the deferred income tax asset shall be written down. On the balance sheet date, the Group will reassess the unrecognized deferred income tax asset and recognize the deferred income tax asset within the limit that it is probable to obtain enough taxable income for the reversal of all or part of the deferred income tax asset.

When all the following conditions are met, the deferred income tax asset and deferred income tax liability will be presented with the net amount after offsetting with each other: the enterprise has the legal right to settle the current income tax asset and current income tax liability with net amount; the deferred income tax asset and deferred income tax liability are related to the income tax imposed by the same tax authority on the same tax payer, or they are related to different tax payers, but in each subsequent period in which the significant reversal of deferred income tax asset or deferred income tax liability is made, the relevant tax payers intend to settle the current income tax asset and current income tax liability with net amount, or they acquire assets and discharge liabilities simultaneously.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 29. 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.

#### *As lessee of operating leases*

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of related assets, or charged as an expense for the current period. The contingent rental is charged to the current profit and loss when incurred.

#### *As lessor of operating leases*

Rental income from an operating lease is recognized on a straight-line basis over the period of the lease as current profit and loss. The contingent rental is charged to the current profit and loss when incurred.

#### *As lessee of finance lease*

The leased asset is recognized at the lower of the fair value of the leased asset on the lease starting date 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 unrecognized finance charge and is amortized 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 unrecognized finance charge. The contingent rental is charged to the current profit and loss when incurred.

### 30. Profit distribution

The cash dividend of the Company will be recognized as liability when approved by the general meeting.

### 31. Production safety fund

Production safety fund accrued in accordance with regulations is charged to the cost of related products or recognized in profit or loss for the current period, and recorded in the specific reserve. As production safety fund is utilized, 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 recognized.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 32. Measurement at fair value

Except for the equity instrument investments measured at cost as stated in Note III (10), the Group measures the wealth management products and equity instrument investments at fair value on each balance sheet date. Fair value refers to the price that can be received when disposing of an asset or that should be paid when transferring a liability in an orderly transaction by the market participant on the measurement date. When measuring the relevant asset or liability with fair value, the Group assumes that the orderly transaction for disposing of the asset or transferring the liability is carried out in the primary market for the relevant asset or liability, or the most favorable market for the relevant asset or liability if there is no such primary market. The primary market (or most favorable market) is the transaction market that the Group can enter on the measurement date. The Group adopts the assumptions used by the market participant to maximize the economic benefit when determining the price of the relevant asset or liability.

When non-financial asset is measured at fair value, the capacity of the market participant to use the asset in the best use to generate economic benefit or the capacity to sell the asset to the market participant who can use the asset in the best use to generate economic benefit will be taken into account.

The Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

With respect to the assets and liabilities measured or disclosed at fair value in the financial reports, the level in which fair value measurement is categorized 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.

On each balance sheet date, the Group will reassess the assets and liabilities constantly measured at fair value as recognized in the financial reports to check if the level in which fair value measurement is categorized is changed.

### 33. Critical accounting judgments and estimates

The management is required to make judgments, estimates and assumptions for preparing the financial statements. These judgments, estimates and assumptions will affect the presented amount and disclosure of the revenue, expense, asset and liability, as well as the disclosure of the contingent liability on the balance sheet date. The uncertainty of these assumptions and estimates may result in major adjustment of the carrying amount of the affected assets or liabilities in the future.

#### **Judgments**

During the application of the accounting policies of the Group, the management made the following judgments that may have significant impact on the amounts recognized in the financial statements:

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 33. Critical accounting judgments and estimates (continued)

#### *Judgments (continued)*

##### *Operating lease--As the lessor*

The Group sign lease contracts for the investment properties. The Group believes that the Group retains all the key risks and returns in the ownership of these properties according to the terms of the lease contracts. Therefore, they are treated as operating leases.

##### *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 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 gives consent to the decisions made by the Group and the Group has de-facto control over the entity.

##### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. 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 judgment is made on an individual property basis, in order to determine if the supporting services are so significant that disqualify the property as the investment property.

##### *Determination of performance progress of port operation contracts*

The Group determines the performance progress of port operation contracts according to the investment method. In this regard, the Group determines the performance progress according to the proportion of the accumulative actual port operation costs in the total costs, and recognizes the revenue accordingly. The accumulative actual costs include the direct cost and indirect cost incurred by the Group during the provision of the port operation services.

# Notes to the Financial Statements (continued)

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## III. Summary of significant accounting policies and accounting estimates (continued)

### 33. Critical accounting judgments and estimates (continued)

#### *Judgments (continued)*

##### *Business model*

The classification of the financial assets upon initial recognition depends on the business model of the Group for managing the financial assets. When judging if the target of the business mode is still to collect contract cash flow, the Group needs to analyze the disposal of the financial assets prior to the maturity date. Judgment should be made on whether the disposal is incidental or whether the disposal value is insignificant.

##### *Characteristics of contractual cash flow*

The classification of the financial assets upon initial recognition depends on the characteristics of the contractual cash flow. Judgment should be made on whether the contractual cash flow is only for the payment of the principal and the interest based on the outstanding principal, including the judgment on whether there is any significant difference when compared with the benchmark cash flow during the evaluation on the revision of the time value of money, and the judgment on whether the fair value of the prepayment characteristics is insignificant for the financial assets with prepayment characteristics.

#### *Uncertainty of estimates*

Other key sources for the uncertainty of the key assumptions and estimates as of the balance sheet are as follows, which may cause major adjustment of the carrying amount of assets and liabilities in the future accounting periods.

##### *Impairment of financial instruments*

The Group adopts expected credit loss model to evaluate the impairment of financial instruments. Critical judgments and estimates shall be made when using the expected credit loss model, taking into account all the reasonable and justified information, including the forward-looking information. When making these judgments and estimates, the Group will infer the expected change of the obligator credit risk according to the historical repayment data, as well as the economic policies, microeconomic indexes, industry risks and other relevant factors.

##### *Useful life and residual value of fixed assets*

The estimated useful life, net residual value and the depreciation provision amount are determined by the management of the Company. This accounting estimate is based on the historical information of the actual useful life and residual value of the fixed assets with similar nature and functions, but will be changed significantly due to the technical upgrade and the behaviors of the competitors in coping with the drastic market environment change. When the useful life and residual value rate are less than the previous expectation, the management needs to consider increasing the depreciation amount, or write off or impair the fixed asset whose process is outdated, idle and disposed of.

# Notes to the Financial Statements (continued)

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## III. Summary of significant accounting policies and accounting estimates (continued)

### 33. Critical accounting judgments and estimates (continued)

#### *Uncertainty of estimates (continued)*

##### *Impairment of non-current assets other than financial assets (except for goodwill)*

The Group will judge if the non-current assets other than financial assets have any sign of impairment on the balance sheet date. For the intangible assets with uncertain useful life, in addition to the annual impairment test, they shall be subject to impairment test when there is any sign of impairment. For other non-current assets other than financial assets, when there is any sign indicating that the carrying amount cannot be recovered, they shall be subject to impairment test. When the carrying value of the asset or asset group is higher than the recoverable amount, i.e., the greater of the net amount of fair value less the disposal expense and the present value of the estimated future cash flow, it indicates that impairment has occurred. The net amount of fair value less the disposal expense is determined by deducting the incremental cost directly attributable to the asset disposal from the sales agreement price or observable market price of the similar asset in the fair transaction. When estimating the present value of the future cash flow, the management must estimate the future cash flow of the asset or asset group and select appropriate discount rate to determine the present value of the future cash flow.

##### *Impairment of goodwill*

The Group tests whether the goodwill has any impairment at least annually. This requires the estimate on the present value of the future cash flow of the asset group or asset group portfolio to which the goodwill is allocated. When estimating the present value of the future cash flow, the management must estimate the future cash flow of the asset group or asset group portfolio and select appropriate discount rate to determine the present value of the future cash flow. For details, please refer to Note V (17).

##### *Fair value of non-listed equity investment*

The valuation of the non-listed equity investment is based on the estimated future cash flow of other financial instruments with similar contract terms and risk features which is discounted with the present discount rate. The Group needs to estimate the future cash flow, credit risk, fluctuation and discount rate. Therefore, there exists uncertainty.

##### *Deferred income tax assets*

When it is probable that enough taxable income will be available against which the deductible loss is applied, deferred income tax assets shall be recognized for all the deductible losses that have not been used. The management needs to use a lot of judgments to estimate the time and amount of the taxable income acquired in the future and determine the amount of the deferred income tax assets that should be recognized according to the tax planning strategy.

##### *Provision for impairment of inventory*

The provision for impairment of inventory is the impairment provision made for the inventory whose cost is higher than the realizable net value. When judging if the inventory is impaired, the management needs to obtain concrete evidence, and make judgments and estimates on the basis of considering the purpose for holding the inventory, the influence of the events after the balance sheet date and other relevant factors. The difference between the actual results and the estimates as well as the change of the estimates will affect the carrying amount of the inventory, the impairment provision or the reversal.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 34. Changes in accounting policies

In 2017, the Ministry of Finance released the revised Accounting Standards for Enterprises No. 14 – Income (“the New Income Standards”), Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Enterprises No. 24 – Hedging and Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments (“the New Financial Instruments Standards”). The Group began to apply the revised standards to accounting treatment from 1 January 2018. According to the transitional regulations, the information for the comparable periods will not be adjusted, and a retroactive adjustment will be made to the undistributed profit and other comprehensive income at the beginning of the reporting period based on the difference between the new standards and the current standards on the first date of implementation.

#### *New Income Standards*

The New Income Standards establish a new income recognition model for regulating the income arising from the transactions with the customers. According to the New Income Standards, the income recognition method shall reflect the pattern in which the entity transfers goods or provides services to the customer, and the income amount shall reflect the consideration amount that the entity expects to obtain for transferring such goods and rendering such services. In addition, the New Income Standards also establish regulations on the judgments and estimates required for each step of income recognition.

The impact of implementation of the New Income Standards on the items of balance sheet as of 1 January 2018 is as follows:

#### *Consolidated balance sheet*

	Figure on the statement	Figure based on the original standards	Impact
Notes receivable and accounts receivable	1,190,416,754.13	1,201,883,882.80	(11,467,128.67)
Deferred income tax assets	68,867,296.56	66,000,514.39	2,866,782.17
Undistributed profit	1,407,471,193.26	1,416,071,539.76	(8,600,346.50)
Advances from customers	10,338,024.66	192,230,201.10	(181,892,176.44)
Contractual liabilities	181,892,176.44	–	181,892,176.44
Other receivables	556,724,655.10	606,274,255.10	(49,549,600.00)
Contractual assets	49,549,600.00	–	49,549,600.00

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 34. Changes in accounting policies (continued)

#### *New Income Standards (continued)*

The impact of implementation of the New Income Standards on the financial statements for 2018 is as follows:

#### *Consolidated balance sheet*

	Figure on the statement	Figure based on the original standards	Impact
Notes receivable and accounts receivable	947,433,479.68	957,846,555.59	(10,413,075.91)
Advances from customers	6,153,114.57	51,936,353.65	(45,783,239.08)
Contractual liabilities	45,783,239.08	–	45,783,239.08
Other receivables	663,019,375.41	712,568,975.41	(49,549,600.00)
Contractual assets	49,549,600.00	–	49,549,600.00
Taxes payable	54,113,243.93	56,716,512.91	(2,603,268.98)
Undistributed profit	1,584,535,562.22	1,576,725,755.29	(7,809,806.93)

#### *Consolidated income statement*

	Figure on the statement	Figure based on the original standards	Impact
Operating revenue	6,754,444,902.38	6,755,498,955.14	(1,054,052.76)
Income tax expense	193,498,370.29	193,234,857.10	263,513.19

#### *New financial instruments standards*

The New Financial Instruments Standards change the classification and measurement methods of financial assets, and define three key measurement categories: amortized cost, fair value through other comprehensive income, fair value through current profit and loss. The enterprise needs to make classification according to its own business mode and the contract cash flow characteristics of the financial assets. The equity instrument investment shall be measured at fair value through current profit and loss, provided that non-tradable equity instrument investment can be irrevocably designated as the financial asset measured at fair value through other comprehensive income upon the initial recognition.

According to the New Financial Instruments Standards, the financial asset impairment measurement basis shall be changed from “incurred loss model” to “expected credit loss model”, which is applicable to the financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and the loan commitment and financial guarantee contracts.



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 34. Changes in accounting policies (continued)

#### *New financial instruments standards (continued)*

Some structured deposits held by the Group have the yield linked to such variables as interest rate and exchange rate. The Group separately accounted for the derivatives embedded in the structured deposits and presented the master debt contract as monetary capital before 1 January 2018. However, after 1 January 2018, based on the analysis on the characteristics of the contract cash flow, the Group believed that what the cash flow of the above contracts represents is more than the payment of principal and the interests based on the outstanding principle. Therefore, the Group reclassified the structured deposits as the financial assets measured at fair value through current profit and loss and presented them as tradable financial assets.

The Group designated some of the equity investments it held as the financial assets measured at fair value through other comprehensive income and presented them as other equity investments after 1 January 2018.

Reconciliation statement for adjusting the carrying amount of the original financial assets of the Group into the carrying amount of the new financial assets classified and measured according to the revised financial instrument recognition and measurement standards on the first date of implementation:

	Carrying amount presented according to the original financial instrument standards 31 December 2017	Reclassification	Remeasurement	<b>Carrying amount presented according to new financial instruments standards 1 January 2018</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss	5,050,497.50	(5,050,497.50)	–	–
Tradable financial assets	–	155,050,497.50	–	<b>155,050,497.50</b>
Notes receivable and accounts receivable (Note)	1,201,883,882.80	–	(21,270,949.01)	<b>1,180,612,933.79</b>
Other receivables (Note)	606,274,255.10	–	(19,601,035.40)	<b>586,673,219.70</b>
Other current assets	255,836,964.53	(150,000,000.00)	–	<b>105,836,964.53</b>
Financial assets available for sale	159,423,791.18	(159,423,791.18)	–	–
Other equity instrument investments	–	159,423,791.18	35,107,760.97	<b>194,531,552.15</b>
Deferred income tax assets	66,000,514.39	–	10,113,301.56	<b>76,113,815.95</b>
	<b>2,294,469,905.50</b>	–	4,349,078.12	<b>2,298,818,983.62</b>
<b>Liabilities</b>				

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 34. Changes in accounting policies (continued)

#### *New financial instruments standards (continued)*

	Carrying amount presented according to the original financial instrument standards 31 December 2017	Reclassification	Remeasurement	Carrying amount presented according to new financial instruments standards 1 January 2018
Deferred income tax liabilities	117,258,611.27	–	8,776,940.25	<b>126,035,551.52</b>
Owner's equity attributable to parent company				
Other comprehensive income	29,398,184.15	(48,003,000.00)	25,402,851.42	<b>6,798,035.57</b>
Other comprehensive income which will be subsequently reclassified as profit and loss	29,398,184.15	(159,633.73)	–	<b>29,238,550.42</b>
Where: Financial assets available for sale				
Profit and loss arising from fair value changes	159,633.73	(159,633.73)	–	–
Where: Difference on translation of foreign currency financial statements	29,238,550.42	–	–	<b>29,238,550.42</b>
Other comprehensive income which cannot be reclassified as profit or loss	–	(47,843,366.27)	25,402,851.42	<b>(22,440,514.85)</b>
Where: Other equity instrument investments				
Fair value change	–	(47,843,366.27)	25,402,851.42	<b>(22,440,514.85)</b>
Undistributed profit	1,416,071,539.76	48,003,000.00	(26,458,357.56)	<b>1,437,616,182.20</b>
	1,445,469,723.91	–	(1,055,506.14)	<b>1,444,414,217.77</b>
Minority equity	2,559,868,709.22	–	(3,372,355.99)	<b>2,556,496,353.23</b>
	4,005,338,433.13	–	(4,427,862.13)	<b>4,000,910,571.00</b>

Note: According to the requirements of the New Financial Instruments Standards, the Group will change the basis for financial asset impairment measure from the "incurred loss model" to the "expected credit loss model" from 1 January 2018.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 34. Changes in accounting policies (continued)

#### ***Change of financial statement presentation***

According to the requirements of the Circular on Issuing the Revised Format of the General Enterprise Financial Statements for 2018 (Cai Kuai [2018] No. 15), in addition to the presentation change arising from the implementation of the new financial instruments standards and new income standards, the Group consolidated “notes receivable” and “accounts receivable” into the new item of “note receivable and account receivable”, the “dividend receivable” and “interest receivable” into the item of “Other receivables”, “fixed asset disposal” into the item of “fixed assets”, “notes payable” and “accounts payable” into the new item of “notes payable and accounts payable”; separated the item of “R&D expense” from the “general and administrative expense” in the income statement, separated the items of “interest expense” and “interest income” under the financial expense item; and correspondingly made retroactive adjustment to the relevant comparison data. The changes in accounting policies had no impact on the consolidated net profit and shareholder equity or the net profit and shareholder equity of the Company.

#### ***Change of presentation of cash flow items for the government grants related to assets***

According to the Interpretation on the Questions Concerning the Format of the General Enterprise Financial Statements for 2018, when preparing the cash flow statement, the Group changed the cash flow resulting from investment activities to the cash flow resulting from operating activities, and correspondingly made retroactive adjustment to the relevant comparison data. The changes in accounting policies reduced the net amount of the cash flow resulting from investment activities in the consolidated cash flow statement and the cash flow statement of the Company, and increased the cash flow resulting from operating activities with the same amount, but had no impact on the net increase of the cash and cash equivalent.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## III. Summary of significant accounting policies and accounting estimates (continued)

### 34. Changes in accounting policies (continued)

#### Change of presentation of cash flow items for the government grants related to assets (continued)

The impacts of the retroactive adjustment arising from the changes in accounting policies on the financial statement are as follows:

The Group

	Before changes in accounting policies 31 December 2017	Reclassification	After changes in accounting policies 1 January 2018
<b>Assets</b>			
Notes receivable	175,462,684.29	(175,462,684.29)	–
Accounts receivable	1,026,421,198.51	(1,026,421,198.51)	–
Notes receivable and accounts receivable	–	1,201,883,882.80	<b>1,201,883,882.80</b>
Dividend receivable	87,229,387.64	(87,229,387.64)	–
Interest receivable	43,642,176.75	(43,642,176.75)	–
Other receivables	475,402,690.71	130,871,564.39	<b>606,274,255.10</b>
Fixed asset disposal	3,680,222.04	(3,680,222.04)	–
Fixed assets	16,857,245,435.83	3,680,222.04	<b>16,860,925,657.87</b>
<b>Liabilities</b>			
Accounts payable	380,389,360.83	(380,389,360.83)	–
Notes payable and accounts payable	–	380,389,360.83	<b>380,389,360.83</b>
Interest payable	182,382,996.32	(182,382,996.32)	–
Dividend payable	93,770,654.70	(93,770,654.70)	–
Other payables	533,050,100.81	276,153,651.02	<b>809,203,751.83</b>
	Before changes in accounting policies 2017	Reclassification	After changes in accounting policies 2017
<b>Profit</b>			
General and administrative expense	662,345,386.50	(8,514,793.05)	653,830,593.45
R&D expense	–	8,514,793.05	8,514,793.05
<b>Cash flow</b>			
Receipt of other cash related to operating activities	229,953,817.12	94,645,702.97	324,599,520.09
Receipt of other cash related to investment activities	701,446,859.16	(94,645,702.97)	606,801,156.19
Net cash flow resulting from operating activities	1,204,366,572.41	94,645,702.97	1,299,012,275.38
Net cash flow resulting from investment activities	95,335,521.13	(94,645,702.97)	689,818.16

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## III. Summary of significant accounting policies and accounting estimates (continued)

### 34. Changes in accounting policies (continued)

#### Change of presentation of cash flow items for the government grants related to assets (continued)

The impacts of the retroactive adjustment arising from the changes in accounting policies on the financial statement are as follows: (continued)

#### The Company

	Before changes in accounting policies 31 December 2017	Reclassification	After changes in accounting policies 1 January 2018
<b>Assets</b>			
Notes receivable	152,035,939.05	(152,035,939.05)	–
Accounts receivable	328,485,233.13	(328,485,233.13)	–
Notes receivable and accounts receivable	–	480,521,172.18	<b>480,521,172.18</b>
Dividend receivable	1,029,532,111.51	(1,029,532,111.51)	–
Interest receivable	32,347,608.79	(32,347,608.79)	–
Other receivables	613,641,475.21	1,061,879,720.30	<b>1,675,521,195.51</b>
Fixed asset disposal	2,604,006.04	(2,604,006.04)	–
Fixed assets	10,519,142,533.33	2,604,006.04	<b>10,521,746,539.37</b>
<b>Liabilities</b>			
Accounts payable	54,388,862.28	(54,388,862.28)	–
Notes payable and accounts payable	–	54,388,862.28	<b>54,388,862.28</b>
Interest payable	157,750,479.92	(157,750,479.92)	–
Other payables	283,575,773.30	157,750,479.92	<b>441,326,253.22</b>
	Before changes in accounting policies 2017	Reclassification	After changes in accounting policies 2017
<b>Profit</b>			
General and administrative expense	369,878,574.29	(23,540.24)	369,855,034.05
R&D expense	–	23,540.24	23,540.24
<b>Cash flow</b>			
Receipt of other cash related to operating activities	89,115,234.02	91,920,000.00	181,035,234.02
Receipt of other cash related to investment activities	92,045,000.00	(91,920,000.00)	125,000.00
Net cash flow resulting from operating activities	998,881,939.34	91,920,000.00	1,090,801,939.34
Net cash flow resulting from investment activities	754,760,212.87	(91,920,000.00)	662,840,212.87

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## IV Taxes

### 1. Main Taxes and tax rates

- |                                       |   |   |
|---------------------------------------|---|---|
| Value-added tax ("VAT")               | – | Before 1 May 2018, the output tax for the port operation income, goods sale income, entrusted loan, construction, property lease, labor provision and steam, water and natural gas provision business of the Group was calculated based on the tax rate of 6%, 17%, 6%, 11%, 5%, 6% and 11% respectively, and the VAT was calculated based on the difference after deducting the current deductible input tax from the output tax. After 1 May 2018, the output tax for the above incomes was calculated based on the tax rate of 6%, 16%, 6%, 10%, 5%, 6% and 10% respectively, and the VAT was calculated based on the difference after deducting the current deductible input tax from the output tax. |
| City maintenance and construction tax | – | Calculated based on 7% of the actually paid turnover tax  |
| Educational surcharge                 | – | Calculated based on 5% of the actually paid turnover tax  |
| Property tax                          | – | The tax base is 1.2% of residual value of property or 12% of lease income for property tax  |
| Corporate income tax                  | – | Except for the domestic subsidiaries which enjoy tax preference and the overseas subsidiaries which shall pay corporate income tax according to the income tax law of the place of incorporation, the corporate income tax of the Group shall be calculated as 25% of the taxable income.   |
| Environment protection tax            | – | Calculated by multiplying the pollution equivalent or emission of the taxable pollutant with the applicable tax amount.   |

### 2. Tax preference

#### **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 lands held by the Group used for dock are exempted from land use tax.

According to the *Tentative Regulations of the People's Republic of China of Urban Land Use Tax*, the land reclaimed from hill excavating and offshore filling and the reclaimed waste land will be exempted from land use tax for 5 to 10 years starting from the month of use. Accordingly, the lands reclaimed from hill excavating and offshore filling held by the Group are exempted from land use tax.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## IV Taxes (continued)

### 2. Tax preference (continued)

#### **Land use tax (continued)**

According to the *Tentative Regulations of the People's Republic of China of Urban Land Use Tax* and the *Circular of State Taxation Administration on Continuing to Implement Tax Preferential Policies for the Urban Land Use Tax Imposed on the Land for Bulk Commodity Storage Facilities of Logistics Enterprises* (Cai Shui [2017] No.33), from 1 January 2017 to 31 December 2019, the urban land use tax on the land for bulk commodity storage facilities owned by the logistics enterprises (including for self use and lease purpose) shall be calculated based on 50% of the applicable tax for the relevant grade of the land. Accordingly, the land use tax on the land for bulk commodity storage facilities held by the Group is calculated at half of the relevant tax rate.

#### **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.

#### **Corporate income tax**

Dalian Portsoft Technology Co., Ltd. and Dalian Port Logistic Network Co., Ltd., subsidiaries of the Group, have obtained on 29 November 2017 *the Certificate of the High and New Technological Enterprise* (No. GR201721200282 and 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. In September 2018, application for renewal was made for the certificate upon its expiry, and it was approved by the tax bureau.

Under Article 28 of *the Corporate Income Tax Law of the People's Republic of China*, as at 31 December 2018, the income tax rate applicable to the above 3 companies is 15%.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements

### 1. Cash at bank and on hand

	2018	2017
Cash on hand	727,300.45	732,794.91
Cash at bank	5,722,956,776.43	7,482,527,341.22
Other cash balances	5,601,793.47	24,657,030.46
	<b>5,729,285,870.35</b>	7,507,917,166.59

As at 31 December 2018, the ownership of cash and bank balances of RMB3,240,626.02 were restricted (31 December 2017: RMB23,571,472.79) (Note V. 59).

As at 31 December 2018, the Group held cash and bank balances of RMB136,345,848.66 (31 December 2017: RMB895,794,099.50) that were deposited overseas.

Interest income earned on current deposits is calculated by using the current deposit interest rate. The terms of short-term time deposits vary from seven days to six months depending on the cash requirements of the Group, and earn interests at the respective short-term time deposit rates.

### 2. Financial assets held for trading (applicable to 2018 only)

	2018
Financial assets at fair value through profit or loss	
Debt instrument investments (Note 1)	1,887,883,698.64
Equity instrument investments (Note 2)	4,636,347.50
	<b>1,892,520,046.14</b>

Note 1: The Group purchased structured deposits of RMB900,000,000.00 from Industrial Bank during this year, which are mainly invested in money market instruments with an expected annual yield rate of 4.03% and a maturity date on 1 February 2019.

The Group purchased structured deposits of RMB100,000,000.00 from China Construction Bank during this year, which are mainly invested in money market instruments with an expected annual yield rate of 1.65%-3.00% and a maturity date on 1 February 2019.

The Group purchased structured deposits of RMB187,000,000.00 from China Merchants Bank during this year, which are mainly invested in money market instruments with an expected annual yield rate of 3.83% and a maturity date on 1 February 2019.



# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 2. Financial assets held for trading (applicable to 2018 only) (continued)

The Group purchased structured deposits of RMB100,000,000.00 from Harbin Bank during this year, which are mainly invested in money market instruments with an expected annual yield rate of 4.45% and a maturity date on 14 March 2019.

The Group purchased structured deposits of RMB100,000,000.00 from CITIC Bank during this year, which are mainly invested in money market instruments with an expected annual yield rate of 4.21% and a maturity date on 21 March 2019.

The Group purchased structured deposits of RMB100,000,000.00 from China Guangfa Bank during this year, which are mainly invested in money market instruments with an expected annual yield rate of 4.37% and a maturity date on 21 March 2019.

The Group purchased structured deposits of RMB200,000,000.00 from China Construction Bank during this year, which are mainly invested in money market instruments with an expected annual yield rate of 1.65%-3.00% and a maturity date on 27 March 2019.

The Group purchased structured deposits of RMB193,000,000.00 from China Merchants Bank during this year, which are mainly invested in money market instruments with an expected annual yield rate of 1.55%-3.82% and a maturity date on 28 June 2019.

Note 2: Equity instrument investments represent stocks of A-share listed companies. The fair value is determined at the closing price of the Shanghai Stock Exchange and Shenzhen Stock Exchange on the last trading day.

### 3. Financial assets at fair value through profit or loss (applicable to 2017 only)

	2017
Financial assets at fair value through profit or loss	
Equity instrument investments	5,050,497.50

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

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 4. Notes receivable and accounts receivable

	2018	2017
Notes receivable	<b>289,238,760.63</b>	175,462,684.29
Accounts receivable	<b>658,194,719.05</b>	1,026,421,198.51
	<b>947,433,479.68</b>	1,201,883,882.80

#### Notes receivable

	2018	2017
Trade acceptance notes	–	900,000.00
Bank acceptance notes	<b>289,238,760.63</b>	174,562,684.29
	<b>289,238,760.63</b>	175,462,684.29

As at the balance sheet date, notes receivable which were endorsed or discounted but undue yet were as follows:

	2018		2017	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	<b>48,602,332.58</b>	<b>7,073,910.19</b>	51,950,634.95	–

As at 31 December 2018, there were no notes receivable pledged (31 December 2017: Nil).

As at 31 December 2018, there were no discounted notes or notes that were recognised as accounts receivable due to issuers' failure in performance (31 December 2017: Nil).

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 4. Notes receivable and accounts receivable (continued)

#### Accounts receivable

The credit terms of accounts receivable are usually 3 months. Accounts receivable are interest-free.

An ageing analysis of accounts receivable based on the recording date is as follows:

	2018	2017
Within 1 year	<b>629,892,263.91</b>	952,498,692.75
1 to 2 years	<b>15,720,843.27</b>	22,827,091.48
2 to 3 years	<b>8,854,591.08</b>	6,028,305.62
Over 3 years	<b>64,031,972.60</b>	70,516,349.01
	<b>718,499,670.86</b>	1,051,870,438.86
Less: Provision for bad debts	<b>60,304,951.81</b>	25,449,240.35
	<b>658,194,719.05</b>	1,026,421,198.51

Movements in the provision for bad debts are as follows:

	Opening balance	Accrual	Reversal	Disposal of a subsidiary	Write-off	Closing balance
2018 (Note)	<b>46,720,189.36</b>	<b>39,010,791.98</b>	-	<b>(25,426,029.53)</b>	-	<b>60,304,951.81</b>
2017	148,000.00	25,301,240.35	-	-	-	25,449,240.35

Note: The Group has adopted the New Financial Instruments Standards from 1 January 2018. On the date of adoption, the Group remeasured the impairment provision for the original financial assets in accordance with the New Financial Instruments Standards as at 31 December 2017. Refer to Note III. 34. Change in accounting policies.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 4. Notes receivable and accounts receivable (continued)

#### Accounts receivable (continued)

	2018			
	Book balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Provision for bad debts made on the individual basis	62,852,144.51	8.75	44,220,119.27	70.36
Provision for bad debts made on the grouping basis by credit risk characteristics	655,647,526.35	91.25	16,084,832.54	2.45
	<b>718,499,670.86</b>	<b>100.00</b>	<b>60,304,951.81</b>	<b>8.39</b>

The bad debt provision for accounts receivable using the aging analysis method is as follows:

	2018		
	Book balance of estimated default	Expected credit loss rate	Expected credit loss for the entire duration
Within 1 year	629,892,263.91	0.7%	4,409,245.85
1 to 2 years	15,637,619.27	25%	3,909,404.82
2 to 3 years	5,310,397.38	70%	3,717,278.17
3 to 4 years	2,524,350.92	75%	1,893,263.19
4 to 5 years	1,272,543.56	90%	1,145,289.20
Over 5 years	1,010,351.31	100%	1,010,351.31
	<b>655,647,526.35</b>		<b>16,084,832.54</b>

# Notes to the Financial Statements (continued)

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## V. Notes to key items of the consolidated financial statements (continued)

### 4. Notes receivable and accounts receivable (continued)

#### Accounts receivable (continued)

As at 31 December 2018, accounts receivable with related provision for the debts made on the individual basis are as follows:

	Book balance	Provision for bad debts	Expected credit loss rate (%)	Reason
Shenyang Oriental Steel Co., Ltd.	48,854,764.10	31,755,596.67	65	Note 1
Northeast Asia Spot Commodity Exchanges	9,016,810.61	7,483,952.80	83	Note 2
Heilongjiang Zhanfeng International Trade Co., Ltd. (黑龍江戰鋒國際貿易有限公司)	4,832,569.80	4,832,569.80	100	Note 3
Others	148,000.00	148,000.00	100	
	<b>62,852,144.51</b>	<b>44,220,119.27</b>		

Note 1: As at 31 December 2018, the accounts receivable of PDA General Cargo Terminals Company, a branch of the Company, due from Shenyang Oriental Steel Co., Ltd. (hereinafter "Shenyang Oriental") amounted to RMB48,854,764.10. The recoverability of the accounts receivable is significantly uncertain due to the fact that Shenyang Oriental has discontinued its operations, become insolvent and been threatened by many legal proceedings. Taking into account the estimated cash flows realisable for this indebtedness under any circumstance and the probability of occurrence of any circumstance, and based on the difference between the weighted calculation result of the present value of future estimated cash flows realisable and contractual cash flows, the Group provisioned RMB31,755,596.67 for bad debts.

Note 2: As at 31 December 2018, the accounts receivable of Dalian Steel Logistics Park Co., Ltd. (hereinafter "Steel Logistics Park"), a subsidiary of the Company, due from Northeast Asia Spot Commodity Exchanges (hereinafter "Northeast Asia Spot Commodity") amounted to RMB9,016,810.61. The recoverability of the accounts receivable is significantly uncertain due to the fact that Northeast Asia Spot Commodity has discontinued its operations and Steel Logistics Park could not recover any accounts after its application for enforcement of creditor's right on Northeast Asia Spot Commodity and the enforcement was suspended upon application. Taking into account the estimated cash flows realisable for this indebtedness under any circumstance and the probability of occurrence of any circumstance, and based on the difference between the weighted calculation result of the present value of future estimated cash flows realisable and contractual cash flows, the Group provisioned RMB7,483,952.80 for bad debts.

Note 3: As at 31 December 2018, the accounts receivable of Dalian Jiyi Logistics Co., Ltd., a subsidiary of the Company, due from Heilongjiang Zhanfeng International Trade Co., Ltd. (hereinafter "Heilongjiang Zhanfeng") amounted to RMB4,832,569.80. The Group made a full provision for bad debts on the accounts receivable due to the unrecoverability.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 4. Notes receivable and accounts receivable (continued)

#### Accounts receivable (continued)

As at 31 December 2017, the Group made a total provision of RMB25,449,240.35 for accounts receivable with individually significant and insignificant amounts. Accounts receivable with amounts that were individually significant and related provision for the debts made on the individual basis are as follows:

	Closing balance	Provision for bad debts	Percentage (%)	Reason
Dalian Bohui International Trade Co., Ltd.	40,440,207.80	20,220,103.90	50	Note
Dalian Jiuru Automobile Sales and Service Co., Ltd.	20,162,272.91	5,081,136.45	25	Note
	60,602,480.71	25,301,240.35		

Note: As at 31 December 2017, the receivables of RMB40,440,207.80 of the Group's subsidiary Dalian United King Port Auto Trade Co., Ltd. ("King Port Auto") were due from Dalian Bohui International Trade Co., Ltd. ("Dalian Bohui"). Considering the uncertainty on the recoverability of the receivables, related provisions for bad debts were made at 50% of the balances by the Group. As at 31 December 2017, the accounts receivable of King Port Auto due from Dalian Jiuru Automobile Sales and Service Co., Ltd. were RMB20,162,272.91. The Company is out of business due to the death of the legal representative. After applying for property preservation of the assets valued RMB10,000,000.00 to the Intermediate People's Court of Dalian Municipality, the Group considered that the recoverability of the remaining accounts receivable is uncertain and made provision for bad debts at 50% of the remaining accounts receivable. During the year, the Group transferred its entire equity interests in King Port Auto to PDA. From 30 June 2018, King Port Auto was not included in the Group's consolidation scope. Refer to Note VI. Changes in the consolidation scope.

In 2018, the Group made provision for bad debts of RMB39,010,791.98 (2017: RMB25,301,240.35). There was no collection or reversal of provisions for bad debts (2017: Nil).

In 2018, the Group did not discounted notes receivable at amortised cost to financial institutions. In 2017, the Group discounted notes receivable at amortised cost to financial institutions and the ending balance of disrecognised notes receivable amounted to RMB885,566.62, with RMB11,334.42 recognised as profit and credited into financial expenses.

As at 31 December 2018, a summary of the top five accounts receivable was as follows:

	Balance	Provisions for bad debts	Percentage (%) of total balance
Total balances of top five accounts receivable	305,917,718.54	33,555,037.35	42.58

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 4. Notes receivable and accounts receivable (continued)

#### Accounts receivable (continued)

As at 31 December 2017, a summary of the top five accounts receivable was as follows:

	Balance	Provisions for bad debts	Percentage (%) of total balance
Total balances of top five accounts receivable	386,460,381.90	20,220,103.90	36.74

### 5. Prepayments

An ageing analysis of prepayments is as follows:

	2018		2017	
	Book balance	Percentage (%)	Book balance	Percentage(%)
Within 1 year	<b>29,583,006.56</b>	<b>84.93</b>	151,102,785.62	94.77
1 to 2 years	<b>3,711,545.58</b>	<b>10.65</b>	5,227,343.03	3.28
2 to 3 years	<b>1,478,418.70</b>	<b>4.24</b>	3,042,936.78	1.91
Over 3 years	<b>62,126.40</b>	<b>0.18</b>	62,126.40	0.04
	<b>34,835,097.24</b>	<b>100.00</b>	159,435,191.83	100.00

As at 31 December 2018, prepayments with ageing over one year amounted to RMB5,252,090.68 (31 December 2017: RMB8,332,406.21) which represent advances to suppliers. Since the transactions involved are not yet finished, these amounts have not been settled yet.

As at 31 December 2018, a summary of the top five prepayments was as follows:

	Balance	Percentage (%) of total balance
Total balances of top five prepayments	<b>14,179,568.86</b>	<b>40.70</b>

As at 31 December 2017, a summary of the top five prepayments was as follows:

	Balance	Percentage (%) of total balance
Total balances of top five prepayments	92,224,036.84	57.84

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables

	2018	2017
Interest receivable	<b>30,743,735.52</b>	43,642,176.75
Dividends receivable	<b>146,000,226.01</b>	87,229,387.64
Other receivables	<b>486,275,413.88</b>	475,402,690.71
	<b>663,019,375.41</b>	606,274,255.10

#### Interest receivable

	2018	2017
Interest of fixed deposits	<b>27,930,620.79</b>	41,882,785.82
Interest of entrusted loans	<b>2,199,097.20</b>	536,796.05
Interest of current deposits	<b>614,017.53</b>	603,005.82
Interest of financial products	-	619,589.06
	<b>30,743,735.52</b>	43,642,176.75

#### Dividends receivable

	2018	2017
Dalian Port Yidu Cold Chain Co., Ltd.	<b>95,289,824.35</b>	10,500,000.00
Dalian Jilong Logistics Co., Ltd.	<b>22,507,539.23</b>	-
Jinzhou New Age Container Terminal Co., Ltd.	<b>7,760,250.43</b>	-
Dalian Singamas International Container Co., Ltd.	<b>7,614,047.00</b>	6,318,151.73
Taicang Xinggang Tug Co., Ltd.	<b>6,428,565.00</b>	2,142,855.00
Dalian Automobile Terminal Co., Ltd.	<b>4,800,000.00</b>	18,600,165.76
Dalian Port Container Terminal Co., Ltd. (Note)	-	47,518,215.15
Dalian United International Shipping Agency Co., Ltd.	-	2,150,000.00
Others	<b>1,600,000.00</b>	-
	<b>146,000,226.01</b>	87,229,387.64

Note: On 31 October 2017, Dalian Container Terminal Co., Ltd., a subsidiary of the Group merged with Dalian Port Container Terminal Co., Ltd under non-common control. Due to restrictions in laws and regulations, Dalian Port Container Terminal Co., Ltd. still needs to retain funds for the payment of dividends before liquidation. The Group received the dividend in July 2018.



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (Continued)

#### Dividends receivable (Continued)

The management of the Group is of the opinion that no impairment provision was necessary for interest receivable and dividends receivable at the balance sheet date.

#### Other receivables

An ageing analysis of other receivables is as follows:

	2018	2017
Within 1 year	405,620,759.13	417,381,488.44
1 to 2 years	98,901,254.04	51,965,016.14
2 to 3 years	12,198,876.97	21,783,069.85
Over 3 years	16,426,161.53	12,906,292.07
	<b>533,147,051.67</b>	504,035,866.50
Less: Provision for bad debts for other receivables	<b>46,871,637.79</b>	28,633,175.79
	<b>486,275,413.88</b>	475,402,690.71

Movements in the provision for bad debts of expected credit loss in the next 12 months and for the entire duration are as follows:

	First stage		Third stage		Total	
	Expected credit loss in the next 12 months		Expected credit loss for the entire duration (credit impairment incurred)			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
As at 1 January 2018 (Note)	502,974,673.53	47,173,018.22	1,061,192.97	1,061,192.97	504,035,866.50	48,234,211.19
Additions for the year	104,679,076.65	26,503,398.41	-	-	104,679,076.65	26,503,398.41
Disposal of subsidiaries for the year	(75,567,891.48)	(27,865,971.81)	-	-	(75,567,891.48)	(27,865,971.81)
As at 31 December 2018	<b>532,085,858.70</b>	<b>45,810,444.82</b>	<b>1,061,192.97</b>	<b>1,061,192.97</b>	<b>533,147,051.67</b>	<b>46,871,637.79</b>

Note: The Group has adopted the New Financial Instruments Standards from 1 January 2018. On the date of adoption, the Group remeasured the impairment provision for the original financial assets in accordance with the New Financial Instruments Standards as at 31 December 2017. Refer to Note III. 34. Change in accounting policies.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (continued)

#### Other receivables (continued)

The bad debt provision for other receivables using the aging analysis method is as follows:

	2018		
	Book balance of estimated default	Expected credit loss rate	Expected credit loss in the next 12 months
Within 1 year	405,620,759.13	3%	12,168,622.77
1 to 2 years	98,901,254.04	17%	16,813,213.19
2 to 3 years	12,198,876.97	35%	4,269,606.94
3 to 4 years	7,542,979.18	75%	5,657,234.39
4 to 5 years	4,601,109.26	80%	3,680,887.41
Over 5 years	3,220,880.12	100%	3,220,880.12
	<b>532,085,858.70</b>		<b>45,810,444.82</b>

As at 31 December 2017, the Group has made provision for bad debts for other receivables with amounts that were individually significant and insignificant of total RMB28,633,175.79.

As at 31 December 2017, other receivables with amounts that were individually significant and that the related provision for bad debts was provided on the individual basis were as follows:

	Book balance	Provision for bad debts	Provision (%)	Reasons
Dalian Bohui	157,920,105.67	27,571,982.82	17.46	Note

Note: As at 31 December 2017, RMB157,920,105.67 due from Dalian Bohui to King Port Auto, a subsidiary of the Group, 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, provisions for bad debts for the remaining RMB55,143,965.64 other receivables were made at 50% of the balances. During the year, the Group has transferred all its equities in King Port Auto to PDA. King Port Auto was ceased to be included in the Group's consolidation scope since 30 June 2018. Refer to Note VI. Changes in the consolidation scope.

The provision for bad debts in 2018 was RMB26,503,398.41 (2017: RMB27,571,982.82). In 2018 and 2017, the Group had no recovered or reversed provision for bad debts as well as other written-off receivables.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (continued)

#### Other receivables (continued)

Other receivables are listed as follows by nature:

	2018	2017
Receivables from agent procurement	235,008,103.00	–
Receivables of advances for automobile and bills of exchange (Note)	–	187,319,005.31
Receivables from income of entrusted management services	78,527,307.21	64,077,000.00
Receivables from project payment and guarantee deposit	46,076,197.79	57,299,576.97
Receivables from asset transfer	–	49,549,600.00
Entrusted loans	36,824,925.52	38,000,000.00
Port construction and miscellaneous expenses	37,533,375.40	25,681,188.92
Receivables from freights, deposit and security deposit	30,009,601.58	21,288,065.48
Government subsidies receivable	32,409,706.59	15,633,642.00
Public infrastructure maintenance expenses	6,026,376.24	6,784,970.63
Others	30,731,458.34	38,402,817.19
	<b>533,147,051.67</b>	504,035,866.50
Less: Provision for bad debts	<b>46,871,637.79</b>	28,633,175.79
	<b>486,275,413.88</b>	475,402,690.71

Note: Receivables of advances for automobile and bills of exchange represent other receivables of King Port Auto, a subsidiary of the Group. During the year, the Group has transferred all its equities in King Port Auto to PDA. King Port Auto was ceased to be included in the Group's consolidation scope since 30 June 2018. Refer to Note VI. Changes of consolidation scope.

As at 31 December 2018, the other receivables from the top five were as follows:

	Balance	Provision for bad debts	% of total other receivables
Total balances of top five other receivables	<b>387,753,163.21</b>	<b>26,775,038.18</b>	<b>72.73</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (continued)

#### Other receivables (continued)

As at 31 December 2017, the other receivables from the top five were as follows:

	Balance	Provision for bad debts	% of total other receivables
Total balances of top five other receivables	332,531,849.13	27,571,982.82	65.97

As at 31 December 2018, the government grants receivable were as follows:

	Government grants	Amount	Ageing	Basis
Inner Mongolia Lugang Bonded Logistics Park Co., Ltd.	Subsidy for container freight	<b>4,249,568.09</b>	Within 1 year	<i>Reply of Keerqin District People's Government on Subsidy to China-Europe Railway Lines</i>
Heilongjiang Suimu Dalian Port Logistics Co., Ltd.	Warehouse construction and subsidy for operation	<b>13,359,192.00</b>	Within 1 year and 2-3 years	<i>Cooperation Agreement on Xiachengzi Logistics Centre of Muling Economic Development Zone and meeting minutes On Solving Major Difficulties of Suimu Dalian Port Logistics</i>
Dalian Jifa Bohai Rim Container Lines Co., Ltd.	Subsidy for container freight	<b>14,800,946.50</b>	Within 1 year	<i>Request for Instructions Concerning Supporting the Development of Container Freight in Dongying Port Zone</i>
		<b>32,409,706.59</b>		

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 6. Other receivables (continued)

#### Other receivables (continued)

As at 31 December 2017, the government grants receivable were as follows:

	Government grants	Amount	Ageing	Basis
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.	Subsidy for operation	2,561,392.00	Within 2 years	<i>Cooperation Agreement on Xiachengzi Logistics Centre of Muling Economic Development Zone</i>
		15,633,642.00		

### 7. Inventories

	2018			2017		
	Book balance	Provision for impairment of inventories	Carrying amount	Book balance	Provision for impairment of inventories	Carrying amount
Raw materials	87,663,016.37	7,803,794.80	79,859,221.57	79,681,233.82	7,803,794.80	71,877,439.02
Goods in stock	60,916,714.52	-	60,916,714.52	630,000,477.62	7,054,584.56	622,945,893.06
Turnover materials	8,712,395.31	-	8,712,395.31	7,862,202.50	-	7,862,202.50
	157,292,126.20	7,803,794.80	149,488,331.40	717,543,913.94	14,858,379.36	702,685,534.58

As at 31 December 2018, the Group has no inventories pledged as collateral (31 December 2017: inventories with carrying amount of RMB327,114,425.81 and relevant documents of import business were pledged as collateral for the bank borrowings of RMB308,692,031.66). Refer to Note V.59.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 7. Inventories (continued)

The movements of provision for decline in the value of inventories is as below:

2018

	Opening balance	Provision	Decrease in the current year			Closing balance
			Reversal	Write-off	Disposal of subsidiaries	
Raw materials	7,803,794.80	-	-	-	-	7,803,794.80
Goods in stock	7,054,584.56	-	-	-	(7,054,584.56)	-
	<b>14,858,379.36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,054,584.56)</b>	<b>7,803,794.80</b>

2017

	Opening balance	Provision	Decrease in the current year		Closing balance
			Reversal	Write off	
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

### 8. Contract assets (applicable for 2018 only)

	2018		
	Book balance	Provision for impairment	Carrying amount
Receivables from transfer of bulk grain carriages	49,549,600.00	12,387,400.00	37,162,200.00

The movements of provision for bad debts of contract assets are as follows:

	Opening balance	Provision	Reversal	Disposal of subsidiaries	Write-off	Closing balance
2018	-	12,387,400.00	-	-	-	12,387,400.00

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 8. Contract assets (applicable for 2018 only) (continued)

The bad debt provision for contract assets using the aging analysis method are as follows:

	2018		
	Closing balance of estimated default	Expected credit loss rate (%)	Expected credit loss for the entire duration
1 to 2 years	49,549,600.00	25	12,387,400.00

### 9. Other current assets

	2018	2017
Financial products	–	150,000,000.00
Input VAT to be deducted	85,053,922.47	87,366,638.22
Input VAT to be verified	915,050.93	6,108,242.61
Prepaid income tax	19,766,331.05	12,362,083.70
	<b>105,735,304.45</b>	255,836,964.53

### 10. Available-for-sale financial assets (applicable for 2017 only)

	2017		
	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments			
Measured at fair value (Note 1)	65,357,520.86	49,496,421.18	15,861,099.68
Measured at cost			
Unlisted enterprises' equity (Note 2)	143,562,691.50	–	143,562,691.50
	<b>208,920,212.36</b>	<b>49,496,421.18</b>	<b>159,423,791.18</b>

# Notes to the Financial Statements (continued)

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## V. Notes to key items of the consolidated financial statements (continued)

### 10. Available-for-sale financial assets (applicable for 2017 only) (continued)

Movements in the provision for available-for-sale financial assets are as follows:

	2017			Closing balance
	Opening balance	Provision	Translation differences foreign currency financial statements	
H shares	52,966,280.72	–	(3,469,859.54)	49,496,421.18

Note 1: The available-for-sale equity instruments measured at fair value 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, the stock code of which is 00368) by strategic allotment. Such available-for-sale H shares are measured at fair value.

2017	
Cost	65,197,887.13
Accumulated in other comprehensive income	159,633.73
Accumulated provision for impairment	(49,496,421.18)
Fair value	15,861,099.68

Note 2: As at 31 December 2017, the available-for-sale equity instruments 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. The Group has no plan to dispose of these investments. The details are as follows:

	Investment cost in 2017	Shareholding (%)	Cash dividend in 2017
Qinhuangdao Xin'gangwan Container Terminal Co., Ltd.	60,000,000.00	15.00	–
Jinzhou New Age Container Terminal Co., Ltd.	52,843,634.00	15.00	–
Dalian Xin Bei Liang Co., Ltd.	16,184,400.00	5.89	–
Fujian Ninglian Port Co., Ltd.	12,000,000.00	6.00	–
Da-In Ferry Co., Ltd.	1,900,057.50	7.50	–
Dalian Port Design & Research Institute Co., Ltd.	634,600.00	5.80	261,000.00
	143,562,691.50		261,000.00

As at 31 December 2017, the management of the Group is of the opinion that no impairment provision was necessary for the above equity investments in the unlisted enterprises.



# Notes to the Financial Statements (continued)

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## V. Notes to key items of the consolidated financial statements (continued)

### 11. Long-term equity investments

2018

	Movements in the current year								Closing balance	Balance of provision for impairment at the end of the year
	Opening balance	Increase in investment	Decrease in investment	Share of profit/(loss) under equity method	Other comprehensive income	Other changes in equity	Cash dividends	Provision for impairment		
Joint ventures										
Dalian Port Tongli Shipping Agency Co., Ltd.	1,553,286.13	-	-	329,451.50	-	-	(725,000.00)	-	1,157,737.63	-
Dalian Harbour ECL Logistics Co., Ltd.	31,642,331.03	-	-	1,187,213.88	-	(5,931.95)	(956,323.15)	-	31,867,289.81	-
Odfjell Terminals (Dalian) Co., Ltd.	161,275,711.82	-	-	25,727,166.41	-	(63,911.27)	(22,500,000.00)	-	164,438,966.96	-
Dalian Port PetroChina International Terminal Co., Ltd.	210,260,341.43	-	-	27,916,407.12	-	782,142.85	(6,788,307.00)	-	232,170,584.40	-
Dalian United International Shipping Agency Co., Ltd.	7,716,852.84	-	-	4,513,937.72	-	-	(2,620,000.00)	-	9,610,790.56	-
Dalian Vanguard International Logistics Co., Ltd.	31,203,848.13	-	-	523,990.57	-	53,916.53	-	-	31,781,755.23	-
Dalian Port Yidu Cold Chain Co., Ltd.	328,081,877.49	17,500,000.00	-	11,598,527.48	-	371,755.08	(84,789,824.35)	-	272,762,335.70	-
China United Tally (Dalian) Co., Ltd.	3,013,183.04	-	-	416,317.59	-	133,494.41	(288,940.05)	-	3,274,054.99	-
China Oil Dock Management (Dalian) Co., Ltd.	2,171,883.10	-	-	2,841,415.37	-	-	-	-	5,013,298.47	-
Liaoning Electronic Port Co., Ltd.	5,624,628.60	-	-	(2,348,881.72)	-	-	-	-	3,275,746.88	-
Dalian Dagang China Shipping Container Terminal Co., Ltd.	9,158,016.11	-	-	1,757,858.36	-	90,936.57	(1,967,848.03)	-	9,038,963.01	-
Dalian Jilong Logistics Co., Ltd.	42,205,856.52	-	-	1,955,657.83	-	-	(22,507,539.23)	-	21,653,975.12	-
China United International Rail Containers (Dalian) Co., Ltd.	180,323,412.92	-	-	(2,473,635.63)	-	-	-	-	177,849,777.29	-
Dalian Changxing Island Port Co., Ltd.	143,335,282.66	-	-	(16,177,877.17)	-	38,553.56	-	-	127,195,959.05	-
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	13,712,386.51	-	-	11,312,655.52	-	(38,449.79)	(8,158,439.74)	-	16,828,152.50	-
Odfjell Dalian Port Consulting Co., Ltd.	1,244,149.26	-	-	(110,387.31)	-	-	-	-	1,133,761.95	-

# Notes to the Financial Statements (continued)

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## V. Notes to key items of the consolidated financial statements (continued)

### 11. Long-term equity investments (continued)

2018 (continued)

	Movements in the current year								Closing balance	Balance of provision for impairment at the end of the year
	Opening balance	Increase in investment	Decrease in investment	Share of profit/(loss) under equity method	Other comprehensive income	Other changes in equity	Cash dividends	Provision for impairment		
Dalian Changxing Island Port Investment and Development Co., Ltd.	458,811,769.24	-	-	(27,084,615.88)	-	88,864.49	-	-	431,816,017.85	-
Dalian Shunde Jifa Supply Chain Management Co., Ltd.	9,690,086.59	-	-	(2,080,846.04)	-	-	-	-	7,609,240.55	-
Ha'ou International Logistics Co., Ltd.	-	-	-	13,599,194.74	-	(40,079.34)	-	-	13,559,115.40	-
Odfjell Changxing Terminals (Dalian) Co., Ltd.	10,394,375.04	-	-	(1,370,878.08)	-	-	-	-	9,023,496.96	-
Weifang Senda Container Service Co., Ltd.	1,537,118.56	-	-	784,118.22	-	-	-	-	2,321,236.78	-
Dalian Port Xiangyu Grain Logistics Co., Ltd.	39,843,452.80	-	-	(1,912,035.12)	-	-	-	-	37,931,417.68	-
China Shipping Gang Lian Co., Ltd.	84,301,520.38	-	-	6,751,798.61	-	-	-	-	91,053,318.99	-
Dalian New Silk Road International Logistics Co., Ltd.	2,159,928.34	-	-	495,100.09	-	-	-	-	2,655,028.43	-
Subtotal	1,779,261,298.54	17,500,000.00	-	58,151,654.06	-	1,411,291.14	(151,302,221.55)	-	1,705,022,022.19	-

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 11. Long-term equity investments (continued)

2018 (continued)

	Movements in the current year								Balance of provision for impairment at the end of the year	
	Opening balance	Increase in investment	Decrease in investment	Share of profit/ (loss) under equity method	Other comprehensive income	Other changes in equity	Cash dividends	Provision for impairment		Closing balance
Associates										
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	29,032,422.33	-	-	8,647,178.53	-	-	(1,950,000.00)	-	35,729,600.86	-
Dalian Wanpeng Port Engineering Testing Co., Ltd.	3,466,382.25	-	-	341,718.54	-	-	(400,000.00)	-	3,408,100.79	-
Dalian Puiji Storage Facility Co., Ltd.	122,891,817.88	-	-	(9,754,269.01)	-	-	-	-	113,137,548.87	-
Taicang Xinggang Tug Co., Ltd.	7,746,479.04	4,497,900.00	-	4,297,361.98	-	-	(8,571,420.00)	-	7,970,321.02	-
PetroChina Dalian LNG Co., Ltd.	616,277,108.14	-	-	132,804,873.31	-	(38,724.33)	(69,299,645.51)	-	679,743,611.61	-
Dalian North Oil Petroleum Logistics Co., Ltd.	69,886,134.72	-	-	4,942,447.80	-	-	(2,000,000.00)	-	72,828,582.52	-
Sino Rail Bohai Train Ferry Co., Ltd.	261,332,415.92	-	-	(14,379,637.76)	-	-	(1,906,936.81)	-	245,045,841.35	-
CDC International Logistics Co., Ltd.	129,570,973.04	-	-	9,749,784.60	-	-	-	-	139,320,757.64	-
Dalian Port Corporation Finance Co., Ltd.	930,584,847.02	-	-	45,312,695.08	-	-	-	-	975,897,542.10	-
Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.	920,012.74	-	-	(61,257.62)	-	-	(5,823.26)	-	852,931.86	-
Guangzhou King Port Auto International Trade Co., Ltd.	5,249,441.03	-	(5,653,593.03)	404,152.00	-	-	-	-	-	-
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	5,673,774.01	-	-	117,758.31	-	-	-	-	5,791,532.32	-
Ningbo United King Port Auto Trade Co., Ltd.	9,859,840.82	-	(9,905,901.51)	46,060.69	-	-	-	-	-	-
Dalian Automobile Terminal Co., Ltd.	166,546,488.69	-	-	6,889,741.61	-	(18,818.54)	(4,800,000.00)	-	168,617,411.76	-
Dalian Singamas International Container Co., Ltd.	43,138,701.80	-	-	2,913,382.08	-	65.03	(2,882,714.90)	-	43,169,434.01	-
<b>Subtotal</b>	<b>2,402,176,839.43</b>	<b>4,497,900.00</b>	<b>(15,559,494.54)</b>	<b>192,271,990.14</b>	<b>-</b>	<b>(57,477.84)</b>	<b>(91,816,540.48)</b>	<b>-</b>	<b>2,491,513,216.71</b>	<b>-</b>
<b>Total</b>	<b>4,181,438,137.97</b>	<b>21,997,900.00</b>	<b>(15,559,494.54)</b>	<b>250,423,644.20</b>	<b>-</b>	<b>1,353,813.30</b>	<b>(243,118,762.03)</b>	<b>-</b>	<b>4,196,535,238.90</b>	<b>-</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 11. Long-term equity investments (continued)

2017

	Movements in the current year									Balance of provision for impairment at the end of the year	
	Opening balance	Increase in investment	Decrease in investment	Share of profit/(loss) under equity method	Other comprehensive income	Other changes in equity	Cash dividends	Provision for impairment	Other decrease		Closing balance
Joint ventures											
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	-
Odjfell 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)	-	-

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 11. Long-term equity investments (continued)

2017 (continued)

	Movements in the current year										Balance of provision for impairment at the end of the year
	Opening balance	Increase in investment	Decrease in investment	Share of profit/(loss) under equity method	Other comprehensive income	Other changes in equity	Cash dividends	Provision for impairment	Other decrease	Closing balance	
Dalian Jilong Logistics Co., Ltd.	40,283,495.20	-	-	1,922,361.32	-	-	-	-	-	42,205,856.52	-
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	-
China Shipping Gang Lian Co., Ltd.	78,296,448.99	-	-	6,005,071.39	-	-	-	-	-	84,301,520.38	-
Dalian New Silk Road International Logistics Co., Ltd.	2,039,475.68	-	-	120,452.66	-	-	-	-	-	2,159,928.34	-
Subtotal	2,477,210,281.31	53,980,000.00	-	164,377,761.12	-	366,763.16	(99,177,990.71)	-	(817,495,516.34)	1,779,261,298.54	-

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 11. Long-term equity investments (continued)

2017 (continued)

	Movements in the current year									Balance of provision for impairment at the end of the year	
	Opening balance	Increase in investment	Decrease in investment	Share of profit/(loss) under equity method	Other comprehensive income	Other changes in equity	Cash dividends	Provision for impairment	Other decrease		Closing balance
Associates											
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 Puji 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	-
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	-

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 11. Long-term equity investments (continued)

2017 (continued)

	Movements in the current year									Balance of provision for impairment at the end of the year	
	Opening balance	Increase in investment	Decrease in investment	Share of profit/(loss) under equity method	Other comprehensive income	Other changes in equity	Cash dividends	Provision for impairment	Other decrease		Closing balance
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	5,672,141.67	-	-	1,632.34	-	-	-	-	-	5,673,774.01	-
Ningbo United King Port Auto Trade Co., Ltd.	-	9,800,000.00	-	59,840.82	-	-	-	-	-	9,859,840.82	-
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	-
Subtotal	2,424,946,439.39	9,800,000.00	-	178,863,856.80	-	866,680.40	(212,300,137.16)	-	-	2,402,176,839.43	-
Total	4,902,156,720.70	63,780,000.00	-	343,241,617.92	-	1,233,443.56	(311,478,127.87)	-	(817,495,516.34)	4,181,438,137.97	-

The Company's management believes that no provision for impairment of long-term equity investments is required at balance sheet date.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 12. Other equity instrument investments (applicable to 2018 only)

2018

	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Current dividend income	
				Equity instruments derecognised in the current year	Equity instruments still held
Jinzhou New Times Container Terminal Co., Ltd.	52,843,634.00	24,600,766.52	77,444,400.52	-	7,760,250.43
Qinhuangdao Port Xingangwan Container Terminal Co., Ltd.	60,000,000.00	(18,481,490.35)	41,518,509.65	-	-
Dalian Port Design and Research Institute Co., Ltd.	634,600.00	3,707,884.49	4,342,484.49	-	290,000.00
Da-In Ferry Co., Ltd.	1,900,057.50	6,367,950.01	8,268,007.51	-	-
Fujian Ninglian Port Co., Ltd.	12,000,000.00	(1,717,555.10)	10,282,444.90	-	-
Dalian New Beiliang Co., Ltd.	16,184,400.00	(1,367,661.00)	14,816,739.00	-	-
Other equity instrument investments - H shares	68,340,358.06	(45,866,572.83)	22,473,785.23	-	240,879.35
	<b>211,903,049.56</b>	<b>(32,756,678.26)</b>	<b>179,146,371.30</b>	-	<b>8,291,129.78</b>

During the current year, the Group had no disposal of other equity instrument investments.



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 13. Investment properties

Subsequent measurement under the cost model:

2018

	Buildings	Land use rights	Terminal facilities	Total
Cost				
Opening	114,356,252.78	69,785,783.60	746,469,631.62	930,611,668.00
Transfers from fixed assets	37,794,974.94	-	-	37,794,974.94
Transfers from construction in progress	1,368,117.50	-	5,123,790.80	6,491,908.30
Transfer to fixed assets	(2,040,103.65)	-	(651,947,441.25)	(653,987,544.90)
Transfer to intangible assets	-	(33,714,096.00)	-	(33,714,096.00)
Closing	151,479,241.57	36,071,687.60	99,645,981.17	287,196,910.34
Accumulated depreciation and amortization				
Opening	10,648,441.31	14,629,700.57	194,821,309.36	220,099,451.24
Transfer from fixed assets	20,630,705.08	-	-	20,630,705.08
Provision	2,770,329.24	784,560.00	2,177,973.00	5,732,862.24
Transfer to fixed assets	(1,010,031.84)	-	(153,190,903.58)	(154,200,935.42)
Transfer to intangible assets	-	(7,784,578.94)	-	(7,784,578.94)
Closing	33,039,443.79	7,629,681.63	43,808,378.78	84,477,504.20
Carrying amount				
Closing	118,439,797.78	28,442,005.97	55,837,602.39	202,719,406.14
Opening	103,707,811.47	55,156,083.03	551,648,322.26	710,512,216.76

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 13. Investment properties (continued)

2017

	Buildings	Land use rights	Terminal facilities	Total
Cost				
Opening	30,814,225.78	69,785,783.60	746,469,631.62	847,069,641.00
Business combinations involving enterprises not under common control	83,542,027.00	–	–	83,542,027.00
Closing	114,356,252.78	69,785,783.60	746,469,631.62	930,611,668.00
Accumulated depreciation and amortization				
Opening	9,464,051.69	13,158,265.97	178,991,665.72	201,613,983.38
Provision	1,184,389.62	1,471,434.60	15,829,643.64	18,485,467.86
Closing	10,648,441.31	14,629,700.57	194,821,309.36	220,099,451.24
Carrying amount				
Closing	103,707,811.47	55,156,083.03	551,648,322.26	710,512,216.76
Opening	21,350,174.09	56,627,517.63	567,477,965.90	645,455,657.62

The investment properties above were all leased out under operating leases at the balance sheet date.

Management of the Group is of the opinion that no impairment provision was necessary for the investment properties at the balance sheet date.

# Notes to the Financial Statements (continued)

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## V. Notes to key items of the consolidated financial statements (continued)

### 14. Fixed assets

	2018	2017
Fixed assets	<b>17,188,425,411.67</b>	16,857,245,435.83
Fixed assets pending for disposal	<b>19,881,550.83</b>	3,680,222.04
	<b>17,208,306,962.50</b>	16,860,925,657.87

Changes in fixed assets are as follows:

#### 2018

	Buildings	Terminal facilities	Oil tanks and pipelines	Loading equipment	Transportation equipment	Vessels	Storage facilities	Machinery and equipment	Other equipment	Total
Cost										
Opening	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
Additions	2,456,370.92	962,147.73	-	13,289,543.54	3,857,982.12	-	-	8,072,913.24	9,516,931.30	38,155,888.85
Transfers from construction in progress	315,303,902.27	38,819,112.05	19,601,932.56	38,386,018.37	4,956,700.17	21,571,881.40	160,553,162.63	67,689,253.64	57,913,181.55	724,805,144.64
Transfers from investment properties	2,040,103.65	453,970,783.18	-	-	-	-	184,428,848.42	5,055,167.03	8,491,642.62	653,987,544.90
Transfer to investment properties	(37,794,974.94)	-	-	-	-	-	-	-	-	(37,794,974.94)
Disposal of subsidiaries	-	-	-	-	-	-	-	(8,400.00)	(847,100.47)	(855,500.47)
Disposal or obsolescence	(2,284,444.38)	(22,749,350.72)	-	(9,477,022.52)	(2,006,722.99)	(9,929,437.21)	(2,192,427.83)	(3,287,506.78)	(29,313,029.24)	(81,239,941.67)
Closing	<b>2,105,051,416.23</b>	<b>7,643,406,685.82</b>	<b>2,873,707,918.58</b>	<b>3,954,573,901.79</b>	<b>728,236,392.33</b>	<b>1,880,453,022.21</b>	<b>4,458,248,938.35</b>	<b>1,295,438,560.82</b>	<b>828,815,818.02</b>	<b>25,767,932,654.15</b>
Accumulated depreciation										
Opening	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	685,398,957.67	385,559,514.74	7,613,629,057.01
Depreciation charged	56,222,212.25	164,997,242.54	101,158,488.81	232,321,528.86	30,319,779.99	67,635,121.23	106,514,897.93	78,345,081.52	54,855,610.07	892,369,963.20
Transfers from investment properties	1,010,031.84	95,132,283.72	-	-	-	-	49,277,349.82	4,202,980.13	4,578,289.91	154,200,935.42
Transfer to investment properties	(20,630,705.08)	-	-	-	-	-	-	-	-	(20,630,705.08)
Disposal of subsidiaries	-	-	-	-	-	-	-	(1,605.56)	(283,708.16)	(285,313.72)
Disposal or obsolescence	(815,008.66)	(10,959,674.56)	-	(9,252,129.84)	(1,887,421.49)	(6,705,630.04)	(915,855.39)	(3,067,683.62)	(26,173,290.75)	(59,776,694.35)
Closing	<b>508,068,103.12</b>	<b>1,532,174,096.79</b>	<b>1,177,866,839.39</b>	<b>2,228,672,570.28</b>	<b>349,459,421.60</b>	<b>634,433,382.69</b>	<b>955,418,682.66</b>	<b>774,877,730.14</b>	<b>418,536,415.81</b>	<b>8,579,507,242.48</b>
Carrying amount										
Closing	<b>1,596,983,313.11</b>	<b>6,111,232,589.03</b>	<b>1,695,841,079.19</b>	<b>1,725,901,331.51</b>	<b>378,776,970.73</b>	<b>1,246,019,639.52</b>	<b>3,502,830,255.69</b>	<b>520,560,830.68</b>	<b>410,279,402.21</b>	<b>17,188,425,411.67</b>
Opening	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

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 14. Fixed assets (continued)

Changes in fixed assets are as follows (continued):  
2017

	Buildings	Terminal facilities	Oil tanks and pipelines	Loading equipment	Transportation equipment	Vessels	Storage facilities	Machinery and equipment	Other equipment	Total
Cost										
Opening	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
Additions	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
Reclassifications	-	-	-	-	-	-	(20,277.57)	16,477.57	3,800.00	-
Business combinations 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
Transfer to fixed assets pending for disposal	-	-	-	(44,431,704.30)	(4,383,376.50)	-	-	-	-	(48,815,080.80)
Disposal or obsolescence	(138,000.00)	(9,656.48)	-	(26,745,302.84)	(184,223,763.76)	(3,211,122.78)	-	(952,218.33)	(15,047,199.80)	(230,327,263.99)
Others	(488,655.50)	(470,692.17)	(1,107,505.46)	-	-	-	-	(354,170.48)	-	(2,401,023.61)
Closing	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										
Opening	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
Depreciation charged	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
Reclassifications	-	-	-	-	-	-	-	(927.59)	927.59	-
Transfer to fixed assets pending for disposal	-	-	-	(42,491,331.93)	(4,213,991.44)	-	-	-	-	(46,705,323.37)
Disposal or obsolescence	(75,170.60)	(675.97)	-	(23,070,331.83)	(106,993,612.38)	(3,050,566.64)	-	(863,174.55)	(13,951,832.11)	(148,005,364.08)
Closing	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										
Closing	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
Opening	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

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 14. Fixed assets (continued)

As at 31 December 2018, fixed assets at a carrying amount of RMB547,131,677.27 (31 December 2017: RMB585,015,928.02) were pledged as collateral for the Group's borrowings, please refer to Note V. 59.

As at 31 December 2017, the Group has no temporarily idle fixed assets.

The Company's management is of the view that no provision for impairment of fixed assets is required at the balance sheet date.

Fixed assets held under finance leases are as follows:

#### 2018

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Other equipment	53,744,217.85	21,565,214.03	–	32,179,003.82

#### 2017

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Other equipment	70,899,678.79	23,250,216.81	–	47,649,461.98

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 14. Fixed assets (continued)

Fixed assets held under operating leases are as follows:

	2018 Carrying amount	2017 Carrying amount
Buildings	<b>150,182,812.95</b>	128,532,534.96
Port facilities	<b>218,161,390.46</b>	228,683,212.22
Oil tanks and pipelines	<b>715,208.41</b>	762,708.37
Handling equipment	<b>46,786,206.94</b>	46,847,592.89
Transportation equipment	<b>324,384,600.78</b>	343,852,192.97
Vessels	<b>360,427,150.64</b>	380,617,247.19
Storage facilities	<b>113,698,934.80</b>	77,643,960.66
Machinery and equipment	-	2,472.24
Other equipment	<b>4,030,107.61</b>	18,366,648.12
Total	<b>1,218,386,412.59</b>	1,225,308,569.62

As at 31 December 2018, fixed assets that have not obtained a certificate of title are as follows:

	Carrying amount	Reason for not obtaining a certificate of title
Buildings	<b>626,233,107.85</b>	Under process

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 14. Fixed assets (continued)

#### Clean-up of fixed assets

	2018	2017
Port facilities	<b>10,678,907.45</b>	–
Handling equipment	<b>2,666,216.93</b>	2,452,324.25
Transportation equipment	<b>224,866.55</b>	284,740.33
Buildings	<b>1,376,339.56</b>	–
Machinery and equipment	<b>129,221.61</b>	–
Storage facilities	<b>1,276,572.44</b>	–
Other equipment	<b>3,529,426.29</b>	943,157.46
<b>Total</b>	<b>19,881,550.83</b>	3,680,222.04

The Company's management is of the view that no provision for impairment of clean-up of fixed assets is required at the balance sheet date.

### 15. Construction in progress

	2018			2017		
	Closing balance	Provision for impairment	Carrying amount	Closing balance	Provision for impairment	Carrying amount
Dayao Bay No. 13-16 Berth in Phase II	<b>722,159,172.16</b>	–	<b>722,159,172.16</b>	688,277,007.63	–	688,277,007.63
Project of No. 19 – 21 Berth	<b>512,046,432.65</b>	–	<b>512,046,432.65</b>	498,523,717.65	–	498,523,717.65
New Port No.18-21 Berth	<b>348,864,770.39</b>	–	<b>348,864,770.39</b>	344,466,187.84	–	344,466,187.84
Dalian Automobile Terminal No. 4 berth Project	<b>114,906,114.55</b>	–	<b>114,906,114.55</b>	218,996,346.03	–	218,996,346.03
Dalian Bay Passenger Terminal	–	–	–	154,715,311.75	–	154,715,311.75
Dayao Bay North Shore Automotive Logistics Centre	<b>148,898,592.13</b>	–	<b>148,898,592.13</b>	148,898,592.13	–	148,898,592.13
Ore No.4 Storage Yard	–	–	–	38,840,238.77	–	38,840,238.77
Dalian Bay Groceries and Ro-ro Berth Project	–	–	–	14,976,150.50	–	14,976,150.50
Others	<b>183,469,251.67</b>	–	<b>183,469,251.67</b>	152,916,186.27	–	152,916,186.27
<b>Total</b>	<b>2,030,344,333.55</b>	–	<b>2,030,344,333.55</b>	2,260,609,738.57	–	2,260,609,738.57

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 of 2018  
In RMB

## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 15. Construction in progress (continued)

2018

Project name	Budgeted amount	Opening balance	Increase in the current year	Where: business combinations not involving entities under common control	Transfer to fixed assets, intangible assets and long-term prepaid expenses in the current year	Other decreases	Closing balance	Proportion of expenditures incurred to budgeted amount	Progress of construction	Accumulative amount of capitalised borrowing costs	Including: borrowing costs capitalised in the current year	Capitalisation Rate	Source of funds
Dayao Bay No. 13-16 Berth in Phase II	3,760,000,000.00	683,277,007.63	33,882,164.53	-	-	-	722,159,172.16	93%	93%	237,317,095.64	25,659,837.66	5.31%	Proprietary funds and loans from financial institutions and other sources
Project of No. 19-21 Berth	2,516,823,200.00	493,523,717.65	13,522,715.00	-	-	-	512,046,432.65	20%	20%	65,301,212.07	10,425,827.76	4.54%	Proprietary funds and loans from financial institutions
New Port No. 18-21 Berth	413,770,000.00	344,466,167.84	4,388,582.55	-	-	-	348,854,770.39	86%	86%	83,822,029.54	-	-	loans from financial institutions and other sources
Dalian Automobile Terminal No. 4 berth Project	46,030,000.00	218,956,346.03	83,619,712.96	-	(167,769,944.44)	-	114,906,114.55	85%	85%	32,412,070.21	-	-	Proprietary funds and loans from financial institutions
Dalian Bay Passenger Terminal	383,160,000.00	154,715,311.75	91,627,001.80	-	(246,342,313.55)	-	-	100%	100%	17,365,640.82	7,228,790.94	5.31%	Proprietary funds and loans from financial institutions
Dayao Bay North Shore Automotive Logistics Centre	450,000,000.00	148,858,532.13	-	-	-	-	148,858,532.13	33%	33%	8,054,442.28	-	-	loans from financial institutions and other sources
Ore No.4 Storage Yard	570,600,000.00	38,640,238.77	10,990,446.15	-	(49,639,637.92)	-	-	100%	100%	-	-	-	Fund raising
Dalian Bay Groceries and Revoc Berth Project	700,000,000.00	14,976,150.50	2,648,502.01	-	(17,625,052.51)	-	-	100%	100%	-	-	-	Proprietary funds and loans from financial institutions
Others	1,134,939,881.81	152,916,166.27	289,226,670.78	-	(233,727,908.68)	(51,666.70)	183,469,251.67	-	-	12,115,763.84	1,364,070.56	4.54%	-
Total	10,412,352,881.81	2,260,609,738.57	510,016,188.78	-	(740,229,907.10)	(51,666.70)	2,030,344,333.55	-	-	456,103,257.40	44,678,726.96	-	-



# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 15. Construction in progress (continued)

2017

Project name	Budgeted amount	Opening balance	Increase in the current year	Where business combinations not involving entities under common control	Transfer to fixed assets, intangible assets and long-term prepaid expenses in the current year	Other decreases	Closing balance	Proportion of expenditures incurred to budgeted amount	Progress of construction	Accumulative amount of capitalised borrowing costs	Including borrowing costs capitalised in the current year	Rate	Source of funds
Dayao Bay No. 13-16 Berth in Phase II	3,783,000,000.00	646,548,444.26	39,728,593.37	-	-	-	688,277,037.63	92%	92%	211,651,457.96	27,694,588.93	4.96%	Proprietary funds and loans from financial institutions and other sources
Project of No. 19-21 Berth	2,516,823,200.00	-	500,017,933.65	497,763,783.96	-	(1,491,216.00)	498,523,717.65	19%	19%	54,875,784.31	1,712,935.45	4.53%	Proprietary funds and loans from financial institutions
New Port No.18-21 Berth	413,770,000.00	336,594,575.69	7,881,612.15	-	-	-	344,466,187.84	85%	85%	83,820,029.54	-	-	loans from financial institutions and other sources
Dalian Automobile Terminal No. 4 berth Project	461,050,000.00	198,937,064.34	20,059,261.69	-	-	-	218,996,346.03	80%	80%	32,412,070.21	11,724,629.41	5.02%	Proprietary funds and loans from financial institutions
Dalian Bay Passenger Terminal	383,160,000.00	77,552,082.51	77,789,927.80	-	-	(628,378.36)	154,715,911.75	45%	45%	10,157,849.88	6,839,282.59	4.98%	Proprietary funds and loans from financial institutions
Dayao Bay North Shore Automotive Logistics Centre	450,000,000.00	148,898,532.13	-	-	-	-	148,898,532.13	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%	-	-	-	Fund raising
Dalian Bay Coresheet and Re-on Berth Project	700,000,000.00	16,520,513.47	85,488.20	-	-	(1,629,849.17)	14,976,150.50	99%	99%	-	-	-	Proprietary funds and loans from financial institutions
Others	1,202,087,193.84	151,791,927.12	355,236,822.99	124,528.30	(852,246,773.63)	(1,685,730.21)	152,916,186.27			10,750,899.26	2,899,032.84	5.02%	
Total	10,474,840,883.84	1,616,008,035.15	1,003,484,983.15	497,913,311.96	(852,246,773.63)	(6,636,306.10)	2,260,609,738.57			411,424,530.44	46,871,309.22		

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 16. Intangible assets

2018

	Land use Rights	Port information platform	Customer relationships	Container flat vehicle use rights	Software	Golf membership	Sea area use rights	Port facility use rights	Total
<b>Cost</b>									
Opening balance	1,401,086,736.93	64,310,000.00	15,970,000.00	46,660,098.18	206,450,120.56	1,977,376.00	3,455,982.72	407,216,152.62	2,147,126,467.01
Purchase	122,384,681.96	-	-	-	7,943,589.20	-	-	-	130,328,271.16
Transfers from Construction in progress	-	-	-	-	3,105,086.13	-	-	-	3,105,086.13
Transfers from Investment properties	33,714,096.00	-	-	-	-	-	-	-	33,714,096.00
Disposal or retirement	-	-	-	-	(280,840.51)	-	-	-	(280,840.51)
Disposal of subsidiaries	-	-	-	-	(129,318.65)	-	-	-	(129,318.65)
Closing balance	1,557,185,514.89	64,310,000.00	15,970,000.00	46,660,098.18	217,088,636.73	1,977,376.00	3,455,982.72	407,216,152.62	2,313,863,761.14
<b>Accumulated amortisation</b>									
Opening balance	189,514,780.12	61,630,416.67	15,814,000.00	33,719,021.22	100,523,931.66	989,198.77	2,816,572.42	104,976,800.77	509,984,721.63
Provision for the current year	32,126,539.58	2,679,583.33	156,000.00	2,916,256.08	23,726,300.89	13,756.32	414,717.84	9,320,369.28	71,353,523.32
Transfers from Investment properties	7,784,578.94	-	-	-	-	-	-	-	7,784,578.94
Disposal or retirement	-	-	-	-	(168,679.70)	-	-	-	(168,679.70)
Disposal of subsidiaries	-	-	-	-	(64,176.93)	-	-	-	(64,176.93)
Closing balance	229,425,898.64	64,310,000.00	15,970,000.00	36,635,277.30	124,017,375.92	1,002,955.09	3,231,290.26	114,297,170.05	588,889,967.26
<b>Carrying amount</b>									
At the end of the year	1,327,759,616.25	-	-	10,024,820.88	93,071,260.81	974,420.91	224,692.46	292,918,982.57	1,724,973,793.88
At the beginning of the year	1,211,571,956.81	2,679,583.33	156,000.00	12,941,076.96	105,926,188.90	988,177.23	639,410.30	302,239,351.85	1,637,141,745.38

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 16. Intangible assets (continued)

2017

	Land use Rights	Port information platform	Customer relationships	Container flat vehicle use rights	Software	Golf membership	Sea area use rights	Port facility use rights	Total
Cost									
Opening balance	995,102,462.56	64,310,000.00	15,970,000.00	46,660,098.18	166,780,017.60	1,977,376.00	3,455,982.72	253,448,422.59	1,547,704,359.65
Purchase in current year	-	-	-	-	3,408,400.28	-	-	-	3,408,400.28
Transfers from Construction in progress	-	-	-	-	20,347,246.99	-	-	-	20,347,246.99
Business combinations not involving entities under common control	476,600,822.37	-	-	-	26,374,904.26	-	-	153,767,730.03	656,743,456.66
Other increases	-	-	-	-	3,691.69	-	-	-	3,691.69
Disposal or retirement	-	-	-	-	(1,419,612.51)	-	-	-	(1,419,612.51)
Other decreases	(70,616,548.00)	-	-	-	(9,044,527.75)	-	-	-	(79,661,075.75)
Closing balance	1,401,086,736.93	64,310,000.00	15,970,000.00	46,660,098.18	206,450,120.56	1,977,376.00	3,455,982.72	407,216,152.62	2,147,126,467.01
Accumulated amortisation									
Opening balance	169,873,488.27	55,199,416.67	14,217,000.00	30,711,727.38	85,117,147.36	975,442.45	2,401,854.58	99,065,040.79	457,561,117.50
Provision for the current year	19,641,291.85	6,431,000.00	1,597,000.00	3,007,293.84	16,763,611.83	13,756.32	414,717.84	5,911,759.98	53,780,431.66
Other increases	-	-	-	-	3,691.69	-	-	-	3,691.69
Disposal or retirement	-	-	-	-	(1,360,519.22)	-	-	-	(1,360,519.22)
Closing balance	189,514,780.12	61,630,416.67	15,814,000.00	33,719,021.22	100,523,931.66	989,198.77	2,816,572.42	104,976,800.77	509,984,721.63
Carrying amount									
At the end of the year	1,211,571,956.81	2,679,583.33	156,000.00	12,941,076.96	105,926,188.90	988,177.23	639,410.30	302,239,351.85	1,637,141,745.38
At the beginning of the year	825,228,974.29	9,110,583.33	1,753,000.00	15,948,370.80	81,662,870.24	1,001,933.55	1,054,128.14	154,383,381.80	1,090,143,242.15

As at 31 December 2018, intangible assets at a carrying amount of RMB14,518,901.29 (31 December 2017: RMB14,871,587.05) were pledged as collateral for the Group's long-term borrowings, please refer to Note V. 59.

The Company's management is of the view that no provision for impairment of intangible assets is required at the balance sheet date.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 17. Goodwill

2018

	Opening balance	Increase in the year	Decrease in the year	Closing balance
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
	<b>20,433,690.59</b>	<b>-</b>	<b>-</b>	<b>20,433,690.59</b>

2017

	Opening balance	Increase in the year	Decrease in the year	Closing balance
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
	<b>20,433,690.59</b>	<b>-</b>	<b>-</b>	<b>20,433,690.59</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 17. Goodwill (continued)

The measurement basis for the recoverable amount of the above asset group is as follows:

The recoverable amount of the asset group (Liaoning Con-Rail International Logistics Co., Ltd., Dalian Jiye Logistics Co., Ltd., DCT Logistics Co., Ltd. and Dalian Port Logistic Network Co., Ltd.) was determined according to the present value of expected future cash flows of the asset group. The expected future cash flows were based on financial budgets covering a five-year period approved by management. Cash flows beyond the five-year period are estimated on the basis of fixed growth rate (as described in the table below), and calculated using cash flows expectation method. The main assumptions for the recoverable amount for such asset groups are as follows:

	Liaoning Con-Rail International Logistics Co., Ltd.	Dalian Jiye Logistics Co., Ltd.	DCT Logistics Co., Ltd.	Dalian Port Logistic Network Co., Ltd.
Discount rate	12%	12%	11%	17%
Growth rate	3%	3%	3%	3%

The discount rates adopted above are after-tax discount rates which reflect the specific risk related to the relevant asset group. The growth rates are determined with reference to the expected growth rate of the industry and do not exceed the average growth rate of the industry for a long term. The key assumptions made in determining cash flow projections also include budgetary gross margins, which are determined based on past experience and forecast on market developments by the management.

# Notes to the Financial Statements (continued)

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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 18. Long-term prepaid expenses

2018

	Opening balance	Increase in the year	Amortisation charged in the year	Decrease in the year	Closing balance
Public facilities in bonded port	8,550,672.04	-	(855,067.44)	-	7,695,604.60
Decoration	3,831,819.00	1,446,203.72	(2,061,133.78)	-	3,216,888.94
Site development expenses	12,827,415.23	-	(1,620,305.04)	-	11,207,110.19
Environmental Reconstruction expenses	21,883,421.20	-	(1,197,833.54)	-	20,685,587.66
Reconstruction of No.6 bridge	21,323,321.71	4,884,189.50	(5,161,130.87)	-	21,046,380.34
Rental	22,522,522.50	102,375.14	(22,624,897.64)	-	-
Others	15,844,448.22	1,134,824.59	(4,635,499.21)	-	12,343,773.60
	<b>106,783,619.90</b>	<b>7,567,592.95</b>	<b>(38,155,867.52)</b>	<b>-</b>	<b>76,195,345.33</b>

2017

	Opening balance	Increase in the year	Amortisation charged in the year	Decrease in the year	Closing balance
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
	<b>53,726,901.82</b>	<b>83,936,980.29</b>	<b>(24,085,709.44)</b>	<b>(6,794,552.77)</b>	<b>106,783,619.90</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 19. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities are as follows:

Deferred tax assets before offsetting:

	2018		2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Unrealised profit of intra transaction	191,394,323.28	47,848,580.82	200,118,812.32	50,029,703.08
Difference on depreciation	116,700,533.64	29,175,133.41	92,618,695.96	23,154,673.99
Provision for asset impairments	108,103,077.52	27,025,769.38	8,848,889.32	2,212,222.33
Accrued expenses	17,594,052.72	4,398,513.18	13,594,052.72	3,398,513.18
Changes in fair value of financial assets at fair value through profit	4,115,492.52	1,028,873.13	3,713,432.44	928,358.11
Changes in the fair value of shares of unlisted companies	1,367,661.00	341,915.25	-	-
Deductible losses	-	-	32,617,948.64	8,154,487.16
Others	567,322.00	141,830.50	4,389,684.60	1,097,421.15
	<b>439,842,462.68</b>	<b>109,960,615.67</b>	355,901,516.00	88,975,379.00

Deferred tax liabilities before offsetting:

	2018		2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Difference on depreciation	357,347,916.72	89,336,979.18	370,609,518.38	92,652,379.60
Realisation of business combination in stages	151,564,015.08	37,891,003.77	151,564,015.08	37,891,003.77
Changes in the fair value of shares of unlisted companies	14,477,555.56	3,619,388.90	-	-
Others	38,760,370.04	9,690,092.51	38,760,370.04	9,690,092.51
	<b>562,149,857.40</b>	<b>140,537,464.36</b>	560,933,903.50	140,233,475.88

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 19. Deferred tax assets/liabilities (continued)

Deferred tax assets and deferred tax liabilities are shown on a net basis after offsetting:

	2018		2017	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	<b>(28,812,021.49)</b>	<b>81,148,594.18</b>	(22,974,864.61)	66,000,514.39
Deferred tax liabilities	<b>(28,812,021.49)</b>	<b>111,725,442.87</b>	(22,974,864.61)	117,258,611.27

Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are as follows:

	2018	2017
Deductible losses	<b>432,589,763.51</b>	337,846,896.04
Deductible temporary difference	<b>19,264,706.92</b>	71,135,137.53
Total	<b>451,854,470.43</b>	408,982,033.57

Deductible losses that are not recognised as deferred tax assets will expire in the following years:

	2018	2017
2018	–	47,256,880.39
2019	<b>68,923,485.05</b>	79,243,753.77
2020	<b>39,725,500.81</b>	39,725,500.81
2021	<b>48,824,770.86</b>	48,824,770.86
2022	<b>122,795,990.21</b>	122,795,990.21
2023	<b>152,320,016.58</b>	–
Total	<b>432,589,763.51</b>	337,846,896.04



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 20. Other non-current assets

	2018	2017
Guarantee payment for land bidding	<b>1,860,000.00</b>	118,610,000.00
VAT input to be deducted	<b>32,398,731.85</b>	22,777,426.80
Advances for construction projects	<b>2,041,000.00</b>	1,535,773.58
	<b>36,299,731.85</b>	142,923,200.38

### 21. Provision for asset impairments

2018

	Opening balance	Provisions in the year	Decreases in the year			Closing balance
			Reversal	Write-off	Disposal of subsidiaries	
Provision for bad debts (note)	94,954,400.55	65,514,190.39	-	-	(53,292,001.34)	107,176,589.60
Provision for decline in the value of inventories	14,858,379.36	-	-	-	(7,054,584.56)	7,803,794.80
Contract assets Provision for impairment	-	12,387,400.00	-	-	-	12,387,400.00
	<b>109,812,779.91</b>	<b>77,901,590.39</b>	-	-	<b>(60,346,585.90)</b>	<b>127,367,784.40</b>

2017

	Opening balance	Provisions in the year	Decreases in the year		Closing balance
			Reversal	Write-off	
Provision for bad debts	1,209,192.97	52,873,223.17	-	-	54,082,416.14
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

Note: The Group started to implement the new financial instruments standard on 1 January 2018. On the first implementation date, the Group's original provision for financial asset impairment as of 31 December 2017 was re-measured according to the new financial instruments standard. Please refer to Note III. 34 for accounting policy changes.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 22. Short-term borrowings

	2018	2017
Unsecured	<b>3,373,500,000.00</b>	2,870,853,313.45
Guaranteed	–	30,000,000.00
Impawn	<b>26,036,753.89</b>	370,380,689.29
	<b>3,399,536,753.89</b>	3,271,234,002.74

As at 31 December 2018, the interest for the borrowings above was 4.35%-6.80% (31 December 2017:1.90%-5.80%).

As of 31 December 2018 and 31 December 2017, the Group had no overdue loans.

### 23. Notes payable and accounts payable

As of 31 December 2018 and 31 December 2017, the Group had no notes payable.

#### Accounts payable

Accounts payable are non-interest bearing and are usually settled within 3-6 months.

	2018	2017
Vessel leasing and ocean freight	<b>66,750,317.05</b>	136,760,560.21
Purchase of goods	<b>6,482,312.42</b>	128,393,067.08
Purchase of auxiliary materials	<b>151,209,881.87</b>	115,235,733.54
	<b>224,442,511.34</b>	380,389,360.83

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 23. Notes payable and accounts payable (continued)

#### Accounts payable (continued)

The ageing of accounts payable based on their recording dates is analysed as follows:

	2018	2017
Within 1 year	<b>211,557,703.99</b>	363,505,931.24
1 to 2 years	<b>4,055,467.41</b>	10,213,922.34
2 to 3 years	<b>6,090,455.65</b>	5,347,996.82
Over 3 years	<b>2,738,884.29</b>	1,321,510.43
	<b>224,442,511.34</b>	380,389,360.83

On 31 December 2018, significant accounts payable aged over one year are listed below:

	Amounts payable	Reasons for non-repayment
Purchase of goods	2,631,773.60	Not yet settled
Purchase of auxiliary materials	2,125,080.00	Not yet settled
	<b>4,756,853.60</b>	

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 24. Advances from customers

	2018	2017
Sales of motor vehicles	-	142,493,675.89
Miscellaneous expenses	-	3,994,771.99
Job package fee due within one year (Note V. 34)	-	11,250,000.00
Rental expenses	<b>6,153,114.57</b>	10,338,024.66
Freight	-	5,909,747.73
Prepaid fare	-	4,851,977.84
Others	-	13,392,002.99
	<b>6,153,114.57</b>	192,230,201.10

As of 31 December 2018, the Group had no significant advance receipts aged over one year (31 December 2017: Nil).

### 25. Contract liabilities

	1 January 2018 (New income criteria)	Increased this year	Transfer to income this year	Decreased this year	31 December 2018
Sales of motor vehicles (Note)	142,493,675.89	27,920,317.49	(25,728.40)	(170,388,264.98)	-
Miscellaneous expenses	3,994,771.99	76,486,782.49	(61,478,188.38)	(10,092,880.46)	8,910,485.64
Job package fee due within one year (Note V. 34)	11,250,000.00	15,314,571.00	(9,689,571.00)	-	16,875,000.00
Freight	5,909,747.73	33,212,041.25	(34,500,884.71)	(4,206,017.17)	414,887.10
Loans	-	479,074,883.67	(466,605,042.90)	(4,644,700.40)	7,825,140.37
Others	18,243,980.83	84,343,082.16	(69,237,072.02)	(21,592,265.00)	11,757,725.97
	181,892,176.44	716,351,678.06	(641,536,487.41)	(210,924,128.01)	45,783,239.08

Note: The sales of motor vehicles is the vehicle purchase payment received by Dalian United King Port Auto Trade Co., Ltd., a subsidiary of the Group. The Group transferred the entire equity of King Port Auto to PDA Group this year. From 30 June 2018, King Port Auto will no longer be included in the scope of the Group's consolidation. See Note VI. Changes in the scope of consolidation.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 26. Employee benefits payable

2018

	Opening balance	Increased this year	Decreased this year	Closing balance
Short-term employee benefits	241,069,727.91	1,496,904,347.10	1,481,401,998.62	256,572,076.39
Post-employment benefits (defined contribution plan)	9,598,572.87	183,130,813.52	188,447,436.40	4,281,949.99
	<b>250,668,300.78</b>	<b>1,680,035,160.62</b>	<b>1,669,849,435.02</b>	<b>260,854,026.38</b>

2017

	Opening balance	Increased this year	Decreased this year	Closing balance
Short-term employee benefits	220,882,346.04	1,374,583,155.54	1,354,395,773.67	241,069,727.91
Post-employment benefits (defined contribution plan)	7,548,315.25	170,472,942.68	168,422,685.06	9,598,572.87
	<b>228,430,661.29</b>	<b>1,545,056,098.22</b>	<b>1,522,818,458.73</b>	<b>250,668,300.78</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 26. Employee benefits payable (continued)

Short-term employee benefits are as follows:

2018

	Opening balance	Increased this year	Decreased this year	Closing balance
Wages and salaries, bonus, allowances and subsidies	217,172,195.75	871,660,598.59	870,118,124.98	218,714,669.36
Staff welfare	2,667,529.04	70,866,818.78	72,873,385.48	660,962.34
Social insurance contributions	107,230.50	80,324,887.19	80,325,566.19	106,551.50
Including: Medical insurance	97,301.46	63,357,095.01	63,357,095.01	97,301.46
Work injury insurance	7,754.26	5,738,933.14	5,739,612.14	7,075.26
Maternity insurance	2,174.78	9,374,229.33	9,374,229.33	2,174.78
Others	-	1,854,629.71	1,854,629.71	-
Housing funds	-	130,982,348.34	130,982,348.34	-
Labour union funds and employee education funds	2,194,772.61	27,172,808.23	26,858,183.78	2,509,397.06
Labour costs	2,741,060.96	302,999,328.69	290,264,595.08	15,475,794.57
Other short-term employee benefits	16,186,939.05	12,897,557.28	9,979,794.77	19,104,701.56
	<b>241,069,727.91</b>	<b>1,496,904,347.10</b>	<b>1,481,401,998.62</b>	<b>256,572,076.39</b>

2017

	Opening balance	Increased this year	Decreased this year	Closing balance
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 fund	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
	<b>220,882,346.04</b>	<b>1,374,583,155.54</b>	<b>1,354,395,773.67</b>	<b>241,069,727.91</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 26. Employee benefits payable (continued)

Defined contribution plans are as follows:

#### 2018

	Opening balance	Increased this year	Decreased this year	Closing balance
Basic pensions	264,345.12	142,306,121.14	142,306,121.14	264,345.12
Payment of annuity (Note)	9,312,345.37	36,869,720.53	42,186,343.41	3,995,722.49
Unemployment insurance	21,882.38	3,954,971.85	3,954,971.85	21,882.38
	<b>9,598,572.87</b>	<b>183,130,813.52</b>	<b>188,447,436.40</b>	<b>4,281,949.99</b>

#### 2017

	Opening balance	Increased this year	Decreased this year	Closing balance
Basic pensions	264,345.12	132,010,353.33	132,010,353.33	264,345.12
Payment of annuity (Note)	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
	<b>7,548,315.25</b>	<b>170,472,942.68</b>	<b>168,422,685.06</b>	<b>9,598,572.87</b>

Note: The Group entrusts an independent third party to operate a defined contribution pension plan that requires payment of fees to an independently managed fund. According to the pension plan, the maximum amount of corporate contributions shall be subject to the national regulations, which is 8% of the total salary of the Group in the previous year. The total contributions of enterprises and individual employees do not exceed 12% of the total salary of the Group in the previous year. The amount of corporate contributions of the Group this year is calculated based on 5% of the total salary of the previous year.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 27. Taxes payable

	2018	2017
Corporate income tax	<b>42,033,433.00</b>	37,734,825.66
VAT	<b>4,617,737.77</b>	25,286,101.86
Individual income tax	<b>2,047,322.93</b>	3,709,965.90
City maintenance and construction tax	<b>347,744.57</b>	367,759.28
Educational surcharge	<b>255,385.32</b>	262,861.08
Import tariff and consumption tax	-	56,619,337.45
Environmental tax payable	<b>1,065,617.43</b>	-
Others	<b>3,746,002.91</b>	3,333,908.70
	<b>54,113,243.93</b>	127,314,759.93

### 28. Other payables

	2018	2017
Interest payable	<b>170,266,834.18</b>	182,382,996.32
Dividends payable	<b>220,370,685.87</b>	93,770,654.70
Other payables	<b>520,393,447.57</b>	533,050,100.81
	<b>911,030,967.62</b>	809,203,751.83

#### *Interest payable*

	2018	2017
Interest of short-term borrowings	<b>4,534,676.42</b>	9,313,708.41
Interest of bonds	<b>162,221,889.64</b>	168,008,750.05
Interest of long-term borrowings with instalment payments and principal due for maturity	<b>3,510,268.12</b>	5,060,537.86
	<b>170,266,834.18</b>	182,382,996.32



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 28. Other payables (continued)

#### Dividends payable

	2018	2017
Singapore Dalian Port Investment Pte. Ltd.	<b>107,025,432.70</b>	34,641,594.77
China Shipping Terminal Development Co., Ltd.	<b>32,060,365.06</b>	18,347,524.17
NYK	<b>30,275,340.05</b>	11,435,899.96
COSCO Terminal (DALIAN) Company Limited	<b>19,225,945.87</b>	7,262,213.84
China Shipping Port Development Co., Ltd.	<b>16,176,313.07</b>	6,110,276.47
PSA China Pte Ltd	<b>7,888,266.76</b>	8,764,740.84
Dalian Bonded Zhengtong Company Limited	<b>5,779,554.22</b>	5,779,554.22
NYK Bulk & Projects Carriers Ltd.	<b>1,285,945.46</b>	775,327.75
Others	<b>653,522.68</b>	653,522.68
	<b>220,370,685.87</b>	93,770,654.70

#### Other payables

	2018	2017
Project expenses payable	<b>299,832,998.16</b>	264,072,609.65
Borrowings from related parties	–	48,000,000.00
Guaranty	<b>33,218,869.67</b>	35,459,014.35
Down payment	<b>4,407,940.29</b>	25,822,249.63
Port construction expenses collected for other companies	<b>14,675,052.30</b>	22,248,576.83
Freight forwarding	<b>29,453,362.07</b>	20,383,300.46
Security expenses payable to the Bureau of Port	<b>17,594,052.70</b>	13,594,052.70
Land compensation	<b>27,570,000.00</b>	–
Compensation received for other companies	<b>2,278,443.92</b>	10,870,828.55
Fares collected for other companies	<b>8,730,614.23</b>	4,018,468.45
Watercourse maintenance fee	<b>3,832,886.91</b>	3,832,886.91
Maintenance and repair payments and outstanding payments	<b>8,714,539.99</b>	5,622,770.27
Others	<b>70,084,687.33</b>	79,125,343.01
	<b>520,393,447.57</b>	533,050,100.81

# Notes to the Financial Statements (continued)

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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 28. Other payables (continued)

#### Other payables (continued)

As of 31 December 2018, the Group's important other payables aged over one year are as follows:

	Amounts payable	Reasons for non-repayment
Project Payment and Quality Guarantee	27,457,489.00	Not yet settled
Security expenses to the Bureau of Port	13,594,052.70	Not yet settled
	<u>41,051,541.70</u>	

### 29. Current portion of non-current liabilities

	2018	2017
Current portion of long-term borrowings (Note V.30)	<b>733,459,711.40</b>	652,005,906.51
Current portion of bonds payable (Note V.31)	-	3,449,545,262.51
Current portion of long-term payables (Note)	<b>66,616,470.17</b>	56,776,903.92
	<u><b>800,076,181.57</b></u>	<u>4,158,328,072.94</u>

Note: The current portion of long-term payables are the payables for finance lease and bond underwriting fees, the details of which are as follows:

	2018	2017
Payable for finance lease	<b>59,116,470.17</b>	58,620,930.22
Unrecognised finance charge	-	(1,844,026.30)
Bond underwriting fees payable	<b>7,500,000.00</b>	-
	<u><b>66,616,470.17</b></u>	<u>56,776,903.92</u>

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 30. Long-term borrowings

	2018	2017
Pledged	<b>541,340,927.22</b>	649,409,158.06
Unsecured	<b>2,244,144,801.30</b>	2,584,140,684.04
	<b>2,785,485,728.52</b>	3,233,549,842.10
Less: Current portion of long-term borrowings		
Pledged	<b>497,340,927.22</b>	121,010,023.77
Unsecured	<b>236,118,784.18</b>	530,995,882.74
	<b>733,459,711.40</b>	652,005,906.51
	<b>2,052,026,017.12</b>	2,581,543,935.59

On 31 December 2018, the annual interest rate of the above borrowings was 4.28%-4.90% (31 December 2017: 2.69%-6.00%).

The long-term borrowings maturity date is analyzed as follows:

	2018	2017
Expired within 1 year (including 1 year)	<b>733,459,711.40</b>	652,005,906.51
Expired within 2 years (including 2 years)	<b>675,150,797.12</b>	604,399,134.29
Expired within 3 to 5 years (including 3 years and 5 years)	<b>59,000,000.00</b>	1,105,269,581.30
More than 5 years	<b>1,317,875,220.00</b>	871,875,220.00
	<b>2,785,485,728.52</b>	3,233,549,842.10

### 31. Bonds payable

	2018	2017
Corporate bonds	<b>5,873,223,359.39</b>	6,854,043,910.30
Less: Current portion of bonds payable	-	3,449,545,262.51
	<b>5,873,223,359.39</b>	3,404,498,647.79

# Notes to the Financial Statements (continued)

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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 31. Bonds payable (continued)

As of 31 December 2018, the balance of bonds payable is as follows:

	Par value	Issuance date	Maturity	Issuance amount	Opening balance	Issued this year	Interest accrued this year	Amortization of discount	Repayment this year	Closing balance
Corporate bonds (Note 1)	100.00	23 May 2011	10	2,350,000,000.00	2,340,072,819.54	-	124,550,000.01	2,754,163.35	-	2,342,826,982.89
Corporate bonds (Note 2)	100.00	26 September 2011	7	2,650,000,000.00	2,650,000,000.00	-	117,278,835.49	-	2,650,000,000.00	-
Corporate bonds (Note 3)	100.00	17 February 2015	3	800,000,000.00	799,545,262.51	-	5,128,646.57	454,737.49	800,000,000.00	-
Corporate bonds (Note 1)	100.00	26 April 2017	5	1,070,000,000.00	1,064,425,828.25	-	51,359,999.98	1,191,184.00	-	1,065,617,012.25
Medium-term notes (Note 5)	100.00	3 August 2018	5	2,500,000,000.00	-	2,500,000,000.00	50,574,657.54	(35,220,635.75)	-	2,464,779,364.25

As of 31 December 2017, the balance of bonds payable is as follows:

	Par value	Issuance date	Maturity	Issuance amount	Opening balance	Issued this year	Interest accrued this year	Amortization of discount	Repayment this year	Closing balance
Corporate bonds (Note 1)	100.00	23 May 2011	10	2,350,000,000.00	2,337,460,792.60	-	124,550,000.01	2,612,026.94	-	2,340,072,819.54
Corporate bonds (Note 2)	100.00	26 September 2011	7	2,650,000,000.00	2,650,000,000.00	-	160,325,000.02	-	-	2,650,000,000.00
Corporate bonds (Note 3)	100.00	17 February 2015	3	800,000,000.00	796,683,880.19	-	36,000,000.00	2,861,382.32	-	799,545,262.51
Corporate bonds (Note 4)	100.00	26 April 2017	5	-	-	1,070,000,000.00	35,037,369.84	(5,574,171.75)	-	1,064,425,828.25

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 31. Bonds payable (continued)

Note 1: 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. The related issuance expense amounts to RMB25,156,495.00. As at 31 December 2018, bonds payable with a par value of RMB2,350,000,000.00 (31 December 2017: RMB2,350,000,000.00) were secured with an unconditional and irrevocable guarantee provided by PDA Group, the parent company of the Company.

Note 2: 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, and related issuance expense amounts to RMB27,775,729.25. They were secured with an unconditional and irrevocable guarantee provided by PDA Group, the parent company of the Company. On 25 September 2018, bonds payable with a par value of RMB2,650,000,000.00 have been repaid.

Note 3: Approved by the Hong Kong Stock Exchange (Ref. No. LD059/19), Asia Pacific Port Development Co., Ltd., a subsidiary of the Company, issued corporate bonds on 17 February 2015. The bond has a fixed interest rate of 4.5% and pays interest semi-annually. The related issuance expenses are RMB23,424,000.00. The irrevocable standby letter of credit is provided by the Agricultural Bank of China Limited Dalian Branch. On 17 February 2018, bonds payable with a par value of RMB800,000,000.00 have been repaid.

Note 4: 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. The related issuance expense amounts to RMB6,360,413.25.

Note 5: According to the Notice of Acceptance of Registration (ZhongShiXieZhu[2018]MTN360) issued by National Association of Financial Market Institutional Investors on 25 June 2018, the Company issued medium-term notes on 3 August 2018. The bond pays interest once a year at a fixed annual rate of 4.89%, and the relevant issuance fee is RMB38,056,000.00.

### 32. Long-term payables

	2018	2017
Bond underwriting fee	30,000,000.00	—
Equity repurchase (Note)	17,500,000.00	—
	47,500,000.00	—
Less: Current portion of long-term payables		
Bond underwriting fee	7,500,000.00	—
	40,000,000.00	—

Note: China Development Fund Co., Ltd. (hereinafter referred to as "China Development Fund") increased the capital of RMB35 million of Dalian Port Yidu Cold Chain Co., Ltd., a joint venture of Dalian Port Jifa Logistics Co., Ltd. (hereinafter referred to as "Jifa Logistics"), a subsidiary of the Group. After the capital increase, the shareholding ratio of Jifa Logistics decreased from 50% to 46.6%. According to the investment contract, Jifa Logistics has the obligation to unconditionally repurchase the shares held by the China Development Fund before the capital increase. The Group confirms the long-term payable according to the repurchase obligation.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 32. Long-term payables (continued)

The long-term payable maturity date is analyzed as follows:

	2018	2017
Expired within 1 year (including 1 year)	7,500,000.00	–
Expired within 2 years (including 2 years)	7,500,000.00	–
Expired within 3 to 5 years (including 3 years and 5 years)	15,000,000.00	–
More than 5 years	17,500,000.00	–
	<b>47,500,000.00</b>	–

### 33. Deferred income

2018

	Opening balance	Increased this year	Decreased this year	Closing balance
Government grants	570,082,092.47	66,556,438.01	48,877,956.52	587,760,573.96

2017

	Opening balance	Increased this year	Decreased this year	Closing balance
Government grants	565,971,998.11	80,119,655.20	76,009,560.84	570,082,092.47

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 33. Deferred income (continued)

On 31 December 2018, the liabilities related to government grants were as follows:

	Opening balance	Increased this year	Amount recognised in other income	Amount recognised in non-operating income	Closing balance	Related to assets/income
Relocation compensation	423,631,966.51	-	30,836,231.06	-	392,795,735.45	Related to assets
Production safety fund	29,527,500.00	98,926.23	1,270,329.76	-	28,356,096.47	Related to assets
Sea-railway transportation subsidies	16,680,000.00	-	2,191,030.89	-	14,488,969.11	Related to assets
Transport junction passenger station project	80,000,000.00	30,000,000.00	568,814.24	-	109,431,185.76	Related to assets
Operation subsidies	712,676.19	10,797,800.00	2,760,476.19	-	8,750,000.00	Related to income
Log process project	8,300,000.00	-	-	-	8,300,000.00	Related to assets
Stable position subsidies	-	5,258,711.78	5,258,711.78	-	-	Related to income
Foreign trade and economic development special funds	-	1,000,000.00	1,000,000.00	-	-	Related to income
Energy conservation and emission reduction special fund	3,827,813.11	9,052,900.00	3,250,821.15	-	9,629,891.96	Related to assets
Vessel acquisition subsidies	2,083,663.52	-	776,217.56	-	1,307,445.96	Related to assets
Equipment reconstruction subsidies	2,049,769.14	8,393,200.00	451,449.99	-	9,991,519.15	Related to assets
Others	3,268,704.00	1,954,900.00	513,621.67	252.23	4,709,730.10	Related to assets
	<b>570,082,092.47</b>	<b>66,556,438.01</b>	<b>48,877,704.29</b>	<b>252.23</b>	<b>587,760,573.96</b>	

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 33. Deferred income (continued)

On 31 December 2017, the liabilities related to government grants were as follows:

	Opening balance	Increased this year	Amount recognised in other income	Amount recognised in non-operating income	Closing balance	Related to assets/income
Relocation compensation	456,778,631.30	–	33,146,664.79	–	423,631,966.51	Related to assets
Production safety fund	30,797,500.00	–	1,270,000.00	–	29,527,500.00	Related to assets
Foreign trade and economic development special funds	21,094,366.00	–	21,094,366.00	–	–	Related to income
Sea-railway transportation subsidies	10,340,000.00	6,340,000.00	–	–	16,680,000.00	Related to assets
Transport junction passenger station project	10,000,000.00	70,000,000.00	–	–	80,000,000.00	Related to assets
Operation subsidies	9,778,476.19	1,053,700.00	10,119,500.00	–	712,676.19	Related to income
Log process project	8,300,000.00	–	–	–	8,300,000.00	Related to assets
Stable position subsidies	8,002,109.79	–	8,002,109.79	–	–	Related to income
Energy conservation and emission reduction special fund	3,007,876.79	1,693,010.00	873,073.68	–	3,827,813.11	Related to assets
Vessel acquisition subsidies	2,874,881.08	–	791,217.56	–	2,083,663.52	Related to assets
Equipment reconstruction subsidies	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 of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 34. Other non-current liabilities

	2018	2017
All-in charges for cargo handling	<b>105,416,797.00</b>	110,165,093.00
Less: The portion due within one year	<b>16,875,000.00</b>	11,250,000.00
	<b>88,541,797.00</b>	98,915,093.00

In 18 January 2013, the Company entered into a cooperation agreement 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, and the last three years represent the preferential period. On 1 June 2016, the Company signed a supplementary agreement with Chinatex Grains and Oils (Heilongjiang) Co., Ltd., and the cooperation period was extended for three years, that is, the first year to the seventh year is the interest-bearing deduction period for prepaid full-service logistics package fees. The eighth to tenth years are non-interest-bearing deduction periods, and the eleventh to thirteenth years are preferential periods.

### 35. Share capital

#### 2018 and 2017

	Opening and closing balance
RMB-denominated ordinary shares	7,735,820,000.00
Foreign shares listed overseas	5,158,715,999.00
	<b>12,894,535,999.00</b>

As at 31 December 2018, 722,166,000 shares of foreign shares listed overseas were held by PDA Group through HKSCC Nominees Limited (31 December 2017: 722,166,000 shares).

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 36. Capital surplus

2018

	Opening balance	Increased this year	Decreased this year	Closing balance
Capital premium	2,910,765,975.69	–	–	2,910,765,975.69
Others (Note)	17,838,739.68	38,824,716.45	32,235,925.50	24,427,530.63
	<b>2,928,604,715.37</b>	<b>38,824,716.45</b>	<b>32,235,925.50</b>	<b>2,935,193,506.32</b>

2017

	Opening balance	Increased this year	Decreased this year	Closing balance
Capital premium	2,910,765,975.69	–	–	2,910,765,975.69
Others	20,178,710.27	1,233,443.56	3,573,414.15	17,838,739.68
	<b>2,930,944,685.96</b>	<b>1,233,443.56</b>	<b>3,573,414.15</b>	<b>2,928,604,715.37</b>

Note: The Group transferred the entire shareholding of its subsidiary, King Port Auto, and the difference of the transfer consideration and the book value of King Port Auto's equity held by the Group amounted to RMB37,470,903.15, which is included in the capital reserve. See Note VI.1.

The joint ventures and affiliates invested by the Group extracted special reserves this year, resulting in an increase in capital reserve of RMB1,353,813.30 (2017: RMB1,233,443.56).

The Group acquired minority shareholders' equity of the subsidiary this year, and the capital reserve decreased by RMB32,235,925.50.

# Notes to the Financial Statements (continued)

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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 37. Other comprehensive income

Cumulative balance of other comprehensive income attributable to shareholders of the parent company in the consolidated balance sheet:

	1 January 2018	Increase or decrease	31 December 2018
Changes in fair value of other equity instruments investment (Note)	(22,440,514.85)	(10,409,767.71)	(32,850,282.56)
Differences on translation of foreign currency financial statements	29,238,550.42	9,535,732.91	38,774,283.33
	<b>6,798,035.57</b>	<b>(874,034.80)</b>	<b>5,924,000.77</b>
	1 January 2017	Increase or decrease	31 December 2017
Other comprehensive income of convertible gains and losses under the equity method	(755,666.78)	755,666.78	-
Changes in fair value of available-for-sale financial assets	(4,520,209.49)	4,679,843.22	159,633.73
Differences on translation of foreign currency financial statements	52,651,443.26	(23,412,892.84)	29,238,550.42
	<b>47,375,566.99</b>	<b>(17,977,382.84)</b>	<b>29,398,184.15</b>

Note: The Group implemented the new financial instrument standard on 1 January 2018. On the first implementation date, the carrying amount of the Group's original financial assets as of 31 December 2017 was re-measured according to the new financial instrument standard. Other comprehensive income attributable to shareholders of the parent is RMB22,600,148.58. See Note III. 34 Changes in accounting policies.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 37. Other comprehensive income (continued)

The current amount of other comprehensive income in the consolidated income statement:

2018

	Amount incurred before tax	Less: Previously included in other comprehensive income, transferred to current profit and loss	Less: Previously included in other comprehensive income, transferred to retained profit and loss	Less: Income tax	Attributable to equity owners of the Company	Attributable to minority shareholders
Changes in fair value of other equity instruments investment	(16,141,975.31)	-	-	(5,499,466.60)	(10,409,767.71)	(232,741.00)
Differences on translation of foreign currency financial statements	9,535,732.91	-	-	-	9,535,732.91	-
	(6,606,242.40)	-	-	(5,499,466.60)	(874,034.80)	(232,741.00)

2017

	Amount incurred before tax	Less: Previously included in other comprehensive income, transferred to current profit and loss	Less: Income tax	Attributable to equity owners of the Company	Attributable to minority shareholders
Other comprehensive income of convertible gains and losses under the equity method	-	755,666.78	-	755,666.78	-
Changes in fair value of available-for-sale financial assets	4,679,843.22	-	-	4,679,843.22	-
Differences on translation of foreign currency financial statements	(23,412,892.84)	-	-	(23,412,892.84)	-
	(18,733,049.62)	755,666.78	-	(17,977,382.84)	-

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 38. Special reserves

2018

	Opening balance	Increased this year	Decreased this year	Closing balance
Safety production fee	32,603,491.61	33,545,882.09	33,969,785.23	32,179,588.47

2017

	Opening balance	Increased this year	Decreased this year	Closing balance
Safety production fee	29,604,575.28	28,630,104.05	25,631,187.72	32,603,491.61

### 39. Surplus reserve

2018

	Opening balance	Increased this year	Decreased this year	Closing balance
Statutory surplus reserve	757,741,900.17	65,282,172.63	–	823,024,072.80
Reserve fund	353,065.88	–	–	353,065.88
Discretionary surplus reserve	620,468.49	–	–	620,468.49
	758,715,434.54	65,282,172.63	–	823,997,607.17

2017

	Opening balance	Increased this year	Decreased this year	Closing balance
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

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.

After the Company withdraws the statutory surplus reserve, it can withdraw the discretionary surplus reserve. 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)

For the Year of 2018  
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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 40. Undistributed profits

	2018	2017
Undistributed profit at the end of the previous year before adjustment	<b>1,416,071,539.76</b>	1,194,212,957.96
Changes in accounting policies (Note III. 34)	<b>12,944,295.94</b>	-
Undistributed profit at the beginning of the year after adjustment	<b>1,429,015,835.70</b>	1,194,212,957.96
Net profit attributable to equity owners of the Company	<b>523,315,600.09</b>	500,779,944.29
Less: Appropriation to statutory surplus reserve	<b>65,282,172.63</b>	82,072,293.76
Ordinary share cash dividends Payable (Note)	<b>296,574,327.98</b>	193,418,039.99
Appropriation to employees' bonus and welfare fund in subsidiaries	<b>5,939,372.96</b>	3,433,841.52
Add: Others	<b>-</b>	2,812.78
Undistributed profits at the end of the year	<b>1,584,535,562.22</b>	1,416,071,539.76

Note: According to the resolution of the board of directors held on 26 March 2018, the profit distribution for 2017 is calculated based on the number of ordinary shares outstanding 12,894,535,999 shares, and a cash dividend of RMB0.23 (including tax) is distributed to all shareholders for every 10 shares. Cash dividends of RMB296,574,327.98 were distributed. The above dividend distribution plan has been approved by the shareholders meeting held on 28 June 2018.

# Notes to the Financial Statements (continued)

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## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 41. Revenue and cost of sales

	2018		2017	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operations	<b>6,440,045,307.27</b>	<b>4,892,967,432.46</b>	8,584,027,116.26	7,290,497,966.48
Other operations	<b>314,399,595.11</b>	<b>248,767,750.04</b>	447,616,233.96	277,704,541.20
	<b>6,754,444,902.38</b>	<b>5,141,735,182.50</b>	9,031,643,350.22	7,568,202,507.68

Revenue is as follows:

	2018	2017
Revenue from commodity trading	<b>782,137,812.16</b>	3,618,506,281.08
Revenue from port handling services	<b>3,575,979,969.78</b>	2,725,102,087.18
Revenue from agency services	<b>697,112,609.68</b>	949,113,027.69
Revenue from logistics services	<b>744,640,209.98</b>	535,836,818.43
Revenue from leasing services	<b>141,738,461.28</b>	263,320,406.76
Revenue from port management services	<b>244,384,285.47</b>	246,769,760.49
Revenue from project construction and inspection services	<b>114,113,610.08</b>	123,838,092.30
Revenue from electric supply services	<b>59,987,976.46</b>	94,089,108.03
Revenue from information services	<b>73,554,855.93</b>	80,683,188.91
Revenue from tallying services	<b>64,790,839.86</b>	65,361,589.04
Revenue from sales of goods	<b>31,944,878.61</b>	32,609,559.33
Revenue from others	<b>224,059,393.09</b>	296,413,430.98
	<b>6,754,444,902.38</b>	9,031,643,350.22

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to Key Items of the Consolidated Financial Statements (continued)

### 41. Revenue and cost of sales (continued)

The composition of the revenue of 2018 is as follows:

Reporting segment	Commodity	Labour services or services	Others	Total
Principal business segment				
Container terminal and logistics and trade services	205,384,780.26	2,417,902,463.16	141,947,344.80	2,765,234,588.22
Oil/liquefied chemicals terminal and logistics and trade services	136,524,808.10	1,005,945,027.35	52,640,098.86	1,195,109,934.31
Bulk and general cargo terminal and logistics services	810,117.65	969,554,089.68	4,444,489.99	974,808,697.32
Bulk grain terminal and logistics and trade services	245,123,481.66	138,007,598.49	6,125,099.71	389,256,179.86
Passenger and roll-on/roll-off terminal and logistics services	756,513.74	165,200,760.16	11,302,986.71	177,260,260.61
Port value-added services and ancillary port operations	55,817,510.90	747,852,634.31	127,501,314.00	931,171,459.21
Automobile terminal and related logistics services and trading business	229,653,454.92	4,573,416.03	42,496.32	234,269,367.27
Others	–	65,540,391.60	21,794,023.98	87,334,415.58
	874,070,667.23	5,514,576,380.78	365,797,854.37	6,754,444,902.38



# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 41. Revenue and cost of sales (continued)

The composition of the revenue of 2018 is as follows (continued):

Reporting segment	Commodity	Labour services or services	Others	Total
Time of revenue recognition				
Recognised at a certain point of time				
Revenue from sales of goods	31,944,878.61	–	–	31,944,878.61
Revenue from electric supply services	59,987,976.46	–	–	59,987,976.46
Revenue from commodity trading	782,137,812.16	–	–	782,137,812.16
Recognised over a certain period				
Revenue from agency services	–	697,112,609.68	–	697,112,609.68
Revenue from project construction and inspection services	–	114,113,610.08	–	114,113,610.08
Revenue from logistics services	–	744,640,209.98	–	744,640,209.98
Revenue from port handling services	–	3,575,979,969.78	–	3,575,979,969.78
Revenue from port management services	–	244,384,285.47	–	244,384,285.47
Revenue from tallying services	–	64,790,839.86	–	64,790,839.86
Revenue from information services	–	73,554,855.93	–	73,554,855.93
Revenue from others	–	–	224,059,393.09	224,059,393.09
Others				
Revenue from leasing services	–	–	141,738,461.28	141,738,461.28
	874,070,667.23	5,514,576,380.78	365,797,854.37	6,754,444,902.38

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 42. Taxes and surcharges

	2018	2017
Property tax	<b>14,324,548.27</b>	12,569,732.06
Land use tax	<b>18,238,252.51</b>	11,808,910.04
City maintenance and construction tax	<b>8,040,451.10</b>	8,637,534.75
Educational surcharge	<b>5,750,969.82</b>	6,179,672.15
Stamp duty	<b>3,309,038.58</b>	4,378,341.51
Vehicle and vessel use tax	<b>1,644,434.09</b>	1,467,863.61
Environmental protection tax	<b>3,855,885.24</b>	-
Business tax	-	370,562.42
	<b>55,163,579.61</b>	45,412,616.54

### 43. General and administrative expenses

	2018	2017
Payroll	<b>467,197,678.82</b>	441,458,573.25
Depreciation and amortisation	<b>46,088,225.64</b>	47,640,441.66
Rental expenses	<b>20,775,821.98</b>	25,169,630.35
Business entertainment expenses	<b>16,414,782.47</b>	17,625,014.32
Office charges	<b>8,649,856.00</b>	7,432,557.60
Property insurance expenses	<b>7,379,946.36</b>	6,711,346.88
Audit fee	<b>5,905,506.94</b>	5,377,649.86
Others	<b>117,872,848.69</b>	102,415,379.53
	<b>690,284,666.90</b>	653,830,593.45

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 44. Research and development expenses

	2018	2017
Payroll	<b>9,875,757.95</b>	4,589,845.29
Depreciation and amortisation	<b>441,686.20</b>	1,470,109.68
Others	<b>1,406,782.73</b>	2,454,838.08
	<b>11,724,226.88</b>	8,514,793.05

### 45. Financial expenses

	2018	2017
Interest costs	<b>640,780,966.26</b>	573,759,310.24
Less: Capitalised interest	<b>(44,678,726.96)</b>	(45,871,309.22)
Interest expenses	<b>596,102,239.30</b>	527,888,001.02
Less: Interest income	<b>(128,417,485.76)</b>	(118,268,304.97)
Foreign exchange (gains)/losses	<b>(181,313,131.35)</b>	220,557,546.32
Others	<b>1,935,321.13</b>	9,676,019.74
	<b>288,306,943.32</b>	639,853,262.11

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

The details of interest income are as follows:

	2018	2017
Cash at bank and on hand	<b>(128,417,485.76)</b>	(118,268,304.97)

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 46. Asset impairment losses

	2018	2017
Impairment losses on bad debts (applicable to 2017 only)	-	52,863,223.17
Impairment losses on inventories	-	7,054,489.56
	-	59,917,712.73

### 47. Credit impairment losses (applicable to 2018 only)

	2018
Losses on bad debts of notes receivable and accounts receivable	<b>39,010,791.98</b>
Other losses on bad debts of receivables	<b>26,503,398.41</b>
Impairment losses on contract assets	<b>12,387,400.00</b>
	<b>77,901,590.39</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 48. Other income

Government subsidies related to daily activities	2018	2017	Related to assets/income
Relocation compensation	<b>30,836,231.06</b>	33,146,664.79	Related to assets
Energy conservation and emission reduction special fund	<b>3,250,821.15</b>	873,073.68	Related to assets
Sea-railway transportation subsidies	<b>2,191,030.89</b>	–	Related to assets
Production safety fund	<b>1,270,329.76</b>	1,270,000.00	Related to assets
Equipment reconstruction subsidies	<b>451,449.99</b>	272,255.68	Related to assets
Vessel acquisition subsidies	<b>776,217.56</b>	791,217.56	Related to assets
Transport junction passenger station project	<b>568,814.24</b>	–	Related to assets
Others related to assets	<b>513,621.67</b>	440,121.11	Related to assets
Operation subsidies	<b>13,442,804.28</b>	10,119,500.00	Related to income
Container subsidies	<b>13,765,752.80</b>	21,927,000.00	Related to income
Stable position subsidies	<b>6,949,029.49</b>	8,707,548.06	Related to income
Foreign trade and economic development special funds	<b>5,450,000.00</b>	21,094,366.00	Related to income
Others related to income	<b>5,892,881.90</b>	4,790,098.62	Related to income
	<b>85,358,984.79</b>	103,431,845.50	

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 49. Investment income

	2018	2017
Income from long-term equity investments under equity method	<b>250,423,644.20</b>	360,116,642.88
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
Income earned during the holding period of financial assets held for trading	<b>93,422.00</b>	-
Income earned during the holding period of available-for-sale financial assets	-	591,627.46
Dividend income from other investments on hand in equity instruments	<b>8,291,129.78</b>	-
Income from disposal of financial assets at fair value through profit or loss	-	359,826.21
Investment income from disposal of financial assets held for trading	<b>20,492,078.41</b>	-
Income from wealth management products and entrusted investments	-	28,432,598.14
Others	<b>1,200,000.00</b>	-
	<b>280,500,274.39</b>	542,552,490.64

### 50. Gains/(losses) on changes in fair value

	2018	2017
Financial assets at fair value through profit or loss		
Including: Investments in equity instruments held for trading	<b>(402,060.00)</b>	(256,620.00)
Other financial liabilities	<b>4,837,128.00</b>	(5,690,307.00)
	<b>4,435,068.00</b>	(5,946,927.00)

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 51. Gains on disposals of assets

	2018	2017
Gains on disposal of non-current assets	<b>1,145,610.78</b>	15,927,761.29
Losses on disposal of non-current assets	<b>(695,581.66)</b>	(180,159.97)
	<b>450,029.12</b>	15,747,601.32

### 52. Non-operating income

	2018	2017	Amount recognised as non-recurring profit or loss of 2018
Government grants	<b>44,600.00</b>	15,888,145.62	44,600.00
Profits on scrapping of fixed assets	-	351,275.17	-
Late fee income	<b>6,585,788.00</b>	-	6,585,788.00
Income from refund of port construction handling fees	<b>5,320,654.89</b>	4,098,650.82	5,320,654.89
Insurance claims	<b>3,923,030.60</b>	-	3,923,030.60
Others	<b>5,620,712.15</b>	1,922,774.50	5,620,712.15
	<b>21,494,785.64</b>	22,260,846.11	21,494,785.64

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 52. Non-operating income (continued)

Details of government grants are as follows:

	2018	2017
Production safety fund	–	15,580,000.00
Others	<b>44,600.00</b>	308,145.62
	<b>44,600.00</b>	15,888,145.62

### 53. Non-operating expenses

	2018	2017	Amount recognised as non-recurring profit or loss of 2018
Losses on scrapping of fixed assets	<b>1,239,801.85</b>	2,091,048.60	1,239,801.85
Donations	–	100,000.00	–
Losses on scrapping of intangible assets	–	34,973.79	–
Others	<b>4,170,941.31</b>	4,160,953.27	4,170,941.31
	<b>5,410,743.16</b>	6,386,975.66	5,410,743.16

### 54. Income tax expenses

	2018	2017
Current income tax expenses	<b>207,343,790.55</b>	109,385,241.41
Deferred income tax expenses	<b>(13,845,420.26)</b>	43,481,032.91
	<b>193,498,370.29</b>	152,866,274.32



# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 54. Income tax expenses (continued)

The reconciliation of the total profit to the income tax expenses is as follows:

	2018	2017
Total profit	<b>875,479,721.31</b>	727,158,184.66
Income tax expense at the statutory rate	<b>218,869,930.33</b>	181,789,546.17
Effect of different tax rates applicable to subsidiaries in Mainland China	<b>(1,647,168.34)</b>	(899,868.40)
Effect of different tax rates applicable to subsidiaries outside Mainland China	<b>3,144,620.07</b>	8,502,687.09
Adjustments for current income tax of prior periods	<b>(3,135,563.51)</b>	(2,127,699.56)
Income not subject to tax	<b>(70,314,968.82)</b>	(94,206,253.05)
Expenses not deductible for tax purposes	<b>7,880,788.42</b>	13,518,727.96
Utilisation of deductible losses in previous years	<b>(2,580,067.18)</b>	(2,193,647.84)
Unrecognised deductible temporary differences and deductible losses	<b>41,280,799.32</b>	48,482,781.95
Income tax expense at the actual tax rate of the Group	<b>193,498,370.29</b>	152,866,274.32

### 55. Expenses by nature

The supplemental information to the Group's cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses by nature is as follows:

	2018	2017
Cost of goods sold	<b>809,658,996.76</b>	3,625,227,269.20
Payroll	<b>1,683,193,565.81</b>	1,515,383,752.30
Depreciation and amortisation	<b>1,007,612,216.28</b>	850,488,652.40
Agency cost	<b>560,102,249.33</b>	755,449,914.48
Leasing and warehousing expenses	<b>372,087,377.71</b>	293,690,241.55
Fuel costs	<b>252,778,767.68</b>	186,720,613.88
Electricity expenses	<b>116,581,433.55</b>	132,383,670.24
Materials expenses	<b>90,854,710.82</b>	69,692,392.00
Maintenance charges	<b>119,776,610.23</b>	108,821,439.56
Audit fee	<b>5,905,506.94</b>	5,377,649.86
Others	<b>825,870,031.42</b>	687,724,859.62
	<b>5,844,421,466.53</b>	8,230,960,455.09

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 56. Earnings per share (“EPS”)

The basic EPS is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

The calculation of the basic EPS is as follows:

	2018	2017
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company (continuing operation)	<b>523,315,600.09</b>	500,779,944.29
Shares		
Weighted average number of ordinary shares in issue	<b>12,894,535,999.00</b>	12,894,535,999.00
Basic earnings per share	<b>0.04</b>	0.04

In 2018 and 2017, there were no dilutive potential ordinary shares in issue.

### 57. Notes to the statement of cash flows

	2018	2017
Cash received relating to other operating activities		
Down payment received	–	82,622,936.39
Bank interest income received	<b>115,871,236.35</b>	87,616,021.88
Government grants received	<b>103,082,066.28</b>	113,947,431.29
Others	<b>26,276,686.30</b>	40,413,130.53
	<b>245,229,988.93</b>	324,599,520.09

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 57. Notes to the statement of cash flows (continued)

	2018	2017
Cash paid relating to other operating activities		
Other payments on behalf of others	–	57,621,406.58
Rental expenses	<b>20,775,821.98</b>	25,174,394.35
Intermediary fees	<b>15,678,949.71</b>	21,417,756.91
Subsidies paid for other companies	<b>2,560,789.00</b>	13,020,866.00
Technology research and development	<b>1,848,468.93</b>	3,924,947.76
Business entertainment expenses	<b>16,414,782.47</b>	17,625,014.32
General office expenses	<b>8,649,856.00</b>	7,432,557.60
Travelling expenses	<b>6,367,446.81</b>	7,085,471.62
Insurance expenses	<b>7,379,946.36</b>	6,711,346.88
Utility fees	<b>7,146,477.21</b>	6,336,752.86
Commuting expenses	<b>8,751,556.19</b>	5,976,354.17
Repair charges	<b>6,717,838.96</b>	4,946,127.59
Audit fee	<b>5,905,506.94</b>	5,377,649.86
Fuel expenses	<b>3,740,791.91</b>	3,554,857.65
Materials expenses	<b>1,268,972.90</b>	1,001,797.57
Bank commission charges	<b>1,357,475.02</b>	842,594.59
Communication expenses	<b>417,477.91</b>	422,887.34
Work funding	<b>3,827,480.65</b>	1,255,286.00
Property management fee	<b>2,640,864.41</b>	1,809,099.60
Others	<b>55,791,173.94</b>	36,614,754.69
	<b>177,241,677.30</b>	228,151,923.94

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## V. Notes to key items of the consolidated financial statements (continued)

### 57. Notes to the statement of cash flows (continued)

	2018	2017
Cash received relating to other investing activities		
Receipt of fixed bank deposits of over six months	<b>760,962,259.20</b>	285,500,000.00
Cash received from restricted cash with financial institutions	<b>38,584,414.72</b>	250,684,608.19
Compensation received for relocation	<b>27,570,000.00</b>	–
Refund of land transfer fee	–	70,616,548.00
	<b>827,116,673.92</b>	606,801,156.19
Cash paid relating to other investing activities		
Fixed bank deposits of over six months	<b>373,000,000.00</b>	558,547,719.21
Restricted cash with financial institutions	<b>18,253,567.95</b>	194,565,044.80
	<b>391,253,567.95</b>	753,112,764.01
Cash paid relating to other financing activities		
Bonds issuance expense paid	<b>8,056,000.00</b>	11,380,413.25
Finance lease payment	<b>2,283,861.03</b>	4,688,280.04
Refund of capital to minority shareholders	–	1,400,000.00
Payment for acquiring equity	<b>15,789,254.72</b>	–
Others	–	1,375,694.24
	<b>26,129,115.75</b>	18,844,387.53

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 58. Supplementary information to the statement of cash flows

#### (1) Supplementary information to the statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

	2018	2017
Net profit	<b>681,981,351.02</b>	574,291,910.34
Add: Credit impairment loss	<b>77,901,590.39</b>	–
Asset impairment losses	–	59,927,712.73
Depreciation of fixed assets	<b>892,369,963.20</b>	756,357,570.68
Depreciation of investment properties	<b>5,732,862.24</b>	18,485,467.86
Amortisation of intangible assets	<b>71,353,523.32</b>	51,735,812.76
Amortisation of long-term prepaid expenses	<b>38,155,867.52</b>	24,085,709.44
Net gains on disposal of fixed assets	<b>(450,029.12)</b>	(15,747,601.32)
Losses on retirement of fixed assets and intangible assets	<b>1,239,801.85</b>	1,774,747.22
Financial expenses	<b>409,779,267.52</b>	712,140,773.97
Investment income	<b>(280,500,274.39)</b>	(542,552,490.64)
(Gains)/losses on changes in fair value	<b>(4,435,068.00)</b>	5,946,927.00
(Increase)/decrease in deferred tax assets	<b>(4,692,862.98)</b>	27,618,345.27
(Decrease)/increase in deferred tax liabilities	<b>(9,152,557.30)</b>	15,862,687.63
Amortization of deferred income	<b>(48,877,956.52)</b>	(76,009,560.84)
Decrease/(increase) in inventories	<b>404,882,187.60</b>	(165,951,743.14)
(Decrease)/increase in special reserve	<b>(1,738,500.51)</b>	4,557,928.72
Increase in operating receivables	<b>(50,955,014.82)</b>	(297,571,434.17)
(Decrease)/increase in operating payables	<b>(296,968,417.69)</b>	144,059,511.87
Net cash flows from operating activities	<b>1,885,625,733.33</b>	1,299,012,275.38

Significant operating activities that do not involve cash payments:

	2018	2017
Import bill advance under LC Bank payments for goods	–	114,093,097.34

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 58. Supplementary information to the statement of cash flows (continued)

#### (1) Supplementary information to the statement of cash flows (continued)

Net changes in cash and cash equivalents:

	2018	2017
Cash and cash equivalents at the end of the year	<b>5,554,545,244.33</b>	6,925,797,974.59
Less: Cash and cash equivalents at the beginning of the year	<b>(6,925,797,974.59)</b>	(6,376,088,087.66)
Net (decrease)/increase in cash and cash equivalents	<b>(1,371,252,730.26)</b>	549,709,886.93

#### (2) Information of disposal of a subsidiary

	2018	2017
Consideration for disposal of a subsidiary	-	-
Cash and cash equivalents received for disposal of a subsidiary	-	-
Less: Disposed of cash and cash equivalents held by the subsidiary	<b>42,203,857.88</b>	-
Net cash paid for disposal of a subsidiary	<b>42,203,857.88</b>	-

#### (3) Cash and cash equivalents

	31 December 2018	31 December 2017
Cash		
Including: Cash on hand	<b>727,300.45</b>	732,794.91
Bank deposits that can be readily drawn on demand	<b>5,551,349,150.41</b>	6,922,358,862.36
Other cash balances that can be readily drawn on demand	<b>2,468,793.47</b>	2,706,317.32
Cash and cash equivalents at the end of the year	<b>5,554,545,244.33</b>	6,925,797,974.59

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## V. Notes to key items of the consolidated financial statements (continued)

### 59. Assets with restricted ownership or use right

	2018	2017	
Cash at bank and on hand	<b>3,240,626.02</b>	23,571,472.79	Guarantee (Note 1)
Inventories	-	327,114,425.81	Pledged borrowings (Note 2)
Fixed assets	<b>547,131,677.27</b>	585,015,928.02	Long-term borrowings collateral (Note 3)
Intangible assets	<b>14,518,901.29</b>	14,871,587.05	Long-term borrowings collateral (Note 3)
Total	<b>564,891,204.58</b>	950,573,413.67	

Note 1: As at 31 December 2018, a bank deposit of RMB22,759.40 (31 December 2017: RMB1,620,759.65) was pledged as collateral for the Group's project payment guarantee of RMB227,594.00 (31 December 2017: RMB16,207,596.53). A bank deposit of RMB84,866.62 (31 December 2017: nil) were pledged as the Group's project performance guarantee.

As at 31 December 2018, a bank deposit of RMB1,133,000.00 (31 December 2017: RMB4,115,000.00) were pledged as the Group's project performance guarantee.

As at 31 December 2018, a bank deposit of RMB2,000,000.00 (31 December 2017: RMB2,000,000.00) were pledged as the guarantee for purchase of electricity.

Note 2: As at 31 December 2018, no inventory was pledged as collateral (31 December 2017, inventories with a carrying amount of RMB327,114,425.81 and relevant documents of import business were pledged as collateral for the bank borrowings of RMB308,692,031.66).

Note 3: As at 31 December 2018, fixed assets with total carrying amount of RMB367,327,204.76 (31 December 2017: RMB399,006,474.68) were pledged as collateral for long-term borrowings of RMB487,340,927.22.

As at 31 December 2018, fixed assets with total carrying amount of RMB90,645,473.11 (31 December 2017: RMB94,420,298.35) were pledged as collateral for long-term borrowings of RMB54,000,000.00.

As at 31 December 2017, fixed assets with total carrying amount of RMB91,589,154.99 and fixed assets with total carrying amount of RMB14,871,587.05 were pledged as collateral for long-term borrowings of RMB7,010,023.77 which was repaid in 2018. As of 31 December 2018, the relevant release procedures for the collateral on the fixed assets above with total carrying amount of RMB89,158,999.35 and intangible assets with total carrying amount of RMB14,518,901.29 have not been completed.

# Notes to the Financial Statements (continued)

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## V. Notes to key items of the consolidated financial statements (continued)

### 60. Monetary items denominated in foreign currencies

	31 December 2018			31 December 2017		
	Original currency	Exchange rate	Translated RMB	Original currency	Exchange rate	Translated RMB
Cash at bank and on hand						
USD	306,542,108.05	6.8632	2,103,859,795.97	618,720,057.32	6.5342	4,042,840,598.54
JPY	15,188,384.00	0.0619	940,160.97	13,090,659.00	0.0579	757,949.16
HKD	12,593,321.34	0.8762	11,034,268.16	6,876,726.85	0.8359	5,748,255.97
Accounts receivable						
USD	2,086,498.95	6.8632	14,320,059.59	7,786,798.46	6.5342	50,880,498.50
JPY	87,215,188.70	0.0619	5,398,620.18	298,777.00	0.0579	17,299.19
KRW	30,338,136.00	0.0061	185,062.63	-	-	-
Other receivables						
USD	495,704.50	6.8632	3,402,119.12	471,149.83	6.5342	3,078,587.22
Accounts payable						
USD	5,400,169.71	6.8632	37,062,444.75	14,604,843.03	6.5342	95,430,965.33
Other payables						
USD	6,795.00	6.8632	46,635.44	3,985.00	6.5342	26,038.79
HKD	6,449.30	0.8762	5,650.88	28,079.70	0.8359	23,471.82
Other equity instrument investments						
HKD	25,649,150.00	0.8762	22,473,785.23	-	-	-
Available-for-sale financial assets						
HKD	-	-	-	19,737,450.00	0.8359	16,498,534.46
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
CAD	-	-	-	1,550,560.24	5.2009	8,064,308.75
EUR	-	-	-	14,871,175.35	7.8023	116,029,371.43
Non-current liabilities due within one year						
USD	8,549,124.50	6.8632	58,674,351.27	8,339,665.59	6.5342	54,493,042.90



# Notes to the Financial Statements (continued)

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## VI. Change in the scope of consolidation

### 1. Disposal of a subsidiary

	Place of registration	Nature of business	Total shareholding Held by the Group	Total voting right percentage of the Group	Reason for not being subsidiary
Dalian United King Port Auto Trade Co., Ltd.	Dalian, Liaoning	Trade	60%	60%	Note

Note: The Company entered into a share transfer agreement with PDA Group on 26 June 2018, based on which the Company would transfer all 60% of equity in Dalian United King Port Auto Trade Co., Ltd. ("King Port Auto") with RMB937,200.00. At the same time, based on the share transfer agreement, any gain or loss arising from share transfer between 31 December 2017 and 30 June 2018 will be shared or assumed by the Company. Loss assumed by the Company will be limited to the price of share transfer. King Port Auto has net loss of RMB5,096,256.83 from the benchmark date and the closing date. As a result, the share transfer price is nil ultimately. The date of disposal is 30 June 2018. Therefore, King Port Auto will no longer be included on the scope of consolidation from 30 June 2018. Financial information in connection with King Port Auto is presented as follows:

	30 June 2018 Carrying amount	31 December 2017 Carrying amount
Current assets	436,294,479.66	845,680,170.50
Non-current assets	16,194,823.01	16,008,730.17
Current liabilities	(440,299,193.14)	(918,983,756.14)
Non-current liabilities	(75,000,000.00)	–
	(62,809,890.47)	(57,294,855.47)
Minority interests	(25,338,987.32)	(23,132,973.32)
Gains on disposal	37,470,903.15	
Consideration for disposal	–	
		<b>During the period from 1 January to 30 June 2018</b>
Operating income		219,339,100.08
Operating cost		213,905,074.48
Net loss		(5,096,256.83)

# Notes to the Financial Statements (continued)

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## VII. Interests in other entities

### 1. Interests in subsidiaries

Subsidiaries of the Company are as follows:

	Major business location	Place of registration	Nature of business	Registered capital RMB'0,000	Shareholding percentage direct (%) indirect (%)	
<b>Subsidiaries invested by the Company upon establishment of Dalian Port Group</b>						
Dalian Port Container Development Co., Ltd.	Dalian	Dalian	Container services	296,411	100	–
Dalian Port Jifa Logistics Co., Ltd.	Dalian	Dalian	Logistics	117,940	–	100
Dalian Port Technology Technology Co., Ltd.	Dalian	Dalian	Software development	1,000	–	100
Dalian Jifa Shipping Agency Co., Ltd.	Dalian	Dalian	Shipping agency	550	–	100
Dalian International Logistics Park Co., Ltd.	Dalian	Dalian	Property development	15,000	–	100
Dalian Jifa Bohai Rim Container Co., Ltd.	Dalian	Dalian	Transportation	4,923	–	97.36
Dalian International Container Service Co., Ltd. (Note 2)	Dalian	Dalian	Logistics	USD1.44 million	–	55
Dalian Jifa International Freight Co., Ltd.	Dalian	Dalian	Logistics	500	–	100
Dalian Jifa Port Technical Service Co., Ltd.	Dalian	Dalian	Technical services	1,200	–	100
Dalian Jifa Ship Management Co., Ltd.	Dalian	Dalian	Management services	41,500	100	–
Dalian FTZ Jinxin Petrochemical Co., Ltd.	Dalian	Dalian	Wholesale and agency	1,000	60	–
<b>Subsidiaries acquired through establishment or investment</b>						
Dalian Dilangsirui Caravan Co., Ltd.	Dalian	Dalian	Manufacturing	10,000	51	–
Dalian Ganghong International Trade Co., Ltd. (Note 2)	Dalian	Dalian	Trading	2,000	–	51
Asia Pacific Ports Company Limited	Hong Kong	Hong Kong	Logistics	HKD75 million	100	–
Harbour Full Group Limited	BVI	BVI	Logistics	USD50,000	–	100
Asia Pacific Ports Investment Co., Ltd.	Hong Kong	Hong Kong	Logistics	HKD1	–	100
Asia Pacific Ports (Dalian) Co., Ltd.	Dalian	Dalian	Logistics	USD31.58 million	–	100
Asia Pacific Ports Development Co., Ltd.	BVI	BVI	Logistics	USD1	–	100

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## VII. Interests in other entities (continued)

### 1. Interests in subsidiaries (continued)

Subsidiaries of the Company are as follows: (continued)

	Major business location	Place of registration	Nature of business	Registered capital RMB'0,000	Shareholding percentage	
					direct (%)	indirect (%)
<b>Subsidiaries acquired through establishment or investment (Continued)</b>						
Dalian Container Terminal Co., Ltd. (Note 4)	Dalian	Dalian	Harbour industry	348,000	–	48.15
Heilongjiang Suimu Dalian Port Logistics Co., Ltd.	Muling	Muling	Logistics	4,500	–	91.67
Qinhuangdao Jigang Shipping Agency Co., Ltd.	Qinhuangdao	Qinhuangdao	Logistics	500	–	100
Dalian Port Grain and Oil Trading Co., Ltd.	Dalian	Dalian	Trading	2,500	100	–
Dalian Steel Logistics Park Co., Ltd.	Dalian	Dalian	Trading	800	100	–
Dalian Haijia Automobile Terminal Co., Ltd. (Note 1)	Dalian	Dalian	Construction and operation	40,000	50	–
Caofeidian Port Container Logistics Co., Ltd.	Tangshan	Tangshan	Shipping agency	50	–	51
Dalian Port Oulu International Logistics Co., Ltd.	Dalian	Dalian	Freight services	500	–	60
Dalian Zhuanghe Gangxing Investment Co., Ltd.	Dalian	Dalian	Property development	8,000	100	–
Dalian Port Senlida Timber Trading Centre Co., Ltd.	Dalian	Dalian	Services	2,500	–	51
Inner Mongolia Lugang Bonded Logistics Park Co., Ltd.	Tongliao	Tongliao	Freight services	1,000	–	51
Dalian Hongyang International Logistics Co., Ltd. (Note 1)	Dalian	Dalian	Freight services	2,000	50	–
Dalian Gangrun Gas Co., Ltd.	Dalian	Dalian	Gas sales	1,000	51	–
Dalian Port Lianheng Supply Chain Management Co., Ltd.	Dalian	Dalian	Supply chain management	2,000	–	51
Dalian Jifa South Coast International Logistics Co., Ltd.	Dalian	Dalian	Port industry	1,500	–	100
Dalian Dilangsirui Tourism Development Co., Ltd.	Dalian	Dalian	Tourist project development	3,000	–	100
Dalian Dilangsirui Automobile Leasing Co., Ltd.	Dalian	Dalian	Automobile leasing	50	–	100

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## VII. Interests in other entities (continued)

### 1. Interests in subsidiaries (continued)

Subsidiaries of the Company are as follows: (continued)

	Major business location	Place of registration	Nature of business	Registered capital RMB'0,000	Shareholding percentage direct (%) indirect (%)	
<b>Subsidiaries acquired through business combinations involving enterprises under common control</b>						
Dalian Ocean Shipping Tally Co., Ltd.	Dalian	Dalian	Tallying	630.14	84	–
Dalian Portsoft Technology Co., Ltd. (Note 2, 3)	Dalian	Dalian	Computer system service	1,000	49	–
Dalian Portsoft Network Co., Ltd.	Dalian	Dalian	Computer system service	1,000	–	100
Dalian Port Construction Supervision & Consultation Co., Ltd.	Dalian	Dalian	Supervision service	1,000	75	–
Dalian Port Telecommunications Engineering Co., Ltd.	Dalian	Dalian	Telecommunication services	1,000	45	20
Dalian Golden Bay Grain Logistics Co., Ltd. (Note 4)	Dalian	Dalian	Logistics	9,733	37.5	–
Dalian Port Group Zhuanghe Terminal Co., Ltd.	Dalian	Dalian	Harbour industry	10,000	60	–
Dalian Port Power Supply Co., Ltd. Dalian Changxing Island Economic Zone	Dalian	Dalian	Engineering service	11,000	100	–
Wanpeng Port Construction Supervision & Consultation Co., Ltd.	Dalian	Dalian	Supervision service	10	–	100
Dalian Port Haiheng Ship Management Co., Ltd.	Dalian	Dalian	Services	500	100	–
<b>Subsidiaries acquired through business combination not under common control</b>						
Dalian Container Port Logistics Co., Ltd.	Dalian	Dalian	Logistics	15,538.70	–	100
Dalian Harbour Logistics Network Co., Ltd.	Dalian	Dalian	Information services	3,200	–	79.03
Dalian Jiyi Logistics Co., Ltd.	Dalian	Dalian	Freight services	10,000	–	100

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## VII. Interests in other entities (continued)

### 1. Interests in subsidiaries (continued)

Subsidiaries of the Company are as follows: (continued)

	Major business location	Place of registration	Nature of business	Registered capital RMB'0,000	Shareholding percentage	
					direct (%)	indirect (%)
<b>Subsidiaries acquired through business combination not under common control (Continued)</b>						
Dalian Port Lvshun Harbour Service Co., Ltd.	Lvshun	Lvshun	Harbour industry	35,000	60	–
Liaoning Con-Rail International Logistics Co., Ltd.	Shenyang	Shenyang	Logistics	1,600	–	100

Note 1: Shareholding percentage in subsidiaries is different from voting right percentage. Based on the joint venture contract with other shareholders, other shareholders will align with the decision made by the Company in respect of significant operating matters. The Company, in fact, has effective control over the subsidiary.

Note 2: Shareholding percentage is different from voting right percentage. Shareholding percentage is determined based on the share of contribution as stated in the investment agreement, while voting right percentage is determined based on the voting manner of the highest decision-making organization in accordance with the articles of associations of the investee. As a result, there is inconsistency.

Note 3: The Company has effective control over the subsidiary, as it has the majority voting rights in the board of shareholders.

Note 4: Based on the concerted action agreement signed with some of the other shareholders, the decision made by such shareholders align with that of the Company. The Company, in fact, has control over the subsidiary.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## VII. Interests in other entities (continued)

### 1. Interests in subsidiaries (continued)

Subsidiaries with significant minority interests:

	Shareholding of minority shareholders (%)	Profit or loss attributable to minority shareholders	Dividends paid to minority shareholders	Minority interests as at 31 December 2018
<b>2018</b>				
Dalian Container Terminal Co., Ltd.	51.85%	158,219,219.01	(151,258,410.22)	1,935,163,769.30
Dalian Haijia Automobile Terminal Co., Ltd.	50.00%	(1,001,648.49)	–	220,260,431.33
Dalian Port Lvshun Harbour Service Co., Ltd.	40.00%	2,242,625.91	–	136,654,337.60
Dalian Golden Bay Grain Logistics Co., Ltd.	62.50%	(2,162,492.97)	–	121,731,963.09
<b>2017</b>				
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

# Notes to the Financial Statements (continued)

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## VII. Interests in other entities (continued)

### 1. Interests in subsidiaries (continued)

	Dalian Container Terminal Co., Ltd.	Dalian Haijia Automobile Terminal Co., Ltd.	Dalian Lvshun Harbour Services Co., Ltd.	Dalian Golden Bay Grain Logistics Co., Ltd.
<b>2018</b>				
Current assets	613,719,303.01	112,623,977.52	41,847,040.46	149,611,640.33
Non-current assets	5,654,780,931.63	369,990,534.98	339,131,609.65	46,510,657.78
Total assets	6,268,500,234.64	482,614,512.50	380,978,650.11	196,122,298.11
Current liabilities	1,084,879,064.68	34,616,741.58	36,731,665.63	1,351,157.17
Non-current liabilities	1,451,386,320.77	7,476,908.26	2,611,140.49	–
Total liabilities	2,536,265,385.45	42,093,649.84	39,342,806.12	1,351,157.17
Operating income	1,429,530,016.86	4,868,518.48	65,493,223.95	14,019,926.22
Net profit/(loss)	305,147,963.37	(2,003,296.98)	5,606,564.78	(3,459,988.75)
Total comprehensive income	305,147,963.37	(2,003,296.98)	5,606,564.78	(3,459,988.75)
Net cash flows from operating activities	619,787,392.55	(1,050,444.07)	19,393,333.43	1,375,346.46
<b>2017</b>				
Current assets	644,294,587.93	163,918,176.40	34,834,218.41	148,131,189.84
Non-current assets	5,894,652,327.78	289,782,873.88	344,921,584.29	50,463,230.57
Total assets	6,538,946,915.71	453,701,050.28	379,755,802.70	198,594,420.41
Current liabilities	938,196,761.50	3,693,071.46	10,637,031.87	363,290.72
Non-current liabilities	1,865,501,438.06	7,476,908.25	32,672,459.07	–
Total liabilities	2,803,698,199.56	11,169,979.71	43,309,490.94	363,290.72
Operating income	679,729,816.62	–	56,233,272.04	18,366,478.88
Net profits	173,903,588.18	9,419,581.35	3,772,362.90	201,216.53
Total comprehensive income	173,903,588.18	9,419,581.35	3,772,362.90	201,216.53
Net cash flows from operating activities	343,353,670.73	(50,000.00)	23,229,116.63	20,531,696.79

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates

	Major business location	Place of registration	Nature of business	Registered capital RMB0,000	Shareholding (%)		Accounting treatment
					Direct	Indirect	
<b>Joint ventures</b>							
Dalian Port Tongli Shipping Agency Co., Ltd.	Dalian	Dalian	Domestic freight and shipping agency	60	50	-	Equity method
Dalian Harbour ECL Logistics Co., Ltd.	Dalian	Dalian	Warehousing, port loading and discharging	USD9 million	50	-	Equity method
Odfjell Terminals (Dalian) Co., Ltd.	Dalian	Dalian	Construction and operation of storage tank harbour	USD28 million	50	-	Equity method
Dalian Port PetroChina International Terminal Co., Ltd.	Dalian	Dalian	Oil product harbour, loading and discharging, advisory services	25,000	50	-	Equity method
Dalian United International Shipping Agency Co., Ltd.	Dalian	Dalian	Shipping agency, shipment technical advisory services	500	-	50	Equity method
Dalian Vanguard International Logistics Co., Ltd.	Dalian	Dalian	Storage of international containers	7,400	-	50	Equity method
Dalian Port Yidu Cold Chain Co., Ltd. (Note 1)	Dalian	Dalian	Agency of trade warehousing and freight	52,100	-	46.6	Equity method
China United Tally (Dalian) Co., Ltd.	Dalian	Dalian	Ship tally	280	50	-	Equity method
China Oil Dock Management (Dalian) Co., Ltd.	Dalian	Dalian	Oil product dock services	1,000	49	-	Equity method
Liaoning Electronic Port Co., Ltd.	Dalian	Dalian	Computer system services and data processing services	1,200	-	50	Equity method
Dalian Dagang China Shipping Container Terminal Co., Ltd. (Note 2)	Dalian	Dalian	Container dock services	1,000	-	57	Equity method
Dalian Jilong Logistics Co., Ltd.	Dalian	Dalian	Logistics storage	7,000	-	30	Equity method
China United International Rail Containers (Dalian) Co., Ltd.	Dalian	Dalian	International container services	53,500	-	40	Equity method
Odfjell Changxing Terminals (Dalian) Co., Ltd.	Dalian	Dalian	Development and construction of dock and harbour warehousing facilities	5,000	40	-	Equity method
Dalian Changxing Island Port Investment and Development Co., Ltd	Dalian	Dalian	Port services	62,000	40	-	Equity method
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	Dalian	Dalian	Bulk cargo logistics	1,000	40	-	Equity method
Odfjell Dalian Port Consulting Co., Ltd.	Dalian	Dalian	Technical training	600	50	-	Equity method
Dalian Changxing Island Port Investment and Development Co., Ltd.	Dalian	Dalian	Development and construction of dock facilities	95,000	46.58	-	Equity method
China Shipping Gang Lian Co., Ltd.	Dalian	Dalian	Shipping services for Hong Kong	30,000	30	-	Equity method
Dalian New Silk Road International Logistics Co., Ltd.	Dalian	Dalian	Domestic and international freight forwarding service	1,000	-	40	Equity method



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

	Major business location	Place of registration	Nature of business	Registered capital RMB0,000	Shareholding (%)		Accounting treatment
					Direct	Indirect	
<b>Joint ventures (continued)</b>							
Dalian Shunde Jifa Supply Chain Management Co., Ltd.	Dalian	Dalian	Import and export of cargo and technology	5,000	-	20	Equity method
Ha'ou International Logistics Co., Ltd.	Harbin	Harbin	International freight agency	10,000	-	23	Equity method
Dalian Port Xiangyu Grain Logistics Co., Ltd. (Note 2)	Dalian	Dalian	Freight transportation agency	9,800	51	-	Equity method
Weifang Senda Container Service Co., Ltd.	Weifang	Weifang	Cargo loading and discharging and warehousing	500	-	50	Equity method
<b>Associates</b>							
Dalian Puji Storage Facility Co., Ltd.	Dalian	Dalian	Other storage	USD80 million	-	40	Equity method
Dalian Port PetroChina International Storage and Transportation Co., Ltd	Dalian	Dalian	Rental services of crude oil tank	10,000	20	-	Equity method
Taicang Xinggong Tug Co., Ltd.	Suzhou	Suzhou	Ship tug	1,349.5	42.8571	-	Equity method
PetroChina Dalian LNG Co., Ltd.	Dalian	Dalian	Related business of LNG	260,000	20	-	Equity method
Dalian North Oil Petroleum Logistics Co., Ltd.	Dalian	Dalian	Development and construction of petrol and petrol product tank	30,000	20	-	Equity method
Dalian Wanpeng Port Engineering Testing Co., Ltd.	Dalian	Dalian	Engineering testing	500	-	40	Equity method
PDA Group Financial Co., Ltd.	Dalian	Dalian	Financial services	200,000	40	-	Equity method
Sino Rail Bohai Train Ferry Co., Ltd.	Yantai	Yantai	Ferry transportation	120,000	17.5	-	Equity method
CDC International Logistics Co., Ltd.	Wuhu	Wuhu	International freight forwarding	30,000	30	-	Equity method
Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.	Dalian	Dalian	Tendering & bidding agency	200	-	35	Equity method
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	Dalian	Dalian	International and domestic freight agency	2,800	-	20	Equity method
Dalian Automobile Terminal Co., Ltd.	Dalian	Dalian	Domestic and international Import and export, loading and discharging, warehousing	40,000	32	-	Equity method
Dalian Singamas International Container Co., Ltd.	Dalian	Dalian	Container services	USD13.25 million	-	43.63	Equity method

Note 1: Based on the investment contract, shareholder, China Development Fund, charges fixed income annually. As a result, gains on investment is recognized after 50% of the net profit attributable to China Development Fund.

Note 2: Based on Articles of Associations, significant matters will be subject to joint decision of investors. Therefore, the Group has joint control over the entity which is a joint venture.

# Notes to the Financial Statements (continued)

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## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

The following table presents the financial information of the joint venture material to the Group. The financial policies of these companies are not significantly different from those of the Group. As a result, they are accounted for using equity method.

	2018				
	Dalian Changxing Island Port Investment Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.
Current assets	384,751,120.08	57,851,610.05	356,761,825.99	8,450,733.07	58,388,392.37
Including: Cash and cash equivalent	149,785,982.28	30,269,728.74	4,198,528.55	8,370,484.07	41,978,492.69
Non-current assets	4,667,337,273.37	400,015,618.84	574,074,279.78	471,667,812.03	389,609,553.69
<b>Total assets</b>	<b>5,052,088,393.45</b>	<b>457,867,228.89</b>	<b>930,836,105.77</b>	<b>480,118,545.10</b>	<b>447,997,946.06</b>
Current liabilities	325,885,598.11	13,242,785.67	279,311,434.37	15,777,376.31	40,922,322.52
Non-current liabilities	3,786,464,616.63	-	106,000,000.00	-	78,197,689.62
<b>Total liabilities</b>	<b>4,112,350,214.74</b>	<b>13,242,785.67</b>	<b>385,311,434.37</b>	<b>15,777,376.31</b>	<b>119,120,012.14</b>
Minority interests	-	-	-	-	-
Equity attributable to shareholders of parent company	939,738,178.71	444,624,443.22	545,524,671.40	464,341,168.79	328,877,933.92
Share in net assets based on shareholding percentage	437,730,043.64	177,849,777.29	272,762,335.70	232,170,584.40	164,438,966.96
Adjustments	(5,914,025.79)	-	-	-	-
<b>Carrying value of investments</b>	<b>431,816,017.85</b>	<b>177,849,777.29</b>	<b>272,762,335.70</b>	<b>232,170,584.40</b>	<b>164,438,966.96</b>

# Notes to the Financial Statements (continued)

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## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

	2017				
	Dalian Changxing Island Port Investment Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain 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	6,646,039.91	66,521,381.55
Including: Cash and cash equivalent	81,303,692.49	26,743,170.44	9,682,857.98	6,565,790.91	48,925,403.81
Non-current assets	4,530,241,014.76	406,371,469.22	516,037,710.50	489,351,927.38	379,976,482.10
<b>Total assets</b>	<b>4,817,525,619.95</b>	<b>462,027,753.80</b>	<b>907,931,474.30</b>	<b>495,997,967.29</b>	<b>446,497,863.65</b>
Current liabilities	323,065,780.39	11,219,221.59	90,957,464.79	75,477,284.43	40,654,191.35
Non-current liabilities	3,496,744,521.75	–	126,000,000.00	–	83,300,664.93
<b>Total liabilities</b>	<b>3,819,810,302.14</b>	<b>11,219,221.59</b>	<b>216,957,464.79</b>	<b>75,477,284.43</b>	<b>123,954,856.28</b>
Minority interests	–	–	–	–	–
Equity attributable to shareholders of parent company	997,715,317.81	450,808,532.21	690,974,009.51	420,520,682.86	322,543,007.37
Share in net assets based on shareholding percentage	464,735,795.04	180,323,412.92	328,081,877.49	210,260,341.43	161,271,503.69
Adjustments	(5,914,025.79)	–	–	–	–
<b>Carrying value of investments</b>	<b>458,811,769.24</b>	<b>180,323,412.92</b>	<b>328,081,877.49</b>	<b>210,260,341.43</b>	<b>161,275,711.82</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

	2018				
	Dalian Changxing Island Port Investment Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.
Operating income	249,453,137.70	54,651,619.57	146,537,609.18	104,285,714.30	118,203,589.75
Financial expenses	159,591,138.49	(359,533.10)	(589,433.09)	1,929,118.12	(337,297.91)
Income tax expenses	-	-	8,587,138.93	19,150,947.95	15,939,926.65
Net profit/(loss)	(58,146,448.86)	(6,184,089.08)	23,197,054.96	55,832,814.24	51,454,332.82
Other comprehensive income	-	-	-	-	-
Total comprehensive income	(58,146,448.86)	(6,184,089.08)	23,197,054.96	55,832,814.24	51,454,332.82
Dividend received	-	-	84,789,824.35	6,788,307.00	22,500,000.00

	2017				
	Dalian Changxing Island Port Investment Co., Ltd.	China United International Rail Containers (Dalian) Co., Ltd.	Dalian Port Yidu Cold Chain Co., Ltd.	Dalian Port PetroChina International Terminal Co., Ltd.	Odfjell Terminals (Dalian) Co., Ltd.
Operating income	-	58,425,140.10	123,474,386.19	104,285,714.30	108,293,696.80
Financial expenses	-	(155,490.03)	1,976,157.58	(84,180.14)	55,724,374.69
Income tax expenses	-	-	(5,486,053.52)	(18,660,190.25)	(14,068,602.96)
Net profit/(loss)	4,605,220.95	(11,634,604.35)	16,551,442.31	54,306,454.15	46,421,358.38
Other comprehensive income	-	-	-	-	-
Total comprehensive income	4,605,220.95	(11,634,604.35)	16,551,442.31	54,306,454.15	46,421,358.38
Dividend received	-	-	13,500,000.00	6,723,078.00	20,000,000.00

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

The following table presents the financial information of the associates material to the Group. The financial policies of these companies are not significantly different from those of the Group. As a result, they are accounted for using equity method.

	2018				
	PetroChina Dalian LNG Co., Ltd.	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.	Dalian Automobile Terminal Co., Ltd.
Current assets	775,190,700.33	6,568,176,717.47	143,032,255.69	7,106,319.83	81,081,624.28
Non-current assets	2,759,322,185.75	1,689,622,785.18	1,822,733,165.45	566,673,523.97	528,740,144.29
Total assets	3,534,512,886.08	8,257,799,502.65	1,965,765,421.14	573,779,843.80	609,821,768.57
Current liabilities	135,794,827.99	5,818,055,647.42	142,123,664.76	18,790,266.25	40,559,901.77
Non-current liabilities	-	-	400,000,000.00	209,517,999.15	50,000,012.08
Total liabilities	135,794,827.99	5,818,055,647.42	542,123,664.76	228,308,265.40	90,559,913.85
Minority interests	-	-	23,379,805.79	-	-
Equity attributable to shareholders of parent company	3,398,718,058.09	2,439,743,855.23	1,400,261,950.59	345,471,578.40	519,261,854.72
Share in net assets based on shareholding percentage	679,743,611.61	975,897,542.10	245,045,841.35	138,188,631.36	166,163,793.51
Adjustments	-	-	-	(25,051,082.49)	2,453,618.25
Carrying value of investments	679,743,611.61	975,897,542.10	245,045,841.35	113,137,548.87	168,617,411.76

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

	2018				
	PetroChina Dalian LNG Co., Ltd.	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.	Dalian Automobile Terminal Co., Ltd.
Operating income	1,285,956,329.97	305,718,161.45	402,847,001.39	38,513,621.54	130,864,431.99
Income tax expenses	221,574,308.87	53,901,336.99	1,047,518.46	-	13,215,698.31
Net profit/(loss)	664,024,366.57	113,281,737.69	(58,033,797.19)	(24,385,672.53)	37,970,407.42
Other comprehensive income	-	-	-	-	-
Total comprehensive income	664,024,366.57	113,281,737.69	(58,033,797.19)	(24,385,672.53)	37,970,407.42
Dividend received	69,299,645.51	-	1,906,936.81	-	4,800,000.00
	2017				
	PetroChina Dalian LNG Co., Ltd.	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.	Dalian Automobile Terminal Co., Ltd.
Current assets	177,963,629.33	6,182,398,085.36	159,266,700.69	8,338,096.54	72,617,053.37
Non-current assets	3,031,291,051.17	2,476,233,843.18	1,963,116,127.72	597,006,172.78	535,638,759.18
Total assets	3,209,254,680.50	8,658,631,928.54	2,122,382,828.41	605,344,269.32	608,255,812.55
Current liabilities	127,869,139.81	6,332,169,810.98	457,517,056.59	19,115,217.84	111,905,403.96
Non-current liabilities	-	-	150,000,000.00	214,517,999.15	153.35
Total liabilities	127,869,139.81	6,332,169,810.98	607,517,056.59	233,633,216.99	111,905,557.31
Minority interests	-	-	21,537,680.49	-	-
Equity attributable to shareholders of parent company	3,081,385,540.69	2,326,462,117.56	1,493,328,091.33	371,711,052.33	496,350,255.24
Share in net assets based on shareholding percentage	616,277,108.14	930,584,847.02	261,332,415.98	148,684,420.93	158,832,081.68
Adjustments	-	-	-	(25,792,603.04)	2,453,618.25
Carrying value of investments	616,277,108.14	930,584,847.02	261,332,415.92	122,891,817.88	166,546,488.69

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VII. Interests in other entities (continued)

### 2. Interests in joint ventures and associates (continued)

	2017				
	PetroChina Dalian LNG Co., Ltd.	Dalian Port Group Financial Co., Ltd.	Sino Rail Bohai Train Ferry Co., Ltd.	Dalian Puji Storage Facility Co., Ltd.	Dalian Automobile Terminal Co., Ltd.
Operating income	892,521,434.00	295,547,703.52	482,521,257.07	27,900,818.56	117,285,597.00
Income tax expenses	129,873,314.48	54,018,826.40	23,091,996.42	-	5,241,843.27
Net profit/(loss)	384,998,030.60	161,754,680.31	27,654,314.92	(30,315,716.65)	34,366,046.03
Other comprehensive income	-	-	-	-	-
Total comprehensive income	384,998,030.60	161,754,680.31	27,654,314.92	(30,315,716.65)	34,366,046.03
Dividend received	37,358,825.56	145,405,838.45	-	-	18,600,165.76

The following table presents summary of financial information of joint ventures and associates not material to the Group:

	2018	2017
<b>Joint ventures</b>		
Aggregated carrying amount of investments	<b>426,022,789.78</b>	440,508,185.64
Aggregate of the following items in proportion		
Net profit	<b>22,467,804.56</b>	97,648,175.57
Other comprehensive income	-	-
Total comprehensive income	<b>22,467,804.56</b>	97,648,175.57
<b>Associates</b>		
Aggregated carrying amount of investments	<b>309,071,261.01</b>	304,544,161.76
Aggregate of the following items in proportion		
Net profit	<b>31,398,586.91</b>	33,992,890.05
Other comprehensive income	-	-
Total comprehensive income	<b>31,398,586.91</b>	33,992,890.05

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VIII. Risk related to financial instruments

### 1. Classification of financial instruments

Carrying amount of various financial instruments on the balance sheet date:

2018

#### Financial assets

	Financial assets at fair value through profit or loss	Measured at amortised cost	Other comprehensive income at fair value through profit or loss	Total
Cash at bank and on hand	-	5,729,285,870.35	-	5,729,285,870.35
Financial assets held for trading	1,892,520,046.14	-	-	1,892,520,046.14
Notes receivable and accounts receivable	-	947,433,479.68	-	947,433,479.68
Other receivables	-	663,019,375.41	-	663,019,375.41
Other equity instrument investments	-	-	179,146,371.30	179,146,371.30
	<b>1,892,520,046.14</b>	<b>7,339,738,725.44</b>	<b>179,146,371.30</b>	<b>9,411,405,142.88</b>

#### Financial liabilities

	Financial liabilities measured at amortised cost
Short-term borrowings	3,399,536,753.89
Bills payable and accounts payable	224,442,511.34
Other payables	911,030,967.62
Non-current liabilities due within one year	800,076,181.57
Long-term borrowings	2,052,026,017.12
Bonds payable	5,873,223,359.39
Long-term payables	40,000,000.00
	<b>13,300,335,790.93</b>



# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VIII. Risk related to financial instruments (continued)

### 1. Classification of financial instruments (continued)

2017

Financial assets

	Financial assets at fair value through profit or loss	Loans and accounts receivable	Available-for-sale financial assets	Total
Cash at bank and on hand	–	7,507,917,166.59	–	7,507,917,166.59
Financial assets held for trading	5,050,497.50	–	–	5,050,497.50
Notes receivable and accounts receivable	–	1,201,883,882.80	–	1,201,883,882.80
Other receivables	–	606,274,255.10	–	606,274,255.10
Other current assets	–	–	150,000,000.00	150,000,000.00
Available-for-sale financial assets	–	–	159,423,791.18	159,423,791.18
	5,050,497.50	9,316,075,304.49	309,423,791.18	9,630,549,593.17

Financial liabilities

	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term borrowings	–	3,271,234,002.74	3,271,234,002.74
Financial liabilities at fair value through profit or loss	3,810,902.00	–	3,810,902.00
Bills payable and accounts payable	–	380,389,360.83	380,389,360.83
Other payables	–	809,203,751.83	809,203,751.83
Non-current liabilities due within one year	–	4,158,328,072.94	4,158,328,072.94
Long-term borrowings	–	2,581,543,935.59	2,581,543,935.59
Bonds payable	–	3,404,498,647.79	3,404,498,647.79
	3,810,902.00	14,605,197,771.72	14,609,008,673.72

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VIII. Risk related to financial instruments (continued)

### 2. Transfer of financial assets

#### *Financial assets transferred but not fully derecognized*

On 31 December 2018, the Group endorsed suppliers a bank acceptance for settlement of other payables with value of RMB7,073,910.19 (31 December 2017: Nil). The Group is of the opinion that the Group retains nearly all the risks and rewards, including default risk related to it. Therefore, such other payables and other related payables settled will continuously be recognized in full. Subsequent to the endorsement, the Group will no longer retain use right, including the rights for selling, transferring or pledging such assets to other third parties. As at 31 December 2018, carrying amount of other payables settled by the Group totals at RMB7,073,910.19 (31 December 2017: Nil).

#### *Financial assets transferred and derecognized fully but with continuous involvement*

On 31 December 2018, carrying value of the bank acceptance endorsed to suppliers for settlement of accounts payable amounts to RMB48,602,332.58 (31 December 2017: RMB51,950,634.95). On 31 December 2018, the bank acceptance is due within 1 to 12 months. Based on the related provision in Law of Negotiable Instruments, where the accepting bank refuses payment, holder of such bank acceptance will have the right to seek for recourse against the Group ("continuous involvement"). The Group is of the opinion that the Group has transferred nearly all the risks and rewards, and therefore derecognized such assets and the carrying value of related accounts payable settled. The Group believes that the maximum loss and undiscounted cash flows of continuous involvement and repurchase are equivalent to their carrying value.

In 2018, the Group did not recognise gains or loss on the date of its transfer. The Group did not derecognize gains or expenses on the financial assets for the year and cumulatively. Endorsement during the year is recorded evenly during the year.

### 3. Risks of financial assets

The Group is exposed to risks from various financial instruments in day-to-day operation, mainly including credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk). The major financial instruments of the Group primarily include cash at bank and on hand, equity investments, borrowings, notes receivable and accounts receivable, and accounts payable. Risks in connection with such financial instruments, and the risk management strategies adopted by the Group to mitigate such risks are summarized as follows.

The board of directors is responsible for planning and establishing the risk management structure for the Group, and developing risk management policies and the related guidelines across the Group, and supervising the performance of risk management measures. The Group has developed risk management policies to identify and analyze risks exposed by the Group. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk. The Group will evaluate the market environment and changes of the Group's operating activities on a regular basis to decide whether update the risk management policies and systems. Risk management of the Group is carried out by the Risk Management Committee based on the policies as approved by the board of directors. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Group. Internal Audit Department of the Group will review the risk management control and process regularly, and submit the review results to Audit Committee of the Group.

The Group diversifies risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates concentration risk in any single sector, specific region or certain counterparties.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VIII. Risk related to financial instruments (continued)

### 3. Risks of financial assets (continued)

#### *Credit risk*

The Group only has trade with recognized third party with good credit standing. Based on the Group's policies, customers who conduct credit transaction will be subject to credit review. In addition, the Group will continuously monitor balance of accounts receivable to ensure that the Group will not be exposed to significant risk of bad debts. In respect of the transactions not settled in the functional currency of related business division, the Group will not offer credit transaction conditions unless otherwise approved by the credit control department of the Group.

Since counterparties of cash at bank and on hand are banks with good reputation and high credit ratings, credit risk arising from these financial instruments is insignificant.

Other financial assets of the Group comprise of cash at bank and on hand, other receivables. Credit risk from such financial assets is from default of counterparties, and its maximum risk exposure is equivalent to the carrying amount of such instruments.

Since the Group only trades with recognized third parties with good credit standing, no guarantee is required. Credit risk concentration is managed based on customers. As of 31 December 2018, the Group is exposed to certain credit risk concentration, as 18% (31 December 2017: 14%) and 43% (31 December 2017: 37%) of accounts receivables are from the top five customers with the largest balance of accounts receivable. The Group does not hold any security or other credit increment over balance of accounts receivable.

#### **2018**

#### *Criteria for determining significant increase in credit risk*

The Group will evaluate whether credit risk in connection with financial instruments is increased significantly from initial recognition on each balance sheet date. When determining whether credit risk is increased significantly after initial recognition, the Group will consider obtaining reasonable information with supporting basis without paying extra cost or efforts, including qualitative and quantities analysis over the historical data of the Group, external credit risk ratings and forwarding information. Based on a single financial instrument or group of financial instruments with similar credit risk characteristics, the Group will determine estimated changes in default risks of financial instruments during the period of existence, by comparing the default risk of financial instruments on the balance sheet date and that upon initial recognition.

When one or more of the following quantities and qualitative standards is triggered, credit risk in connection with financial instrument is increased significantly:

- For quantities standards, the probability of default in the remaining existence period after the reporting date is increased to a certain proportion
- For qualitative standard, there are significant adverse changes in operation or financial position of debtors, and early-warning customer list.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VIII. Risk related to financial instruments (continued)

### 3. Risks of financial assets (continued)

#### *Criteria for determining significant increase in credit risk (continued)*

##### 2018 (continued)

#### *Definition of assets with credit impairment*

To determine whether there is credit impairment, the defining standards adopted by the Group are consistent with the objective of internal risk management for related financial instruments, by reference to the quantities and qualitative indicators. When debtors are evaluated for credit impairment, the following factors will be taken account of:

- significant financial difficulty of issuer or debtor;
- default of debtors, such as default payment or overdue payment of interests or principal;
- no concession given by the creditor to the debtor under any circumstance in connection with financial difficulty;
- possible bankruptcy or other financial reorganization of the creditors;
- disappearance of active market of the financial assets due to financial difficulty of the issuer or the debtor;
- purchase or creation of a financial assets at significant discount reflecting the fact of credit loss.

Credit impairment of financial assets may be a joint result of multiple events, rather than a single identifiable event.

#### *Parameters for measurement of estimated credit loss*

Impairment loss provision for different assets is measured based on 12 months or the whole existence period depending on whether there is significant increase in credit risk and whether credit impairment is provisioned. Key parameters for measurement of estimated credit loss include loss rate and risk exposure. The Group will take account of historical statistical data and forwarding information to build loss rate and risk exposure model.

Related definitions are as follows:

- Loss rate is the expectation made for the degree of estimated loss suffered by the Group. Loss rate is adjusted based on the migration rate of historical aging model with reference to forwarding information. Loss rate is the percentage of estimated loss of risk exposure, and calculated based on a period of 12 months or the whole period of existence.
- Risk exposure is the amount that the Group should be compensated in the next 12 months or the remaining existence period upon default.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VIII. Risk related to financial instruments (continued)

### 3. Risks of financial assets (continued)

#### Criteria for determining significant increase in credit risk (continued)

##### 2018 (continued)

##### Forwarding information

The evaluation of significant increase in credit risk and the calculation of estimated credit loss involves forwarding information. The Group will adjust the loss rate as calculated based on historical data by referring the expected change in macroeconomy in the next year.

2017

On 31 December 2017, aging analysis of financial assets without impairment is as follows:

	Total	Not overdue	Overdue over 3 years
Cash at bank and on hand	7,507,917,166.59	7,507,917,166.59	–
Financial assets held for trading	5,050,497.50	5,050,497.50	–
Notes receivable and accounts receivable	1,166,582,641.44	1,096,464,521.36	70,118,120.08
Other receivables	475,926,132.25	475,926,132.25	–
Other current assets	150,000,000.00	150,000,000.00	–
Available-for-sale financial assets	159,423,791.18	159,423,791.18	–
	9,464,900,228.96	9,394,782,108.88	70,118,120.08

As of 31 December 2017, accounts receivables not overdue but with impairment are related to a number of diversified customers without default record recently.

As of 31 December 2017, credit quality of accounts receivables overdue but not impaired is not significantly changed, and deemed as recoverable. As a result, the Group is of the opinion that there is no need to make provision for impairment.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VIII. Risk related to financial instruments (continued)

### 3. Risks of financial assets (continued)

#### Liquidity risk

Risk of shortage of fund is managed by using revolving liquidity planning instrument. Such instrument takes account of both the expiry date of financial instrument, and the estimated cash flows generated from operation of the Group.

The Group's objective is to maintain the balance between continuity and flexibility of financing by using multiple source of funds, such as bank borrowings, financing lease, bonds payable and other interest-bearing borrowings. The Group's policies do not specify the proportion of carrying value of borrowings in those borrowings due within 12 months in the financial statements. As of 31 December 2018, 40% (31 December 2017: 59%) of debts are due within one year.

The following table summarise the aging analysis of financial liabilities at undiscounted contractual cash flows:

#### 2018

	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Short-term borrowings	3,469,346,234.83	-	-	-	3,469,346,234.83
Bills payable and accounts payable	224,442,511.34	-	-	-	224,442,511.34
Other payables due within 1 year	911,030,967.62	-	-	-	911,030,967.62
Non-current liabilities	808,619,961.33	-	-	-	808,619,961.33
Long-term borrowings	90,054,002.06	849,426,563.89	669,487,177.53	841,118,846.35	2,450,086,589.83
Bonds payable	138,086,794.52	299,793,753.42	6,515,647,452.05	-	6,953,527,999.99
Long-term payables	-	7,500,000.00	15,000,000.00	17,500,000.00	40,000,000.00
	<b>5,641,580,471.70</b>	<b>1,156,720,317.31</b>	<b>7,200,134,629.58</b>	<b>858,618,846.35</b>	<b>14,857,054,264.94</b>

#### 2017

	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Financial liabilities at fair value through profit or loss	3,810,902.00	-	-	-	3,810,902.00
Short-term borrowings	3,307,789,131.89	-	-	-	3,307,789,131.89
Bills payable and accounts payable	380,389,360.83	-	-	-	380,389,360.83
Other payables due within 1 year	809,203,751.83	-	-	-	809,203,751.83
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
	<b>8,970,691,652.76</b>	<b>1,022,736,786.71</b>	<b>5,214,792,786.62</b>	<b>669,136,973.82</b>	<b>15,877,358,199.91</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## VIII. Risk related to financial instruments (continued)

### 3. Risks of financial assets (continued)

#### Market risk

##### Interest rate risk

Risk of changes in market interest rate exposed by the Company is primarily related to long-term liabilities at variable interest rate.

The Group manages interest cost by maintain appropriate portfolio of both fixed interest and variable interest liabilities.

The table below is the sensitivity analysis for interest rate risk, reflecting effect of net profit or loss (through variable interest rate borrowings) and shareholders' equity under reasonable and possible changes in interest rate, assuming all other variables remain constant.

	Increase/(decrease) of percentage points	Increase/(decrease) of net profit or loss	Increase/(decrease) of shareholders' equity
<b>2018</b>			
RMB	50	(9,999,321.48)	(9,999,321.48)
RMB	(50)	9,999,321.48	9,999,321.48
2017			
RMB	50	(11,585,811.91)	(11,585,811.91)
RMB	(50)	11,585,811.91	11,585,811.91

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VIII. Risk related to financial instruments (continued)

### 3. Risks of financial assets (continued)

#### Market risk (continued)

##### Foreign exchange risk

The Group is exposed to trading foreign exchange risk. Such risk arises from operating units carrying out sales or purchases with currency other than their functional currency. Approximately, 3% of sales of the Group (2017: 3%) are denominated in currency other than the functional currency of operating units, while around 7% (2017: 22%) of cost is denominated in functional currency of operating units.

The table below is the sensitivity analysis for foreign exchange risk, reflecting effect of net profit or loss and net other comprehensive income after tax under reasonable and possible changes in interest rate, assuming all other variables remain constant.

#### 2018

	Increase/(decrease) of exchange rate	Increase/(decrease) of profit or loss	Increase/(decrease) of net other comprehensive income	Increase/(decrease) of total shareholders' equity
Appreciation of RMB against USD	(1%)	(14,937,796.18)	(284,782.23)	(15,222,578.41)
Appreciation of RMB against HKD	(1%)	(26.11)	(280,494.76)	(280,520.87)
Appreciation of RMB against Yen	(1%)	(47,530.87)	-	(47,530.87)
Appreciation of RMB against Won	(1%)	(1,387.97)	-	(1,387.97)
Depreciation of RMB against USD	1%	14,937,796.18	284,782.23	15,222,578.41
Depreciation of RMB against HKD	1%	26.11	280,494.76	280,520.87
Depreciation of RMB against Yen	1%	47,530.87	-	47,530.87
Depreciation of RMB against Won	1%	1,387.97	-	1,387.97

#### 2017

	Increase/(decrease) of exchange rate	Increase/(decrease) of net profit or loss	Increase/(decrease) of other comprehensive income after tax	Increase/(decrease) of total shareholders' equity
Appreciation of RMB against USD	(1%)	(25,306,905.76)	-	(25,306,905.76)
Appreciation of RMB against HKD	(1%)	888.15	(4,363,931.09)	(4,363,042.94)
Depreciation of RMB against USD	1%	25,306,905.76	-	25,306,905.76
Depreciation of RMB against HKD	1%	(888.15)	4,363,931.09	4,363,042.94



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## VIII. Risk related to financial instruments (continued)

### 3. Risks of financial assets (continued)

#### Market risk (continued)

##### Price risk of investment in equity instruments

Price risk of investment in equity instruments is the risk that fair value of equity securities is reduced due to change of stock index and value of individual stock. On 31 December 2018, the Group is exposed to price risk of investment in equity instruments arising from individual equity investment classified as equity instruments held for trading (Note V.2) and other equity instrument investments (Note V.12). Investments in equity instruments held by the Group are listed in stock exchanges in Shanghai, Shenzhen and Hong Kong, and measured at market quotation on balance sheet date.

The market stock indices of stock exchanges at closing of the trading date closest to the balance sheet date, and the highest and lowest closing indices during the year:

	At the end of 2018	2018 Highest/lowest	At the end of 2017	2017 Highest/Lowest
Shanghai-Shanghai Index	2,494	3,587/2,486	3,308	3,450/3,017
Shenzhen-Shenzhen Index	7,240	11,633/7,187	11,041	11,715/9,483
Hong Kong-Heng Seng Index	25,846	33,154/24,586	29,919	30,200/21,883

The following table presents the sensitivity that the fair value net profit or loss and net other comprehensive income after tax increase every 1% (based on the carrying value on the balance sheet date) over the investments in equity instrument, assuming all other variables remain constant.

#### 2018

	Carrying value of investments in equity instruments	Increase in net profit or loss	Net increase in other comprehensive income	Increase in total shareholders' equity
Investments in equity instruments				
Shanghai-Financial assets held for trading	3,209,190.00	24,068.93	-	24,068.93
Shenzhen-Financial assets held for trading	1,427,157.50	10,703.68	-	10,703.68
Hong Kong-Other equity investment	22,473,785.23	-	168,553.39	168,553.39
Unlisted investments in equity instruments measured at fair value				
- other equity investments	156,672,586.07	-	1,175,044.40	1,175,044.40

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## VIII. Risk related to financial instruments (continued)

### 3. Risks of financial assets (continued)

#### Market risk (continued)

Price risk of investment in equity instruments (continued)

2017

	Carrying value of investments in equity instruments	Increase in net profit or loss	Net increase in other comprehensive income	Increase in total shareholders' equity
Investments in equity instruments				
Shanghai-Financial assets held for trading	3,541,810.00	26,563.58	–	26,563.58
Shenzhen-Financial assets held for trading	1,508,687.50	11,315.16	–	11,315.16
Hong Kong-Other equity investments	15,861,099.68	–	118,958.25	118,958.25

### 4. Capital management

The Group's capital management mainly aims to ensure the Group's ability of operating as going concern, and maintain healthy capital ratio to support business development and maximise shareholders' value.

The Group changes and adjusts the capital management structure based on changes of economic situation and risk characteristics of related assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders or issue new shares. The Group is not subject to external mandatory capital requirements. In 2018 and 2017, the objective, policies or process of capital management are not changed.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## VIII. Risk related to financial instruments (continued)

### 4. Capital management (continued)

The Group manages capital using gearing ratio. The gearing ratio is the ratio between net liabilities and adjusted capital plus net liabilities. Net liabilities include short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable, long-term payables and other non-current liabilities, less cash at bank and on hand, financial assets held for trading and entrusted loans. The capital is presented as shareholders' equity in the consolidated balance sheet. The Group's gearing ratio on the balance sheet date is as follows:

	2018	2017
Short-term borrowings	<b>3,399,536,753.89</b>	3,271,234,002.74
Non-current liabilities due within one year	<b>800,076,181.57</b>	4,158,328,072.94
Long-term borrowings	<b>2,052,026,017.12</b>	2,581,543,935.59
Bonds payable	<b>5,873,223,359.39</b>	3,404,498,647.79
Long-term payables	<b>40,000,000.00</b>	–
Other non-current liabilities	<b>88,541,797.00</b>	98,915,093.00
Less: Cash at bank and on hand	<b>5,729,285,870.35</b>	7,507,917,166.59
Less: Financial assets held for trading – WMP	<b>1,892,520,046.14</b>	–
Less: Other current assets – WMP	–	150,000,000.00
Less: Other receivables – Entrusted loans	<b>36,824,925.52</b>	38,000,000.00
Net liabilities	<b>4,594,773,266.96</b>	5,818,602,585.47
Shareholders' equity	<b>20,860,315,944.17</b>	20,619,798,073.65
Capital and net liabilities	<b>25,455,089,211.13</b>	26,438,400,659.12
Gearing ratio	<b>18%</b>	22%

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## IX. Disclosure of fair value

### 1. Assets and liabilities measured at fair value

2018

	Input used in fair value measurement			Total
	Active market quotation (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
<b>Continuous fair value measurement</b>				
Financial assets held for trading				
Debt instrument investment	-	-	1,887,883,698.64	1,887,883,698.64
Equity instrument investment	4,636,347.50	-	-	4,636,347.50
Other equity instrument investments	22,473,785.23	-	156,672,586.07	179,146,371.30
	<b>27,110,132.73</b>	<b>-</b>	<b>2,044,556,284.71</b>	<b>2,071,666,417.44</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## IX. Disclosure of fair value (continued)

### 1. Assets and liabilities measured at fair value (continued)

2017

	Input used in fair value measurement			Total
	Active market quotation (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
<b>Continuous fair value measurement</b>				
Financial assets at fair value through profit or loss	5,050,497.50	–	–	5,050,497.50
Available-for-sale financial assets				
Equity instrument investment	15,861,099.68	–	–	15,861,099.68
Debt instrument investment	–	–	150,000,000.00	150,000,000.00
	20,911,597.18	–	150,000,000.00	170,911,597.18
<b>Continuous fair value measurement</b>				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading				
Other financial liabilities	3,810,902.00	–	–	3,810,902.00

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## IX. Disclosure of fair value (continued)

### 1. Assets and liabilities measured at fair value (continued)

2018

	Input used in fair value measurement			Total
	Active market quotation (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
Long-term borrowings	-	-	2,049,941,043.61	2,049,941,043.61
Bonds payable	-	-	5,942,202,555.25	5,942,202,555.25
	-	-	7,992,143,598.86	7,992,143,598.86

2017

	Input used in fair value measurement			Total
	Active market quotation (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)	
Long-term borrowings	-	-	2,570,853,492.82	2,570,853,492.82
Bonds payable	-	-	3,566,520,394.87	3,566,520,394.87
	-	-	6,137,373,887.69	6,137,373,887.69

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## IX. Disclosure of fair value (continued)

### 2. Valuation of fair value

#### Fair value of financial instruments

The following table compares the carrying value and the fair value of various financial instruments other than those whose carrying value is not significantly different from its fair value:

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial liabilities				
Long-term borrowings	<b>2,052,026,017.12</b>	2,581,543,935.59	<b>2,049,941,043.61</b>	2,570,853,492.82
Bonds payable	<b>5,873,223,359.39</b>	3,404,498,647.79	<b>5,942,202,555.25</b>	3,566,520,394.87

Management has assessed the cash at bank and on hand, notes receivable and accounts receivable, other receivables, short-term borrowings, bills payable and accounts payable and non-current liabilities due within one year. Their fair value approximates to the carrying value as the remaining term is not long.

Financial department of the Group is led by the financial managers who are responsible for development policies and process for fair value measurement of financial instruments. Financial department report to the financial director and the audit committee directly. On each balance sheet date, financial department will analyse change in value of financial instruments to determine the main input applicable to valuation. Valuation must be subject to review and approval of financial managers. For the purpose of the interim and annual financial statements, valuation process and results will be discussed with the audit committee twice a year.

Fair value of financial assets and financial liabilities is determined based on the amounts with which the trading parties are willing to exchange assets or settle debts in fair transaction, rather than the amounts with which the trading parties are forced to sell or settle. The following methods and assumptions are used to estimate fair value.

Fair value of short-term borrowings, long-term borrowings, bonds payable, and long-term payables is determined using discounted future cash flow method, with the market return of other financial instruments with similar contractual terms, credit risk and remaining terms as discount rate. On 31 December 2018 and 31 December 2017, the default risk of long-term borrowings and short-term borrowings is assessed as insignificant.

Fair value of listed equity instruments is determined based on market quotation. Fair value of unlisted equity instrument investment is estimated using valuation model. The assumptions used is not supported by observable market price. The Group needs to make estimate for related assumptions and parameters. The Group is of the opinion that fair value estimated using valuation techniques and its change are reasonable, and is the most applicable value on the balance sheet date.

In respect of the fair value of unlisted equity instrument investment, the Group estimates and quantifies the potential effect of using other reasonable and possible assumptions as input for valuation model. Fair value is decreased by RMB15,667,258.61 under unfavourable assumptions, while increased by RMB15,667,258.61 under favourable assumptions.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## IX. Disclosure of fair value (continued)

### 3. Unobservable input

The following table summarises significant unobservable input for level 3 fair value measurement:

	Fair value at the end of the year	Valuation techniques	Unobservable input	Range (weighted average mean)
Debt instrument investment	2018: 1,887,883,698.64	Cash flows	Prepayment rate	2018: 0%
	2017: 150,000,000.00	Discount method	Default probability	2017: 0%
			Default loss rate	2018: 0%
				2017: 0%
Equity instrument investment	2018:156,672,586.07	Compare with listed companies	Liquidity discount	2018: 25-30%

## X. Related parties and related party transactions

### 1. Parent company

	Place of incorporation	Nature of business	Registered capital (RMB)	Shareholding to the Company (%)	Percentage of voting rights to the Company (%)
PDA Group	Dalian	Port business	12,083,156,000.00	46.78	46.78

### 2. Subsidiaries

The information of the subsidiaries is set out in Note VII.1.

### 3. Joint ventures and associates

The information of the joint ventures and associates is set out in Note VII.2.



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 4. Other related parties

	<b>Relationship with the Group</b>
Dalian FTZ Yongdixin Real Estate Development Co., Ltd.	Subsidiary of the parent company
Dalian Port Real Estate Co., Ltd.	Subsidiary of the parent company
Dalian Wanfeng Properties Co., Ltd.	Subsidiary of the parent company
Dalian Creative Industry Project Development Co., Ltd.	Subsidiary of the parent company
Dalian Dagang Hongyu Housekeeping Services Co., Ltd.	Subsidiary of the parent company
Jinzhou Liaoxi PDA Properties Co., Ltd.	Subsidiary of the parent company
PDA Group (Jinzhou) Liaoxi Port Investment and Development Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Investment & Development Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Construction Engineering Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	Subsidiary of the parent company
Dalian Port Wantong Logistics Co., Ltd.	Subsidiary of the parent company
Dalian Wantong Ronghai Shipping Co., Ltd.	Subsidiary of the parent company
Dalian Port Machinery Co., Ltd.	Subsidiary of the parent company
Dalian Northeast Asia International Shipping Center of Shipping Exchange Market Co., Ltd.	Subsidiary of the parent company
Dalian Port Security Services Co., Ltd.	Subsidiary of the parent company
Dalian Port Petroleum & Chemical Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Container Terminal Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Automobile Terminal Co., Ltd.	Subsidiary of the parent company
Dalian Port North Shore Investment and Development Co., Ltd.	Subsidiary of the parent company
Dalian Port Petty Loan Co., Ltd.	Subsidiary of the parent company
Dalian Gangtai Insurance Brokers Co., Ltd.	Subsidiary of the parent company
Dalian Port Investment and Financing Holding Group Co., Ltd.	Subsidiary of the parent company
Dalian International Cruise City Development Co., Ltd.	Subsidiary of the parent company
Dalian Harbour City Construction Development Co., Ltd.	Subsidiary of the parent company
Dalian United King Port Auto Trade Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Port Company Limited	Subsidiary of the parent company
Dalian Equipment Finance Lease Co., Ltd.	Subsidiary of the parent company
Ocean Harvest Container Co. Ltd.	Subsidiary of the parent company
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	Subsidiary of the parent company
Dalian Harbour Engineering Co., Ltd.	Subsidiary of the parent company
Dalian Hongyu Building Co., Ltd.	Subsidiary of the parent company
Dalian Harbour Building Co., Ltd.	Subsidiary of the parent company
Dalian Port Huitong Occupational Training School	Subsidiary of the parent company
Dalian Ganghe Economic and Trade Co., Ltd.	Subsidiary of the parent company
Ningbo Yizhihong International Trade 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

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 4. Other related parties (continued)

	<b>Relationship with the Group</b>
Shenyang Kaiming Industrial Co., Ltd.	Subsidiary of the parent company
Shenyang Mingshuo Industrial Development Co., Ltd.	Subsidiary of the parent company
Changhai County Guanglu Wharf Construction Management Co., Ltd.	Subsidiary of the parent company
Dalian Dagang Equity Fund (Limited Partnership)	Subsidiary of the parent company
Dalian Gangrong International Trade Co., Ltd.	Subsidiary of the parent company
Dalian Taiping Bay Modern Agricultural Science and Technology Development Co., Ltd.	Subsidiary of the parent company
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	Joint venture of the parent company
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	Associate of the parent company
Dalian Life Raft Inspection Co., Ltd.	Associate of the parent company
Dalian Port Real Estate Group 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 Port Rixing Boiler Installation Co., Ltd.	Associate of the parent company
Jinzhou Port Co., Ltd.	Associate of the parent company
Liaogang Commodity Trading Co., Ltd.	Associate of the parent company
Dalian Wanpeng Foundation Engineering Co., Ltd.	Associate of the parent company
Dalian Port Industrial 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 Port Xingang Construction Engineering 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

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group

#### (1) Goods and service transactions with related parties

*Purchase of goods and receiving of service from related parties*

Transactions with the parent company

	Goods or type of service (note)	2018	2017
PDA Group	Comprehensive service	<b>20,086,442.88</b>	18,331,077.90

Transactions with joint ventures and associates

	Goods or type of service (note)	2018	2017
Dalian Changxing Island Port Investment and Development Co., Ltd.	Comprehensive service	<b>36,858,406.73</b>	–
China United International Rail Containers (Dalian) Co., Ltd.	Transportation	<b>15,420,868.29</b>	28,883,690.09
China Oil Dock Management (Dalian) Co., Ltd.	Port service	<b>14,085,812.67</b>	19,774,476.58
Ha'ou International Logistics Co., Ltd.	Transportation	<b>1,674,891.94</b>	104,408,298.30
Dalian Port Tongli Shipping Agency Co., Ltd.	Agent service	<b>1,158,112.51</b>	1,417,468.80
Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.	Agent service	<b>287,101.88</b>	257,905.66
Odfjell Dalian Port Consulting Co., Ltd.	Training service	<b>263,711.06</b>	174,820.39
Dalian Changxing Island Port Co., Ltd.	Electrical service	<b>236,333.58</b>	351,239.24
Dalian Automobile Terminal Co., Ltd.	Supervision service	<b>6,116.50</b>	754,716.96
Dalian International Container Terminal Co., Ltd.	Handling service	–	5,928,853.12
Dalian Port Container Terminal Co., Ltd.	Handling service	–	2,293,599.32
Dalian Singamas International Container Co., Ltd.	Comprehensive service	–	1,161,966.34
Dalian Jilong Logistics Co., Ltd.	Comprehensive service	–	611,666.18
Liaoning Con-Rail International Logistics Co., Ltd.	Transportation	–	542,211.04
Dalian Port Group Financial Co., Ltd.	Financial service	–	214,828.68
Dalian Vanguard International Logistics Co., Ltd.	Transportation	–	193,123.58
China United Tally (Dalian) Co., Ltd.	Tally service	–	164,433.96
		<b>69,991,355.16</b>	167,133,298.24

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (1) Goods and service transactions with related parties (continued)

*Purchase of goods and receiving of service from related parties (continued)*

Transactions with other related parties

	Goods or type of service (note)	2018	2017
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	Purchase of fuel	<b>64,057,545.87</b>	49,051,693.18
Dalian Port Industrial Co., Ltd.	Comprehensive service	<b>37,184,383.91</b>	31,425,753.25
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	Purchase of fuel	<b>29,193,936.84</b>	27,063,265.01
Dalian Port Xingang Construction Engineering Co., Ltd.	Maintenance service	<b>8,771,187.70</b>	3,265,346.34
Dalian Port Machinery Co., Ltd.	Maintenance service	<b>7,981,421.73</b>	12,491,908.79
Dalian Port Landscape Engineering Co., Ltd.	Comprehensive service	<b>4,610,665.74</b>	355,367.04
Dalian Hongyu Building Co., Ltd.	Comprehensive service	<b>4,565,095.32</b>	2,713,060.86
Dalian Port Rixing Boiler Installation Co., Ltd.	Maintenance service	<b>3,888,391.49</b>	4,425,938.09
Dalian Harbour Engineering Co., Ltd.	Comprehensive service	<b>3,859,100.62</b>	1,381,398.92
Dalian Port Machinery and Electric Co., Ltd.	Comprehensive service	<b>2,979,513.74</b>	–
Dalian Port Security Services Co., Ltd.	Security service	<b>2,032,421.94</b>	2,357,056.50
Dalian Harbour Building Co., Ltd.	Comprehensive service	<b>1,501,683.39</b>	1,409,893.10
Dalian Port Design & Research Institute Co., Ltd.	Comprehensive service	<b>1,044,811.32</b>	–
Dalian Port Property Management Co., Ltd.	Property service	<b>909,275.40</b>	759,851.33
Dalian Life Raft Inspection Co., Ltd.	Maintenance service	<b>194,481.69</b>	167,664.97
Dalian Port Huitong Occupational Training School	Comprehensive service	<b>131,090.29</b>	–
Jinzhou Port Co., Ltd.	Comprehensive service	<b>5,509.10</b>	31,591.11
Dalian Dagang Hongyu Housekeeping Services Co., Ltd.	Property service	–	485.44
		<b>172,910,516.09</b>	136,900,273.93

Purchase of goods and receiving of service from related parties of the Group are subject to the terms of agreement entered into between the Group and the related parties.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (1) Goods and service transactions with related parties (continued)

Sales of goods and rendering of service to related parties

Transactions with the parent company

	Goods or type of service (note)	2018	2017
PDA Group	Comprehensive service	<b>27,768,759.30</b>	21,267,078.62

Transactions with joint ventures and associates

	Goods or type of service (note)	2018	2017
China Oil Dock Management (Dalian) Co., Ltd.	Comprehensive service	<b>56,953,523.69</b>	42,146,527.20
Dalian Changxing Island Port Investment and Development Co., Ltd.	Comprehensive service	<b>21,980,240.10</b>	68,510,174.35
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	Comprehensive service	<b>16,698,378.38</b>	14,633,958.74
Taicang Xinggang Tug Co., Ltd.	Transportation	<b>16,658,712.29</b>	16,138,817.98
Dalian Port Yidu Cold Chain Co., Ltd.	Comprehensive service	<b>16,031,145.51</b>	22,127,755.68
Dalian Changxing Island Port Co., Ltd.	Comprehensive service	<b>6,661,519.70</b>	9,450,089.50
Odfjell Terminals (Dalian) Co., Ltd.	Comprehensive service	<b>4,762,877.34</b>	6,310,935.11
Dalian Automobile Terminal Co., Ltd.	Comprehensive service	<b>4,433,743.68</b>	4,884,498.45
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	Transportation	<b>2,843,644.79</b>	902,934.43
Dalian Port New Silk Road International Logistics Co., Ltd.	Logistics service	<b>2,691,318.10</b>	11,896,116.00
China United International Rail Containers (Dalian) Co., Ltd.	Comprehensive service	<b>2,652,040.81</b>	1,856,790.52
Dalian Jilong Logistics Co., Ltd.	Comprehensive service	<b>2,233,308.78</b>	1,721,020.80
Dalian North Oil Petroleum Logistics Co., Ltd.	Electrical service	<b>1,986,022.67</b>	1,218,260.27
Dalian Puji Storage Facility Co., Ltd.	Comprehensive service	<b>1,709,145.25</b>	3,537.80
Dalian Vanguard International Logistics Co., Ltd.	Comprehensive service	<b>1,626,073.63</b>	1,650,783.31
Dalian Dagang China Shipping Container Terminal Co., Ltd.	Comprehensive service	<b>1,457,460.32</b>	1,298,091.60
Ha'ou International Logistics Co., Ltd.	Transportation	<b>1,103,696.23</b>	15,871,191.36
China Harbour United Shipping Co., Ltd.	Comprehensive service	<b>983,570.27</b>	-

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (1) Goods and service transactions with related parties (continued)

*Sales of goods and rendering of service to related parties (continued)*

Transactions with the parent company (continued)

	Goods or type of service (note)	2018	2017
Dalian United International Shipping Agency Co., Ltd.	Comprehensive service	<b>957,547.20</b>	13,890,835.28
China United Tally (Dalian) Co., Ltd.	Telecommunication service	<b>822,275.00</b>	716,050.25
Dalian Port Group Financial Co., Ltd.	Comprehensive service	<b>820,648.45</b>	1,307,394.17
Dalian Singamas International Container Co., Ltd.	Comprehensive service	<b>764,129.53</b>	1,592,383.73
Dalian Port PetroChina International Terminal Co., Ltd.	Comprehensive service	<b>693,802.49</b>	694,206.50
Odfjell Changxing Terminals (Dalian) Co., Ltd.	Comprehensive service	<b>647,586.47</b>	622,367.88
Weifang Senda Container Service Co., Ltd.	Comprehensive service	<b>608,554.34</b>	424,528.00
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	Comprehensive service	<b>400,830.90</b>	355,140.83
Dalian Harbour ECL Logistics Co., Ltd.	Comprehensive service	<b>290,013.37</b>	293,032.97
PetroChina Dalian LNG Co., Ltd.	Comprehensive service	<b>516,448.15</b>	188,735.21
Dalian Port Tongli Shipping Agency Co., Ltd.	Telecommunication service	<b>142,881.34</b>	142,969.14
Dalian Port Xiangyu Grain Logistics Co., Ltd.	Comprehensive service	<b>127,426.85</b>	7,593.96
Dalian Wanpeng Port Engineering Testing Co., Ltd.	Comprehensive service	<b>12,148.64</b>	68,507.44
Sino Rail Bohai Train Ferry Co., Ltd.	Port service	<b>2,886.79</b>	–
Dalian Port Container Terminal Co., Ltd.	Comprehensive service	–	42,757,874.83
Dalian International Container Terminal Co., Ltd.	Comprehensive service	–	36,719,621.87
Liaoning Con-Rail International Logistics Co., Ltd.	Comprehensive service	–	7,685,466.26
		<b>170,273,601.06</b>	328,088,191.42

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (1) Goods and service transactions with related parties (continued)

Sales of goods and rendering of service to related parties (continued)

Transactions with other related parties

	Goods or type of service (note)	2018	2017
Dalian Port Wantong Logistics Co., Ltd.	Comprehensive service	<b>39,367,714.39</b>	29,608,410.49
Dalian Wanfeng Properties Co., Ltd.	Comprehensive service	<b>5,099,966.78</b>	1,895,413.65
Dalian United King Port Auto Trade Co., Ltd.	Comprehensive service	<b>3,773,973.26</b>	–
Dalian Port Petroleum & Chemical Co., Ltd.	Comprehensive service	<b>3,684,082.85</b>	1,658,780.06
Dalian Harbour Engineering Co., Ltd.	Comprehensive service	<b>2,153,292.60</b>	1,384,860.86
Dalian Hongyu Building Co., Ltd.	Comprehensive service	<b>1,851,547.49</b>	1,444,786.53
Dalian PetroChina Marine Fuel Transportation & Sales Co., Ltd.	Comprehensive service	<b>1,411,036.27</b>	920,897.21
Dalian Port North Shore Investment and Development Co., Ltd.	Comprehensive service	<b>1,305,798.41</b>	1,103,228.75
Dalian CITIC Harbour Investment Co., Ltd.	Electrical services	<b>1,212,985.34</b>	3,689,789.49
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	Comprehensive service	<b>1,076,593.02</b>	2,087,986.42
Dalian Taiping Bay Investment & Development Co., Ltd.	Comprehensive service	<b>930,070.13</b>	415,368.50
Dalian Port North Shore Automobile Terminal Co., Ltd.	Project supervision	<b>902,054.04</b>	1,590,580.84
Dalian Port Security Services Co., Ltd.	Telecommunication service	<b>870,375.32</b>	–
Datong Securities Co., Ltd.	Telecommunication service	<b>790,661.69</b>	862,564.11
Dalian Port Machinery Co., Ltd.	Comprehensive service	<b>749,183.00</b>	885,264.79
Dalian International Cruise City Development Co., Ltd.	Comprehensive service	<b>475,246.17</b>	286,623.79
Dalian Port North Shore Container Terminal Co., Ltd.	Comprehensive service	<b>366,622.69</b>	145,867.97
Dalian Taiping Bay Port Company Limited	Project supervision	<b>334,978.10</b>	17,254,576.64
Dalian Port Industrial Co., Ltd.	Comprehensive service	<b>318,660.23</b>	2,511,070.99

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (1) Goods and service transactions with related parties (continued)

*Sales of goods and rendering of service to related parties (continued)*

Transactions with other related parties (continued)

	Goods or type of service (note)	2018	2017
Dalian Port Design & Research Institute Co., Ltd.	Telecommunication service	<b>138,959.68</b>	222,627.64
Dalian Port Machinery and Electric Co., Ltd.	Engineering construction	<b>135,952.84</b>	1,645,167.24
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	Telecommunication service	<b>92,848.35</b>	102,417.11
Dalian Port Investment and Financing Holding Group Co., Ltd.	Comprehensive service	<b>81,296.10</b>	71,036.30
Dalian Gangtai Insurance Brokers Co., Ltd.	Comprehensive service	<b>58,755.24</b>	200,922.43
Dalian Port Real Estate Co., Ltd.	Comprehensive service	<b>56,168.37</b>	60,719.79
Dalian Creative Industry Project Development Co., Ltd.	Comprehensive service	<b>55,357.13</b>	2,640,225.31
Dalian Port Real Estate Group Co., Ltd.	Comprehensive service	<b>38,182.49</b>	5,609.07
Dalian Harbour City Construction Development Co., Ltd.	Telecommunication service	<b>25,840.89</b>	39,802.82
Dalian Northeast Asia International Shipping Center of Shipping Exchange Market Co., Ltd.	Telecommunication service	<b>22,334.92</b>	26,414.19
Dalian Port Petty Loan Co., Ltd.	Telecommunication service	<b>21,327.82</b>	26,749.90
Dalian Port Landscape Engineering Co., Ltd.	Telecommunication service	<b>17,950.90</b>	18,041.46
Dalian Port Rixing Boiler Installation Co., Ltd.	Telecommunication service	<b>15,383.60</b>	15,725.19
Dalian Harbour Building Co., Ltd.	Comprehensive service	<b>13,343.99</b>	13,409.98
Dalian FTZ Yongdixin Real Estate Development Co., Ltd.	Telecommunication service	<b>12,363.05</b>	653,221.21
Dalian Wantong Ronghai Shipping Co., Ltd.	Telecommunication service	<b>6,982.11</b>	5,003.07
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	Telecommunication service	<b>6,605.73</b>	3,300.60
Dalian Port Xingang Construction Engineering Co., Ltd.	Telecommunication service	<b>5,001.53</b>	9,271.17
Dalian Port Property Management Co., Ltd.	Telecommunication service	<b>4,678.74</b>	4,762.18



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (1) Goods and service transactions with related parties (continued)

Sales of goods and rendering of service to related parties (continued)

Transactions with other related parties (continued)

	Goods or type of service (note)	2018	2017
Dalian Equipment Finance Lease Co., Ltd.	Telecommunication service	<b>3,396.23</b>	3,396.23
PDA Group (Jinzhou) Liaoxi Port Investment and Development Co., Ltd.	Telecommunication service	<b>1,698.11</b>	20,649.13
Ganghe (Shanghai) Economic and Trade Co., Ltd.	Telecommunication service	<b>1,698.11</b>	1,132.08
Dalian Taiping Bay Construction Engineering Co., Ltd.	Telecommunication service	<b>1,224.16</b>	711.34
Ningbo Yizhihong International Trade Co., Ltd.	Telecommunication service	<b>1,132.08</b>	1,132.08
Shenyang Kaiming Industrial Co., Ltd.	Telecommunication service	<b>1,132.08</b>	1,132.08
Dalian Dagang Hongyu Housekeeping Services Co., Ltd.	Telecommunication service	<b>1,094.32</b>	1,782.87
Dalian Taiping Bay Investment & Holding Co., Ltd.	Comprehensive service	<b>566.04</b>	566.04
Dalian Yuxiang Marine Engineering Co., Ltd.	Comprehensive service	<b>566.04</b>	566.04
Dalian Dagang Equity Fund (Limited Partnership)	Comprehensive service	<b>566.04</b>	–
Dalian Gangrong International Trade Co., Ltd.	Comprehensive service	<b>566.04</b>	–
Dalian Taiping Bay Modern Agricultural Science and Technology Development Co., Ltd.	Comprehensive service	<b>566.04</b>	–
Dalian Ganghe Economic and Trade Co., Ltd.	Telecommunication service	–	7,547.16
Liaogang Commodity Trading Co., Ltd.	Transportation	–	439,639.64
Jinzhou Liaoxi PDA Properties Co., Ltd.	Project supervision	–	1,698.11
		<b>67,498,380.55</b>	73,990,450.55

Sales of goods and rendering of service to related parties by the Group are subject to the terms of agreement entered into between the Group and the related parties.

Note: Comprehensive service includes handling, storage, agency, tallying, information, containers ancillary services, equipment and technology maintenance, water and electricity supply and other services.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (2) Leasing with related parties

As the lessor

Transactions with joint ventures and associates

	Type of the leased assets	Leasing income recognised for the year 2018	Leasing income recognised for the year 2017
China Oil Dock Management (Dalian) Co., Ltd.	Buildings/berth and stock yard	14,260,000.00	14,205,102.77
Dalian Jilong Logistics Co., Ltd.	Site place	4,870,505.88	4,940,638.42
China United International Rail Containers (Dalian) Co., Ltd.	Site place	4,786,479.87	797,746.65
Dalian Port Yidu Cold Chain Co., Ltd.	Handling equipment	1,052,455.75	1,052,455.68
Dalian Dagang China Shipping Container Terminal Co., Ltd.	Handling equipment	500,000.00	–
Dalian North Oil Petroleum Logistics Co., Ltd.	Oil pipe and tank	211,904.76	211,904.76
China United Tally (Dalian) Co., Ltd.	Electronic equipment	24,928.71	7,003.71
Dalian Port Container Terminal Co., Ltd.	Berth and stock yard	–	108,197,739.49
Liaoning Con-Rail International Logistics Co., Ltd.	Handling equipment	–	10,998,331.73
Dalian International Container Terminal Co., Ltd.	Site place	–	65,275.47
Dalian Changxing Island Port Co., Ltd.	Optical fibre	–	6,792.46
		<b>25,706,274.97</b>	140,482,991.14

Transactions with other related parties

	Type of the leased assets	Leasing income recognised for the year 2018	Leasing income recognised for the year 2017
Dalian Port Industrial Co., Ltd.	Automobile/buildings	1,648,536.14	1,845,894.45
Dalian Taiping Bay Port Company Limited	Buildings	999,680.17	–
Dalian Harbour City Construction Development Co., Ltd.	Buildings	525,524.95	525,524.95
Dalian Wantong Ronghai Shipping Co., Ltd.	Buildings	147,619.05	147,619.05
Dalian Port Wantong Logistics Co., Ltd.	Buildings	107,485.71	1,465,372.68
Dalian CITIC Harbour Investment Co., Ltd.	Buildings	8,620.69	–
		<b>3,437,466.71</b>	3,984,411.13
		<b>29,143,741.68</b>	144,467,402.27

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (2) Leasing with related parties (continued)

As the lessee

Transactions with the parent company

	Type of the leased assets	Leasing expenses recognised for the year 2018	Leasing expenses recognised for the year 2017
PDA Group	Land use rights/ island embankment/ buildings	<b>60,103,947.39</b>	48,053,834.78

Transactions with joint ventures and associates

	Type of the leased assets	Leasing expenses recognised for the year 2018	Leasing expenses recognised for the year 2017
Dalian Port PetroChina International Terminal Co., Ltd.	Terminal facilities	<b>104,285,714.30</b>	104,285,714.30
Dalian Port Xiangyu Grain Logistics Co., Ltd.	Vehicles	<b>400,717.96</b>	326,307.69
Dalian Automobile Terminal Co., Ltd.	Buildings	<b>11,796.12</b>	39,080.00
Dalian International Container Terminal Co., Ltd.	Facilities/buildings	-	2,240,175.75
Dalian Port Container Terminal Co., Ltd.	Facilities	-	1,804,206.81
Dalian Puji Storage Facility Co., Ltd.	Site place	-	823,330.32
Dalian Changxing Island Port Co., Ltd.	Buildings	-	74,857.14
		<b>104,698,228.38</b>	109,593,672.01

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (2) Leasing with related parties (continued)

As the lessee (continued)

Transactions with other related parties

	Type of the leased assets	Leasing expenses recognised for the year 2018	Leasing expenses recognised for the year 2017
Dalian FTZ Yongdixin Real Estate Development Co., Ltd.	Buildings	5,523,626.62	6,072,672.39
Dalian Harbour Building Co., Ltd.	Buildings	2,873,846.52	2,963,280.54
Dalian Port Industrial Co., Ltd.	Automobile/handling equipment	930,064.83	662,899.60
Dalian Hongyu Building Co., Ltd.	Buildings	423,225.92	416,696.25
Dalian Port Landscape Engineering Co., Ltd.	Landscape facilities	–	86,880.50
Dalian Port Machinery Co., Ltd.	Buildings	–	75,065.42
		<b>9,750,763.89</b>	10,277,494.70
		<b>174,552,939.66</b>	167,925,001.49

Assets held under finance leases

	Type of the leased assets	Leasing expenses recognised for the year 2018	Leasing expenses recognised for the year 2017
Dalian Equipment Finance Lease Co., Ltd.	ISO Dry Container	2,346,097.48	4,007,076.96
Ocean Harvest Container Co. Ltd.	ISO Dry Container	1,800,144.03	1,208,899.35
		<b>4,146,241.51</b>	5,215,976.31

Lease of assets to or from related parties by the Group are subject to the terms of agreement entered into between the Group and the related parties.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (3) Guarantees from related parties

*Receiving guarantees from related parties*

2018

	Guaranteed amount	Commencement date	Termination date	Fully performed or not
PDA Group	2,350,000,000.00	23 May 2011	22 November 2021	No

2017

	Guaranteed amount	Commencement date	Termination date	Fully performed or not
PDA Group	2,350,000,000.00	23 May 2011	22 November 2021	No
PDA Group	2,650,000,000.00	26 September 2012	25 March 2019	No

The above related parties provided the Group with guarantees for bonds payable without any charge, please refer to Note V.31.

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (4) Borrowings and lending from/to related parties

##### Borrowings

2018

	Amount	Commencement date	Due date
Dalian Port Group Financial Co., Ltd.	30,000,000.00	9 March 2018	9 March 2019
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	8,000,000.00	6 September 2018	6 September 2019
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	2,500,000.00	26 September 2018	29 September 2019
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	5,500,000.00	8 October 2018	12 October 2019
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	8,000,000.00	29 October 2018	29 October 2019
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	8,000,000.00	20 November 2018	20 November 2019
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	4,000,000.00	5 December 2018	5 December 2019
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	3,500,000.00	25 December 2018	25 December 2019
Dalian United International Shipping Agency Co., Ltd.	15,000,000.00	4 May 2018	4 May 2021
Dalian Port Yidu Cold Chain Co., Ltd.	6,000,000.00	26 December 2018	25 December 2019
Dalian Port Yidu Cold Chain Co., Ltd.	15,000,000.00	30 October 2018	29 October 2019
Dalian Port Yidu Cold Chain Co., Ltd.	7,000,000.00	27 October 2018	26 October 2019
Dalian Port Yidu Cold Chain Co., Ltd.	24,000,000.00	26 October 2018	25 October 2019
Dalian Port Yidu Cold Chain Co., Ltd.	26,000,000.00	24 October 2018	23 October 2019
Dalian Port Yidu Cold Chain Co., Ltd.	24,000,000.00	20 October 2018	19 October 2019
Dalian Port Yidu Cold Chain Co., Ltd.	26,000,000.00	19 October 2018	18 October 2019
Dalian Port Yidu Cold Chain Co., Ltd.	5,000,000.00	29 November 2018	28 November 2019
Dalian Port Yidu Cold Chain Co., Ltd.	10,000,000.00	24 November 2018	23 November 2019
Dalian Port Yidu Cold Chain Co., Ltd.	14,000,000.00	22 November 2018	21 November 2019
Dalian Port Yidu Cold Chain Co., Ltd.	6,000,000.00	13 November 2018	12 November 2019
Dalian Port Yidu Cold Chain Co., Ltd.	5,000,000.00	10 November 2018	9 November 2019
Dalian Port Yidu Cold Chain Co., Ltd.	8,000,000.00	9 November 2018	8 November 2019
Dalian Port Yidu Cold Chain Co., Ltd.	40,000,000.00	2 November 2018	1 November 2019
Dalian Port Yidu Cold Chain Co., Ltd.	9,000,000.00	31 October 2018	30 October 2019

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (4) Borrowings and lending from/to related parties (continued)

*Borrowings (continued)*

2017

	Amount	Commencement date	Due date
Dalian Port Group Financial Co., Ltd.	1,260,000.00	5 January 2017	31 March 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
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 2018
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

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (4) Borrowings and lending from/to related parties (continued)

*Borrowings (continued)*

2017 (continued)

	Amount	Commencement date	Due date
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
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

Note: The above borrowings from Dalian Port Group Financial Co., Ltd. are intra-group entrusted loans through Dalian Port Group Financial Co., Ltd.



# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (4) Borrowings and lending from/to related parties (continued)

##### Repayment

	2018	2017
Dalian Port Group Financial Co., Ltd.	<b>111,900,000.00</b>	638,005,988.14
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	<b>13,463,246.11</b>	–
Dalian Port Yidu Cold Chain Co., Ltd.	<b>11,500,000.00</b>	–
	<b>136,863,246.11</b>	638,005,988.14

##### Interest expenses paid

	2018	2017
Dalian Port Group Financial Co., Ltd.	<b>32,231,390.28</b>	32,380,276.76
Dalian Port Yidu Cold Chain Co., Ltd.	<b>9,610,781.30</b>	1,638,741.66
Dalian United International Shipping Agency Co., Ltd.	<b>478,958.35</b>	897,798.60
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	<b>334,818.49</b>	1,638,741.66
Dalian Equipment Finance Lease Co., Ltd.	–	11,072,589.53
Shenyang Kaiming Industrial Co., Ltd.	–	2,614,200.00
Shenyang Mingshuo Industrial Development Co., Ltd.	–	1,756,366.67
Dalian Harbour ECL Logistics Co., Ltd.	–	897,798.60
	<b>42,655,948.42</b>	52,896,513.48

The borrowings from the 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 of 2018  
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## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (4) Borrowings and lending from/to related parties (continued)

Lending

2018

	Amount	Commencement date	Due date
Dalian Changxing Island Port Co., Ltd.	29,000,000.00	18 August 2018	18 August 2019

2017

	Amount	Commencement date	Due date
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.	4,600,000.00	10 February 2017	9 February 2018

	2018	2017
Dalian Changxing Island Port Co., Ltd.	29,000,000.00	29,000,000.00
Dalian Vanguard International Logistics Co., Ltd.	-	9,000,000.00
Liaoning Con-Rail International Logistics Co., Ltd.	-	4,600,000.00
	<b>29,000,000.00</b>	42,600,000.00

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (4) Borrowings and lending from/to related parties (continued)

##### Lending (continued)

Interest income from lending

	2018	2017
Dalian Changxing Island Port Co., Ltd.	1,568,610.43	503,333.52
Dalian Vanguard International Logistics Co., Ltd.	374,067.52	3,077.83
Liaoning Con-Rail International Logistics Co., Ltd.	-	551,904.99
Dalian Port Yidu Cold Chain Co., Ltd.	-	335,175.71
Dalian Puji Storage Facility Co., Ltd.	-	32,830.19
	<b>1,942,677.95</b>	1,426,322.24

The loans to the 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.

#### (5) Assets transfer of related parties

##### Acquisition of assets

	Nature of related party transactions	2018	2017
Dalian Port Machinery and Electric Co., Ltd.	Engineering construction	28,988,685.89	9,586,643.57
Dalian Port Design & Research Institute Co., Ltd.	Engineering construction	11,467,038.85	380,849.06
Dalian Harbour Engineering Co., Ltd.	Engineering construction	11,112,257.57	27,818,654.79
Dalian Port Machinery Co., Ltd.	Engineering construction	4,569,512.47	2,844,616.92
Dalian Port Rixing Boiler Installation Co., Ltd.	Engineering construction	4,609,052.14	1,935,234.61
Dalian Port Xingang Construction Engineering Co., Ltd.	Engineering construction	2,357,283.31	638,981.98
Dalian Wanpeng Port Engineering Testing Co., Ltd.	Engineering construction	50,745.65	-
Dalian Port Landscape Engineering Co., Ltd.	Engineering construction	14,374.55	896,716.89
		<b>63,168,950.43</b>	44,101,697.82

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (5) Assets transfer of related parties (continued)

Transfer of assets

	Nature of related party transactions	2018	2017
Dalian Port Xiangyu Grain Logistics Co., Ltd.	Disposal of assets	-	96,212,815.51

The prices for acquisition and transfer of assets from related parties were in accordance with the terms of agreements mutually agreed between the parties.

During the year, the Group transferred its entire equity interests in King Port Auto to PDA Group. King Port Auto had not been included in the Group's consolidation scope since 30 June 2018. Please refer to Note VI. Changes in the scope of consolidation.

#### (6) Remuneration of key management

	2018	2017
Remuneration of key management	3,237,141.68	4,195,559.55

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 5. Major related party transactions of the Group (continued)

#### (7) Commitment 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

	2018	2017
<b>Lessee</b>		
PDA Group	<b>149,578,488.42</b>	344,903,245.91
Dalian Equipment Finance Lease Co., Ltd.	<b>4,422,990.00</b>	-
Dalian FTZ Yongdixin Real Estate Development Co., Ltd.	-	1,247,346.42
Dalian Puji Storage Facility Co., Ltd.	-	748,482.11
	<b>154,001,478.42</b>	346,899,074.44
	<b>2018</b>	2017
<b>Lessor</b>		
Dalian Port Yidu Cold Chain Co., Ltd.	<b>1,052,455.69</b>	146,174.40
Dalian CITIC Harbour Investment Co., Ltd.	<b>94,827.59</b>	-
Dalian Port Industrial Co., Ltd.	-	1,831,097.63
Dalian Port Wantong Logistics Co., Ltd.	-	1,516,887.67
Dalian North Oil Petroleum Logistics Co., Ltd.	-	211,904.76
	<b>1,147,283.28</b>	3,706,064.46
<b>Acquisition of assets</b>		
Dalian Harbour Engineering Co., Ltd.	<b>492,087.44</b>	245,556.48
Dalian Port Machinery and Electric Co., Ltd.	-	4,848,245.48
	<b>492,087.44</b>	5,093,801.96

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 6. Amounts due from related parties

#### Accounts receivable

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Amount due from the parent</b>				
PDA Group	260,624.83	1,824.37	1,218,285.00	–
<b>Amounts due from joint ventures and associates</b>				
Dalian Port Yidu Cold Chain Co., Ltd.	8,912,206.81	1,293,285.97	3,774,716.19	–
Dalian Changxing Island Port Co., Ltd.	2,917,913.31	598,783.57	2,912,201.34	–
Dalian United International Shipping Agency Co., Ltd.	1,664,086.56	11,648.60	132,283.69	–
Dalian Changxing Island Port Investment and Development Co., Ltd.	1,527,494.00	10,692.46	147,000.00	–
China Oil Dock Management (Dalian) Co., Ltd.	1,169,245.00	8,184.71	415,000.00	–
Dalian Automobile Terminal Co., Ltd.	433,842.10	3,036.89	244,676.43	–
Dalian Shenyang Railway Bureau Yuangang Logistics Co., Ltd.	158,388.00	1,108.72	3,794.00	–
Dalian Vanguard International Logistics Co., Ltd.	142,536.20	997.75	1,000,922.00	–
Dalian Port Group Financial Co., Ltd.	84,600.00	592.20	172,913.60	–
Dalian Singamas International Container Co., Ltd.	41,755.00	292.28	156,223.50	–
Odfjell Terminals (Dalian) Co., Ltd.	40,595.00	284.16	1,006,997.12	–
Dalian Dagang China Shipping Container Terminal Co., Ltd.	29,718.94	208.03	42,774.33	–
China United International Rail Containers (Dalian) Co., Ltd.	20,067.22	140.47	3,983.00	–
Dalian Jilong Logistics Co., Ltd.	12,000.00	84.00	83,720.00	–
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	–	–	2,019,570.00	–
Dalian Port Xiangyu Grain Logistics Co., Ltd.	–	–	8,049.60	–
China United Tally (Dalian) Co., Ltd.	–	–	3,900.00	–
	<b>17,154,448.14</b>	<b>1,929,339.81</b>	12,128,724.80	–

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 6. Amounts due from related parties (continued)

#### Accounts receivable (continued)

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Amounts due from other related parties</b>				
Dalian Creative Industry Project Development Co., Ltd.	3,855,273.54	206,167.53	1,915,113.36	—
Dalian Harbour Engineering Co., Ltd.	456,132.94	244,676.30	439,481.94	—
Dalian Taiping Bay Investment & Development Co., Ltd.	316,029.50	175,759.85	65,600.00	—
Dalian CITIC Harbour Investment Co., Ltd.	225,375.91	3,999.32	3,494.50	—
Dalian Port Petroleum & Chemical Co., Ltd.	193,230.00	1,352.61	193,230.00	—
Dalian Port Machinery and Electric Co., Ltd.	154,532.57	87,008.14	1,269,508.89	—
Dalian Port Design & Research Institute Co., Ltd.	76,486.55	52,089.54	194,759.00	—
Dalian Port Wantong Logistics Co., Ltd.	717.00	5.02	1,363,527.00	—
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	—	—	269,173.00	—
Dalian Port Machinery Co., Ltd.	—	—	78,176.00	—
Liaogang Commodity Trading Co., Ltd.	—	—	7,940.00	—
	<b>5,277,778.01</b>	<b>771,058.31</b>	5,800,003.69	—
	<b>22,692,850.98</b>	<b>2,702,222.49</b>	19,147,013.49	—

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 6. Amounts due from related parties (continued)

#### Other receivables

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Amount due from the parent</b>				
PDA Group	3,436,644.27	303,849.72	2,450,236.07	–
<b>Amounts due from joint ventures and associates</b>				
Dalian Changxing Island Port Investment and Development Co., Ltd.	80,741,514.18	11,153,115.09	3,136,780.97	–
Dalian Changxing Island Port Co., Ltd.	44,218,356.55	6,963,284.53	41,490,314.75	–
Dalian Vanguard International Logistics Co., Ltd.	7,824,925.52	1,330,237.34	9,000,000.00	–
Dalian Port Yidu Cold Chain Co., Ltd.	5,450,720.01	184,310.57	1,172,007.65	–
Dalian United International Shipping Agency Co., Ltd.	1,551,265.00	46,537.95	–	–
Odfjell Terminals (Dalian) Co., Ltd.	1,168,227.06	197,898.60	1,170,327.06	–
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	281,705.47	8,451.16	228,587.86	–
Odfjell Changxing Terminals (Dalian) Co., Ltd.	227,481.84	6,824.46	55,267.33	–
Dalian North Oil Petroleum Logistics Co., Ltd.	180,134.35	30,622.84	180,134.35	–
Dalian Puji Storage Facility Co., Ltd.	160,917.12	4,827.51	–	–
Dalian Automobile Terminal Co., Ltd.	159,274.38	17,905.69	299,400.59	–
Dalian Jilong Logistics Co., Ltd.	71,000.00	2,130.00	1,000.00	–
Dalian Port Group Financial Co., Ltd.	37,450.57	1,123.52	76,399.37	–
Dalian Gangsheng Tendering & Bidding Agency Co., Ltd.	36,800.00	1,104.00	90,000.00	–
China United International Rail Containers (Dalian) Co., Ltd.	15,000.00	450.00	–	–
PetroChina Dalian LNG Co., Ltd.	9,100.00	9,100.00	9,100.00	–
Dalian Port PetroChina International Terminal Co., Ltd.	8,537.00	256.11	–	–
Dalian Dagang China Shipping Container Terminal Co., Ltd.	5,938.57	178.16	8,206.86	–
Dalian Port Xiangyu Grain Logistics Co., Ltd.	–	–	49,549,600.00	–
Dalian Shunde JF Supply Chain Management Co., Ltd.	–	–	1,200,000.00	–
	<b>142,148,347.62</b>	<b>19,958,357.53</b>	107,667,126.79	–



# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 6. Amounts due from related parties (continued)

#### Other receivables (continued)

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Amounts due from other related parties</b>				
Dalian Port Machinery and Electric Co., Ltd.	2,037,685.38	702,387.79	3,577,012.21	—
Dalian Taiping Bay Sunshine Real Estate Co., Ltd.	2,022,818.46	66,959.35	1,919,798.46	—
Dalian Port Machinery Co., Ltd.	1,329,220.00	206,066.00	865,510.00	—
Dalian Port Industrial Co., Ltd.	1,186,748.39	35,602.45	1,309,539.24	—
Dalian Harbour Engineering Co., Ltd.	1,163,553.62	35,939.46	5,805,519.64	—
Dalian Wanfeng Properties Co., Ltd.	226,103.57	6,783.11	—	—
Dalian Port North Shore Automobile Terminal Co., Ltd.	221,580.00	6,647.40	1,120,770.00	—
Dalian Port Petroleum & Chemical Co., Ltd.	208,655.34	26,477.38	352,683.36	—
Dalian Port Design & Research Institute Co., Ltd.	164,895.57	21,545.09	85,548.00	—
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	80,000.00	2,400.00	209,483.55	—
Dalian Taiping Bay Port Company Limited	62,817.50	5,621.49	10,640,190.53	—
Dalian Port North Shore Investment and Development Co., Ltd.	60,000.00	21,000.00	60,000.00	—
Dalian Taiping Bay Investment & Development Co., Ltd.	49,861.45	12,444.49	70,137.95	—
Dalian Gangtai Insurance Brokers Co., Ltd.	20,000.00	600.00	20,000.00	—
Dalian Hongyu Building Co., Ltd.	15,387.00	5,385.45	—	—
Dalian International Cruise City Development Co., Ltd.	9,600.00	288.00	2,812.67	—
Dalian Port Xingang Construction Engineering Co., Ltd.	9,300.00	1,581.00	9,300.00	—
Dalian Port Security Services Co., Ltd.	800.00	24.00	2,000.00	—
Jinzhou Western Liaoning Dalian Port Real Estate Co., Ltd.	—	—	360,500.00	—
Changhai County Guanglu Wharf Construction Management Co., Ltd.	—	—	13,000.00	—
	<b>8,869,026.28</b>	<b>1,157,752.46</b>	26,423,805.61	—
	<b>154,454,018.17</b>	<b>21,419,959.71</b>	136,541,168.47	—

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 6. Amounts due from related parties (continued)

#### Contract assets

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Amounts due from joint ventures and associates</b>				
Dalian Port Xiangyu Grain Logistics Co., Ltd.	49,549,600.00	-	-	-

#### Advances to suppliers

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Amounts due to joint ventures and associates</b>				
Liaoning Electronic Port Co., Ltd.	21,619.50	-	-	-
China United International Rail Containers (Dalian) Co., Ltd.	-	-	1,117,254.05	-
Dalian Vanguard International Logistics Co., Ltd.	-	-	12,170.00	-
	<b>21,619.50</b>	<b>-</b>	<b>1,129,424.05</b>	<b>-</b>
<b>Advances to other related parties</b>				
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	1,377,209.27	-	1,339,053.81	-
Dalian Port Industrial Co., Ltd.	7,609.08	-	-	-
Dalian Port Machinery Co., Ltd.	-	-	107,692.31	-
	<b>1,384,818.35</b>	<b>-</b>	<b>1,446,746.12</b>	<b>-</b>
	<b>1,406,437.85</b>	<b>-</b>	<b>2,576,170.17</b>	<b>-</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 6. Amounts due from related parties (continued)

#### Interest receivable

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Amounts due from joint ventures and associates</b>				
Dalian Port Group Financial Co., Ltd.	6,922,997.11	-	5,533,010.96	-
Dalian Changxing Island Port Co., Ltd.	2,196,260.66	-	533,533.55	-
Dalian Vanguard International Logistics Co., Ltd.	2,836.54	-	3,262.50	-
	<b>9,122,094.31</b>	<b>-</b>	<b>6,069,807.01</b>	<b>-</b>

#### Notes receivable

	2018		2017	
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
<b>Amounts due from joint ventures and associates</b>				
	2,000,000.00	-	-	-
<b>Advances from other related parties</b>				
Dalian North Oil Petroleum Logistics Co., Ltd.	420,000.00	-	-	-
	<b>2,420,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

Except for entrusted loans due from related parties, amounts due from related parties were interest free, unsecured and with no fixed maturity date.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 7. Amounts due to related parties

#### Accounts payable

	2018	2017
<b>Amounts due to joint ventures and associates</b>		
Dalian Changxing Island Port Investment and Development Co., Ltd.	<b>26,471,467.00</b>	–
Dalian Singamas International Container Co., Ltd.	<b>550,587.72</b>	93,824.63
Dalian Jilong Logistics Co., Ltd.	<b>143,764.00</b>	254,613.00
Dalian Vanguard International Logistics Co., Ltd.	<b>29,671.00</b>	111,955.60
Ha'ou International Logistics Co., Ltd.	<b>1,200.00</b>	40,324,886.38
China United International Rail Containers (Dalian) Co., Ltd.	–	1,024,009.30
Dalian United International Shipping Agency Co., Ltd.	–	1,220.00
Dalian Port New Silk Road International Logistics Co., Ltd.	–	47,346.82
Dalian Puji Storage Facility Co., Ltd.	–	37,338.40
	<b>27,196,689.72</b>	41,895,194.13
<b>Amounts due to other related parties</b>		
Dalian Port Machinery Co., Ltd.	<b>423,401.00</b>	432,642.12
Dalian Harbour Engineering Co., Ltd.	<b>284,191.00</b>	754,938.09
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	<b>109,317.34</b>	34,148.03
Dalian Port Industrial Co., Ltd.	–	219,786.00
Dalian Port Machinery and Electric Co., Ltd.	–	8,418,160.85
Dalian Port Design & Research Institute Co., Ltd.	–	260,000.00
Dalian Taiping Bay Construction Engineering Co., Ltd.	–	147,920.00
Jinzhou Port Co., Ltd.	–	6,800.00
	<b>816,909.34</b>	10,274,395.09
	<b>28,013,599.06</b>	52,169,589.22

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 7. Amounts due to related parties (continued)

#### Other payables

	2018	2017
<b>Amount due to the parent</b>		
PDA Group	<b>2,593,745.24</b>	1,157,793.67
<b>Amounts due to joint ventures and associates</b>		
Dalian United International Shipping Agency Co., Ltd.	<b>600,500.00</b>	600,500.00
China United Tally (Dalian) Co., Ltd.	<b>163,343.40</b>	6,000.00
Dalian Port Yidu Cold Chain Co., Ltd.	<b>100,000.00</b>	328,900.00
Dalian Changxing Island Port Investment and Development Co., Ltd.	<b>96,000.00</b>	–
Dalian Jilong Logistics Co., Ltd.	<b>15,000.00</b>	15,000.00
Dalian Singamas International Container Co., Ltd.	<b>700.00</b>	37,860.00
Dalian Dagang China Shipping Container Terminal Co., Ltd.	–	20,000.00
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	–	9,205.12
	<b>975,543.40</b>	1,017,465.12
<b>Amounts due to other related parties</b>		
Dalian Harbour Engineering Co., Ltd.	<b>54,567,216.22</b>	42,391,858.95
Dalian Port Machinery and Electric Co., Ltd.	<b>7,363,005.77</b>	13,157,558.53
Dalian Port Xingang Construction Engineering Co., Ltd.	<b>3,123,662.33</b>	1,812,007.35
Dalian Port Rixing Boiler Installation Co., Ltd.	<b>2,763,228.78</b>	6,647,323.54
Dalian Port Machinery Co., Ltd.	<b>2,111,283.83</b>	1,626,970.09
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	<b>1,293,397.99</b>	1,313,637.42
Dalian Wanpeng Foundation Engineering Co., Ltd.	<b>1,276,300.43</b>	696,116.43
Dalian Port Design & Research Institute Co., Ltd.	<b>1,469,134.00</b>	359,365.00
Dalian Port Industrial Co., Ltd.	<b>1,461,500.00</b>	1,003,100.00
Dalian Port Wantong Logistics Co., Ltd.	<b>60,000.00</b>	60,000.00
Shenyang Kaiming Industrial Co., Ltd.	–	28,000,000.00
Shenyang Mingshuo Industrial Development Co., Ltd.	–	20,000,000.00
Dalian Port Landscape Engineering Co., Ltd.	–	486,956.02
Dalian Wantong Ronghai Shipping Co., Ltd.	–	30,000.00
	<b>75,488,729.35</b>	117,584,893.33
	<b>79,058,017.99</b>	119,760,152.12

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 7. Amounts due to related parties (continued)

#### Interests payable

	2018	2017
<b>Amounts due to joint ventures and associates</b>		
Dalian Port Group Financial Co., Ltd.	<b>1,045,725.71</b>	1,505,053.46
Dalian Port Yidu Cold Chain Co., Ltd.	<b>283,777.08</b>	295,437.50
Dalian United International Shipping Agency Co., Ltd.	<b>21,770.85</b>	27,056.94
Dalian Harbour ECL Logistics Co., Ltd.	-	-
	<b>1,351,273.64</b>	1,827,547.90

#### Short-term borrowings

	2018	2017
<b>Amounts due to joint ventures and associates</b>		
Dalian Port Yidu Cold Chain Co., Ltd.	<b>213,500,000.00</b>	225,000,000.00
Dalian Port Group Financial Co., Ltd.	-	113,150,000.00
	<b>213,500,000.00</b>	338,150,000.00
<b>Amounts due to other related parties</b>		
Xinghai International Commercial Factoring (Tianjin) Co., Ltd.	<b>26,036,753.89</b>	-
	<b>239,536,753.89</b>	338,150,000.00

#### Long-term borrowings

	2018	2017
<b>Amounts due to joint ventures and associates</b>		
Dalian Port Group Financial Co., Ltd.	<b>644,000,000.00</b>	784,000,000.00
Dalian United International Shipping Agency Co., Ltd.	<b>15,000,000.00</b>	-
	<b>659,000,000.00</b>	784,000,000.00

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 7. Amounts due to related parties (continued)

#### Current portion of long-term borrowings

	2018	2017
<b>Amounts due to joint ventures and associates</b>		
Dalian Port Group Financial Co., Ltd.	<b>151,000,000.00</b>	–
Dalian Harbour ECL Logistics Co., Ltd.	–	14,000,000.00
	<b>151,000,000.00</b>	14,000,000.00
<b>Amounts due to other related parties</b>		
Ocean Harvest Container Co. Ltd.	<b>59,116,470.17</b>	54,493,042.89
Dalian Equipment Finance Lease Co., Ltd.	–	2,283,861.03
	<b>59,116,470.17</b>	56,776,903.92
	<b>210,116,470.17</b>	70,776,903.92

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## X. Related parties and related party transactions (continued)

### 7. Amounts due to related parties (continued)

#### Advances from customers

	2018	2017
<b>From the parent</b>		
PDA Group	-	17,687.69
<b>From joint ventures and associates</b>		
PetroChina Dalian LNG Co., Ltd.	-	325,997.17
Dalian Jilong Logistics Co., Ltd.	-	218,466.99
Dalian Wanpeng Port Engineering Testing Co., Ltd.	-	5,815.36
Dalian United International Shipping Agency Co., Ltd.	-	2,940.00
Dalian Port Yidu Cold Chain Co., Ltd.	-	2,107.66
Ha'ou International Logistics Co., Ltd.	-	200.00
	-	555,527.18
<b>From other related parties</b>		
Dalian Harbour Engineering Co., Ltd.	-	89,705.23
Dalian Port Property Management Co., Ltd.	-	20,641.53
Dalian Port Landscape Engineering Co., Ltd.	-	19,102.70
Dalian Port Rixing Boiler Installation Co., Ltd.	-	16,254.99
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	-	6,367.52
Dalian Port Xingang Construction Engineering Co., Ltd.	-	4,245.04
Dalian Port Wantong Logistics Co., Ltd.	-	1,869.50
	-	158,186.51
	-	731,401.38



# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## X. Related parties and related party transactions (continued)

### 7. Amounts due to related parties (continued)

#### Contractual liabilities

	2018	2017
<b>To joint ventures and associates</b>		
PetroChina Dalian LNG Co., Ltd.	<b>328,960.78</b>	—
Dalian Jilong Logistics Co., Ltd.	<b>213,384.17</b>	—
Taicang Xinggang Tug Co., Ltd.	<b>104,716.98</b>	—
Dalian United International Shipping Agency Co., Ltd.	<b>38,114.00</b>	—
Dalian Port Yidu Cold Chain Co., Ltd.	<b>107.66</b>	—
	<b>685,283.59</b>	—
<b>To other related parties</b>		
Sinopec Harbour Oil Sales (Dalian) Co., Ltd.	<b>8,603.82</b>	—
Dalian United King Port Auto Trade Co., Ltd.	<b>4,000.00</b>	—
	<b>12,603.82</b>	—
	<b>697,887.41</b>	—

Except for short-term borrowings, long-term borrowings and current portion of long-term borrowings, amounts due to related parties were interest free, unsecured and with no fixed maturity date.

### 8. Cash on hand and at bank placed in related parties

	2018	2017
Dalian Port Group Financial Co., Ltd.	<b>3,242,844,668.96</b>	2,524,252,940.72

The annual interest rate for the above deposits in 2018 was 0.35% to 2.25% (2017: 0.35% to 4.13%).

# Notes to the Financial Statements (continued)

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## X. Related parties and related party transactions (continued)

### 9. Parent and subsidiaries

	2018	2017
<b>Investments in subsidiaries</b>		
Unlisted investments, at cost	<b>231,651,236.42</b>	531,323,485.02

The Company's amounts due from and to subsidiaries in current assets and current liabilities were RMB4,545,306.98 (2017: RMB1,602,686,624.86) and RMB484,539.31 (2017: RMB8,246,357.19) respectively. The above receivables and payables were unsecured, interest free and repayable on demand.

Purchase of goods and receiving of service from subsidiaries amounted to RMB53,131,481.42 (2017: RMB15,185,157.69) in aggregate, and sales of goods and rendering of service to subsidiaries amounted to RMB50,269,265.49 (2017: RMB8,346,354.42) in aggregate.

## XI. Commitments and contingencies

### 1. Major commitments

	2018	2017
Contracted but not yet provisioned		
Capital commitments	<b>63,197,435.87</b>	74,408,037.70
Investment commitments	<b>48,400,000.00</b>	48,400,000.00
	<b>111,597,435.87</b>	122,808,037.70

### 2. Guarantee

The Company's associate, Dalian North Oil Petroleum Logistics Co., Ltd. ("DNPL"), financed RMB116 million by means of finance leasing from Zhongbing Financial Leasing Co., Ltd. ("Lessor") for a term 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 approved 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, non-cancellable and with joint liability 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. fulfils its guarantee obligation to the lessor according to the guarantee contract more than once, the counter guarantee period provided by the Company will have to be calculated separately. As of 31 December 2018, DNPL had made a repayment of RMB51 million.

# Notes to the Financial Statements (continued)

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## XII. Events after the balance sheet date

In accordance with the resolution approved at the Board meeting dated on 26 March 2019, the profit distribution plan for 2018 will be made based on 12,894,535,999 shares and a cash dividend of RMB0.19 (tax inclusive) per 10 shares is proposed to be distributed to all shareholders. Total amount of dividend to be distributed will be RMB244,996,183.98. The resolution is pending for approval at the general meeting.

## XIII. Other important items

### 1. Segment information

#### *Operating segments*

For management purposes, the Group is organised into business units based on its products and services and has seven reportable segments as follows:

- |     |   |   |
|-----|---|---|
| (1) | Oil/liquefied chemicals terminal and related logistics and trading services | loading and discharging, storage and transshipment of oil products and liquefied chemicals, port management services and oil trade business                               |
| (2) | Container terminal and related logistics and trading services               | loading and discharging, storage and transshipment of containers, leasing of terminals and various container logistics services, trading business and sales of properties |
| (3) | Bulk and general cargo terminal and related logistics services              | loading and discharging of ore, general cargo and provision of related logistics services and steel trading   |
| (4) | Bulk grains terminal and related logistics and trading services             | loading and discharging of grains and provision of related logistics services and unprocessed grains trading operation  |
| (5) | Passenger and roll-on, roll-off terminal and related logistics services     | passenger transportation, general cargo roll-on and roll-off and provision of related logistics services  |
| (6) | Port value-added and ancillary services                                     | tallying, tugging, transportation, power supply, information technology and construction services   |
| (7) | Automobile terminal and related logistics and trading services              | loading and discharging of automobile and provision of related logistics and trading services   |

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## XIII. Other important items (continued)

### 1. Segment information (continued)

#### Operating segments (continued)

Management monitors the results of the Group's operating segments separately for the purpose of decision-making on resource 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.

Inter-segment revenue is eliminated on consolidation. Inter-segment sales and purchases are conducted in accordance with the terms mutually agreed between the parties.

During the year, the Group integrated the original general cargo terminal and related logistics and trading services and the ore terminal and related logistics services as bulk and general cargo terminal and related logistics services.

Segment information for 2018 was presented as follows:

	Oil/liquefied chemicals terminal and related logistics and trading services RMB'000	Container terminal and related logistics and trading services RMB'000	Bulk and general cargo terminal and related logistics services RMB'000	Bulk grains terminal and related logistics and trading services RMB'000	Passenger and roll-on, roll-off terminal and related logistics services RMB'000	Port value-added and ancillary services RMB'000	Automobile terminal and related logistics and trading services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	1,195,110	2,765,235	974,810	389,256	177,260	931,171	234,269	87,334	-	6,754,445
Inter-segment revenue	4,703	4,398	1,731	387	147	190,797	-	92,832	(294,995)	-
Operating cost	887,720	2,060,139	714,544	401,223	123,555	634,942	225,094	94,518	-	5,141,735
Investment income from associates and joint ventures	174,643	23,951	(4,865)	(1,912)	(7,628)	47,958	18,277	-	-	250,424
Credit impairment losses	1,817	14,643	37,261	11,901	661	439	(599)	11,779	-	77,902
Depreciation and amortisation expenses	218,441	399,577	182,534	59,369	33,480	63,584	4,096	46,531	-	1,007,612
Total profit/(loss)	447,317	406,924	134,712	(59,468)	11,710	212,604	14,013	(292,332)	-	875,480
Income tax expenses	69,548	116,072	36,729	(11,940)	4,551	31,120	142	(52,724)	-	193,498
Net profit/(loss)	377,769	290,852	97,983	(47,528)	7,159	181,485	13,869	(239,608)	-	681,981
Total assets	7,024,447	11,682,055	3,838,979	1,354,767	1,558,188	2,789,822	936,047	7,743,894	(1,612,616)	35,315,583
Total liabilities	1,216,742	4,728,449	95,604	138,815	49,804	194,818	41,724	9,601,927	(1,612,616)	14,455,267
Long-term equity investments in associates and joint ventures	1,633,056	710,941	144,024	37,931	336,099	994,679	339,805	-	-	4,196,535
Increase in non-current assets	69,437	58,314	49,143	44,030	14,207	44,986	85,797	320,154	-	686,068

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## XIII. Other important items (continued)

### 1. Segment information (continued)

#### Operating segments (continued)

Segment information for 2017 was presented as follows:

	Oil/liquefied chemicals terminal and related logistics and trading services RMB'000	Container terminal and related logistics and trading services RMB'000	Bulk and general cargo terminal and related logistics services RMB'000	Bulk grains terminal and related logistics and trading services RMB'000	Passenger and roll-on, roll-off terminal and related logistics services RMB'000	Port value-added and ancillary services RMB'000	Automobile terminal and related logistics and trading services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	2,568,149	2,324,694	701,193	493,134	163,083	955,245	1,728,744	97,401	-	9,031,643
Inter-segment revenue	2,833	5,374	567	1,324	1,025	132,922	-	39,642	(183,687)	-
Operating cost	2,065,152	1,883,559	618,807	457,563	115,888	658,173	1,691,946	77,115	-	7,568,203
Investment income from associates and joint ventures	140,720	80,393	33,475	(376)	10,579	70,437	24,889	-	-	360,117
Assets impairment losses	-	-	(10)	-	-	-	59,928	-	-	59,918
Depreciation and amortisation expenses	219,883	244,600	186,618	65,912	32,634	70,188	272	30,382	-	850,489
Total profit/(loss)	598,665	466,987	42,672	12,473	25,788	215,079	(31,020)	(603,486)	-	727,158
Income tax expenses	113,062	125,860	3,863	5,830	2,813	23,507	2,109	(124,178)	-	152,866
Net profit/(loss)	485,603	341,127	38,809	6,643	22,975	191,572	(33,129)	(479,308)	-	574,292
Total assets	7,668,008	11,385,210	4,289,932	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	157,428	215,692	63,293	262,138	930,667	8,840,001	(1,800,024)	15,965,478
Long-term equity investments in associates and joint ventures	1,560,907	783,781	157,047	39,844	345,634	951,356	342,869	-	-	4,181,438
Increase in non-current assets	114,292	4,866,955	38,737	34,407	100,144	22,214	26,808	22,032	-	5,225,589

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## XIII. Other important items (continued)

### 1. Segment information (continued)

#### Other information

##### Information about products and services

The revenue classified by category is disclosed in Note V.41.

##### Geographical information

The entire operations of the Group and all its customers are located in Mainland China. Accordingly, all revenue is generated from the customers in Mainland China and the major non-current assets are located in Mainland China.

##### Information about major customers

In 2018, no sales to a single customer contributed 10% or more of the Group's total revenue (2017: Nil).

### 2. Leases

#### As lessor

The fixed assets under operating lease are disclosed in Note V.14.

#### As lessee

The Group leased certain fixed assets under finance lease arrangement. The total future lease payments are summarised as follows:

	2018	2017
Within 1 year (including 1 year)	<b>59,116,470.17</b>	58,620,930.22

As at 31 December 2018, there was no unrecognised financing expense (31 December 2017: RMB1,844,026.30).

Significant operating lease: According to the lease contracts signed with lessors, the minimum lease payments under non-cancellable leases are as follows:

	2018	2017
Within 1 year (including 1 year)	<b>102,609,510.68</b>	83,190,426.83
1 to 2 years (including 2 years)	<b>56,726,290.41</b>	14,521,744.29
2 to 3 years (including 3 years)	<b>51,436,670.13</b>	38,428,457.96
Over 3 years	<b>195,020,646.55</b>	227,293,273.45
	<b>405,793,117.77</b>	363,433,902.53

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## XIII. Other important items (continued)

### 3. Benefits and interests of directors

#### (1) Emoluments of directors and chief executives

Emoluments of directors, supervisors and chief executives for 2018 were set out below:

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	-	-	-	-	372,926.64	372,926.64	
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	250,000.00	-	-	-	-	250,000.00	
Chairman of supervisory committee/ 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	599,286.64	-	-	-	-	599,286.64	
Supervisor on behalf of employees	Lu Yongkui	604,434.64	-	-	-	-	604,434.64	

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## XIII. Other important items (continued)

### 3. Benefits and interests of directors (continued)

#### (1) Emoluments of directors and chief executives (continued)

Emoluments of directors, supervisors and chief executives for 2017 were set out below:

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 committee/ 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 of 2018  
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## XIII. Other important items (continued)

### 3. Benefits and interests of directors (continued)

#### (2) Consideration paid to third parties in return for directors' services

In 2018, the Company paid no consideration to third parties in return for directors' services.

#### (3) Loans, quasi-loans and other transactions provided to directors, the legal person controlled by directors, and associated person of directors

During the current year, the Company provided no loans, quasi-loans and other transactions to directors, the legal person controlled by directors, or associated person of directors.

#### (4) Substantial interests of directors in transactions, arrangements or contracts

In 2018, the Company did not enter into any important transactions, arrangements or contracts related to the Group's business within which directors of the Company directly or indirectly have substantial interests.

#### (5) The five highest paid individuals

The five highest paid individuals of the Group in 2018 include no (2017: 1) director. The aggregate emoluments paid to the top five individuals are as follows:

	2018	2017
Salaries and allowances	<b>5,158,797.60</b>	4,830,547.38
Social security contributions	<b>411,994.56</b>	416,199.84
	<b>5,570,792.16</b>	5,246,747.22

#### Emolument bands

	2018 Number of individuals	2017 Number of individuals
RMB0 – RMB1,000,000	<b>2</b>	3
RMB1,000,000 – RMB1,500,000	<b>3</b>	2

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## XIV. Notes to key items in the Company's financial statements

### 1. Notes receivable and accounts receivable

	2018	2017
Notes receivable	<b>255,450,984.64</b>	152,035,939.05
Accounts receivable	<b>327,104,715.96</b>	328,485,233.13
	<b>582,555,700.60</b>	480,521,172.18

#### Notes receivable

	2018	2017
Bank acceptance notes	<b>255,450,984.64</b>	152,035,939.05

Notes receivable which have been endorsed or discounted but were not mature yet as at the balance sheet date were as follows:

	2018		2017	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	<b>21,726,630.45</b>	<b>7,073,910.19</b>	37,316,289.51	–

As at 31 December 2018, there were no notes receivable (31 December 2017: Nil) pledged.

As at 31 December 2018, there were no discounted notes or notes that were transferred to accounts receivable due to drawer's non-performance (31 December 2017: Nil).

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 1. Notes receivable and accounts receivable (continued)

#### Accounts receivable

The credit terms of accounts receivable are usually 3 months. Accounts receivable are interest-free.

An ageing analysis of accounts receivable is as follows:

	2018	2017
Within 1 year	<b>309,468,240.20</b>	263,092,696.66
1 to 2 years	<b>3,019,834.79</b>	6,269,920.37
2 to 3 years	<b>1,370,699.72</b>	475,118.00
Over 3 years	<b>49,847,498.10</b>	58,647,498.10
	<b>363,706,272.81</b>	328,485,233.13
Less: provision for bad debts	<b>36,601,556.85</b>	-
	<b>327,104,715.96</b>	328,485,233.13

Movements in the provision for bad debts are as follows:

	Opening balance	Accrual	Reversal	Write-off and transfer out	Write-off	Closing balance
2018 (note)	<b>8,143,445.57</b>	<b>28,458,111.28</b>	-	-	-	<b>36,601,556.85</b>
2017	-	-	-	-	-	-

Note: The Group has adopted the New Financial Instrument Standards from 1 January 2018. On the first adoption day, the Group remeasured the original impairment provision for financial assets as at 31 December 2017 in accordance with the New Financial Instrument Standards. Please refer to Note III.34. Changes in accounting policies.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 1. Notes receivable and accounts receivable (continued)

#### Accounts receivable (continued)

	2018			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Provision for bad debts made on the individual basis	48,854,764.10	13.43	31,755,596.67	65.00
Provision for bad debts made on the grouping basis of credit risk characteristics	314,851,508.71	86.57	4,845,960.18	1.54
	<b>363,706,272.81</b>	<b>100.00</b>	<b>36,601,556.85</b>	

The provision for bad debts of accounts receivable using the aging analysis method is as follows:

	2018		
	Closing balance of estimated default	Expected credit loss rate	Expected credit loss for the entire duration
Within 1 year	309,468,240.20	0.7%	2,166,277.68
1 to 2 years	3,019,834.79	25%	754,958.70
2 to 3 years	1,370,699.72	70%	959,489.80
3 to 4 years	110,000.00	75%	82,500.00
4 to 5 years	-	90%	-
Over 5 years	882,734.00	100%	882,734.00
	<b>314,851,508.71</b>		<b>4,845,960.18</b>

As at 31 December 2017, the management of the Company was of the opinion that provision for bad debts of accounts receivable was not necessary.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 2. Other receivables

	2018	2017
Interests receivable	<b>25,118,505.66</b>	32,347,608.79
Dividends receivable	<b>1,220,792,292.25</b>	1,029,532,111.51
Other receivables	<b>388,175,300.56</b>	613,641,475.21
	<b>1,634,086,098.47</b>	1,675,521,195.51

The management of the Company was of the opinion that impairment provision for interests receivable and dividends receivable as at the balance sheet date was not necessary.

#### Other receivables

The ageing analysis of other receivables is as follows:

	2018	2017
Within 1 year	<b>335,834,826.35</b>	587,206,067.16
1 to 2 years	<b>66,810,724.22</b>	14,476,538.06
2 to 3 years	<b>9,053,410.31</b>	3,836,233.60
Over 3 years	<b>6,935,284.66</b>	8,138,734.86
	<b>418,634,245.54</b>	613,657,573.68
Less: provision for bad debts	<b>30,458,944.98</b>	16,098.47
	<b>388,175,300.56</b>	613,641,475.21

# Notes to the Financial Statements (continued)

For the Year of 2018  
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## XIV. Notes to key items in the Company's financial statements (continued)

### 2. Other receivables (continued)

#### Other receivables (continued)

Movements in the carrying amount and provision for bad debts of expected credit losses over the next 12 months and for the entire duration are as follows:

	First stage		Third stage		Total	
	Expected credit loss over the next 12 months		Expected credit loss for the entire duration (with credit impairment loss)			
	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
1 January 2018 (note)	613,641,475.21	16,082,001.23	16,098.47	16,098.47	613,657,573.68	16,098,099.70
Increase	-	14,360,845.28	-	-	-	14,360,845.28
Decrease	(195,023,328.14)	-	-	-	(195,023,328.14)	-
31 December 2018	418,618,147.07	30,442,846.51	16,098.47	16,098.47	418,634,245.54	30,458,944.98

Note: The Group has adopted the New Financial Instrument Standards from 1 January 2018. On the first adoption day, the Group remeasured the original impairment provision for financial assets as at 31 December 2017 in accordance with the New Financial Instrument Standards. Please refer to Note III.34. Changes in accounting policies.

As at 31 December 2018, the provision for bad debts of other receivable in first stage is as follows:

	2018		
	Closing balance of estimated default	Expected credit loss rate	Expected credit loss for the entire duration
Within 1 year	335,834,826.35	3%	10,075,044.79
1 to 2 years	66,810,724.22	17%	11,357,823.12
2 to 3 years	9,053,410.31	35%	3,168,693.61
3 to 4 years	1,560,000.00	75%	1,170,000.00
4 to 5 years	3,439,506.00	80%	2,751,604.80
Over 5 years	1,919,680.19	100%	1,919,680.19
	418,618,147.07		30,442,846.51

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 2. Other receivables (continued)

#### Other receivables (continued)

Other receivables by nature are as follows:

	2018	2017
Entrusted loans	<b>300,000,000.00</b>	450,000,000.00
Receivables from entrusted management services	<b>88,537,307.21</b>	80,656,608.41
Receivables from asset transfer	–	49,549,600.00
Others	<b>30,096,938.33</b>	33,451,365.27
	<b>418,634,245.54</b>	613,657,573.68
Less: provision for bad debts	<b>30,458,944.98</b>	16,098.47
	<b>388,175,300.56</b>	613,641,475.21

As at 31 December 2018, a summary of the top five other receivables was as follows:

	Balance	Provision for bad debts	% to the total balance (%)
Total balances of top five other receivables	<b>399,494,467.18</b>	<b>78,594,110.56</b>	<b>95.43</b>

As at 31 December 2017, a summary of the top five other receivables was as follows:

	Balance	Provision for bad debts	% to the total balance (%)
Total balances of top five other receivables	582,895,758.41	–	94.99

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 3. Long-term equity investments

2018

	Opening balance	Increase in investment	Decrease in investment	Closing balance	Dividend distribution
<b>Subsidiary</b>					
Dalian Port Container Development Co., Ltd.	3,201,948,622.38	-	-	3,201,948,622.38	206,190,866.75
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	6,285,158.80
Dalian Jifa Ship Management Co., Ltd.	391,984,354.73	27,027,200.00	-	419,011,554.73	-
Dalian Ocean Shipping Tally Co., Ltd.	14,259,172.03	-	-	14,259,172.03	6,765,496.63
Dalian Port Construction Supervision & Consultation Co., Ltd.	18,278,125.97	-	-	18,278,125.97	7,500,000.00
Dalian Port Telecommunications Engineering Co., Ltd.	6,137,212.61	-	-	6,137,212.61	2,008,125.00
Dalian Golden Bay Grain Logistics Co., Ltd.	53,156,426.75	-	-	53,156,426.75	-
Dalian Port Power Supply Co., Ltd.	121,205,097.79	-	-	121,205,097.79	2,376,514.68
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	-
Dalian Dilangsirui 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 Haiheng Ship Management Co., Ltd.	4,825,626.54	-	-	4,825,626.54	525,074.56
Dalian Hongyang International Logistics Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-
<b>Total</b>	<b>4,539,258,940.45</b>	<b>27,027,200.00</b>	<b>(6,000,000.00)</b>	<b>4,560,286,140.45</b>	<b>231,651,236.42</b>



# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 3. Long-term equity investments (continued)

2018

	Movements for the current year					Closing balance
	Opening balance	Increase in investment	Share of profit/(loss) under equity method	Other changes in equity	Declaration of cash dividends	
<b>Joint ventures</b>						
Dalian Port Tongli Shipping Agency Co., Ltd.	1,553,286.13	-	329,451.50	-	(725,000.00)	1,157,737.63
Dalian Harbour ECL Logistics Co., Ltd.	31,642,331.03	-	1,187,213.88	(5,931.95)	(956,323.15)	31,867,289.81
Odfjell Terminals (Dalian) Co., Ltd.	161,275,711.82	-	25,727,166.41	(63,911.27)	(22,500,000.00)	164,438,966.96
Dalian Port PetroChina International Terminal Co., Ltd.	210,260,341.43	-	27,916,407.12	782,142.85	(6,788,307.00)	232,170,584.40
China United Tally (Dalian) Co., Ltd.	3,013,183.04	-	416,317.59	133,494.41	(288,940.05)	3,274,054.99
China Oil Dock Management (Dalian) Co., Ltd.	2,171,883.10	-	2,841,415.37	-	-	5,013,298.47
Dalian Changxing Island Port Co., Ltd.	143,335,282.66	-	(16,177,877.17)	38,553.56	-	127,195,959.05
Dalian Port Bulk Cargo Logistics Center Co., Ltd.	13,712,386.51	-	11,312,655.52	(38,449.79)	(8,158,439.74)	16,828,152.50
Odfjell Dalian Port Consulting Co., Ltd.	1,244,149.26	-	(110,387.31)	-	-	1,133,761.95
Dalian Changxing Island Port Investment and Development Co., Ltd.	464,725,795.03	-	(27,084,615.88)	88,864.49	-	437,730,043.64
Odfjell Changxing Terminals (Dalian) Co., Ltd.	10,394,375.04	-	(1,370,878.08)	-	-	9,023,496.96
Dalian Port Xiangyu Grain Logistics Co., Ltd.	39,843,452.80	-	(1,912,035.12)	-	-	37,931,417.68
China Shipping Gang Lian Co., Ltd.	84,301,520.38	-	6,751,798.61	-	-	91,053,318.99
Sub-total	1,167,473,698.23	-	29,826,632.44	934,762.30	(39,417,009.94)	1,158,818,083.03
<b>Associates</b>						
Dalian PetroChina International Warehousing and Transportation Co., Ltd.	29,032,422.33	-	8,647,178.53	-	(1,950,000.00)	35,729,600.86
Taicang Xinggang Tug Co., Ltd.	7,746,479.04	4,497,900.00	4,297,361.98	-	(8,571,420.00)	7,970,321.02
PetroChina Dalian LNG Co., Ltd.	616,277,108.14	-	132,804,873.31	(38,724.33)	(69,299,645.51)	679,743,611.61
Dalian North Oil Petroleum Logistics Co., Ltd.	69,886,134.72	-	4,942,447.80	-	(2,000,000.00)	72,828,582.52
Sino Rail Bohai Train Ferry Co., Ltd.	261,332,415.92	-	(14,379,637.76)	-	(1,906,936.81)	245,045,841.35
CDC International Logistics Co., Ltd.	129,570,973.04	-	9,749,784.60	-	-	139,320,757.64
Dalian Port Group Financial Co., Ltd.	930,584,847.02	-	45,312,695.08	-	-	975,897,542.10
Dalian Automobile Terminal Co., Ltd.	166,546,488.69	-	6,889,741.61	(18,818.54)	(4,800,000.00)	168,617,411.76
Sub-total	2,210,976,868.90	4,497,900.00	198,264,445.15	(57,542.87)	(88,528,002.32)	2,325,153,668.86
Total	3,378,450,567.13	4,497,900.00	228,091,077.59	877,219.43	(127,945,012.26)	3,483,971,751.89

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 3. Long-term equity investments (continued)

2017

	Opening balance	Increase in investment	Decrease in investment	Closing balance	Dividend distribution
<b>Subsidiary</b>					
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	–
Dalian Dilangsirui 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.	4,825,626.54	–	–	4,825,626.54	–
Dalian Hongyang International Logistics Co., Ltd.	10,000,000.00	–	–	10,000,000.00	–
<b>Total</b>	<b>4,294,297,950.90</b>	<b>251,960,989.55</b>	<b>(7,000,000.00)</b>	<b>4,539,258,940.45</b>	<b>531,323,485.02</b>

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 3. Long-term equity investments (continued)

2017

	Movements for the current year						
	Opening balance	Increase in investment	Share of profit/(loss) under equity method	Other changes in equity	Declaration of cash dividends or profits	Other decreases	Closing balance
<b>Joint ventures</b>							
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
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	72,285.12	-	-	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
Sub-total	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
<b>Associates</b>							
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 Shipping Gang Lian 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
Sub-total	2,136,200,709.62	-	182,573,729.98	857,690.00	(190,900,229.01)	-	2,128,731,900.59
Total	3,297,403,964.22	53,980,000.00	268,806,029.47	1,727,151.24	(242,897,578.13)	(568,999.67)	3,378,450,567.13

The management of the Company was of the opinion that provision for long-term equity investments as at the balance sheet date was not necessary.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 4. Income and cost

Income and cost are presented as follows:

	2018		2017	
	Income	Cost	Income	Cost
Principal operations	<b>2,725,223,580.57</b>	<b>2,067,144,905.15</b>	2,590,429,598.83	1,979,955,637.29
Other operations	<b>380,307,148.44</b>	<b>202,390,928.43</b>	466,058,499.64	220,493,049.66
	<b>3,105,530,729.01</b>	<b>2,269,535,833.58</b>	3,056,488,098.47	2,200,448,686.95

The revenue is categorised as follows:

	2018	2017
Handling services	<b>1,579,869,415.81</b>	1,420,499,930.27
Storage services	<b>423,351,895.63</b>	461,239,761.84
Transportation services	<b>458,680,205.20</b>	429,367,405.25
Port management services	<b>242,370,436.20</b>	244,864,501.89
Electric supply services	<b>93,457,477.23</b>	111,638,832.26
Leasing income	<b>95,576,517.05</b>	122,623,318.00
Agency services	<b>21,674,436.93</b>	19,988,992.05
Others	<b>190,550,344.96</b>	246,265,356.91
	<b>3,105,530,729.01</b>	3,056,488,098.47

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 5. Investment income

	2018	2017
Income from long-term equity investments under cost method	<b>231,651,236.42</b>	531,323,485.02
Income from long-term equity investments under equity method	<b>228,091,077.59</b>	278,567,028.62
Income from disposal of long-term equity investment	<b>(6,000,000.00)</b>	7,920.10
Income from financial assets at fair value through profit or loss during holding period	-	94,350.00
Income from held-for-trading financial assets during holding period	<b>93,422.00</b>	-
Income from disposal of financial assets at fair value through profit or loss	-	359,826.21
Income from disposal of held-for-trading financial assets	<b>20,123,715.44</b>	-
Income from wealth management products and entrusted investments	-	28,432,598.14
	<b>473,959,451.45</b>	838,785,208.09

Note: During the year, the Company transferred its entire equity interests in King Port Auto to PDA Group, which led to an investment loss of RMB6,000,000.00. Please refer to Note VI. Changes in the scope of consolidation.

# Notes to the Financial Statements (continued)

For the Year of 2018  
In RMB

## XIV. Notes to key items in the Company's financial statements (continued)

### 6. Supplementary information to the statement of cash flows

Reconciliation of net profit to cash flows from operating activities:

	2018	2017
Net profit	<b>652,821,726.27</b>	820,722,937.64
Add: Credit impairment loss	<b>55,206,356.55</b>	–
Depreciation of fixed assets	<b>534,400,913.41</b>	545,631,371.42
Amortisation of intangible assets	<b>20,018,672.38</b>	18,182,700.01
Amortisation of long-term prepaid expenses	<b>3,860,763.18</b>	1,615,537.62
Net gains from disposal of fixed assets, intangible assets and other long-term assets	<b>(427,855.35)</b>	(11,736,290.48)
Losses on obsolescence of fixed assets	<b>883,080.06</b>	1,077,808.37
Financial expenses	<b>265,128,557.04</b>	626,885,717.35
Investment income	<b>(473,959,451.45)</b>	(838,785,208.09)
Losses on changes in fair value	<b>402,060.00</b>	256,620.00
Increase in deferred tax assets	<b>(5,925,087.20)</b>	(1,295,630.16)
Amortisation of deferred income	<b>(43,550,540.98)</b>	(63,708,860.59)
Decrease/(increase) in inventories	<b>4,025,829.12</b>	(3,761,269.98)
(Increase)/decrease in special reserve	<b>(104,695.66)</b>	1,947,359.16
Increase in operating receivables	<b>(165,617,189.38)</b>	(48,627,617.34)
Increase in operating payables	<b>123,898,725.54</b>	42,396,764.41
Net cash flows from operating activities	<b>971,061,863.53</b>	1,090,801,939.34

# Supplementary Information

For the Year of 2018  
In RMB

## I. Statement of non-recurring profit or loss

The Group recognised non-recurring profit or loss for 2018 in accordance with “Explanatory Announcement No.1 on Information Disclosure for Companies Offering Securities to the Public – Non-recurring Profit/Loss (2008)” (the CSRC Announcement [2008] No.43).

	2018
Losses on disposal and scrap of non current assets	450,029.12
Government grants charged to profit or loss for the current period (excluding those closely related to the normal operation of the Company and received constantly at a fixed amount or quantity according to a certain standard based on state policies)	28,374,427.20
Profit from entrusting others for investment or asset management	-
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, and investment income from disposal of financial assets and financial liabilities	20,183,440.41
Interest income from outward entrusted loans	5,658,006.77
Non-operating income and expenses other than aforesaid items	16,099,014.84
<b>Total of non-recurring profit or loss</b>	<b>70,764,918.34</b>
Less: effect of income tax	16,238,390.69
Effect of minority interests (after tax)	6,277,165.01
	<b>48,249,362.64</b>

## II. Return on net assets and earnings per share

2018

	Weighted average return on net assets	Basic earnings per share
Net profit attributable to ordinary shareholders of the Company	2.86%	0.04
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	2.59%	0.04

2017

	Weighted average return on net assets	Basic earnings per share
Net profit attributable to ordinary shareholders of the Company	2.79%	0.04
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	1.88%	0.03

No dilutive potential ordinary shares have been issued by the Company.

# Financial Highlights for the Past Five Financial Years

RMB'000	2018	2017	2016	2015	2014	2013
<b>Revenue and Profit</b>						
Revenue	<b>6,754,445</b>	9,031,643	12,814,484	8,886,167	7,942,459	6,981,980
Gross profit	<b>1,612,710</b>	1,463,441	1,387,422	1,454,512	1,374,897	1,587,577
Operating profit	<b>859,396</b>	711,284	610,752	461,118	459,792	668,953
Total profit	<b>875,480</b>	727,158	778,013	729,745	796,014	1,025,922
Net profit	<b>681,981</b>	574,292	612,683	569,138	605,777	781,998
Net profit attributable to owners of the parent	<b>523,316</b>	500,780	531,013	484,333	52,077	682,608
Basic earnings per share (RMB)	<b>0.041</b>	0.039	0.042	0.048	0.051	0.067
<b>Assets and Liabilities</b>						
Cash and bank balances	<b>5,729,286</b>	7,507,917	6,741,279	2,933,298	2,446,016	2,344,392
Current assets	<b>9,559,480</b>	10,439,083	9,162,323	6,258,683	5,883,873	4,990,627
Non-current assets	<b>25,756,103</b>	26,146,192	22,739,742	22,871,206	21,965,335	2,224,051
Borrowings	<b>12,124,862</b>	13,415,605	10,549,202	11,303,901	10,316,436	9,973,296
Current liabilities	<b>5,701,990</b>	9,193,179	6,147,463	4,911,232	4,332,759	5,484,651
Non-current liabilities	<b>8,753,277</b>	6,772,298	6,648,287	8,849,372	8,532,443	7,080,181
Total assets	<b>35,315,583</b>	36,585,276	31,902,065	29,129,890	27,849,208	27,231,142
Net assets	<b>20,860,316</b>	20,619,798	19,106,315	15,369,286	14,984,007	14,666,310
<b>Capital and Equity</b>						
Share capital	<b>12,894,536</b>	12,894,536	12,894,536	4,426,000	4,426,000	4,426,000
Equity attributable to owners of the parent	<b>18,276,366</b>	18,059,929	17,773,317	14,038,472	13,710,496	13,449,769
Minority interests	<b>2,583,950</b>	2,559,869	1,332,998	1,330,814	1,273,511	1,216,541
Shareholders' equity	<b>20,860,316</b>	20,619,798	19,106,315	15,369,286	14,984,007	14,666,310
Net assets per share (RMB)	<b>1.42</b>	1.40	1.38	3.17	3.10	2.75



# ESG Report

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# ESG Report

## About This Report

Dalian Port (PDA) Company Limited (“Dalian Port” or “the Company”) was successfully listed on the main board of the Stock Exchange of Hong Kong in 2006 and on the Shanghai Stock Exchange in December 2010 respectively, becoming the first port company listed in the stock exchanges of both Hong Kong and Shanghai.

Dalian Port always takes “prospering the city through the port development, and serving the nation with industrial development” as its mission. Today, Dalian Port is vigorously marching on diversified paths toward a vision of “building a multi-functional, all-round and modernised international port by 2020 and also a happy, innovative, ecological, highly-efficient and smart enterprise”.

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*, Dalian Port released *Dalian Port (PDA) Company Limited Environmental, Social and Governance Report 2018* (“the Report”). Dalian Port aims to disclose to stakeholders in the Report our achievements in terms of environmental, social and governance practices in 2018. It is advised to read the content pertaining to governance together with the *Corporate Governance Report* in the annual report.

The Report covers ESG-related information on domestic operating activities of Dalian Port and its main subsidiaries unless otherwise stated, and the reporting period is identical to that of the Company’s annual report.

# ESG Report

## ESG Management System

### ESG Concept and Goals

In adherence to the ESG concept of “green and sustainable development”, Dalian Port proactively takes social responsibilities for environment, employees and customers while making profits, constantly operates in an honest, value-producing, safe and environment-friendly fashion, and upholds the corporate culture featuring virtue, honesty and self-improvement. The Company also strives to be resource-saving and environmentally-friendly, gives top priority to people, increases value for customers, reaches out to each stakeholder to understand their concerns, and to achieve mutual development of the Company, the society and the environment.

### ESG Management Structure

In order to press forward ESG-related work, Dalian Port further improves the ESG management structure. With the functions and responsibilities clarified, ESG management is promoted on a compliant basis. The Board of Directors leads the Company’s overall ESG work, maps working plan for every functional department and supervises the implementation. Subsidiaries are committed to implementing each assignment in the plan. In 2018, the ESG management concept was deeply rooted in everyone’s mind and the ESG management was effectively enforced.

### 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.

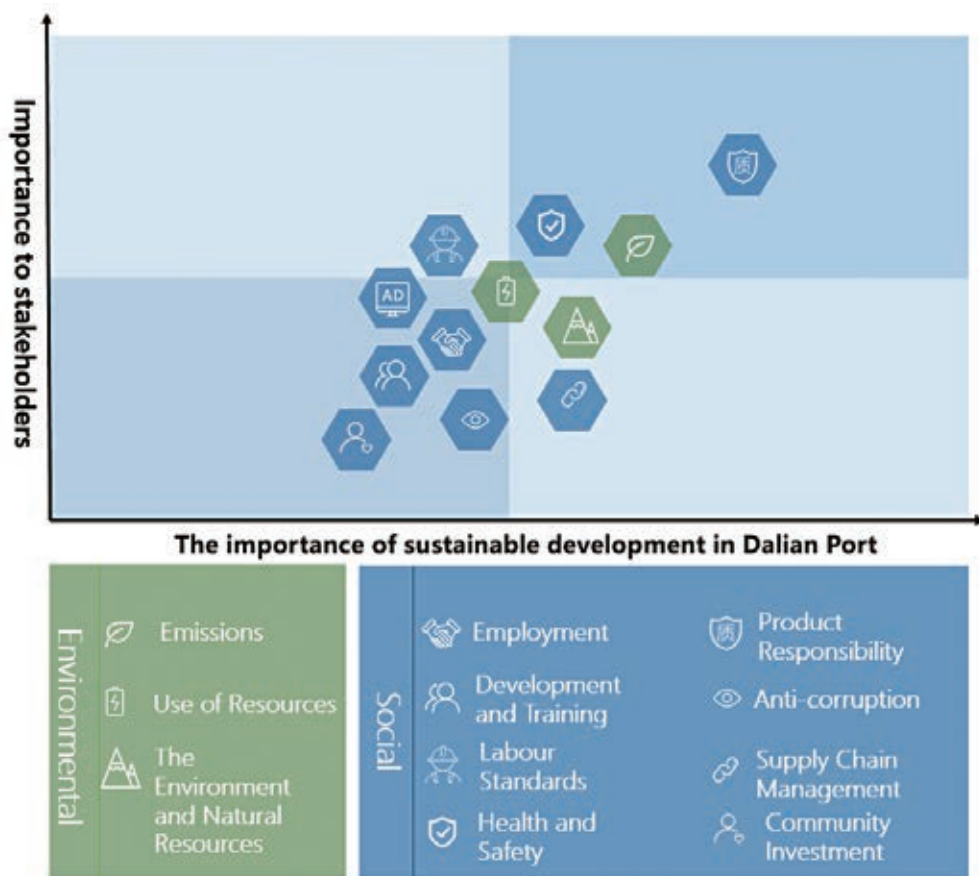
# ESG Report

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
<b>Government &amp; regulators</b>	Important conferences, policy advisory, case reports, inspections, documents exchange, information disclosure, etc.	<ul style="list-style-type: none"> <li>• Compliance in operation</li> <li>• Corporate governance</li> <li>• Energy conservation</li> </ul>
<b>Shareholder &amp; investors</b>	Shareholders' general meeting, annual reports	<ul style="list-style-type: none"> <li>• Profitability</li> <li>• Operating strategy</li> <li>• Transparent disclosure</li> </ul>
<b>Employees</b>	Employee satisfaction survey, employee activities, workers' congress, employee trainings, staff handbook, internal publications	<ul style="list-style-type: none"> <li>• Salary and welfare</li> <li>• Development and trainings</li> <li>• Occupational health and safety</li> </ul>
<b>Media</b>	Interviews on business operation, promotion of company culture, featured special events, media conferences	<ul style="list-style-type: none"> <li>• Compliance in operation</li> <li>• Social influence</li> <li>• Performance of social responsibility</li> </ul>
<b>Suppliers</b>	Supplier evaluation, bidding meetings, negotiations on strategic cooperation, exchanges and visits	<ul style="list-style-type: none"> <li>• Fair cooperation</li> <li>• Honest and promise keeping</li> <li>• Coordinated development</li> </ul>
<b>Customers</b>	Customer satisfaction survey, customer complaint hotline	<ul style="list-style-type: none"> <li>• Service quality</li> <li>• Information security</li> </ul>
<b>Community</b>	Charitable activities, community activities, campus talks, internship	<ul style="list-style-type: none"> <li>• Community welfare</li> <li>• Community relationship</li> <li>• Employment promotion</li> </ul>

# ESG Report

We collected and organised topics in every aspect of ESG reporting, analysed the materiality level of the significance of each topic to the stakeholders and the Company's sustainable development, and mapped out the matrix of materiality. 3 topics with high materiality and 8 relevant topics were selected as the key research objects of this report based on the requirements of ESG reporting and Dalian Port's industrial characteristics.



# ESG Report

## Green Operation

The logo of 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. In 2018, the Company attached great importance to energy conservation and emission reduction, strictly abided by national laws and regulations, accelerated the construction of a green low-carbon port in accordance with the green development concept of being resources-saving and environment-friendly, continuously optimised production process and operation method, adopted green equipment and facilities, promoted energy conservation, emission reduction and clean production, improved the energy efficiency and environmental quality in the port, and made efforts in achieving green, low-carbon, recycling, and intelligent development.



## Compliance in Operation

Acting upon the basic national policy of environmental protection and resource conservation, Dalian Port, 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 *Environmental Protection Management Essentials of 2018 of Dalian Port* and other systems as well as *Environment Monitoring Plan* successively, pressing forward with environmental protection on a solid basis and providing scientific and reliable data for the construction of green ecological port; meanwhile, the Company completed a series of environmental protection inspections such as the closure of a complaint case, the re-inspection by the Central Environment Supervision Group, soil examination in port areas and environmental protection taxation training in active cooperation with related authorities to ensure overall compliance in the operation of Dalian Port in 2018.

### **Closure of Complaint Case No. 3517 for Environmental Protection Supervision**

According to the requirements of the Dalian Municipal Working Group for Environmental Protection Supervision and Rectification, Dalian Port improved the report and documentation of the Complaint Case No. 3517, acquired approval from the Working Group and municipal officials in charge, successfully closed the case, and helped the Working Group with relevant work.

### **Soil Examination in Port Areas**

According to the requirements for purchase and reserve of Dalian Environmental Protection Bureau and Ganjingzi port area, Dalian Port carried out soil examination in Donggang business area (former Si'ergou area) and Ganjingzi area. At present, the examination and filing of some land plots in Donggang area has been completed based on the new standards and the monitoring in Ganjingzi area has been completed.

### **Publicity and Implementation of Environmental Protection Laws and Regulations**

As the *Environmental Protection Tax Law of the People's Republic of China* took effective in 2018, Dalian Port and its subordinated units carefully re-analysed applicable laws, regulations, standards and requirements for environmental protection, identified applicable terms, and complemented the Company's list of laws, regulations, standards and requirements for environmental protection. For the new "Environmental Protection Tax Law" effective in 2018, the Railway Company trained its employees on the law by expert lectures and Q&A simultaneously to maximise interaction, acquaint employees of the environmental protection law, call up their passion to learn, learn and understand the laws, and solve questions about some terms of the law and practical problems in the tax declaration.

# ESG Report

## Reduction in Emissions

In 2018, in response to the national call to protect the environment, Dalian Port developed and issued the *2018 Environmental Protection Management Essentials of Dalian Port Co., Ltd. and Environment Monitoring Plan*, oversaw the implementation based on the Company's policy, and urged the Company and the subordinate units to fulfil their own responsibility by strengthening pollution and emission reduction in new energy exploitation, equipment update, solid waste management, etc. In 2018, the "three-simultaneity" policy for environmental protection in new construction projects was 100% implemented and there was no significant pollution accident.

## Progress of Shore-to-ship Power Supply Technology

Compared with traditional generators, shore-to-ship power supply equipment can effectively reduce the production and emission of pollutants such as greenhouse gas and NOx and plays an important role in the construction of an environmentally-friendly port. Dalian Port has always been promoting the application of shore-to-ship power supply technology and successfully connected the largest ore ship in the world to the shore-to-ship power for the first time. On 20 October 2018, the world largest 40-thousand-tonnage ore sand ship "Minghui" was successfully connected to and received power from the shore-to-ship power facility at the specific berth at the Dayao Bay ore terminal. The 2-hour steady power supply reduced the emission by 0.8 ton of the ship's fuel consumption, 2.6 tons of CO<sub>2</sub>, and 0.05 ton of sulphide. This move marked that Dalian Port has possessed the capability of high-voltage frequency conversion shore-based power supply.

Up to now, Dalian Port's 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 at the Dalian Bay have been equipped with shore-based power supply facilities; besides, 2 sets of mobile shore-to-ship power systems have been available for several berths in the general cargo terminal at the Dalian Bay. The installation of shore-to-ship power supply facilities at the berths for container ships, bulk ships and work boats met the indicators and requirements set in the *Arrangement Plan for Shore-to-ship Power Development during the 13th Five-Year Period* of the Ministry of Transportation. At the same time, all the shore-to-ship power supply projects at the terminals for general cargo, passengers and bulk grain at Dalian Port were examined and accepted by the Ministry of Transportation and earned RMB8.15 million of award for the usage of shore-to-ship power supply by ships at anchor.



Shore-to-ship power supply equipment



# ESG Report

## ***Transformation of Sewage Treatment Plant***

The Dayao Bay Sewage Treatment Plant is the major treatment facility for domestic wastewater in the Dayao Bay area in Dalian Port. In order to optimise the treatment process and improve treatment efficiency, the Company launched targeted research into and upgrade of the wastewater treatment process in 2018, improved the output water quality by adopting A/O processing method and heat preservation covers, and further reduced pollutant emission in addition to meeting the emission standard, thus build the sound ecological environment at the port. Recently, the transformation of the Dayao Bay Sewage Treatment Plant has been completed and the transformation of Dayao Bay sewage pipeline network is ready to start.



Sewage treatment

## ***Supervision and Inspection for Environmental Protection***

In order to urge the Company and its subordinate units to fulfil the integral responsibility for environmental protection on their parts, and therefore discover and eliminate existing hidden issues in time to downgrade risks in environmental management, Dalian Port commenced a special inspection of environmental protection over its subsidiaries in 2018. The inspection mainly covered ten parts, i.e. 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 Company requested each entity to rectify the defects in environmental protection, fulfil their supervision responsibility and complete rectification measures.

## ***Energy Efficiency Improvement***

In 2018, Dalian Port further consolidated energy management in strict compliance with laws and regulations, developed and issued annual energy management plan, identified annual objectives and tasks, and promoted the construction of the energy management system in application of green equipment, recycle of resources and strengthening of energy consumption management. Additionally, the Company developed plans for Annual Water Conservation Advocating Week and Energy Conservation Advocating Week, raised the employees’ awareness of energy conservation through typical case promotion and technical exchange, and promoted the experience and effectiveness of energy conservation and emission reduction. In 2018, the Company’s energy consumption per unit production decreased to 2.38 tons of standard coal per ten thousand tons of cargo handling capacity, down by 6.3% over the previous year, demonstrating an effective result of the energy conservation efforts.



# ESG Report

## *Photovoltaic Power Supply Project*



Photovoltaic Power Supply Project

In order to accelerate the use of clean energy, the Company actively implemented the distributed photovoltaic power supply project in Dayao Bay area. About 38,800 square metres of roofs in the container port area were used for the photovoltaic power generation with the installed power capacity reaching 3.3 megawatts and the expected annual average generation capacity reaching 4 million kWh.

## *Vigorously Promoting Energy Conservation Equipment*

Dalian Port continued to promote the application of green lighting technology and transformed more than 800 green lighting lamps throughout the year. The Company actively improved lighting devices at the port, replacing traditional lamps with LED, high-pole and energy-saving lamps, among which 325 green lights for production were installed and tested in the new area for oil products storage on Changxing Island, saving energy equivalent to over 720 tons of standard coal per year. More than 480 green lights for production were transformed and put in use for container terminals and oil terminals in Dayao Bay area.



Replacement of lighting equipment for gantry cranes

# ESG Report

## ***Oil-to-electricity***

The Company carried out in-depth “oil-to-electricity” project for container gantry cranes. Furthermore, 8 cranes were equipped with lithium battery system to replace the diesel generators to supply power for moving between yards, which effectively reduced energy consumption and ensured zero emission in the operation of the cranes after abandoning diesel generators.

## ***Stricter On-site Management***

In 2018, to continuously intensify oil management, the Bulk Grocers Company implemented full-oil duty shift system to bolster the awareness of oil-saving, increased on-site inspection to prevent idle operation of devices are not in operation, and checked for the reason and solution in time in case of any exception by analysing the oil consumption per person-device; and the external entities were supervised in electricity usage to prevent wire connection without permission. The Company strengthened basic management, established and improved rules and regulations and strictly followed the rules and regulations governing energy usage. The Company also continued to limit the on-site lighting power, strictly implement the *Measures for Lighting Power Control in Dalian Port General Cargo Terminal Company* and determine the responsibility of electricity usage based upon the principle of “those who use electricity manage the usage, and those who manage take responsibilities”.

## ***Scientific Planning and Recycling***

Dalian Port attaches great importance to energy consumption analysis and regards it as an important theoretical basis for energy conservation work. Giving consideration to actual business situation and historical data analysis, it timely adjusts the resource use plan, so as to achieve reasonable planning and recycling of resources. In summer, the production demand is reduced. The Oil Company achieved centralised heat supply after integrating heat demands. Boilers were operated discontinuously, with a remarkable energy-saving effect. In 2018, the Company has seen a decrease in the cumulative time of boiler reduced by 16% from last year. Oil supply machines are scattered in the cargo terminal to reduce unnecessary oil loss in transportation. Meanwhile operators shall refill the machine before shift change, so as to get an understanding of the oil consumption of different operations and make sure operations are in line with the standard. The Company invested RMB150,000 to introduce the “power acquisition system for gantry cranes” which helped to strengthen the energy management through analysis of energy consumption of gantry cranes. In addition, the recycling of water resources was also a focus of Dalian Port’s energy conservation work. It took great efforts in recycling groundwater and rainwater in the oil terminal, with 9,217 tonnes of groundwater recycled throughout the year. It also established a water resource recycling system in the cargo terminal, using recycled water to deal with flying dusts and strengthening the recycling of condensed water in winter.

## ***Energy Conservation Publicity***

The Company developed an annual plan for the week of water and energy conservation, which supported by all the departments and subsidiaries in varied forms to improve the energy conservation awareness of staff and urge all staff to form a good habit of conscious conservation. Experience and effectiveness of energy conservation and emission reduction were shared through typical case demonstration and technical exchange. The Bulk Grocers Company conducted a comprehensive survey on its own equipment during the activity period to avoid leakage.

# ESG Report

## Clean Production

In order to further explore the potential of the Company and subsidiaries at all levels to protect clean production, in 2018, 13 subordinate enterprises of Dalian Port completed the review, assessment and acceptance of clean production. Through the review of clean production, all enterprises realised the relative reduction of COD, SO<sub>2</sub>, NO<sub>x</sub>, smoke and dust, hydrocarbons emissions, domestic garbage, battery as well as electricity, water, oil, coal and steam consumption, achieving the goal of “energy conservation, consumption reduction, pollution reduction and efficiency improvement”. At the same time, all the subsidiaries developed plans for continuous clean production, and continued to promote the clean production management system and incentive system, laying the foundation for further advancement of clean production.



Clean Production Acceptance Approval



Wall of dust prevention

# ESG Report

## Key Performances

Dalian Port's environmental Key Performance Indicators (KPI) statistics of 2018 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 s 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.

### Environmental KPI

#### 1. EMISSIONS<sup>(1)</sup>

Total greenhouse <sup>(2)</sup> gas emissions (scope 1 and 2) <sup>(3)</sup> (tonnes)	311,424.9946
Greenhouse gas emissions per 10,000 tonne throughputs (scope 1 and 2) (tonnes/10,000 tonne throughput)	8.3916
Total SO <sub>2</sub> emissions (tonnes)	46.4
Total NO <sub>x</sub> emissions (tonnes)	141.72
Total hazardous waste (tonnes)	276.37
Hazardous waste per 10,000 tonne throughputs (tonnes/10,000 tonne throughput)	0.0074
Compliance rate of hazardous waste disposal (%)	100
Total non-hazardous waste (tonnes)	25.62
Non-hazardous waste per 10,000 tonne throughputs (tonnes/10,000 tonne throughput)	0.6904

#### 2. Energy consumption<sup>(4)</sup>

Total comprehensive energy consumption (mwh)	718,970.4654
Comprehensive energy consumption per 10,000 tonne throughputs (mwh/10,000 tonne throughput)	19.3732

#### 3. Water consumption<sup>(5)</sup>

Total water consumption (m <sup>3</sup> )	2,399,014
Comprehensive water consumption per 10,000 tonne throughputs (m <sup>3</sup> /10,000 tonne throughput)	64.64

- (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 Chinese Standard *General Principles for Calculation of the Comprehensive Energy Consumption* (GB/T 2589-2008).
- (5) In view of the nature of operations, the Dalian Port's major water consumption results from production and office operations.

# ESG Report

## Health and Safety Protection

Dalian Port adheres to the values of “being people, customer and responsibility-oriented” and the development concept of “safety first”, and always regards health and safety as premises of sustainable development. It successively revised and issued the *Regulations of Dalian Port on Safety Management of Labour Service Outsourcing Teams*, the *Responsibility System for Production safety of Dalian Port*, and the “Three Simultaneity” *Management System of Occupational Disease Protection Facilities for Construction Projects of Dalian Port* and established a sound occupational health and safety management system; it comprehensively promoted the “four mechanisms that established the” all-member responsibility system for production safety, safety commitment announcement system, reporting system on the reliability of risk prevention and control, and system of daily inspection, weekly reporting, monthly scheduling, quarterly briefing and annual summarisation” to ensure the implementation of each safety work. In 2018, the Company achieved zero incidence in minor injuries, serious injuries, fatality and occupational diseases.



On-site research meeting of four mechanisms

## Production Safety Management

In 2018, Dalian Port implemented the national, provincial and municipal production safety work arrangement. It focused on the main line of “putting a curb on major and extra serious accidents and eliminating general accidents and put emphasis on “labour service outsourcing teams, high-risk operations, obsolete equipment and facilities, and management of safety responsibility areas”, to change management methods, innovate inspection methods, achieve source prevention, system management and comprehensive policy implementation, and adhere to the basic principles of “no safety, no production”, thereby continuously improving the overall enterprise safety management level. Again, the Company clarified and revised the all-member responsibility system of production safety in strict accordance with the *Production safety Regulations* and the *Notice of Implementing Opinions on Carrying out the All-member Responsibility System of Production safety* as issued by the province and municipality to ensure that responsibilities are individual specific (“one position, one responsibility”) and those who fail to uphold safety standard are held responsible (“one position, dual responsibilities”), achieving sustainability and stability of production safety.



# ESG Report

## Safety Commitment Announcement System

In order to further implement relevant requirements for promoting the safety commitment announcement system, major departments of the Company improve the judgement escalation and the assessment mechanism on a daily basis and make commitment announcement to the public by setting up LED bulletin screens at conspicuous locations, or through the Dalian Port information platform and municipal government websites to ensure "safety first, no production in the absence of a safety announcement", and strengthen the implementation of level-by-level responsibility system. Based on the combination of professional division of labour and regional management, the daily inspection, weekly report, monthly scheduling and quarterly briefing system is strictly implemented to ensure that every inch of land in the port area is under the charge of a person and each equipment is managed by a person.



Safety commitment announcement

## Hierarchical Control of Safety Risks

The Company strictly implements the safety risk prevention and control reliability report system for hazardous chemicals enterprises, sorts out and improves the supporting systems of each unit, records and establishes working files, guides the implementation of hierarchical control of safety risks and implements the operation safety risk process confirmation, to effectively apply risk identification, evaluation and grading to the determination of production safety through specific measures such as "morning meeting and pre-shipment meeting of all levels before operation" and perform the hierarchical control of safety risks with "standards, measures and implementation". Based on results of hierarchical control of safety risks, each dangerous cargo operation unit monthly makes a judgement and forms a reliability report to submit to the municipal port authority timely. At present, all major production units throughout the port have completed the preparation of the "four-colour image".

# ESG Report

## ***Division of Safety Responsibility Areas***

In accordance with the principle of coordination and integration of goal orientation and problem orientation, Dalian Port studied and formulated the *Assessment Standards of Dalian Port for the Management of Production Safety Targets* in 2018, which set out specific indicators in five aspects, to implement the system that one enterprise has its own assessment standard, thereby making the goal orientation clearer. It organised the signing of annual production safety target responsibility letters and statements of “one position, dual responsibilities” throughout the port. Based on the principle of “localised management and graded responsibility”, Dalian Port clarified the requirements for division of safety responsibility areas, and prepared the *Schematic Book for Management of Safety Responsibility Areas of Dalian Port*, to further improve the management system for safety responsibility areas through the management method of “specific responsibilities to specific persons in a specified area”.

## ***Safety Inspections***

In 2018, Dalian Port focused on “six inspections” and extensively carried out special rectification actions to fight against illegal activities. By “checking human factors, checking preciseness, reasonableness and feasibility of rules and regulations, checking technical conditions of production process equipment and fire fighting equipment, checking the appropriateness of training and study, checking the implementation of information equivalence and checking the management of construction and outsourcing teams”, it carried out special inspections on the compliance of operations under dangerous cargo and major hazardous sources, the maintenance of flood and typhoon prevention equipment and facilities, hidden hazards in construction site and crowded places and the management of special equipment.

In addition, the Company further standardised the management of inspection checklist, potential hazards checklist, rectification checklist and review and acceptance checklist”, and clarified standards for these “four checklists” to fully cover hidden hazards in the inspections. At the same time, it carried out “snapshot” activities of hidden dangers and encouraged all staff to participate in hidden danger investigations.

## ***Safety Training***

In order to improve staff’s safety awareness and production safety skills and ensure the implementation of safety management systems such as “one position, one responsibility” and “one position, dual responsibilities”, Dalian Port established a comprehensive staff training system for production safety. In 2018, the Company carry out various forms of safety publicity and education, implement precise training, and extensively publicise the production safety knowledge, accident cases and on-site work, organise the staff safety training and safety education before holidays according to training programmes and training systems. It focused on the training of safety rules and regulations and operating skills for key staff, enabling staff to actively accept and absorb the training content through video watching, case combination, expert face-to-face training; meanwhile, the Company strengthened the training for new staff, and the Railway Company, the Bulk Grain Company and the Oil Terminal Company successively conducted three-level safety training activities for new staff to improve their safe operating capacities. In addition to the internal staff of the Dalian Port, the Company incorporated the labour service outsourcing teams into the company’s unified management, and conducted the re-education training of safety for members of labour service outsourcing teams in accordance with the training plans. Those who fail to pass the training examination are excluded from participating in the operation.

# ESG Report



## **Safety Promotion**

In accordance with the requirements of Dalian Port, the subsidiaries actively carried out theme activities such as “production safety month”, “Winter Protection Cup”, “Fire Control Publicity Month” and “Occupational Disease Prevention and Awareness Week”. It publicised activities by means of making hanging banners, display boards and hanging charts, organised various activities such as the opening day of fire station, fun games and centralised publicity and exhibition and actively promoted activities by using the media such as intranet and WeChat platforms, making various theme activities impressive and enhancing staff’s safety awareness. Among them, the Oil Terminal Company, the Bulk Grain Terminal Company and the Railway Company were selected as the demonstration enterprises of safety culture construction in Dalian in 2018.

## **Management of Labour Service Outsourcing Teams**

In order to further strengthen the company’s safety management of labour service outsourcing teams, effectively prevent and contain the occurrence of production safety accidents in labour service outsourcing teams and promote the Company’s stable production safety situation, the Company establishes and continuously improves the entry requirements of labour service outsourcing team, and strictly reviews the safety management capabilities of labour service outsourcing teams. Standardised production safety, safety training and education, key staff qualification and safety management performance assessment are regarded as important indicators for the production safety capacity of labour service outsourcing team. The Company implements the record management system for production safety, and the labour service outsourcing team without qualification review and filing is prohibited from engaging in any operations within the Company. In accordance with the safety management principle of “the one introduces the team is responsible for it”, the Company clarifies the responsible departments and persons for the introduced labour service outsourcing teams one by one, guides and supervises their safety management.



# ESG Report

## ***Production safety Management Actively Conducted by Subsidiaries***

Bulk Grocers	The Company strengthens on-site management and strictly implements the post responsibility system. The operating personnel fill in the safety confirmation form before construction and adhere to the working principle of “no production is made under unsafe conditions”. The company intensifies the punishment on safety issues. For any safety issue found, operating personnel and management personnel should take responsibility.
Railway	The Company promotes the management of entry requirements of key positions. In addition to the existing positions for licenses, the switcher is included in such management, and the corresponding management process is explored and established. In addition, a “new staff safety development record” is established for new staff, “three levels of simultaneous prevention and control” for station sections, workshops and teams is implemented to prevent new staff from the risk of the winter season. In 2018, the Company was awarded the Production safety Standardisation Level 3 Enterprise Certificate in Dalian and was selected as the safety culture demonstration enterprise in Dalian.
Oil	The Company strictly implemented the management requirements of “safety first, no production in the absence of a safety commitment”. It prepared and issued the <i>Production safety Objective Management and Assessment Rules for the Oil Terminal Company in 2018</i> , the <i>Regulations on Management of Safety Inspections</i> and the <i>Regulations on Management of Hidden Hazard Investigation and Control</i> , revised the management system of “eight special operations”. For special operations, the Company strictly prepared and reviewed the scheme, strictly performed the risk identification and operation approval procedures and strictly fulfil the on-site supervision and protection responsibilities in accordance with requirements of the management system, to ensure the safe and orderly completion of special operations.
Passenger Transportation	The Company formulated and issued the <i>Construction Scheme of the Dalian Port Passenger Transportation Company for Safety Commitment Announcement</i> and the supporting management system, and continuously improved the intrinsic safety management level through hidden danger control in the form of “four lists” and “safety risk reliability report”. In terms of facilities, the company built a new overhead bridge to ensure the safety of boarding, readjusted the traffic markings of new and old stations, and open a separate security check passage to ensure traffic safety in the port area.
Bulk Grain	The Company formulated the <i>Quarterly Assessment &amp; Evaluation Methods on Evaluation of Production safety Month for the Bulk Grain Terminal Company</i> . According to the principle of refine the responsibility of production safety in accordance with the principle of “wherever there is division of labour, position and operation, there is safety responsibility”, it refined the integral responsibility of production safety to each staff and each position to promote the implementation of the safety responsibility system.

# ESG Report

## Barge

The production safety system and various regulations were continuously revised and improved. In the whole year, 6 management systems and safe operating procedures and 14 safety management documents were revised and improved. The company's management at different levels signed production safety responsibility letters and "one post and one responsibility" commitment letters, and implemented the assessment rules into the monthly performance inspection, thereby achieving supervision at any time and comprehensively implementing the production safety responsibility.

## Container

The Company completed the revision of the production safety responsibility system, formulated and issued the *production safety Scheme of "Winter Protection Cup" and "This Winter and Next Spring" for the Dalian Port Container Company*; and it innovatively proposed effective measures of "overall planning of containers, special division of labour, responsibility of designated person, regular supervision, experience sharing, replication and promotion" to ensure the implementation of "four focuses" of the Dalian Port.

## Occupational Health Protection

The Company attaches great importance to the occupational health and safety of employees. In 2018, Dalian Port issued *2018 Protection Management Essentials of Dalian Port Co., Ltd.*, based on which the Company further improved the occupational health protection system to protect the occupational health of employees.

### Occupational Disease Hazard Management

Bulk grain terminals, container terminals and other facilities have engaged occupational health technical service agencies to evaluate their status quo of occupational disease hazards and rectify the existing problems. All the rectification have passed the expert review. The Company conducted regular self-examination, maintenance and management for various signs such as warning signs, bulletin boards and Chinese warning instructions, and compiled and printed in June the *Standard Management Manual for the Occupational Disease Hazardous Workplaces* as a supplement to previous port-wide norms on occupational disease checking point distribution, hazard warning signs and emergency supply management, so as to instruct all the unit's standard management of occupational hazard warning and emergency rescue facilities.

At the same time, Dalian Port and all the units conducted the emergency rescue plans for occupational disease hazard incidents such as dangerous chemical leakage and the on-site disposal schemes for incidents such as personnel poisoning and asphyxia. Through the drills, employees have acquired better understanding of coping process and improved their response ability for emergency occupational hazards. In addition, the Company has prepared first-aid kits and emergency supply cabinets at the workplaces vulnerable to occupational disease hazards, and established check records and usage records for the emergency supply inventory. For workplaces vulnerable to chemical leakage and poisoning, warning signs and emergency facilities have been set in position as required and special person assigned for inspection and maintenance.

Moreover, Dalian Port entrusted qualified occupational health technical service agencies to inspect the occupational disease hazard factors. As of August 2018, the inspection work of all the units has been completed, with a pass rate of 100%.

# ESG Report

## **Publicity and Training on Occupational Disease Prevention**

In 2018, Dalian Port revised and issued the *Education and Training Rules for Occupational Disease Prevention and Control in Dalian Port*, and carried out activities for the 16th publicity week of *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* underlining “Healthy China with Occupational Health as the Premise”. These activities strongly addressed the importance and raised the awareness attached by all units to the prevention and treatment of occupational diseases. The publicity campaign helped to continuously improve employees' self-protection awareness and ability against occupational disease hazards and achieved good results.

Moreover, in order to act upon the *Law on Prevention and Control of Occupational Diseases*, Dalian Port successively carried out occupational health training for labourers and managers. The occupational health training for labourers was certificate-oriented and all the participants passed the examination and assessment. The occupational health training for managers, mainly focusing on the factors, sources and prevention and control measures of common occupational diseases hazards in the Port, the *Design Rules for Occupational Safety & Health of Ports Engineering*, occupational health management and accident cases, etc., continuously improved the professionalism of occupational disease prevention among employees.

## **Protection of Employees' Rights and Interests**

Based on the corporate values of “being people, customer and responsibility-oriented”, Dalian Port regards every employee as the most valuable resource to propel the Company forward and is committed to creating a fair recruitment and employee promotion mechanism. Furthermore, centring on employees' development, the Company keeps perfecting the training system to improve the professional skills and expertise of employees, further secures the various employee benefits and carries out a number of employee care activities to let employees develop together with the Company happily. Strictly abiding by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and other laws and regulations, the Company has signed labour contracts according to law and never engaged child labour or forced labour.

## **Employment and Rights and Interests of Employees**

Strictly abiding by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and other laws and regulations, the Company has formulated and revised the *Dalian Port (PDA) Company Limited Labour Contract Management Regulations*, the *Dalian Port (PDA) Company Limited Collective Contract*, and the *Dalian Port (PDA) Company Limited Employee Rewards and Punishments Regulation*, further improved the labour employment management system and established corresponding supervision and management mechanisms to ensure the functional work of labour system. The Company follows the principle of “legality, fairness, equality and voluntarism, consensus, honesty and credibility” and have signed labour contracts with all employees. It also complies with national policies for labour contract and fulfils the obligations. In accordance with the *Social Insurance Law of the People's Republic of China*, Dalian Port pays adequate contribution to social insurances for employees in a timely fashion, including pension, medical insurance, work injury insurance, unemployment insurance, maternity insurance and housing funds, to protect the legitimate rights and interests of employees.

# ESG Report

In order to ensure the fairness of the distribution system, Dalian Port has continuously improved rules such as *Dalian Port (PDA) Company Limited Detailed Regulations for Remuneration Management* and *Dalian Port (PDA) Company Limited Detailed Regulations for Position Performance Management* and established a completed employee performance assessment system. Highlighting the distribution principle of being value-and-performance-oriented and the distribution philosophy of “putting strives first”, the Company views the realisation of human being’s value as the primary distribution principle, comprehensively introduces the employee performance assessment system, and keeps implementing the performance assessment management for all employees. Remuneration and performance management is mainly for adjusting and improving the salary level, salary standard and performance portion of the three major posts of manager, professional technician and operator. Closely linked with the improvement of individual performance and the realisation of value, remuneration and performance management realises the value orientation of the remuneration system, takes into account both the competitiveness and the fairness, makes the remuneration distribution more scientific and rational, and motivates employees to study willingly, work hard and improve their job skills and comprehensive 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.

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.

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 fulfill the contractual obligations or pass qualification assessment upon expiry of contract.

## Trainings and Development

Dalian Port always upholds the idea of “People Oriented and Talents Foremost”. The Company attaches importance to exploring the value of talents and adheres to the employee training idea of “lifelong learning in position”, making everyone ready to learn and everywhere good for learning. The Company provides fair opportunities for employees to grow and develop constantly, simulates their learning enthusiasm and initiative. Let them achieve common progress with the Company.

# ESG Report

## **Improvement of Skills and Accomplishments of All Employees**

The Company has formulated and issued *2018 Corporate-level Employee Training Plan* that requires the Company to focus closely on the corporate culture, safe production, business skills, training resource development and other key contents, and comprehensively carry out educational training for talents at all levels in the form of centralised training under common organisation and decentralised training with distinctive features. In the work, the Company intensifies follow-up inspection on the training completed and effect achieved by each unit and strengthens supervision and guidance, so as to ensure the employee training is standardised, the training courses are designed reasonable, the training funds are used in compliance with rules, the management system is sound and perfect, the training is well organised and the plans are well implemented. In this way, the employee training are carried out in a solid and effective manner.

Dalian Port not only highlights the diversity of training content, but also keeps pace with the latest training methods. In 2018, the Company launched the “Dalian Port Employee Occupational Skill Online Learning Platform” that covers 4 types of work, 5 majors, 3 levels, 171 network training courseware and examination databases, enabling employees to study online through mobile apps. The Company increased the collections of books in the grassroots employee libraries on the one hand and used network technology to extend the mobile end of the online employee library on the other hand, so as to provide employees access to more good books, stimulate their reading enthusiasm and improve their cultural accomplishment.



Dalian Port employee occupational skill online learning platform

In order to stimulate the learning enthusiasm in employees and build studious work atmosphere in the Company, Dalian Port have carried out a number of employee practices and contests. The Company promoted work through competition and tested the effect of competition in work, viewed the job position as a platform, followed the idea of “practising and contesting for what you do”, matched the content of practice with the ability required by the job obligations, organised various practices and contests according to the actual characteristics of different job positions and work types and fully activated employees’ enthusiasm and initiative of learning skills, mastering job skills and enhancing creativity, competitiveness and prospects of their own work. Meanwhile, the results of the contests were combined with the performance assessment of the unit for not only rewarding the advanced, but also restricting employees with poor performance, so as to constantly mobilise the enthusiasm and initiative of employees.



# ESG Report

In 2018, the Company held the 8th employee skill contest the form of technical contest subsequent to systematic training, improving the occupational skills of employees and the overall quality of the technical team, further inspiring employees to learn and compete for skills, and accelerating the pace to form a highly professional talent team with knowledge, skills and innovation facing the new era. Meanwhile, Dalian Port won the third place as a team in the national final of 2018 China Skill Contest, namely the 10th Vocational Skill Contest of Transportation Industry – Waterway Dangerous Goods Driver Program. Li Yunlong from the Oil Terminal Company won the first place and gained the title of “National Technical Expert”.



Employee Skill Contest

The Company implements the job rotation system for new employees and regularly organises young employees in job rotation to take centralised training, of which the courses centre on the five aspects which are learning the rules of Dalian Port, improving general ability, enhancing professionalism, promoting corporate culture and communicating on an in-depth basis. In this way, the Company gradually established an initial training course system for young employees featuring intensified system management and increased sense of belonging to ensure new employees master the occupational skills rapidly and accurately.



New employee training

# ESG Report

## Employee Care

Dalian Port adheres to the philosophy of “development for employees and development benefiting the employee” and has established a comprehensive employee care system to let the majority of employees to enjoy the development of the Port.

### *Focus on Targeted Poverty Alleviation and Inclusive Services*

Dalian Port has further improved the poverty alleviation mechanisms such as basic living security, children’s school subsidies, holiday salutation and visits, temporary assistance and poor employee assistance as well as inclusive service mechanisms such as medical mutual-aid funds, warm-hearted care and psychological assistance, forming a unique “5+5” employee service system. At the same time, Dalian Port has raised the qualifying standard for employees living in poverty, established files for them, visited them, and provided charity fund relief for a number of employees living in temporary poverty, so as to knit a network securing employees’ living standard from top to bottom vertically and from centre to edge horizontally.



# ESG Report

The Company also cares much about employees' mental health. For many years, Dalian Port have insisted in building a professional psychological support team consisting of the Port's employees. In 2018, the centre provided personalised services for the grass-roots, such as the "time management" and "self-recognition" team training for the Oil Terminal Company, and the psychological health popular science lectures for the Railway Company. During the National skill contest, the psychological counsellors accompanied the contestants throughout the process to fully play the psychological service centre's role of serving employees in an all-around way, and helped the centre to win the honorary title of "Advanced Organisation" for psychological counselling work in Dalian from 2014 to 2018.

## Colourful Cultural and Sports Activities

In order to further enrich employees' spare time and improve their cultural literacy, Dalian Port has used the idle warehouse of the old port as an activity centre for the employee sports association, and carried out a variety of cultural and sports activities, creating favourable conditions for the healthy living of employees. In 2018, Dalian Port held the employee walking activities and a series of the "8 March" activities. Meanwhile, the Company organised employees to actively participate in the "2018 employee mobile phone photography contest", "Liaogong Revitalization Cup", employee football match and other cultural and sports activities and achieved excellent results. The Port has at least secured one employee sport game every month, enriching the work and life of employees and inspiring their sense of responsibility and mission to love job and fulfil duties.



Rich cultural and sports activities

## Heatstroke Prevention and Cooling

In view of the fact that the summer temperature has remained high in recent years and the heatstroke accident is likely to occur frequently, Dalian Port and its subsidiaries carried out special work to prevent and cool down the summer heat, ensuring employees' health in hot weather. Dalian Port Passenger Transportation Company adheres to the people-oriented concept of caring employees' life and health, resolutely implements the policy of "putting safety and prevention first in the comprehensive treatment", and attaches great importance to summer labour protection, heatstroke prevention and cooling. In order to effectively prevent and control the occurrence of heatstroke and production safety accidents, the Company actively implemented heatstroke prevention and cooling work, revised and improved the measures and emergency schemes for labour protection, heatstroke prevention and cooling to ensure the heatstroke prevention and cooling work were carried out in an effective way. By strengthening the heatstroke prevention guidance and supervision, the overall coordination and cross-department cooperation, the Company secured safe summers in its specific work practices. Meanwhile, the Company made full use of conferences, WeChat, bulletin boards, pre-course meetings, broadcasting, etc. to promote the heatstroke prevention and heatstroke first-aid knowledge, improve the safety awareness of all employees, ensure the health of employees, maintain the normal production of the Company, and avoid heatstroke incidents.



# ESG Report



Heatstroke prevention and cooling

## Operation Responsibility Management

### Product Responsibility

With a history of 119 years since its inception in 1899, Dalian Port lies at the south of Liaodong Peninsula and the heart of Bohai Rim and Northeast Asia economic circle. Vast and deep, ice-free and silt-free, it plays as an indispensable natural port in China. At Dalian Port, we always uphold that it is our responsibility to increase value for customers and our standards 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.



Operation and service concept of Dalian Port

# ESG Report

## **Expansion of Business Scope**

Dalian Port always keeps the working principle in mind that “It is our bottom line to provide quality service”, continuously expands its business scope, and strives to provide customers with the most comprehensive services. In 2018, a new station of Dalian Port Passenger Transport Company was established and put into service. The new station covers an area of about 37,000 square meters, with a dedicated passenger boarding bridge, to ensure the safety of passengers. At the same time, in response to different tourists’ needs, Passenger Transport Company adheres to the concept of “Service with heart and soul” to provide diversified services such as mobile WIFI rental, intelligent inquiry machines, cruise culture wall and donated books, for the purposes of rendering more intelligent and culturally valued services to tourists and elevating their cruise experience. In October, the Company received the 103,000 tonne-weighted “Fortuna” Cruise and entered into a strategic cooperation agreement. Cooperation with such global luxury cruise marks the beginning of the “Giant Vessel Era” for the cruise business of Dalian Port as the cruise is the heaviest with the largest volume of departing passengers in a one-way trip ever since the operation of Dalian Port.



The “Fortune” Cruise

## **Optimisation of Business Mode**

For the sake of rendering high-efficiency and high-quality services to customers, Dalian Port always attaches great importance to technology development and process improvement. As a wholly-owned subsidiary of Dalian Port, Dalian Port Railway Company has control over two stations, Dayao Bay Station and Dalian Bay Station, which, respectively, are connected to Jingang Station and Jinzhou Station of Shenyang Railway Bureau. The Company’s management has paid great attention and provided vigorous support upon the receipt of the *Letter from the China Railway Shenyang Group Co., Ltd. Jinzhou Station on Supporting the Construction of a New Mode of Highway and Port Transportation Organisation* since 2017. From December 2017 to January 2018, Jinzhou Station assigned trains for Dayao Bay Port based on the unloading locations and operation areas, as a result the inbound marshalling is more optimised than before, and the in-port transferring and shunting operations are significantly reduced.

Meanwhile, Jinzhou Station always organises ahead of time in dispatching heavy vehicles, providing convenience for the Railway Company to prepare fuel in advance and reducing the time of in-port lingering in an effective manner. Along with the enhancement of in-port operation efficiency, satisfied economic benefits have been generated. Dalian Port Railway Company is expected to achieve a year-on-year decrease of more than RMB315,000 in cost in 2018.

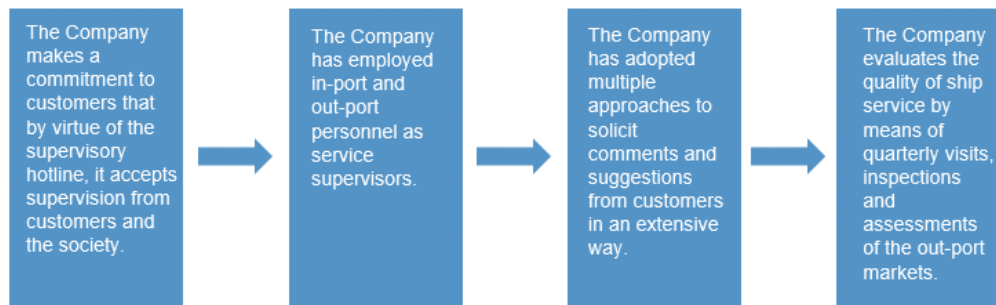
# ESG Report

In addition, Dalian Port sent two staffs to the scheduling command hall of Jinzhou Station as the representatives of the Company, responsible for coordinating and communicating the railway-related businesses with the railway authorities, which has changed the outmoded pattern under which railway businesses were carried out through coordination of national railway dispatching and port railway dispatching, and established a new mode of “front shop, back factory” to shorten the distance between the dispatching in Jinzhou Station and the operation in the port, enabling more smooth and efficient lengthways communication between railway and the port.

With respect to the shunting operation process, the Railway Company substituted the traditional method with the adoption of the monitoring system to assist in the preparation of operation plans and the adoption of printing terminals to distribute the plans. In this way, it eliminates the interference of misinformation, and achieves real-time distribution of the plans between the dispatching and signalling building and the scheduling team. In addition, the Railway Company has been putting efforts in rationalising the charge process of small and medium cargo owners in the container sector, facilitating sharing of information between railways and ports and constructing a new mode of railway and port transportation organisation, which not only greatly optimised the organisation of transportation and operation, but achieved alignment between commands and plans and operations.

## To Build Brand Strategy

Dalian Port has been always practising the concept that “Service presents the first brand” and has established a sound brand management system. For the purpose to ensure the execution of brand strategy, Dalian Port Barge Co., Ltd. has adopted a series of measures to win trust and praise of customers, and has achieved zero complaints from customers in the domestic and overseas markets, with a satisfaction degree of 100%.



In addition, as a tug company satisfying the Port’s safe production demands, the Barge Branch also shoulders the social responsibility of rescue within its jurisdiction. In the past year, the Branch participated in 23 rescue operations, dispatched tugs and pilot launches 35 times, and successfully rescued 8 crew members and 3 ships. It also participated in several maritime emergency drills organised by the maritime department, fully demonstrating a high sense of social responsibility and the humanism spirit, winning recognition and compliments from the rescued ship-owners, crews and the search and rescue command centre.

# ESG Report

## Information Security

At Dalian Port, we always uphold the principle that “It is our standard to provide high-quality services” and we protect customer privacy in provision of high-quality services. Dalian Port Passenger Transport Co., Ltd. strictly abides by Article 9 of the *Provisions on the Real-Name System Administration of Waterway Passenger Transport* (No. 77) promulgated by the Ministry of Transport in 2016, which sets out that “Water transport operators or their commissioned ticket distributors, port operators and their staff are obliged to protect confidential information including passenger’s identity and boarding information acquired through the real-name system administration. In case any entity or staff steals or discloses passenger’s identity information, public security organs shall be entitled to investigate and impose penalties in accordance with laws and regulations; any act that constitutes a crime shall be subject to prosecution for criminal responsibility.

## Compliance Management

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 2018, Dalian Port did not violate any laws or regulations for product liability.

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 standards and safety when rendering services. This facilitates the effective integration of corporate culture building with production and operation management. In operation and service concept of Dalian Port 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. They also strictly abide by intellectual property laws and regulations so as to keep a positive brand image.

## The laws and regulations that Dalian Port (PDA) Company Limited complies with for service quality management

Internal Systems	External Laws and Regulations
<ul style="list-style-type: none"><li>✓ Dalian Port (PDA) Company Limited Regulations for Special Materials Transportation Management</li><li>✓ Dalian Port (PDA) Company Limited Regulations for Freight Service Quality</li><li>✓ Dalian Port (PDA) Company Limited Regulations for Customer Satisfaction Evaluation Management</li><li>✓ Dalian Port (PDA) Company Limited Regulations for Informationalised Safety Management</li><li>✓ ISO9001 Management System</li><li>✓ ISO14001 Management System</li><li>✓ OHSAS18001 Management System</li></ul>	<ul style="list-style-type: none"><li>✓ Law of the People’s Republic of China on Protection of Consumer Rights and Interests</li><li>✓ Advertisement Law of the People’s Republic of China</li><li>✓ Railway Law of the People’s Republic of China</li><li>✓ Road Transport Regulations of the People’s Republic of China</li><li>✓ ...</li></ul>

Considering that feedback from customers is essential to the healthy development of a company, 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.

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## 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 Dalian Port on the Authorisation 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

Dalian Port has a policy of zero tolerance for corruption. With the corporate culture featuring self-improvement, virtue and honesty, the Port insists that every cases must be investigated and any corruption must be penalised. It incessantly enhances its anti-corruption construction and further defines political disciplines and rules by upholding non-forbidden zone, full coverage and zero tolerance and by adhering to serious restrictions, high pressure and prolonged awe, so as to in a strict manner, control disciplines with respect to the organisation, the integrity, the mass, the work and the life and in a comprehensive way purify and create a satisfied political ecosystem throughout the port.

In 2018, the Company conducted public assessment for and questionnaire survey on integrity at the grassroots and senior management level. The assessment results have been sent to each unit one by one to urge and supervise leaders to continue to improve their style of work.

## Special Supervision on System Construction and Implementation

The Company organises self-inspection and rectification for legitimate compliance of management systems as well as arranges special examinations on tendering. It details the work requirements, supervises all departments and units to complete self-inspection and rectification for the systems, and collaborates the functional departments to carry out special examinations in all units. The Company summarises the self-inspection and rectification for management systems and the special examinations on tendering, analyses the major existing problems and proposes sustainable recommendations. The Company earnestly implements the rules of supervision and discipline execution by means of conducting self-inspection and self-correction for safety review pursuant to requirements of the Municipal Commission for Discipline Inspection and based on laws and disciplines, and rectifying such non-compliance one by one as failure to establish a temporary party branch for individual review and investigation team and irregular secondment procedures, so as to ensure that review and investigation are conducted in accordance with laws and disciplines. In addition, the Company, in an earnest way, has organised and carried out special work on major decisions and arrangements such as special examinations on corruption and work style in poverty alleviation. In line with requirements of the higher authorities, a great number of work with significant achievements have been accomplished in cooperation with evidence collection, communication, correspondence, trial and settlement.

# ESG Report

## **Integrity Education**

In combination with the education themed “*Remain true to our original aspiration and keep our mission firmly in mind*” and the Company’s practical conditions, Dalian Port carries out education on the Party disciplines and rules and on anti-corruption warnings for all the Party members and cadres, “new employees, transferees and promotes” as well as employees in major fields, with an effective assistance of the port journals, the office system and the WeChat platform. The Company arranges such activities for all subordinate units as watching warning education films, visiting the Dalian Anti-corruption Warning Education Base, conducting calligraphy exhibition and knowledge contest with respect to integrity construction, inviting experts to teach, carrying out symposiums, and expressing feelings and experiences, for the purposes of elevating business capabilities and levels of the discipline inspection and supervision team and further enhancing employee’s awareness of corruption issues.

## **Community Investment**

Dalian Port has proactively implemented poverty alleviation work by thoroughly carrying out the General Secretary Xi Jinping’s important exposition on the work and well implementing the spirits of the 19th CPC National Congress and the second and third plenary sessions of the Central Committee. Under the support by the CPC Dalian Municipal Committee and Dalian Municipal Government, centring on promoting steady poverty alleviation of the impoverished and long-term development in underdeveloped areas, Dalian Port makes full use of its own advantages to carefully organise and coordinate the work of targeted assistance. We visit from door to door in 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, for the purposes of figuring out the right way to achieve prosperity and vigorously dedicating to practicing the strategy of rural vitalisation.

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*, Dalian Port has been responsible for the poverty alleviation work in Guangsheng Village, Lijia Town, Heishan County, and Jinzhou City since the beginning of 2016. In order to accomplish the long-term development in Guangsheng Village, Dalian Port conducted in-depth investigation on and analysis for local natural conditions as well as economic and industrial development. In 2018, we carried out poverty alleviation work from the root causes to assist in the local construction of donkey breeding bases and in the procurement of the animals, for the sake of promoting industrial construction and economic development of the Village.

Setting up a target of comprehensive poverty alleviation by 2020, Dalian Port increased its investment in the targeted villages for assistance at Lejia Township in Pulandian District in 2018, namely, Shahe Village, Lejia Village, Miaoling Village, Duifeng Village and Lufeng Village. Impact by the “820 Heavy Downpour”, production facilities in Lejia Village were terribly damaged. Dalian Port has invested special funds for repairing such damaged facilities and assisting in the infrastructure construction in low-income villages. In addition, Dalian Port’s poverty alleviation leading group sent sympathy to the underprivileged families and provided them with such daily necessities as rice and noodles before the New Year’s Day to continuously improve the life quality of villagers.

In 2018, Ajia Town of Shuicheng County, Liupanshui City, Guizhou Province was a new target for Dalian Port’s assistance. Pursuant to the indicators of the Dalian State-owned Assets Supervision and Administration Commission, Dalian Port was required to assist 10 local residents to shake off poverty. For this purpose, Dalian Port has paid an in-depth visit to poverty alleviation areas and energetically formulated poverty alleviation strategies from the improvement on life conditions and the enhancement on capabilities for achieving prosperity. It has backed the development of local cattle husbandry by means of investing funds to assist villagers to repair their houses and purchase calves.



# ESG Report

## Appendix: ESG Reporting Guide

Index	Description of Issues	Corresponding ESG report chapters and pages
<b>Area 1 Environmental</b>		
<b>Aspect A1 Emissions</b>		
<b>General Disclosure</b>	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 P346, 347, 348, 349, 350, 351, 352
<b>KPI A1.1</b>	The types of emissions and respective emissions data	Key Performances P352
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performances P352
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performances P352
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Performances P352
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	Green Operation P346, 347, 348, 349, 350, 351
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green Operation P346, 347, 348, 349, 350, 351
<b>Aspect A2 Use of Resources</b>		
<b>General Disclosure</b>	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operation P350, 351
<b>KPI A2.1</b>	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 P352

# ESG Report

Index	Description of Issues	Corresponding ESG report chapters and pages
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Key Performances P352
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved.	Green Operation P350, 351
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green Operation P350, 351
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable; during the reporting period, this index was inapplicable to our operations.
<b>Aspect A3 The Environment and Natural Resources</b>		
<b>General Disclosure</b>	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Green Operation P346, 347, 348, 349, 350, 351
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operation P346, 347, 348, 349, 350, 351
<b>Area 2 Social</b>		
<b>Employment and Labour Standards</b>		
<b>Aspect B1 Employment</b>		
<b>General Disclosure</b>	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 P359
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region.	–
<b>KPI B1.2</b>	Employee turnover rate by gender, age group and geographical region.	–



# ESG Report

Index	Description of Issues	Corresponding ESG report chapters and pages
<b>Aspect B2 Health and Safety</b>		
<b>General Disclosure</b>	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 P353, 354, 355, 356, 357, 358, 359
<b>KPI B2.1</b>	Number and rate of work-related fatalities.	Health and Safety Protection P353
<b>KPI B2.2</b>	Lost days due to work injury	–
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety Protection P353, 354, 355, 356, 357, 358, 359
<b>Aspect B3: Development and Training</b>		
<b>General Disclosure</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Protection of Employees' Rights and Interests P360, 361, 362
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	–
<b>KPI B3.2</b>	The average training hours completed per employee by gender and employee category	–
<b>Aspect B4: Labour Standards</b>		
<b>General Disclosure</b>	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 P359
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour.	Protection of Employees' Rights and Interests P359

# ESG Report

Index	Description of Issues	Corresponding ESG report chapters and pages
<b>Aspect B5: Supply Chain Management</b>		
<b>General Disclosure</b>	Policies on managing environmental and social risks of the supply chain.	Operation Responsibility Management P369
<b>KPI B5.1</b>	Number of suppliers by geographical region.	–
<b>KPI B5.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Operation Responsibility Management P369
<b>Aspect B6: Product Responsibility</b>		
<b>General Disclosure</b>	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 P365, 366, 367, 368
<b>KPI B6.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
<b>KPI B6.2</b>	Number of products and service related complaints received and how they are dealt with.	Operation Responsibility Management P368
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	Operation Responsibility Management P368
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures.	Not applicable
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Operation Responsibility Management P368

# ESG Report

Index	Description of Issues	Corresponding ESG report chapters and pages
<b>Aspect B7: Anti-corruption</b>		
<b>General Disclosure</b>	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 P369, 370
<b>KPI B7.1</b>	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.	–
<b>KPI B7.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operation Responsibility Management P369, 370
<b>Aspect B8: Community Investment</b>		
<b>General Disclosure</b>	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 P370
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Operation Responsibility Management P370
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area.	Operation Responsibility Management P370

# ESG Report

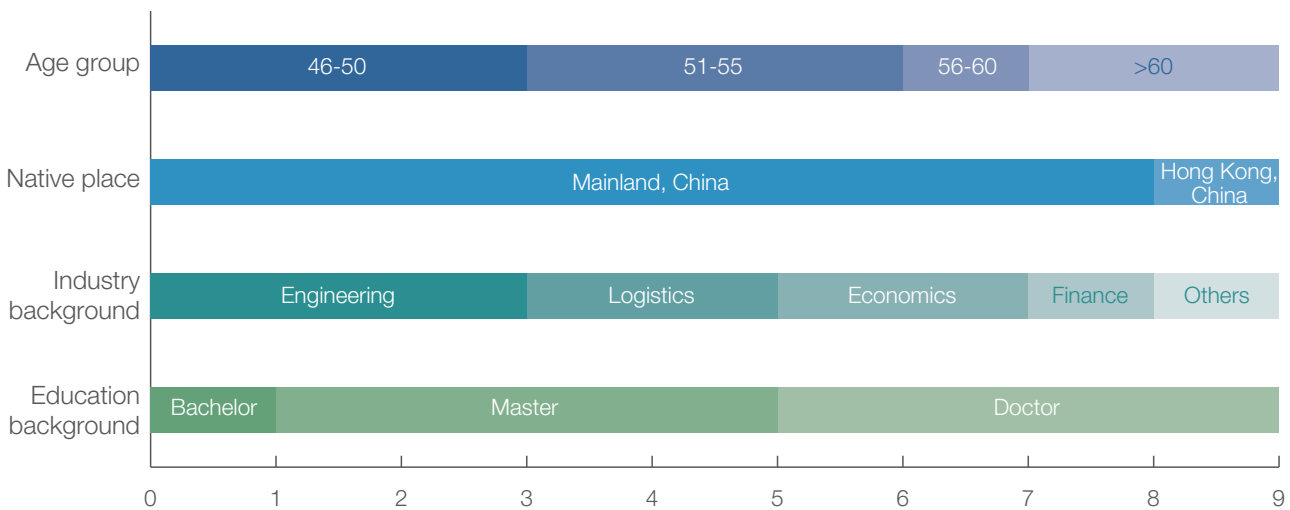
## Summary of the Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the overall quality of its performance. The Board adopted the board diversity policy which sets out the method to diversify the composition of the Company's Board in March 2019. In determining the composition of the Board, a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account in respect of the diversity of the Board. All Board appointments will be based on meritocracy and candidates will be selected based on objective criteria, having due regard for the benefits of diversity of the Board.

## Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time. The ultimate decision will be based on merits of selected candidates and the contribution that they will bring to the Board, with due regard for the benefits of diversity of the Board.

During 2018, the Board comprised nine directors. The table below shows the diversity of the Board during 2018:





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)